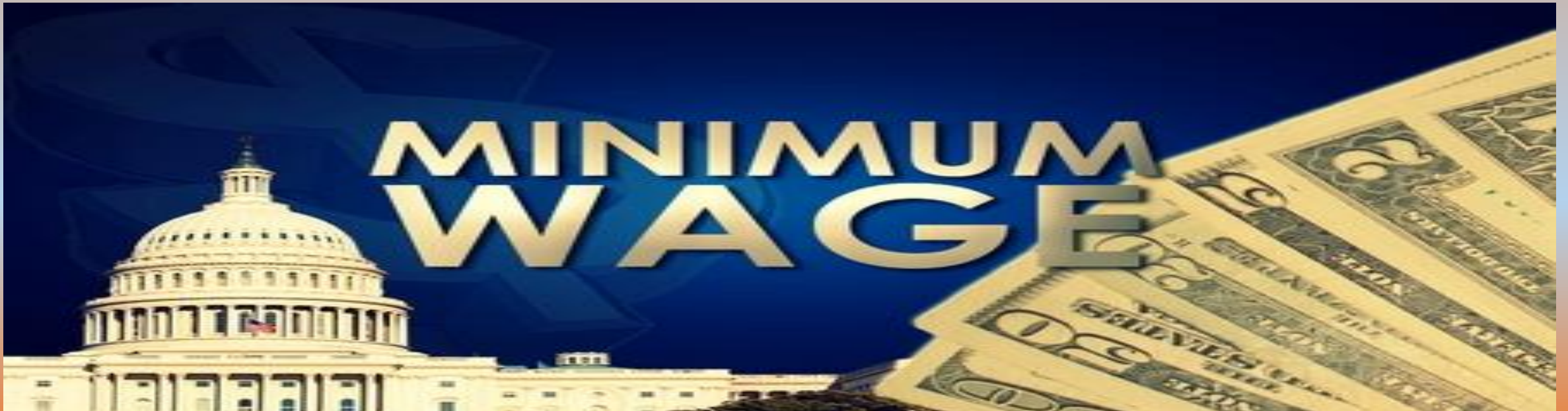




Navigating Mandated Minimum Wage Increase



Our Reality:

Minimum Wage Increases to \$15.00 by 2026!

**Amendment 2, Gradually Increasing Florida's
Minimum Wage to \$15 an Hour by 2026**

(Florida joins California, Connecticut, Illinois, Maryland,
Massachusetts, New Jersey, and New York)

What does this mean to you as an employer?

- **Minimum wage increases from \$8.65/hour to \$10.00/hour in the state of Florida as of September 30, 2021**
- **Current Employees who make less than \$15.00/hour**
- **Current Employees who make \$15.00/hour or greater**

How can we navigate such and increase and remain profitable?



Thoughts

- We can't afford that kind of increase!
- No way finance will approve!
- Owners simply won't go for it!

Let's talk about how to make this happen!

What is Pay Compression

*Pay compression (wage compression or salary compression) is when employees who have been in a job for a long time makes less than new hires in the same position.

*You see pay compression happen when starting salaries for new employees in a particular job title are set too close to the wages of your existing workers.

*In really awful circumstances, the starting salaries exceed what your current employees are earning, even if your tenured employees have more skills and experience.

WHAT CAUSES PAY COMPRESSION

1. DEMAND EXCEEDS SUPPLY

2. STALE OR OUTDATED DATA

3. BROAD PAY GRADES

WHAT IS THE PROBLEM IF PAY COMPRESSION IS NOT ADDRESSED?

- It can be expensive if salaries have not been managed consistently and you are now forced to comply.
- It can have a negative impact on morale of a your workforce.
- Pay compression can also impact recruiting efforts.
- The most common consequence of pay compression is unproductive turnover.

Do employees really know what others make
within the practice?

YES!

You can't punish employees for talking about their salaries either. Although some organizations try to keep this from happening, employees are legally protected by the National Labor Relations Act (NLRA) to talk about what they earn.

HOW DO YOU ADDRESS PAY COMPRESSION?

Pay compression is one of the ugliest pay issues that compensation professionals face. It tends to be a no-win, lose-lose situation, and the ways to deal with it are limited. *RESOLVE PAY INEQUITIES*

The obvious answer is to pay employees what they are worth by resolving pay inequities and enacting merit and market increases across the board — or at least for your most critical roles.

BUT WE CAN'T AFFORD THAT!

The truth is -You can't afford **not** too!

NEXT STEPS

1. MAKE A PLAN
2. DECIDE WHAT YOU CAN AFFORD
3. EXAMPLE: BRING NEW EMPLOYEES IN AT A MINIMUM OF \$15.00

2 YEAR EXISTING EMPLOYEE

□ HOURLY RATE \$13.75 -\$1.25 GAP

OPTIONS:

- \$13.75 + \$1.25 = \$15.00 PLUS PAY +
COMPRESSION OF \$1.25
- NEW HOURLY RATE OF **\$16.25**

MOST COMPANIES START OUT WITH A PERCENTAGE OF FULL COMPRESSION

EXAMPLE :

□ OUTSTANDING PERFORMERS	60%
□ EXCELLENT PERFORMERS	50%
□ GOOD PERFORMERS	40%

YOU CAN USE JOB CODES OR POSITIONS TO DETERMINE PAY COMPRESSION.

CONSIDER VARIABLE OR INCENTIVE PAY

In the meantime, you might ask what else might bolster morale and ensure employee loyalty other than pay?

- Paid time off
- Developmental Opportunities
- Time off to Volunteer

SURVEY YOUR EMPLOYEES TO SEE WHAT IS IMPORTANT TO THEM.

HOW TO PREVENT PAY COMPRESSION

The best way to deal with pay compression is to prevent it from happening in the first place. If you are savvy about compensation planning and use [modern software and tools for compensation management](#), pay compression can be avoided.

THE ROI OF ADDRESSING PAY COMPRESSION

IN A MARKET WHERE PRACTICES NO LONGER HAVE AN OVERABUNDANCE OF PEOPLE APPLYING. ITS MORE IMPORTANT THAN EVER TO BE ON THE FOR FRONT OF A COMPETITIVE COMPENSATION PACKAGE THAT ATTRACTS AND RETAINS TOP TALENT!

QUESTIONS

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