

**Goals: This session should help the participant:**

- Follow company policies and procedures regarding wage and salary issues.
- Understand wage and salary responsibilities.
- Know how key laws may affect wage and salary issues.
- Effectively communicate salary and raise decisions to employees.

**1. What are your responsibilities?**

- Your chief wage and salary responsibilities include the following:
 - Communicating salary decisions as part of the hiring and/or the performance review process;
 - Recommending wage and salary increases within organizational guidelines;
 - Assigning and tracking hours worked to determine wages;
 - Arranging and verifying work schedules; *and*
 - Providing required information for any incentive or variable pay programs.
- You must be familiar with the organization’s basic wage and salary guidelines and know whom to go to for assistance when you have policy questions.
- You also need to understand the limits of your authority and know when to refer employees to a higher authority.

2. What are the key factors in wage and salary decisions?

- You need to understand the following factors and be able to explain them to employees who inquire about them:
- Market value for the job. Generally there is a minimum, midpoint, and maximum pay for a particular position.
 - This is referred to as a wage and salary range.
 - The range is usually based on salary surveys comparing similar jobs among several companies.
- Position in the range. Pay decisions are often based on where an employee falls within the range.
 - For example, if an employee is at the bottom of the range, his or her potential increase might be higher than if he or she is at the top of the range.
- Reason(s) pay has been positioned where it is. Reasons may include:
 - Level of experience, knowledge, and training;
 - Job performance as assessed in performance reviews;
 - Team, division, or unit performance; *and/or*
 - Length of time with the company.
- Budget and company performance. The amount of an employee’s salary and raises ultimately depends on the company’s ability to pay, based on its performance in the market, and the budget allocated for Human Resources.

**3. What legal requirements affect wages and salaries?**

- The Fair Labor Standards Act (FLSA) requires all employees to be paid at least the minimum wage set by the government.
 - This law also mandates overtime pay for hourly employees who work in excess of 40 hours in any given workweek.
 - The law also defines hours of work (including rest periods, meal breaks, travel time, etc.).
- The Equal Pay Act requires that men and women who work in the same organization under similar working conditions and perform jobs that require the same skill, effort, and responsibility receive the same wages and benefits.

4. How can you most effectively discuss raises with employees?

- Conduct performance appraisals properly.
 - Stay on schedule—don't put off performance reviews.
 - Provide clear feedback on job performance as needed.
 - Do all required paperwork.
- Be prompt in communicating results.
 - A raise or bonus loses its impact as an incentive if the link between performance and pay isn't direct and clear.
- Explain the reasons behind the raise decision, including:
 - The employee's job performance;
 - The employee's position in the salary range (for example, the employee's raise may be smaller because he or she is in the upper limit of the job's pay range);
 - The budget parameters underlying the decision (for example, percentage of increase should be set in the context of the percentage management has budgeted for raises);
 - Economic factors, if relevant (for example, how the company performed during the period in question, how the industry is doing in general, and the overall effect of the state of the economy); *and*
 - To reach the salary threshold required for exemption from overtime under the FLSA.

Applicable regulations: Fair Labor Standards Act and Equal Pay Act

Summary:

- To communicate effectively with employees about basic wage and salary issues, supervisors must understand the reasons for pay decisions and be comfortable explaining them to their employees.

**Discussion tips:**

- Distribute copies of the handout and discuss effective ways of communicating salary and raise decisions with employees.

