

SHOULD YOU GIVE YOUR EMPLOYEES A RAISE?



By Stephanie Ramsey; The Foresight Companies, LLC

Determining if or when to give an employee a raise is a question funeral business owners/managers frequently struggle to answer. This year funeral business owners/managers are challenged to address this issue in a very direct and specific manner as a result of the impending new overtime rules.

Currently, due to a Texas Judge issuing an injunction, the implementation of this rule is on hold and may or may not ever be put into effect. This leaves owners and managers uncertain about how they should or if they should address raises for their employees. Given the complexity of the overtime rules and the current focus on retaining quality employees in the funeral industry it is wise to consider the four following components when addressing raises:

- Company Budget/Profitability
- Market Rate of Position
- Employee's Job Performance
- Future Expectations of Employee and the Business

All funeral owners/managers deal with the various questions of employee raises at least annually. For example, should raises be offered to employees? Which employees? How much should they increase? Let's focus on the four components outlined above to answer these questions.

1) ABILITY TO PAY

Whether a company can financially afford raises is something that should be considered before determining how



much an employee should receive. Anticipating raises in each annual budget can ensure that there are funds available for raises if the business performs as expected.

If the company does not have the financial strength to provide raises, management must consider no-cost or low cost alternatives. This can include items such as elevating the employer portion of insurance premiums or increasing the number of paid vacation days. Perhaps paying for continuing education or covering the cost of dry cleaning?

These may seem to be small items but they will be valued by the employees, especially if you openly share with employees that the company just cannot afford raises across the board in the current year. Suggest that all employees working to cut expenses and maximize profitability of the business to allow for raises the next year. This can be a motivational tool.

2) HOW MUCH TO PAY?

When determining how much of a raise should be given to an employee, the first issue to consider is whether the employee is currently being paid at a competitive market rate for the area. This is a critical factor.

If they are below the competitive market rate there is a higher risk of them looking elsewhere for a job or being poached by a competitor. If the employee is below the competitive market rate, has performed at an acceptable level and you desire to retain their employment, a one-time pay adjustment may be needed and can replace the normal raise process for that year.

How can you know what the market rate is for your area?
Do market research using such sites as:

- Payscale.com – This site provides good salary information.
- Glassdoor.com – Both employees and employers can post salary information here.
- Salary.com – This site touts that they have the world's largest compensation database.
- Monster.com – Their salary wizard tool is helpful to employers.

Also, there are HR websites and books that you can use to learn what the salary market rate for positions are in your area.

3) PREPARE A FORMAL REVIEW

It can be an overwhelming task to measure an employee's job performance. There is a way to simplify it. Start with a formal review process for all employees at least annually. While reviews are dreaded by both employers and employees, they remain the best tool for providing owners/managers with information to base promotions and raises. Yes, there are those that simply give their employees a cost of living adjustment every year without bothering with formal reviews. But in an industry where finding competent and professional staff continues to be increasingly difficult, these standard costs of living raises will not help you attract or retain quality employees. Creating a formal review process is not as difficult as you might initially think.

Begin by creating a review form. There is no required format. Focus on tasks that the employee is required to do and evaluate them and put them in a format that is easy to read. Make sure that the review form clearly identifies the evaluation scale. Is it a 1 through 10 grade or descriptive such as, average, above average, below average?

Here are some example tasks that can appear on a review form for evaluation:

- Serving families at a level that represents your firm.
- Obtaining continuing education as required for licensing.
- Accurately completes documentation necessary for funeral services desired by the family.
- Provide families with current GPL.
- Discuss payment options in the arrangement conference.

You can also evaluate more general job performance such as interpersonal skills, leadership, resourcefulness and customer orientation. Include an area for comments where you can note praise or recommendations for improvements. Finally, there should be an overall job performance evaluation. Once you have identified the evaluation criteria of the position you are reviewing and included an evaluation scale and comment or recommendation section you are ready to move on to completing the form for each employee.

Don't forget to determine who will be completing the review form. The individual that supervises the employee is the most likely candidate for this purpose. As they are considering the criteria to be used for the employee, they should consider whether they met, failed or exceeded expectations. Once the form is completed by the supervisor it should be carefully reviewed by management to see if they concur with the evaluation and raise prior to being shared with the employee.

4) EMPLOYEE EXPECTATIONS

What does the future hold? What are your expectations of the employee in the coming year? Do they have more responsibilities or authority? Are you changing their role in a significant way? Will they be managing other employees? How do you anticipate the business will perform in the coming year? Will the employee be able to positively impact the profit of the business? How do these expectations of the business and the employee impact do raises?

If the employee is taking on more responsibility, that should influence their raise. Employees that positively influence profitability of the business are very valuable to you. You want to retain them and one way of accomplishing that is through raises that recognize their contributions to the business.

Before moving on to calculate raises based on these four components, it would be remiss not to review the recent situation that businesses are facing due to the new overtime rule changes. If you have already adjusted employee salaries and informed them of these changes as part of an effort to



be compliant it is likely best for you to move forward with the new salary. Why? Two reasons:

- It is difficult to go back to employees and tell them you are changing their pay because the new rules did not need to be implemented on December 1st. Many employees will be confused by the need for any further changes to their pay. Also, creating a situation that can have a negative impact on morale should be avoided.
- Just because there is currently a hold on the implementation of the revised overtime rules does not mean that it will not be implemented at some time in the future. Trashing all the effort that was made to comply with the new overtime rules will be very frustrating if the rules are suddenly implemented a few months down the road and the business must revive their efforts to comply.

PUTTING IT ALL TOGETHER

How are the four components monetized in the form of raises? Nationwide, the average employee raise is approximately 3%. However, employees who are considered exemplary receive considerably more than that. In fact, they frequently are given between 2 and 3 times the average raise (6% - 9%) as a method of retaining them within the business.

When looking at the four components of where does your employee fall? Are they average? Below average? Or are they a “super star” that you want to retain long-term?

If they are below average, you can provide a small cost of living adjustment. Be sure to explain on their formal review that improvements in the key areas that you identified could lead to a raise the next year.

For those employees who fall in the average range you can provide at the national average of 3% or slightly more. Your “super stars” can expect to receive a raise of between 6% to 9% and perhaps even more if you are in a competitive market where your nearest competitor can steal them away.

There is no formal pay raise scale in the funeral industry to follow, but basing your decision on as many objective factors as possible is critical. Once you determine how much of a raise to give each employee, include that information as part of their formal review. Yes, you may have some employees who are disappointed. But you will also have solid information via the review that can illustrate to an employee the areas where they can improve or efforts they can make to strengthen the business and perhaps lead to a better raise the next year. Please reach out to The Foresight Companies if you need assistance creating employee review documents and processes.

Stephanie Ramsey is the HR Specialist for The Foresight Companies, LLC.

Order of the Golden Rule
FAMILY CONTACT

Paperless Reporting

The Family Contact Program will begin transitioning to a paperless reporting system in 2017. No more waiting for the mailman to see what families are saying about your funeral home! All Family Contact reports will be online and easy to access. Stay tuned for further updates as the transition to paperless reporting begins in Spring 2017. Questions? Contact the Family Contact Program Manager at drodriguez@ogr.org.

MORE BENEFITS!

- **EASY ACCESS (AVAILABLE 24/7)**
- **QUICK DELIVERY (UPLOADED IMMEDIATELY. NO MORE WAITING ON THE MAILMAN)**
- **CONVENIENT STORAGE (STORED IN ONE PLACE)**