

Compensation Planning for 2015

The midsummer projections for salary increases in 2015 have now been confirmed by sources compensation specialists respect most for reliable information. The median salary budget will move up 3.0% over 2014. That appears to be a solid number:

- Mercer: 3%
- Bloomberg: 3%
- World@Work: 3%
- Hay Group: 3%

This means that the market median will move up 3%, not that employees will receive a 3% across-the-board raise. Mediocre employees will get nothing and stars may get 4.8% if the median moves 3%.

The increase for 2014 was actually 2.9% and has not changed very much since 2011. A costly trend became evident in 2014 to raise the minimum wage at the state and local levels, thus circumventing the gridlock in Washington. The steep rise of as much as \$3.00 per hour in some parts of the US will have a costly impact on labor costs, as payroll has a ripple effect on FICA tax, unemployment tax, insurance costs, and premiums for insurance coverage tied to salary. A 3% increase in base pay for an employee is closer to a 4% increase in cost to the employer. Now may be a good time to look for more noncash rewards to control direct payroll costs, such as paid time off.

A second expected change could be even more costly to employers. The Department of Labor is reviewing the criteria for Exempt versus Non-Exempt pay status. Not only are they looking at who does not does not qualify for overtime, they are looking at the minimum threshold. The report will be released in November and it should come as no surprise that the minimum uninterrupted salary of \$455 per week will likely be raised considerably. These changes could dramatically increase payroll costs for all employers.

This briefing was prepared by Nancye M. Combs, AEP•SPHR, President of HR Enterprise, Inc., in Louisville, KY. She is our endorsed consultant and provides advice on a variety of HR and management issues to our members. Nancye can be reached at:

Nancye M. Combs, AEP•SPHR
HR Enterprise, Inc.
P.O. Box 6507 • Louisville, KY 40206-0507
Office (502) 896-0503 • Personal (502) 419-6413 • FAX (502) 896-0033
e-mail: nancyecombs@aol.com