

Wage Compression

Complete this table to help you analyze the effect of wage compression on a particular group of employees.

Job Title				Supervisor			Supervisor Annual Compensation	
Name	Sex	Hire Date	Initial Rate	Last Increase Date	Current Rate	Annualized	Next Scheduled Increase Date	Performance Rank

Instructions

1. Insert the job title to review, the supervisor’s name and supervisor’s annual compensation. The supervisor’s compensation is useful in comparing the supervisor’s pay with the people he supervises.
2. Place names of employees in order of hire into position, with the most recent hire at the top.
3. Enter the sex, hire date, hire pay rate, date of last pay increase, current pay rate (including any increase required by the change in minimum wage), the annualized value of the current pay rate, the next scheduled pay increase date and performance rank for each employee. (The performance rank represents how each employee ranks among her peers based on the most recent performance evaluation.)
4. Review the resulting progression of current rates in relation to years-in-the-job and experience, but don’t overlook skills and competencies that justify paying a higher rate to an employee with shorter service than her peers. Identify situations you need to correct. While it’s important to consider the initial rate paid to an employee having superior skills or experience at the time of hire, the effect of this factor should diminish over time as other employees develop equivalent capabilities.
5. If you don’t have a wage range for each of your jobs, you should consider creating one. Your wage range for each job title should have a minimum, midpoint and maximum amount you are willing to pay for a particular job. The midpoint should represent a market-competitive rate you would pay for an employee who meets job expectations.
6. Take action. Your analysis will reveal where compensation adjustments need to be made, due to increases given to employees’ at the bottom of the pay grade or because the minimum wage change raises your hiring rate. There are two ways to act on this information. The first and most subjective is to determine how each employee’s rate should relate to other employees in the same job title. The second and more systematic method is to consider where each employee in the group should be within the pay range based on longevity and performance. In addition, consider how you will make necessary pay adjustments, either as a single event adjusting all affected employees, or by making appropriate changes at each employee’s next pay adjustment date.