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## Pay Increases for 2016 – On a Limited Budget?

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It's that time of year as we move closer to making pay decisions for next year. We all struggle with ways to make these dollars go farther – both for the organization and for the employees receiving them. An even bigger challenge is how to give more to your better performers when the budget is limited. With salary increase budgets projected to remain relatively unchanged from last year's levels, we ask the question – how can we recognize and reward our better performers to make sure we retain them?

To help answer that question, let's first ask:

- How do we currently identify our better performers versus our average performers?
- Do we feel confident our measures of performance truly identify our better performers?
- Do we measure performance in a way that lets us effectively link that performance to pay?
- Do we offer effective tools to help our managers measure their staff's performance in a fair and objective manner – and a solution or guidance how to integrate those performance measures with pay decisions?

If we feel confident about the way we identify and measure performance, then linking that performance to pay can be an effective way to recognize and reward our better performers – through base pay increases and/or performance-based annual incentive opportunities. That part makes sense.

However, we then need to ask:

- When was the most recent market pay analysis completed – does it reflect current market levels?
- Do we know how our pay compares to current competitive market levels – specifically, where does the pay of a better performer rank compared to the market and within their pay grade range?

We can then use effective tools that integrate performance and where pay falls compared to competitive market levels or within pay grade ranges to develop pay increase guidelines. This provides a way to make a pay decision based on performance and take into account how that position is currently paid compared to competitive market levels or within the pay grade range – basically, by not making a pay decision in a vacuum.

For example, let's say you have a better performer who you've determined is paid below a competitive market level (or lower in their pay grade range). This individual's pay increase would be larger than one paid above competitive market levels or higher in their pay range.

This approach helps you recognize and reward your better performers in a fair and equitable manner – and make those dollars go farther by focusing on those that are truly below competitive levels of pay.

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