



How Do You Lift a Salary Freeze?

Q: We are in the process of contemplating lifting our current wage freeze for 2010. The issue is that our employees have staggered review dates. What is the best way to lift the wage freeze equitably so that is fair to all employees?

--- Thawing Our Pay, compensation and benefits analyst, technology, Virginia.

A: Assuming that your company is on a calendar year, the simplest way to lift the pay freeze is to begin with employees with the earliest anniversary dates. If you implemented the pay freeze in January 2009, for example, you would begin with employees who normally receive increases in January. Conversely, if the pay freeze took effect at some other point last year (meaning some employees got raises while others did not), you would need to adjust pay for those who missed out. You could either provide a pro rata adjustment for all of them immediately, or wait until their anniversary dates roll around this year and provide an extra salary bump at that time.

To avoid these issues in the future, we strongly urge your company to move toward a common review date—typically, three to six weeks after the end of the fiscal year. Such a move places all employees on the same performance cycle and enables you to measure performance directly against the company's annual operating goals and objectives.

Please note, however, that deciding to use a common review date is a separate decision from whether or not to budget annual pay increases. Rather, it is a decision related to organizational planning and performance management. We also caution against using a common review date as a way to make it easier for you to freeze salaries in the future.

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