



HR Examiner

*Examining practical HR issues business owners
and managers encounter every day*

Minimum Wage Changes

August 2008

Compensation Check

Perhaps this is a good time to review your compensation system, or if you don't have one, it may be time to create a more formal structure. Here are some tips and telltale signs to see if your program is working:

- ▶ If you rank your organization's or department's positions in order of

Federal Minimum Wage Change

It's been a while since my last newsletter. I hope you are all enjoying the beautiful summer that seemed to arrive so slowly in Minnesota.

We were sitting at the dinner table the other night and my youngest son was talking about how he would be receiving a pay increase at Applebee's because the minimum wage was going up. So oddly, that started the four of us discussing compensation strategy while eating supper. I guess that's what you get with an HR Mom.

Since my son's hourly pay rate is above the current minimum wage (and since Minnesota's MN wage rate for large employers has exceeded that required by the Federal requirement for many years), I knew that Applebee's wouldn't be required to increase his pay. However, from a compensation equity perspective, if the



level of responsibility, do the employees' corresponding pay fall in the same pattern of increasing pay for increasing level of responsibility?

▶ How do you determine a new employee's pay at hire? Do you do a formal or informal market analysis? Do you have an established starting pay or starting range of pay for new hires? Do you pay whatever the candidate asks for and base your starting pay on that?

▶ Are your seasoned employees upset because the starting wage for new employees with less experience is higher than theirs? This may be a sign that you're not adjusting your employees' pay to match the market.

▶ Are your employees searching the Internet and coming to you with information on

organization is increasing the pay of one group of employees (or one salary grade), it is more equitable to increase the pay rate and grade of other hourly employees. Clearly that was their approach.

The next morning following our exciting dinner conversation, I received an employment law update email from SHRM (Society of Human Resource Management) with a reminder that the minimum wage would be increasing to \$6.55 on July 24, 2008.

Since the last increase in the Federal Minimum Wage was still less than Minnesota's Minimum Wage, it didn't affect Minnesotans. But this year's change does affect many Minnesotans. So I went to the MN Department of Labor and Industry website to see exactly how MN businesses would be affected.

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MINNESOTA MINIMUM WAGE REQUIREMENTS

Here's the link to what I found: <http://www.doli.state.mn.us/fedminwage.html>

Read it thoroughly to see how this applies to your organization. But here's a summary for you.

Employers must increase the pay of any minimum wage employee to \$6.55 if:

- You're engaged in interstate commerce

...information on what they think they should be earning in the market?

▶ If you have minimum wage employees whose newly increased pay will exceed or approach the wage of employees in higher level positions, you may wish to provide a one-time increase to your hourly pay range. Or you may want to stagger the pay adjustments over time to allow your payroll budget some time to recover. Just remember in two years, on July 24, 2009, the minimum wage will jump again to \$7.25 per hour.

- Your business revenue exceeds \$500,000 per year, or
- You fall into other categories, such as hospitals and nursing homes, private and public schools, and federal, state and local government agencies

When state and federal requirements overlap, employers are always expected to follow the more generous law. As such, there are only two situations in MN where you do not have to pay employees the new minimum wage.

If your annual sales volume is less than \$500,000 and you're not engaged in interstate commerce

- you may pay \$5.25 per hour, or
- you may pay employees under the age of 20, \$4.90 per hour for the first 90 days of employment

FYI – if you advertise on the Internet, you are engaged in interstate commerce and would be subject to the new minimum wage.

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