

How to Hold onto Talent When You Can't Afford Raises

During the worst of the recession, small company owners didn't have to do much explaining to employees if they kept a lid on raises; it was clear that many businesses were in survival mode. But the mood seems a little less dire this year, even with unemployment at 9.6 percent. For one thing, *consumer spending is picking up a bit*; on Black Friday, comScore reported a *9 percent increase in online sales* in the U.S. compared to 2009.

Many entrepreneurs and executives realize that with business growth picking up, they need to act now to hold onto their best employees. HP, for instance, recently announced that after a two-year pay freeze, it would *start paying raises in fiscal 2011*. According to the *WorldatWork 2010-2011 Salary Budget Survey*, while U.S. employers will offer salary raises averaging 2.5 percent in 2010, they will award high performers average raises of 3.7 percent.

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How do you keep up if your firm is still facing tough economic conditions? It takes some smart strategizing. Here are some tips from Jill Morin, CEO at Kahler Slater, a Milwaukee design firm that has made it onto the Great Place to Work Institute's *Best Small & Medium Workplaces list* every year since the award was introduced in 2004.

Tie raises to increased responsibility.

Kahler Slater has not offered across-the-board salary increases to its staff the past couple of years as it fought its way through tough economic conditions. However, it has given raises to staffers who got promoted and took on more responsibility. The company adjusted their pay to take into account its policy of paying higher-than-market rates to attract better-than-average people, says Morin. For those who already earned more than the market rate, it offered nominal increases to acknowledge their promotions, she says.

Link bonuses to achieving revenue goals.

Recognizing that it was important for the team to benefit financially if the firm met its financial goals, Kahler Slater continued to pay bonuses during the recession. Its top executives devised a formula in which bonuses were based on both the company's achievement of key goals in areas such as revenues and the contributions of its departments and individual employees in meeting those benchmarks. "It's about succeeding as an organization and going above and beyond," says Morin.

Explain the company's financial status clearly.

When two employees asked for cost of living raises that the company couldn't afford, Kahler Slater had to turn them down. Higher ups referred the staffers to financial reports that the company posts online for all of its team to review, helping the employees to understand why they couldn't get more money at the time. "Both of those people are still with us," says Morin.

Provide rewards that aren't just financial.

For the creative types that Kahler Slater employs, working isn't just about earning a paycheck, says Morin. So, while the company takes on "bread and butter" work to pay the bills, it also looks hard for higher-profile projects that will keep its team engaged. "We try to work with clients where staff

can do their best work and really shine," says Morin. "They want to feel they're contributing to a cause greater than their own career." Of course, passion doesn't pay the bills. Strategies like these will get you through tough times, but if hiring picks up, many small companies will have to reinstate traditional raises—or will find themselves with empty desks to fill.

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