

## **All About Raises**

**By Rose Jonas, Ph.D.**

As the graduate just beginning your career, you are learning and forming opinions about business and how it works. There is a host of information no one told you about in school. How raises work is one of them. You need to get smart about that.

You want to advance financially. Your strategy has to be, relative to salary, to (a) keep ahead of inflation in your annual increases, and (b) keep getting promoted and getting promotional increases or (c) get a new job. The key is to work hard and smart, to have a savvy awareness of your value to the organization (without being grandiose) and what your worth is in the marketplace, and to jump ship when the money you want isn't in your company but can be found elsewhere.

**YOU WILL NEVER GET AHEAD BY RELYING ON THE KINDNESS OF YOUR EMPLOYER. YOU HAVE TO TAKE CARE OF YOURSELF.**

### **Annual Increases**

1. Thanks largely to unions that negotiated contracts with guaranteed annual increases, imitated by the larger business community, most American workers now expect an annual increase. Theoretically, they're based on someone's good performance, though you'll see one day – with some dismay – that your stellar efforts only got you just a few percentage points more than the slug next to you. It makes you even more determined to seek a promotion.

In okay times, people expect 2 to 5 percent of their annual salary as an increase. So, for instance, if your salary is \$30,000, after year one you might expect a raise between:

2 percent: \$600 annually or \$50 a month if your performance was just fair, and

5 percent: \$1,500 annually or \$135 a month if you did a great job.

When times are GREAT, people sometimes get 5 to 10 percent a year. Over the last three or four rotten years, I've watched people get 1 to 4 percent .

2. Here's a wrinkle about that. What's the rate of inflation? In other words, how fast is the cost of living going up? If you got a 2 percent raise, and the cost of living went up by 2 percent , then you essentially stayed even. You didn't advance, from a money standpoint. In flush times, companies gave Cost of Living increases (2 percent ) PLUS a merit raise on top of that. That doesn't seem to be happening much these days. Happily, the cost of living has stayed relatively even recently, so people didn't lose ground (as is being predicted now, with inflation on the rise). That means, if you got a 2 percent raise, but the cost of living went up by 4 percent , then you went backwards. Keep an eye on inflation in calculating how well you're doing.

3. What companies have done the last few years is to keep raises low, so their cost of doing business stays low. As a way to both motivate and reward employees, they've given bonuses based on how well the company has done and how well the individual has performed. Companies prefer bonuses to increasing their overall salary budgets. It gives them more control over costs.

4. Make as much money as you can in your early years. When you reach your 40s and 50s, you'll find yourself, probably having been in the same job a few years, with a shrinking ability to get that next higher paying job. Also, you could be at the top of your salary range for your position and consequently less able to get greater increases. You are darling and in demand NOW. Make the most of it.

### **Concerning Promotional Increases**

1. Generally, when someone gets a promotion, a raise goes with it. It tends to be in the 5 to 10 percent range, unless you go from a real junior position to a way bigger job. They might give you 10 percent and then promise you another 10 percent six months from now.

2. What if you get a promotion, but no raise? It is highly unmotivating, if not insulting, to ask someone to take a bigger job and not have that be reflected in their salary with an increase. It is wage slavery, and cheats the employee out of a well deserved reward. The person who had the job before you was making a higher salary, in line with greater responsibilities, so the person going into it should get that, too. You're a sucker if you settle for nothing, even if the promotion comes with a promise of future money advancement.

### **Entrepreneurial Exceptions**

Small businesses are broadly defined, up to 300 employees. The larger the company, the more likely they have a Human Resources function and some semblance of salary planning and annual reviews.

This is how it works when the company is small and you probably work for the owner:

1. Entrepreneurs tend not to have systems in place for annual reviews and raises.
2. Owners will often wait till the frustrated person comes and asks for a raise every 18-24 months. This system keeps costs down. Remembering that YOUR money is YOUR responsibility, go in and ask for a raise, taking with you the ways you've added value to the company and stating the amount you want. It would help to know what others in your position in similar companies are making.
3. Entrepreneurs feel the money leaping out of their very own pockets (as opposed to a manager with a budget, and the money's not his). But they're more likely to pay up if you threaten to leave. A bigger company is smart not to be held hostage by your demand for

“more money. . .or else.” In either size company, be prepared to walk if you make that increase-or-else demand.

4. Concerning promotions, owners often over-promise and under-deliver in the raise department (remember, this comes from THEIR pocket). It’s short-sighted thinking to train someone and let them go over a few hundred dollars, but it happens. Their bright and shining star gets honked off and gets a new job. If this is you, keep your eye on the door if the boss isn’t rewarding your hard work.

### **A Dose of Reality**

Having given you this keen advice, I want to throw cold water on your hot salary expectations which, when you begin your career are way out of proportion to the way things are. It’s like the person who gets a criminal justice degree because they’ve watched “CSI” and actually believes investigators go to bloody crime scenes in four-inch heels and work in neon-lit labs. Reality bites. Unless you’re the rare and lucky 20-year-old hot shot hired by the big company for six figures to develop their web portal, or the best law student from the best law school headed for Wall Street’s big bucks, or the bloke who lands the great sales job, you’ll meet a very different work world than you dreamed. You might work at a book store for a year after graduation, or only be able to find internships before you get the entry level marketing job. You will tend to expect, once you find that \$30,000 job, a leap to \$50,000 in the next couple of years. It doesn’t happen that way. You’ll get the 2 – 5 percent and the occasional promotion.

In the first few years of your career, you’ll truly advance yourself mostly by changing jobs every two to three years. This trend changes, but at the moment, the market is very okay with 2-3 year stints at a job. Unless you land with the big company of your dreams with a super-charged salary and promotion system, you will be smart to keep your resume and social network alive and working for you.

Finally, the money you ultimately make will not be a predictable rise on a bar graph. You could start your own company and make scads of money or none. You could change careers and start over in the salary department. You could discover you’re not motivated by money and leave your marketing director’s job to teach high school math. You could be “just-a-mom” mom for 15 years and then become a wealthy real estate mogul. You will learn a lot about money, your ability to make it, and your relationship to it. Keep your knees loose on the rolling money deck, stay open to learning about yourself and the world relative to money, and enjoy the ride.

You will always need advice along the way about salary. A coach like me can help (but make sure the professional has a background and not just enthusiastically telling you, “Reach for the stars!”). Someone just ahead of you on the career path in a similar field who doesn’t see you as competition can as well, along with someone who’s mentoring you. As a former HR executive, I can tell you we aren’t your best source if we’re in the same company. We can tell you what the DEAL is relative to salary, but not likely to tell

you how to get more of the company's money. HR folks outside the company? Organizational consultants? Good strategy, if they know your business. Spouses and friends are generally lousy at this sensitive game. Don't go there, or to accountants or financial planners — it's not what they do. Do some Internet research first, but generally rely on people around you who KNOW. And be willing to pay for good advice. This is, after all, your monetary future!