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Pay higher wages? Here's what many successful companies are doing

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As more middle-market business owners begin bumping compensation to offer their employees a true living wage, they are creating a more empowered workforce with more disposable income. While an unintended consequence might be inflation, in general these wage increases are further strengthening our economy and, by extension, our middle market.

Starbucks was among the first to lead the pack in an emerging trend that is trickling to middle-market businesses, making headlines by offering employees noteworthy compensation packages with stronger benefits, wages, stock options and job perks. The overwhelmingly positive impacts on Starbucks and its employees have been well-documented in the media. Similarly, Walmart and Target are raising salaries and making headlines. This is particularly noteworthy as it benefits those at the lower end of the earning spectrum.

Across the country, what is driving the trend to higher wages?

Companies are not just doing this out of benevolence. Rather, this is a case of supply and demand in a tight labor market where higher wages are a necessity to attract and retain talent. It also is important to note another factor driving this trend: the early growth of robotics. Advances in robotics are enabling companies to achieve more with fewer people and become more efficient and profitable, while lowering the total cost of labor and the number of people needed to perform a variety of tasks. As a result, companies can offer better compensation for their remaining employees, including those involved in the robotics operations, many of whom are required to have specialized technical training and skills.

Without a doubt, increased compensation and better benefits for employees helps diminish the need to work second jobs to make ends meet, and also reduces turnover and financial stress. This results in greater productivity and job satisfaction, loyalty and retention, as well as a stronger company culture. A more dedicated, productive workforce enables companies to derive greater value from their existing employees and run leaner operations.

How can you implement these models at your business?

Here is an overview of what many successful companies today are doing:

- Increasing compensation and health benefits, and ensuring they are appropriate and competitive.
- Eliminating certain employee perks, such as free breakfast in the office, for which deductibility is changing under the recently enacted tax code, and finding more tax-friendly perks.
- Shifting insurance/healthcare costs to employees by raising deductibles to help employers save significant money. However, it is important to keep in mind that this can be problematic. While this money saving initiative can bring significant short-term benefits to the company, businesses (not to mention their employees' health) can be hurt in the long run. Higher deductibles can discourage employees from seeking necessary medical care as soon as needed, including regular checkups or early detection of issues, causing them to become sicker and to need more sick leave. This creates additional expenses for their employers as well as their health insurance companies.
- Adding wellness and mindfulness training and benefits, which have a positive impact on everything from employee job satisfaction to mental health.
- Offering innovative ways to provide assistance and education to employees as well as to new recruits, including using paid internship programs to recruit and train employees. This can enhance productivity and support recruiting while helping defray the growing costs of replacing lost employees.
- Building a culture of innovation. Empowering employees to think outside the box and take risks can increase productivity and efficiency. Smart companies are using this to promote and retain younger employees, while maximizing profitability and providing financial rewards to their employees.

In today's economy, middle-market business owners should consider the incredibly positive impact of innovative measures such as these on successful companies like Starbucks and find appropriate ways to implement measures at their own companies. Those who do will better position themselves — and the middle market as a whole — for continued success.

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