

Support Your Staff with Temporary Pay Increases

Utilizing Smart Start Workforce Grants can effectively bolster your workforce by providing additional funding for salaries and wages. In this resource, we will explain how to use grant funding to support your staff, focusing on temporary pay increases.

For the child care sector, investing in staff is a critical way to ensure your business is healthy, poised to meet goals, and can continue to provide services to children and families. Funding sources, such as [Smart Start Workforce Grants](#) and other grants you may have received, provide an opportunity to support your business and reward hard-working staff through temporary pay increases. This also offers programs a means to attract and retain staff in a competitive job market so their business can grow.

You may be wondering where to start with providing financial incentives and if these can be affordable in the future. To avoid long-term implications, there are several key steps to properly implement temporary pay increases. Here, we review the types of pay and how you can use Smart Start Workforce Grants to award temporary pay increases for your staff while protecting your business's interests for the long term.

Types of Pay

Generally, there are two types of pay:

1. Regular pay is the payroll you're familiar with, where you provide regular compensation to your staff for their work on an hourly, weekly, or annual basis. Regular payroll is taxed for income as well as unemployment, social security, and other programs. Both the long-term pay increases and temporary pay increases funded by Smart Start Workforce Grants would be taxed and paid as regular pay.
2. Supplemental pay is pay that is above and beyond regular pay and can include: overtime, payments for accumulated or unused time off, severance pay, or retroactive pay increases. These wages are reported in a separate part of the W-2 that you provide your employees at the end of the year instead of under regular wages. Supplemental pay is taxed at a different rate and most payroll taxes are not included. Supplemental pay can be added to a regular paycheck that you issue weekly, bi-weekly, or monthly, depending on your payroll cycle, or you can issue it separately, so it is clearly a separate income. When using Smart Start Workforce Grants funding it is important to remember that the funds cannot be used for retroactive pay increases or any form of back pay. You will need to use your grant funds towards pay increases, which can be either long-term or temporary.

Temporary Pay Increases

Through dedicated engagement and development at the state level, Smart Start Workforce Grants are being implemented as a sustainable and long-term program for child care businesses in Illinois.

However, like any other state-funded program, funding is contingent on annual appropriations by the Illinois General Assembly. For this purpose, you want to ensure that you are clearly communicating that staff will be awarded a temporary pay increase, rather than a permanent one.

To avoid confusion and protect your business interest, it is essential that you provide a written document that clearly communicates to staff what the terms of this temporary pay increase are, specifically:

- The amount of the temporary pay increase,
- Why they are receiving it,
- How long it will last, and
- That the increase is dependent upon continued receipt of Smart Start Workforce Grant funding.

****Note:** For awarding temporary pay increases through Smart Start Workforce Grants, we recommend using the start and end dates of each Smart Start Workforce Grant period to ensure that you will have the funding needed to support the temporary increase.

A sample letter to an employee might be:

Date of letter

Dear [Employee],

I'd like to confirm that we are temporarily increasing your salary to the grant-mandated wage floor of [\$xxx], as we've discussed, in receipt of Smart Start Workforce Grant funds for Round 1. This moves you from [\$ Current Amount] an hour to [\$ New Amount] an hour. This is a temporary pay increase and will start on [Month, Day, Year] and end on [Month, Day, Year].

We look forward to being able to compensate you at a higher level during this period.

*Sincerely,
[Employer]*

Final Thoughts

Documentation is critical for implementing temporary pay increases effectively. Make sure that any transactions are well documented in a letter with a signed copy provided both for yourself and your employee. If the terms change for any reason, especially around a temporary pay increase, make sure you write a new letter. For example, if you get some additional grant money and you want to extend your temporary pay increase another three months, you will want to note that in writing a second dated letter stating the new terms and amending the information from the original letter. It can feel a bit tedious and does increase your paperwork, but this is an important legal protection that helps you prepare in case there is any question in the future about whether the payment was a one-time, temporary, or permanent change.

HAVE QUESTIONS?

The Illinois Network of Child Care Resource and Referral Agencies (INCCRRA) will administer the Smart

Start Workforce Grants. INCCRRA will provide technical assistance answering technical questions and helping with the application process through its website and via email. Email grants@inccrra.org with questions.

New to Smart Start Workforce Grants is local technical assistance through the local Child Care Resource and Referral (CCR&R) System. This will provide local grant experts to provide technical assistance, and answer questions. Find your local expert [here](#).

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