Business

MONEY MATTERS

# Intentional Financial Management Leads to Happier Staff

Practices are losing key team members by failing to provide a career path with clear opportunities.

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Pay rates for veterinary staff increased nearly 50% between 2019 and 2025. During those six years, wage increases far exceeded approximately 26% cumulative inflation as measured by the U.S. Consumer Price Index (CPI). This improvement in staff pay was long overdue in the profession. It allows more valuable team members to remain in the profession they love.

But even with the improved compensation, veterinary medicine continues to lose superstars to other professions and industries. Finances are an important factor in an employee's decision to change jobs. Other top reasons for job resignations are lack of a career path, poor management, and feeling unappreciated at work. Practice leaders can improve their chances of retaining staff with a few simple communication ideas and some good old-fashioned follow-through.

## Pay Raises and Evaluations

It's human nature for your employees to think the worst if you don't provide them with feedback through annual evaluations and pay raises. One of my mentors once told me, "If an employee doesn't deserve a raise each year, ask yourself if they should still be an employee." This might sound draconian, but it's true. Inflation happens every year. If a staff member doesn't get a raise annually, they are making less money relative to the cost of everything else. If you truly believe a specific employee does not deserve a raise, ask yourself the hard question, "Would the practice or our patients suffer if this person were not on the team?"

More often, the issue is a lack of organization or prioritization that delays annual raises and evaluations. Fix that right now. These can be done on the anniversary of an employee's hire date, or they can all be done at a certain time of the year. If you choose to do them all at the same time of the year, find a month that is historically slow for the practice.

Ensure everyone knows your procedure and the timeline for providing raises and evaluations. If you haven't done this, it's not too late. Decide how you want to handle annual raises and evaluations going forward, ensure you and your management team are on the same page, and announce it to your entire team.

This year, I have had three veterinary practice clients experience more staff turnover than they have in the past. In each of those three cases, we identified employees who had not received an evaluation or a pay raise in more than 18 months, and in some cases, it had been longer than two years. Not having time to get to it is not an excuse. Annual raises and evaluations need to be a priority.

How much is an appropriate raise? That's a more nuanced discussion. I recommend using the annual inflation rate as the baseline. For example, for the full year 2025, the CPI was 2.7%. That means that an employee providing the same skills and effort they did a year ago would receive a raise of not less than 2.7%. If that same employee has not taken on more responsibility or learned new skills, the increase might not be much higher than that.

Employees taking on more responsibility or mastering new skills deserve to receive a larger annual pay increase than the baseline amount. This opens other questions regarding the practice's pay scale:

- How do we consider length of tenure in compensation?
- What premium do we pay for certifications?
- How can I hire a new nurse at a higher hourly rate than a nurse that has been on our staff for years?

To answer these questions, I recommend building more structure into your compensation and staff development processes. One way to do that is to implement job tiers.

## What Are Job Tiers?

Job tiers are a combination of job description, tasks, required skills, and a compensation range. They are in writing and provide a reference guide for employees and management. There are multiple tiers for each position in the practice. For example, there may be a tier for Client Service Representative I, CSR II, and Lead CSR. When done properly, job tiers provide clear communication to staff on what is expected of them, what skills need to be mastered to be promoted to the next tier, and an objective basis for their compensation.

## Benefits to the Employee

For a new employee hired as a vet assistant, this could be their first job in the veterinary profession. They took the job because they like animals but may have little understanding of what the job will entail. By providing a clear job description and written expectations of the skills that need to be mastered to earn a promotion, a pathway to advancement is set for your new vet assistant.

Job tiers don't only benefit new employees. They provide a career path for all employees that have an interest in learning and growing their role with the practice. A motivated staff member will see this as an opportunity they can understand and toward which they have significant control. This is empowering for your budding superstar employees and sets them on a path to success.

Another benefit of job tiers to both the employee and management is setting a clear-cut pay range for each tier. Depending on the number of tiers appropriate for your practice, each tier may have a $2 to $3 range. This range allows employees within the same tier to be paid differently based on the skills they've mastered.

## Benefits to the Employer

Clearly identifying the skill requirements and pay ranges for each tier minimizes the risk of a long-term employee being frustrated that a new employee with better skills makes more than they do. This was one of the biggest struggles and sources of stress I saw with my practice owner clients after COVID-19. To hire new staff, they had to offer more money to the applicant than they were paying current employees. The owners felt guilty for offering more money but would not be able to hire without offering more. The result was increasing pay for everyone, but it was done as a reaction to change rather than being proactive with a logical system to support compensation.

Job tiers provide a roadmap for the annual evaluation. Discussions on the tasks specific to each employee's tier and how well they have been mastered are core to a productive evaluation. Focusing on skills yet to be mastered and how management can help the employee learn those skills will get everyone working together toward the employee's success. TVB

### INFLATION IS REAL

Once you create and implement job tiers, the pay ranges must be increased annually by the annual inflation amount to ensure everyone gets a cost-of-living raise as the baseline.

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The Money Matters columnist is the managing shareholder at Lacher McDonald & Co., CPAs and Consultants. He leads the firm's veterinary consulting segment, with a focus on practice profitability, financial consulting, and taxes and tax planning.