

# Civilian Wages and Employee Benefits

*Overview of Philosophy*



May 4, 2016 | City of Austin, Texas



# Purpose

- This presentation highlights topics for a policy discussion around the City's pay and benefits philosophy that centers on competitiveness, affordability, fairness, and compliance.

## ➤ Civilian Wages

- Austin as an Employer of Choice
- Factors that Impact Pay
  - Market
  - Pay for Performance
  - Affordability

## ➤ Employee Benefits

- Competitiveness of Employee Benefits
- Affordability
- Projected Growth

# Civilian Wages

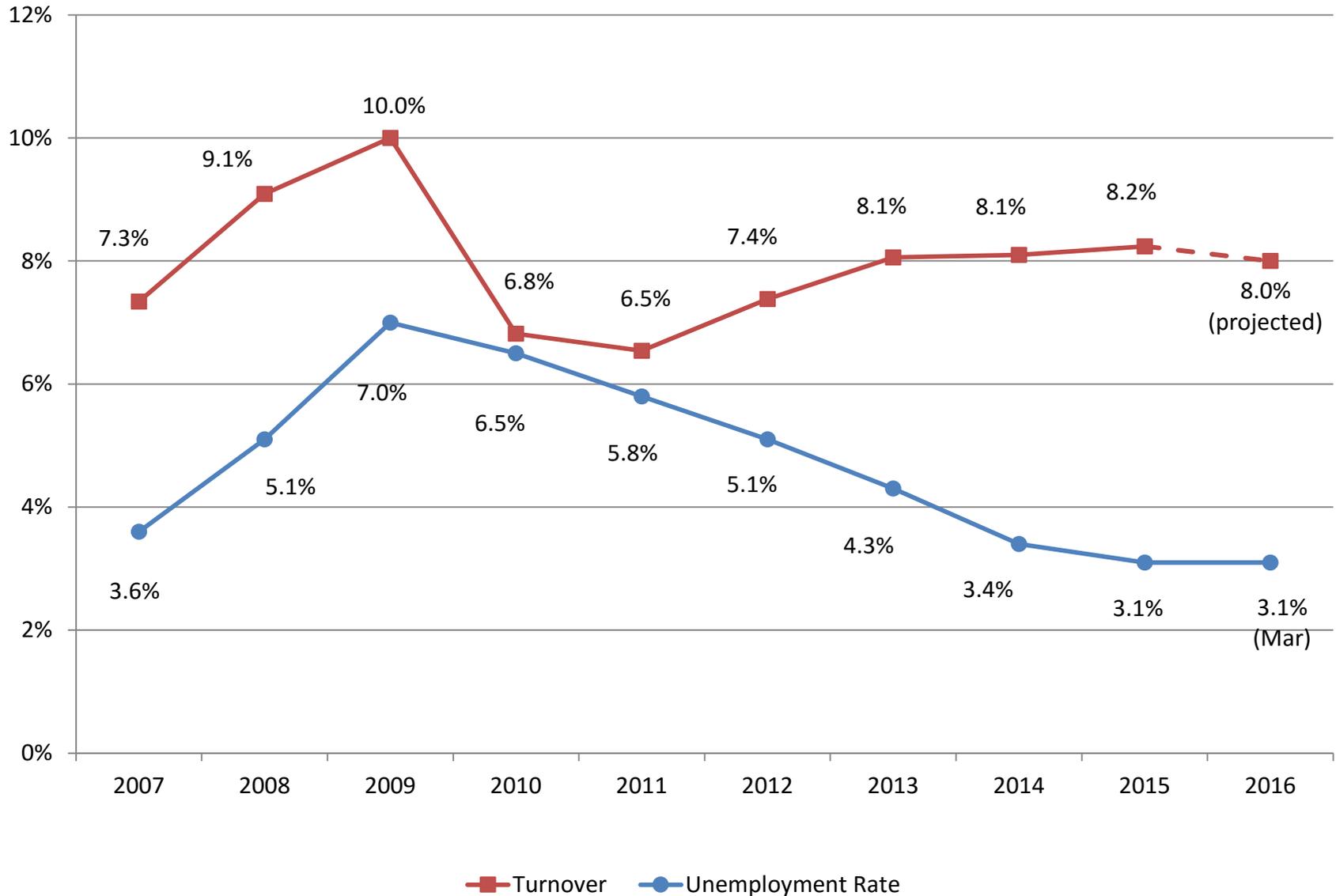


# Employer of Choice

## *Overview*

- **Seek top talent for positions**
  - Pay competitive salary
  - Promote diversity in our workforce
  - Work within Municipal Civil Service (MCS) rules
  
- **Retain employees**
  - Avoid undesired turnover

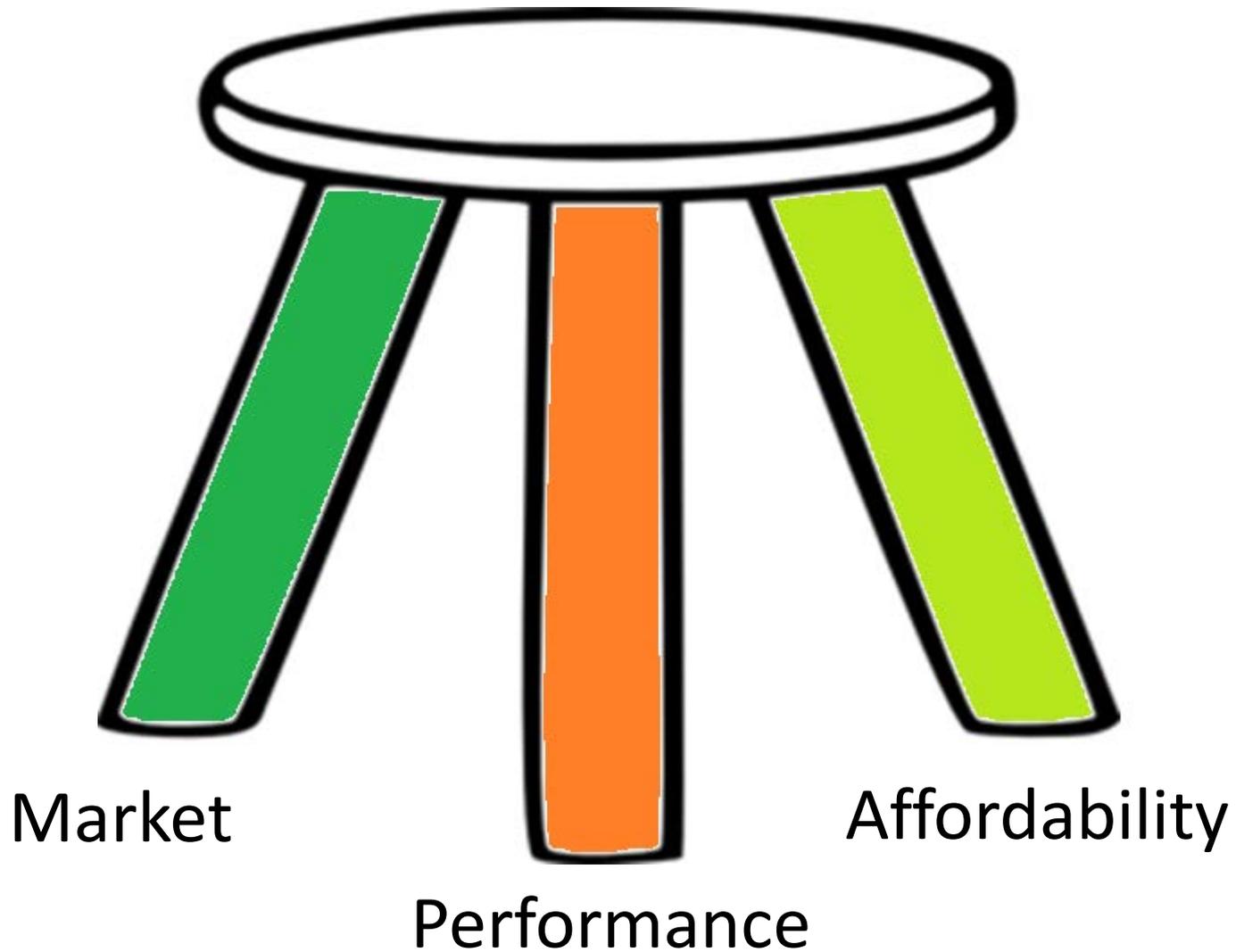
# Turnover and Unemployment



# Pay Factors

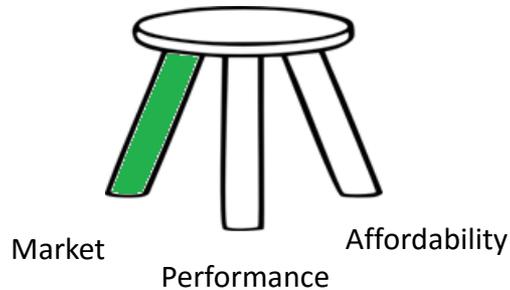
- The purpose of our pay program is to provide competitive wages to help attract, develop, and retain employees at all levels so they may deliver outstanding service to the community
- We seek to address the affordability and competitiveness of the market through our pay program
- Consistent with most employers, we look at market data to guide appropriate pay

# Factors That Impact Pay



# Market

## Factors Affecting Compensation



### ➤ Unemployment is low

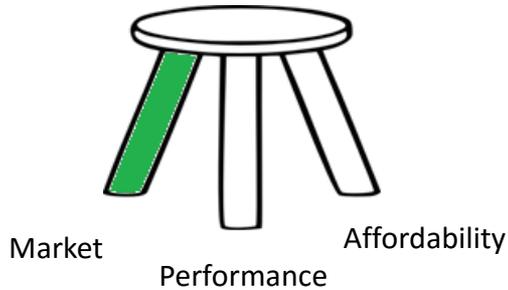
- Austin's unemployment is at 3.1% (as of March) compared to 5.0% nationwide
- The unemployment rate for 2015 was 3.1% (Austin) and 5.6% (nationwide)

### ➤ According to the annual "Listening to the Workforce" survey with more than 3,700 employee responses:

- 35% of employees feel their pay is the same or better than other Austin organizations
- Less than 50% are satisfied with their pay

# Market

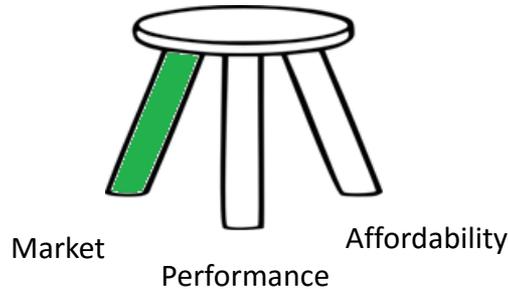
## Public Sector Benchmarks



Entity	Proposed Salary Increase
City of Dallas	At least 3%
City of El Paso	2.0%-2.5%
City of Fort Worth	No proposal yet
City of Houston	0.3% - 3.8%
City of San Antonio	At least 3%
City of Arlington	At least 3%
City of Corpus Christi	2.5%
City of Garland	At least 3%
City of Grand Prairie	At least 3%
City of Irving	At least 3%
City of Kyle	At least 3%
City of Lewisville	At least 3%
City of Plano	At least 3%
City of Richardson	At least 3%
Travis County	3% proposed
Ector County	At least 3%
AISD	3% proposed

# Market

## Benchmarks



- The City uses the published data from a variety of sources to help guide recommendations on pay increase budgets
  - WorldatWork: 3.1%
  - Mercer: 2.9%
  - Hay Group: 3.0%
- The City also surveys various public employers to identify their plans and proposals
- Bureau of Labor Statistics data is not generally used for salary projections

# Market

- City Seeks comparisons from other governmental agencies



City of Dallas

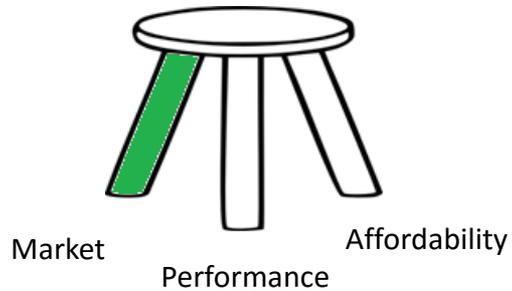


- We also compete for talent with other employers



# Market

*Where do we want to be in the market?*



Lag



Mid-Point



Lead



Not Competitive  
Increased Savings

Moderately Competitive  
Affordable

Highly Competitive  
High Cost

# Discussion Items

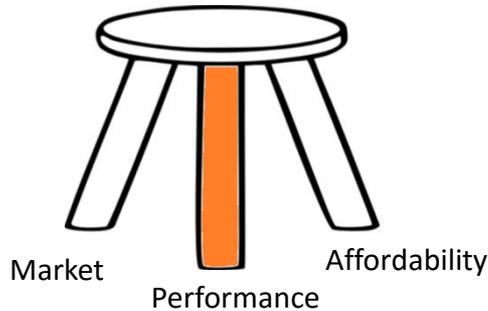
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- The City's role as an employer of choice in a competitive market.
- Market position and strategy to Lead, Lag or remain at the mid-point.

# Performance

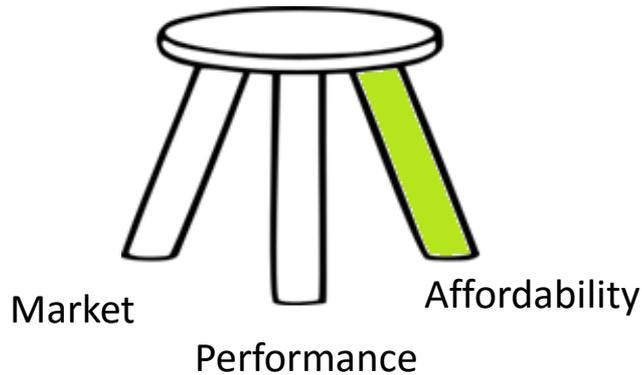
## *Pay for Performance*



- Defines a culture of what is valued; supports a culture of engagement
- Differentiates pay increases based on work
- Links performance directly to pay
- Recognizes and rewards employees for performance
- Pay for Performance last implemented in 2009

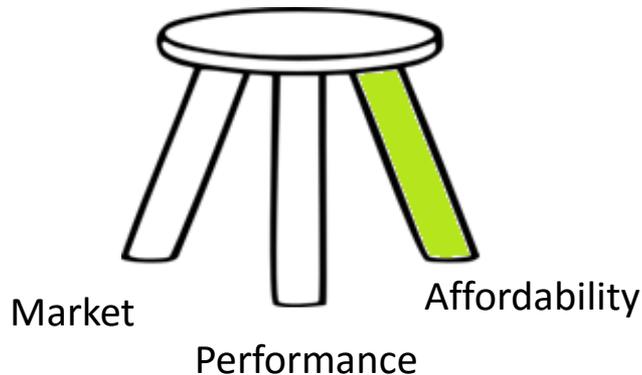
# Affordability

## *Living Wage*



- **Current living wage is \$13.03**
  - Applies to regular and temporary employees (excluding seasonal employees, summer youth, and contractual interns)
- **3.6% annual increase each year will raise Living Wage to \$15.00 by 2020**
  - \$0.47 increase to \$13.50 in FY17

# Affordability



## ➤ Across-the-Board

- A base pay adjustment to offset the increased costs of living, including healthcare

## ➤ Salary band approach where those that make more, receive less

- Not advised due to compression issues
- Not a common industry practice
- Impacts internal equity
- Affects employee morale
- Not consistent with market based pay

# Discussion Item

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- Performance based pay for FY17.

# Employee Benefits



# Benefits

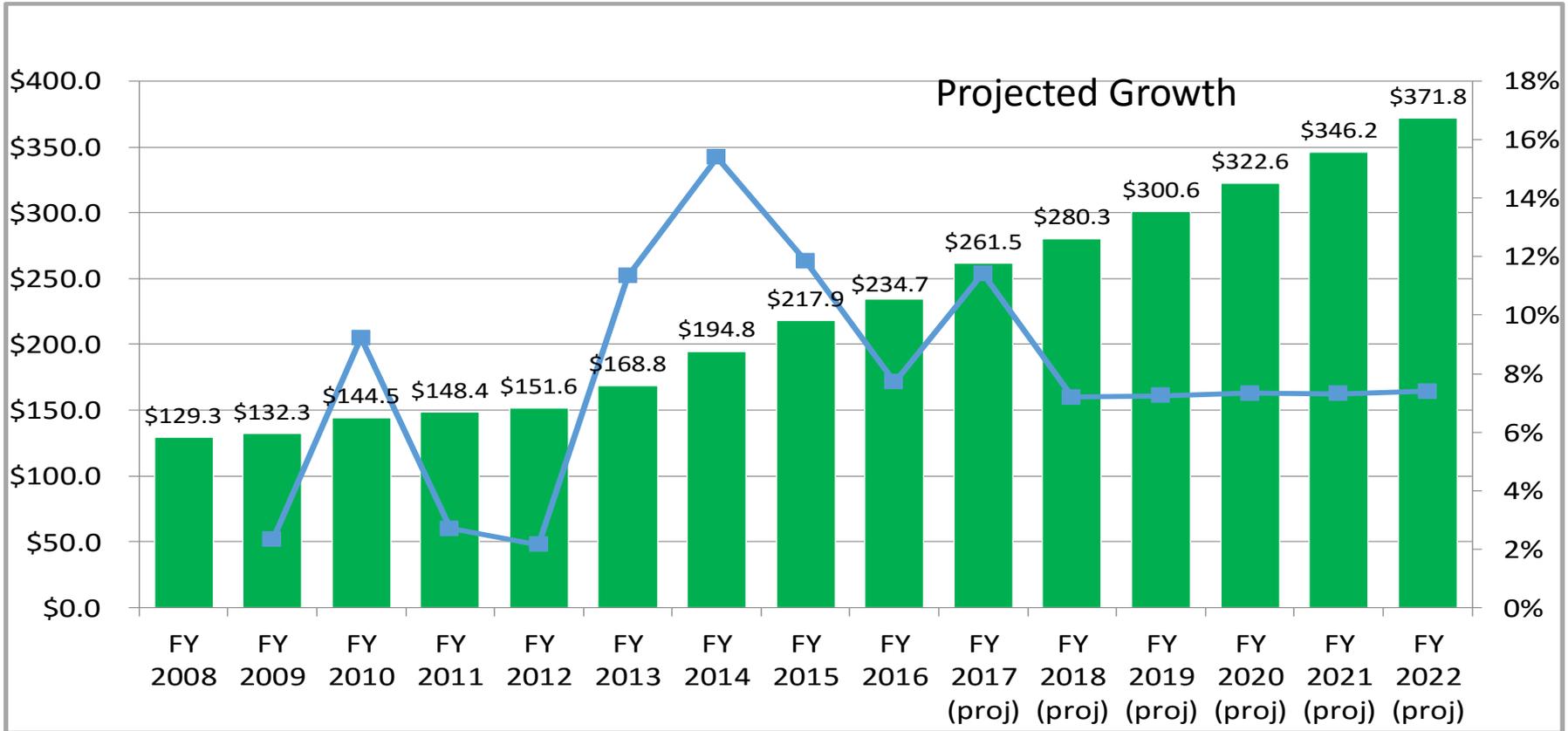
## Overview

- Medical Plan Enrollment: 32,825
  - 11,921 employees
  - 16,411 dependents
  - 4,493 retirees
- The City has three competitive and affordable medical plans that are self funded
- To be sustainable and attract and retain talent the City must remain affordable for both the City and the employee



# Employee Benefits Fund

Total Spend in Millions



For FY17 Health Care Reform expenses are estimated at \$3.6M. From FY10 through FY16 they are estimated at \$15.2M

Line represents year to year % increase in Total Spend

# Benefits

## *Affordability*

- To maintain affordable medical benefits the City has focused on best practices and benchmark data

### **Workforce Engagement**

HealthyConnections  
Health Assessment (8 hours leave)  
Healthy Rewards Program  
Diabetes Program  
Maternity Support Program

### **Consumerism**

Consumer Driven Health Plan  
Premium Designated Providers  
Tobacco Surcharge

### **Healthcare Delivery**

Centers of Excellence  
Medical & RX Necessity Programs  
Disease Management Programs  
RX Coinsurance for Tiers 2 & 3

# Benefits

## Benchmark

<b>Entity</b>	<b>Proposing Plan Design Changes</b>	<b>Increase After Proposed Plan Design Changes</b>
City of Ft. Worth	Yes	4%
City of Houston	Yes	7%
Travis County	Yes	4%
City of San Antonio	Yes	Not Available
City of Dallas	Yes	Not Available
Cities of Garland, Arlington, Irving, Richardson and Plano		Less than 10%

# Benefits

## Costs

- From 2014 to 2015
  - Medical claims per member per month increased 13.8%
  - Pharmacy claims per member per month increased 19.7%
- Based on claims information through February 2016 and before plan design changes:
  - The Benefit Fund Contribution (BFC) increase is 12%
- Enhancements or extending coverage will increase the BFC
- Potential Plan Design Changes under consideration would decrease the BFC

# Discussion Items

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- Competitive medical benefits with affordability for the city and employees.
- Employee engagement in the wellness program.

# Questions/Comments/Discussion

For more information, contact:

Joya Hayes, Interim Director  
Human Resources Department

[Joya.hayes@austintexas.gov](mailto:Joya.hayes@austintexas.gov)

