Welcome! The webinar will be starting shortly.

Public Employer Workforce and Compensation Tools

Presenters:
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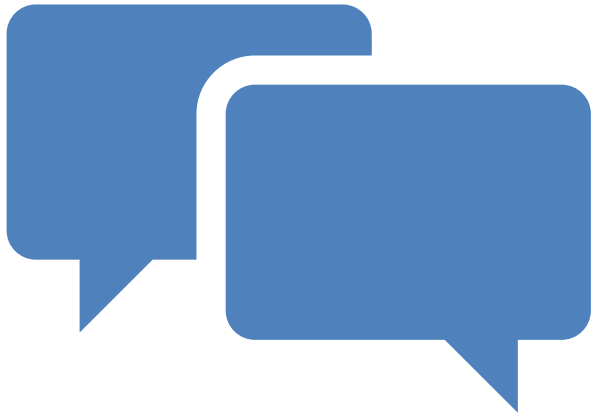
Brandon Fitzsimmons, Shareholder and Labor and Employment Attorney, Flaherty & Hood, P.A.

June 27, 2023

COALITION OF GREATER MN CITIES



Please use the Q&A function for questions

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Agenda

- Compensation Trends
- CGMC Compensation Survey
- Other Workforce Issues
- Economy
- Recommendations

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Compensation Trends

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General Wage Increases and Ranges
All MN Local Government

	2023		2024		2025	
Averages	2.95%		2.99%		3.00%	
Ranges	#	%	#	%	#	%
0%	0	0.00	0	0.00	0	0.00
.01-.99%	0	0.00	0	0.00	0	0.00
1.00-1.99%	2	2.53	1	2.04	0	0.00
2.00-2.99%	27	34.18	11	22.45	1	33.33
3.00%+	50	63.29	37	75.51	2	66.67

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Interest Arbitrations
All MN Local Gov't Law Enforcement

CBA Year	# of Awards	Union Position (Avg.)	Employer Position (Avg.)	Arbitrator Award	
				Avg.	Range
2022	10	3.35%	2.18%	2.35%	1.50% - 4.00%
2023	5	3.60%	2.35%	2.80%	2.25% - 4.00%
2024	5	3.60%	2.35%	2.80%	2.25% - 4.00%

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Interest Arbitrations
All MN Local Gov't Law Enforcement

- Most recent
- *Hennepin County and Hennepin County Sheriff's Deputy Assoc.* (Arb. Altman) (4/17/23)
  - Parties agreed to the 2.5% general wage increase granted to other Co. units for 2022-2024
  - Awarded county's proposed 2022 market adjustment to range max of:
    - Sheriff's Deputy: 3.7%
    - Sheriffs Crime Scene Investigator: .8%
    - Sheriff's Detectives: .3%
  - Rejected union's proposed **5% market adjustment** each year
  - Awarded union proposed **5% salary progression within range each year** (rejecting the notion of a pattern with the 3% granted to other units)

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Interest Arbitrations
All MN Local Gov't Law Enforcement

- *Hennepin County and Hennepin County Sheriff's Deputy Assoc.* (Arb. Altman) (4/17/23)
  - The County proposal
    - Provides a logical relationship between the various bargaining unit classifications and the 300 plus other classifications within the County
    - Creates a logical symmetry within the department providing promotional opportunities that maintain appropriate incentive for advancement within the department
    - Retains a 10% incentive for Detention Deputies advancing to Sheriff's Deputy nearly matching the 12% that existed prior to this market adjustment while continuing to provide a healthy incentive increase to move from Sheriff's Deputy to Sergeant increasing slightly from 23% to 28%
    - Provides pay rates well within the accepted comp standard of 90% of the midpoint for the comparable group

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Interest Arbitrations
All MN Local Gov't Law Enforcement

- *Hennepin County and Hennepin County Sheriff's Deputy Assoc.* (Arb. Altman) (4/17/23)
  - The union proposal
    - Fails to acknowledge that nearly half of their bargaining unit received more than the 2.5% increase as many received special and exceptional increase, with several actually seeing a 16% increase in pay.
    - Dramatically change the standing of Hennepin County within the comparable group
    - Recognizes that:
      - In 2019, pre-George Floyd, the turnover rate was 1.9% and unit ranked 54th in turnover moving to 19th in 2020 and 15th in 2021.
      - Voluntary turnover rate percentage has followed this same pattern in the years 2018 to 2022 with turnover rates being 5%, 1.9%, 3.9%, 6.2%, and 10%

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Interest Arbitrations
All MN Local Gov't Law Enforcement

- *Hennepin County and Hennepin County Sheriff's Deputy Assoc.* (Arb. Altman) (4/17/23)
  - The union proposal
    - Recognizes that:
      - Pay was the motivating factor in departure from this department and the landing spot for them was in various metro municipalities
      - Office operating with 50 less positions than budgeted for
      - Declining enrollment in schools for licensed law enforcement
      - Something needed to be done but change is more effectively and less disruptively accomplished, through the annual progression increases

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State of MN Wages

- Tentative agreement with largest unions for 10s of thousands of employees
- FYs 2023-2025 (2 years)
- 5.5% general wage increase 23-24 and 4.5% general wage increase 24-25
- Raise minimum wage to $20/hour (vs. $10.59/hour under state law)
- Expand telework terms
- Expand paid leaves for temporary unclassified employees and parental leave
- Student loan reimbursement placed in contract
- Expand fertility services
- Pilot programs for multilingual pay differential, phased retirement, and equity adjustments extended
- Healthcare will only increase the 2.5% that is non-negotiable

Contract tentative agreement overview, MAPE

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Federal Wages

- 2023: 4.6% base pay increase plus .05% increase to locality pay (via executive order)
- 2024: 5.2% base pay increase (proposed by Biden)

Biden Officially Proposes an Average 5.2% Pay Increase for Federal Workers and the Military in 2024, Government Executive

Health Insurance Contributions
All MN Local Government

	Er Contribution				HRA/HSA/VEBA	
	Single		Family		Single	Family
	%	$	%	$	$	$
2023 AVERAGES	85.20	748.66	79.74	1,525.06	1,349.52	2,437.50
2024 AVERAGES	90.40	742.13	83.06	1,609.30	1,574.82	3,092.43

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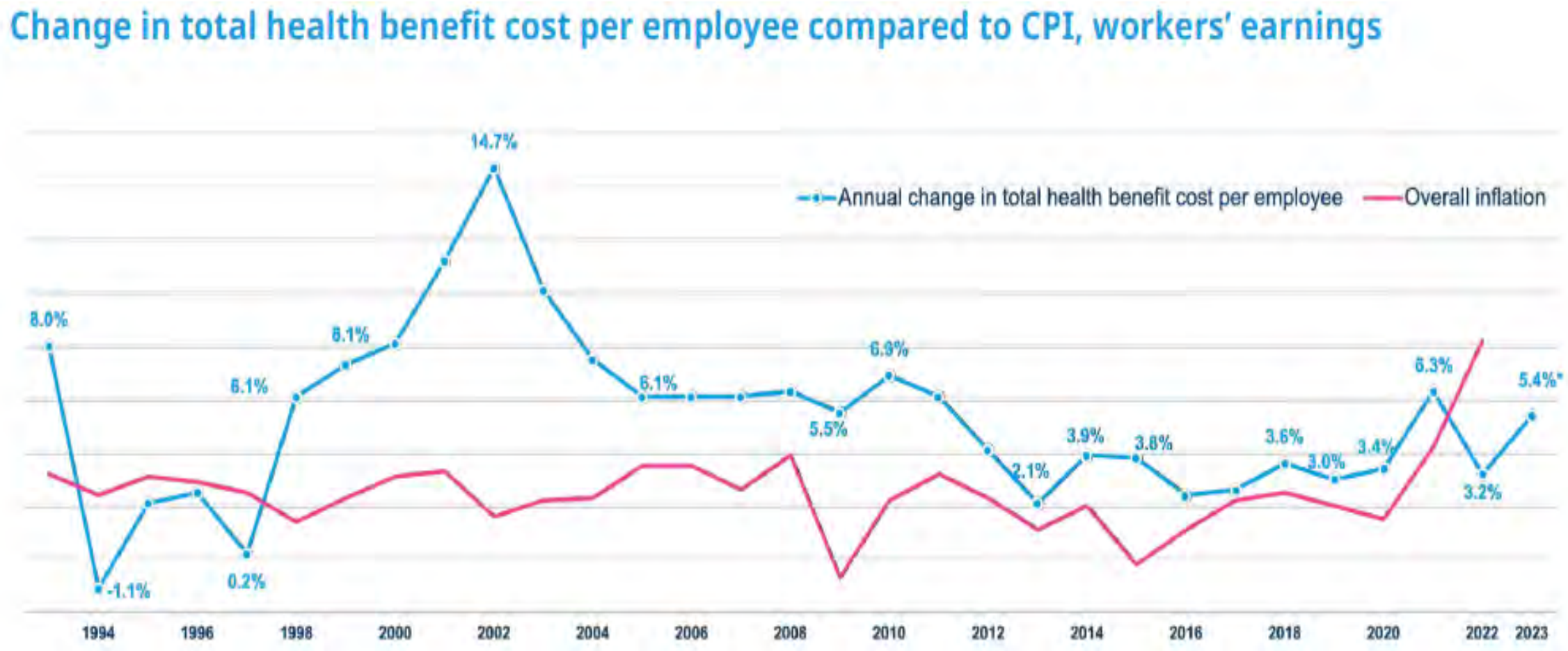
Health Insurance



Health & Benefit Strategies for 2024 Survey Report, Mercer

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Health Insurance

- Expect that wage increases and higher supply costs in the healthcare sector will result in higher prices over the next few years as provider contracts are renewed
- Employers projected an average cost increase of 5.4% for 2023, and we should be prepared for continued accelerated cost growth in 2024 and beyond
- Nearly two-thirds of employers they are planning to make enhancements to their health and well-being offerings to support attraction and retention and better meet employee needs

Health & Benefit Strategies for 2024 Survey Report, Mercer

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Health Insurance

- Over a quarter made enhancements within the past two years
- The survey also asked about plan changes that would shift more cost to employees through higher deductibles, copays, or out-of-pocket limits. While about half may make small increases, only 3% say that they will shift enough cost through plan design changes to lower their projected cost increase, and 45% will not increase cost-sharing at all.
- With significant cost-shifting off the table for most employers, they will have to get creative to meet the challenge of offering benefits that employees want and need, and healthcare they can afford, while also managing cost growth.

Health & Benefit Strategies for 2024 Survey Report, Mercer

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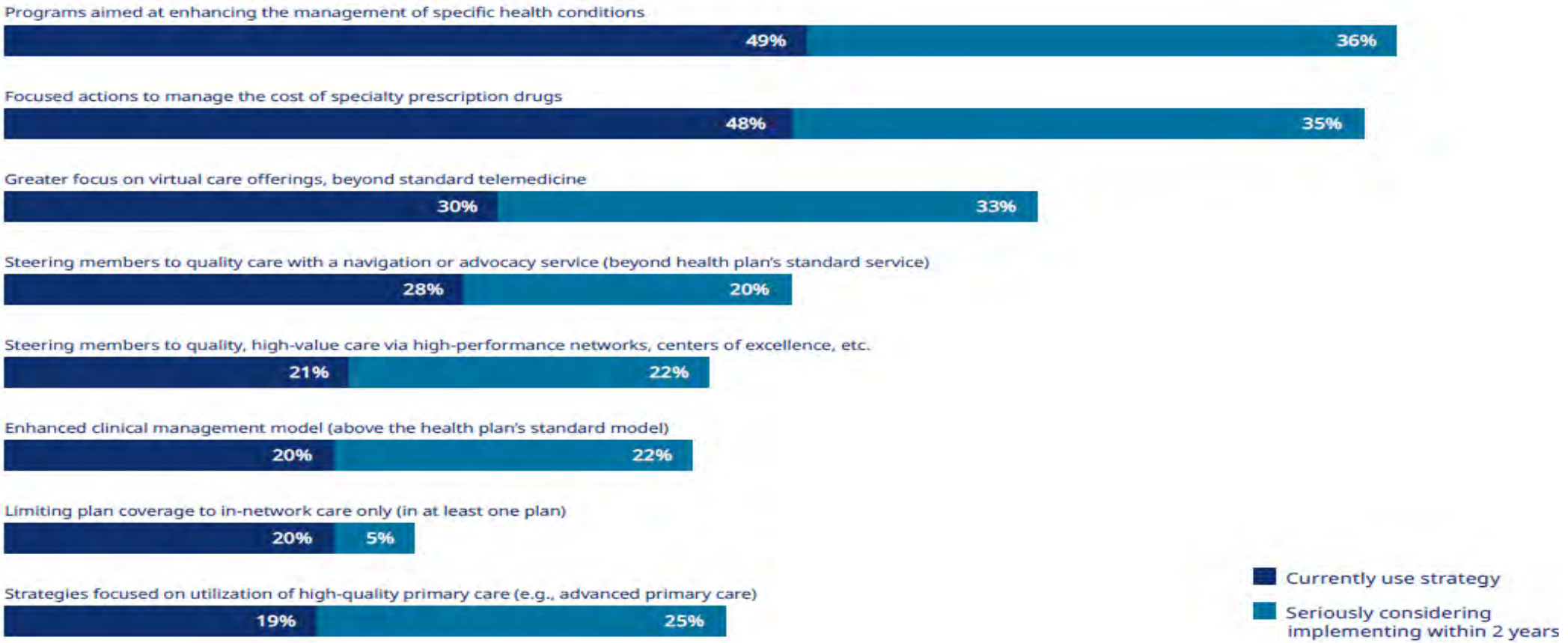
Health Insurance

Strategies employers are using to slow health cost growth — without shifting cost to employees



Health & Benefit Strategies for 2024 Survey Report, Mercer

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Practical Trending Wage Issues

- General wage increases trending upwards, but not at rate of inflation
- More governments doing market studies and sometimes internal equity studies
- Make external and/or internal equity pay adjustments
- Modify base pay structures through
  - Increasing start and/or top pay of ranges
  - Eliminating “step(s)” at start of pay ranges and reducing overall number of steps
  - Establishing higher pay ranges for more experienced/senior employees
- See next section on CGMC Compensation Survey

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Union Proposals

- Market base pay adjustments
  - Addition to general wage increase
  - Get to market average
  - Focus on starting pay
- Pay movement
  - Get to top quicker
  - Reward longevity
- Targeted specialty pay
  - Assignments
  - Standby/on call
  - Technology pay
  - Weekend and holiday work
- Health Insurance
  - Employer contributions tied automatically to premium increases
- More paid time off
  - Compensatory time off
  - Earlier eligibility for higher earning rate

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Survey

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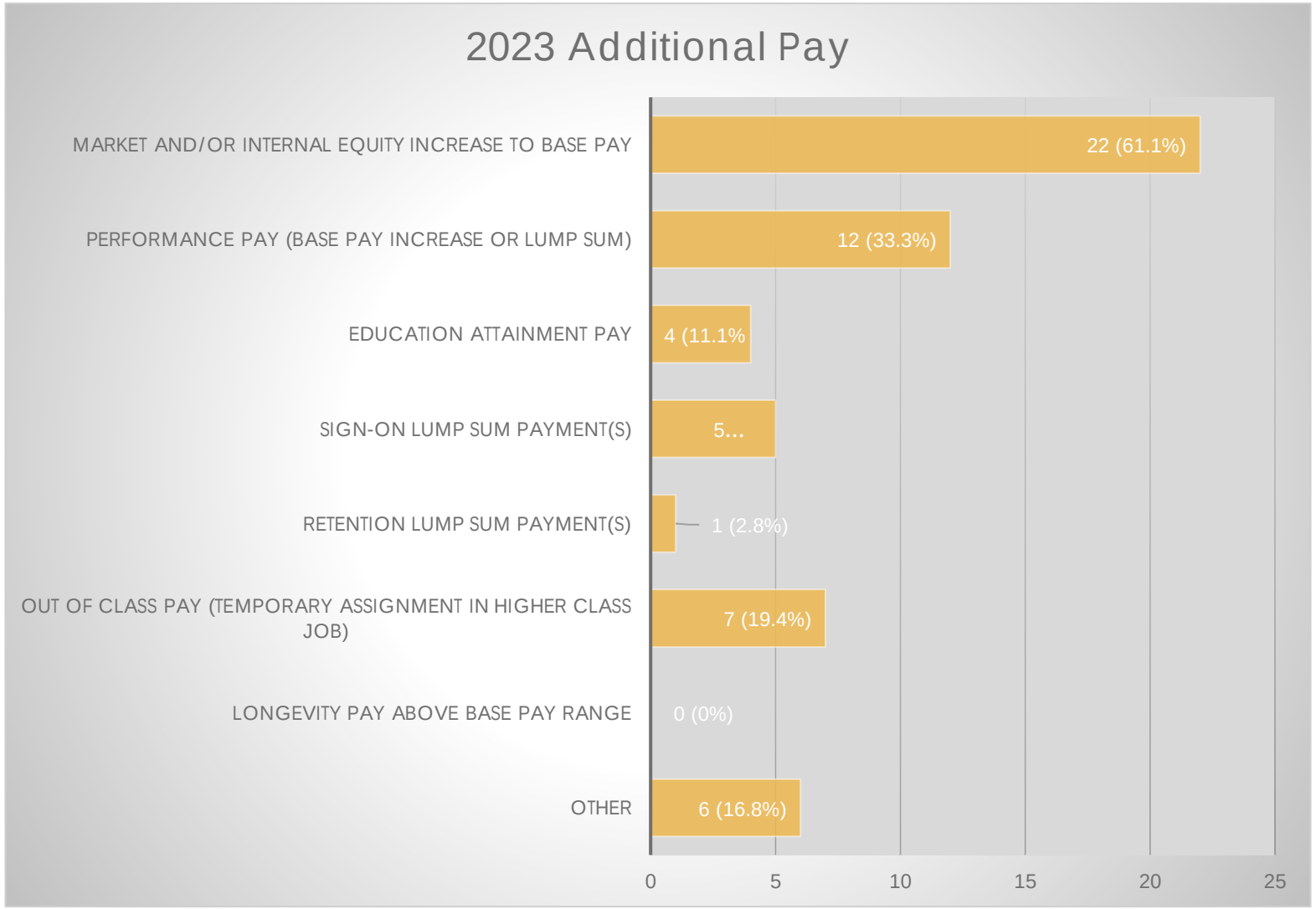
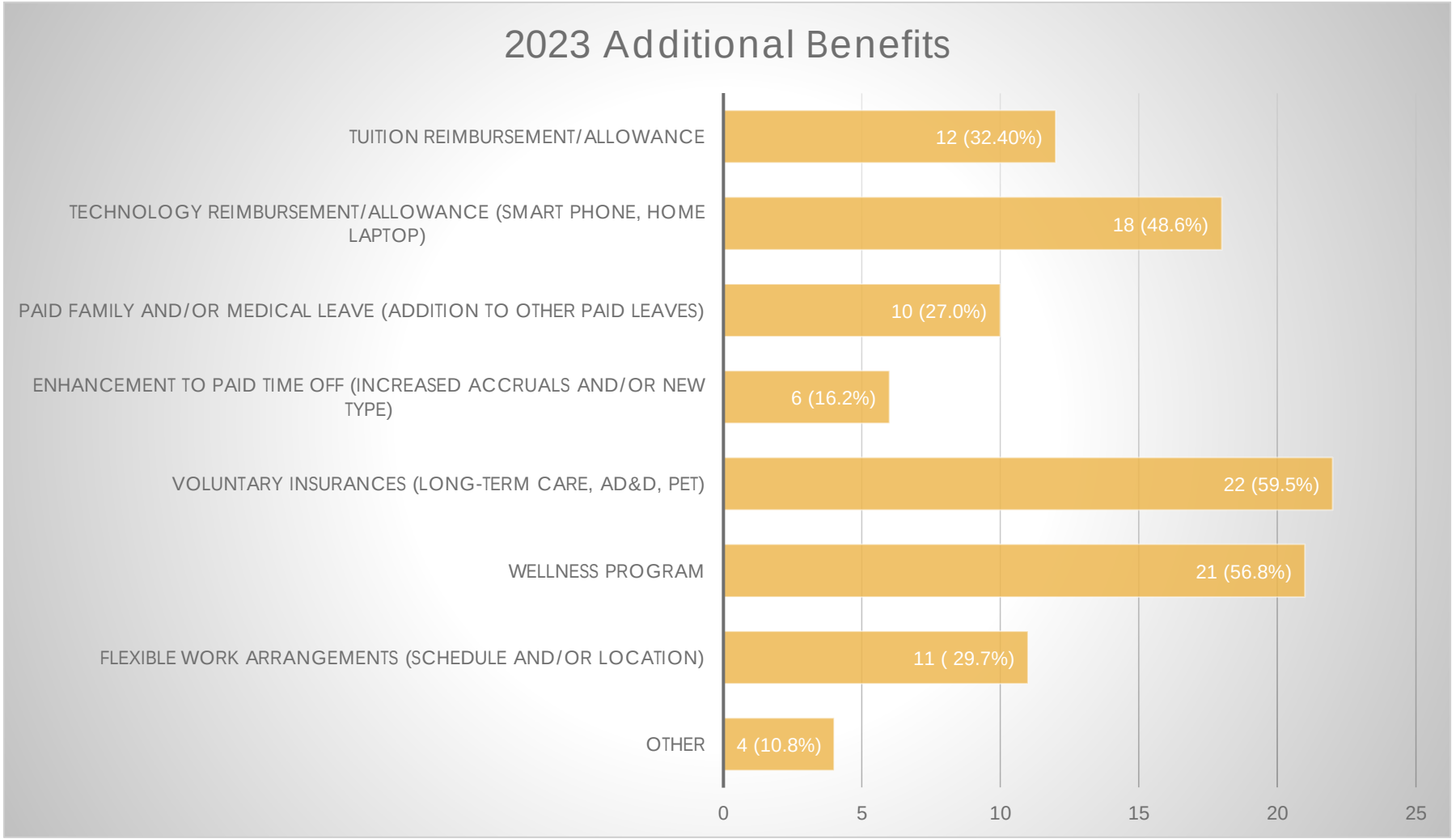
CGMC Compensation Survey

- CGMC conducted a survey to MN governments to use the results for establishing compensation package parameters for employees in 2023 and beyond
- Survey was answered by public officials from governmental entities

Survey Findings



Survey Findings



Other Workforce Issues

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State and Local Employment

- Employment
  - Overall jobs numbers increased 2023 in state and local government
  - But,
    - Lagged growth in the private sector since mid-2008
    - Employment had not recovered from mid-2008 peak until just before the pandemic
    - Employment down since start of pandemic (Feb. 2020)
      - Local Government: -1.7%
      - State Government: -2.9%

State and Local Government Employment Trends, 2023, Mission Square Research Institute

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State and Local Employment

Staffing Difficulties Have Been Building Since Before the Pandemic

	2009-2019	2019-2022
Quits	+73%	+24%
Job Openings	+125%	+50%

State and Local Government Employment Trends, 2023, Mission Square Research Institute

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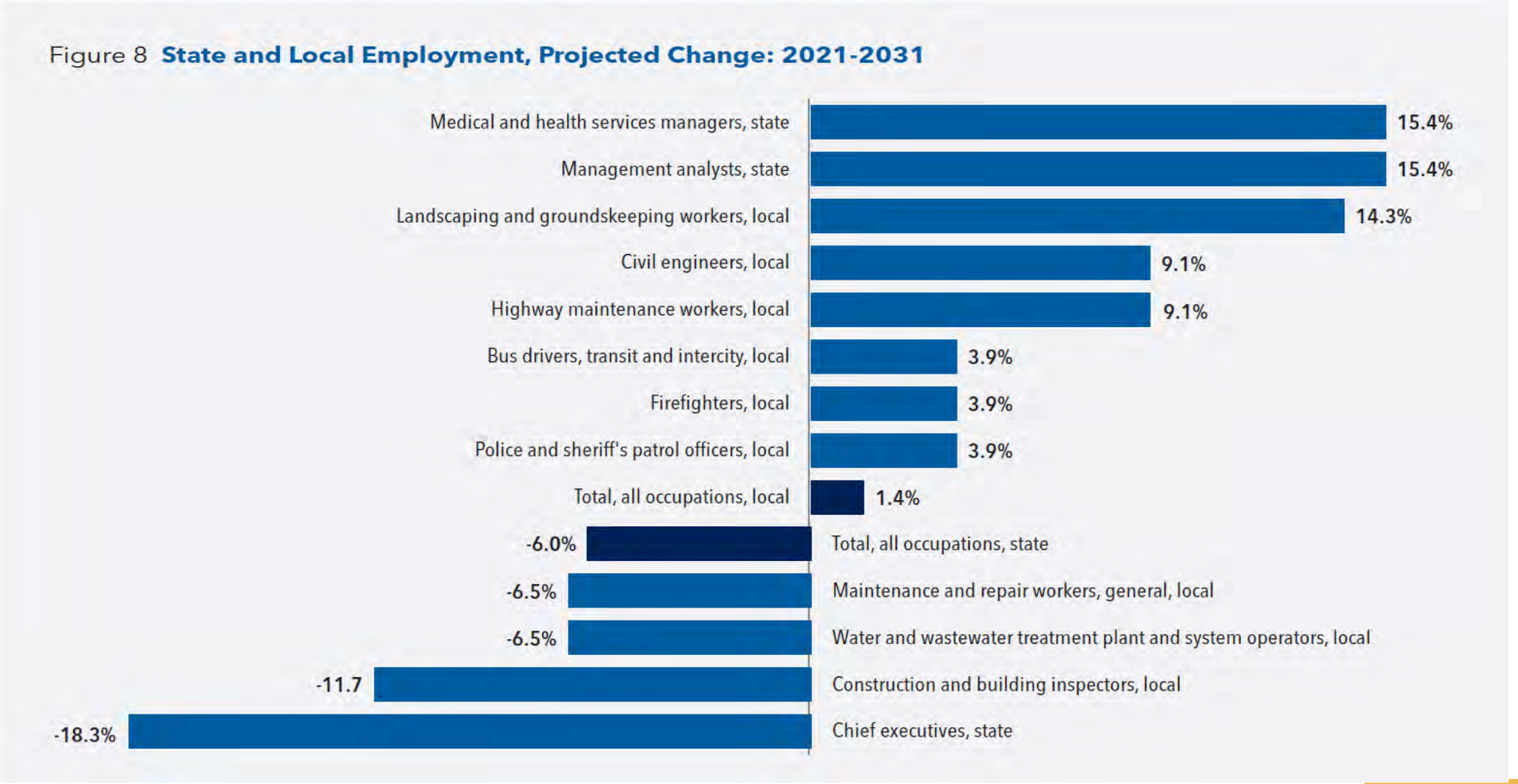
State and Local Employment



State and Local Government Employment Trends, 2023, Mission Square Research Institute

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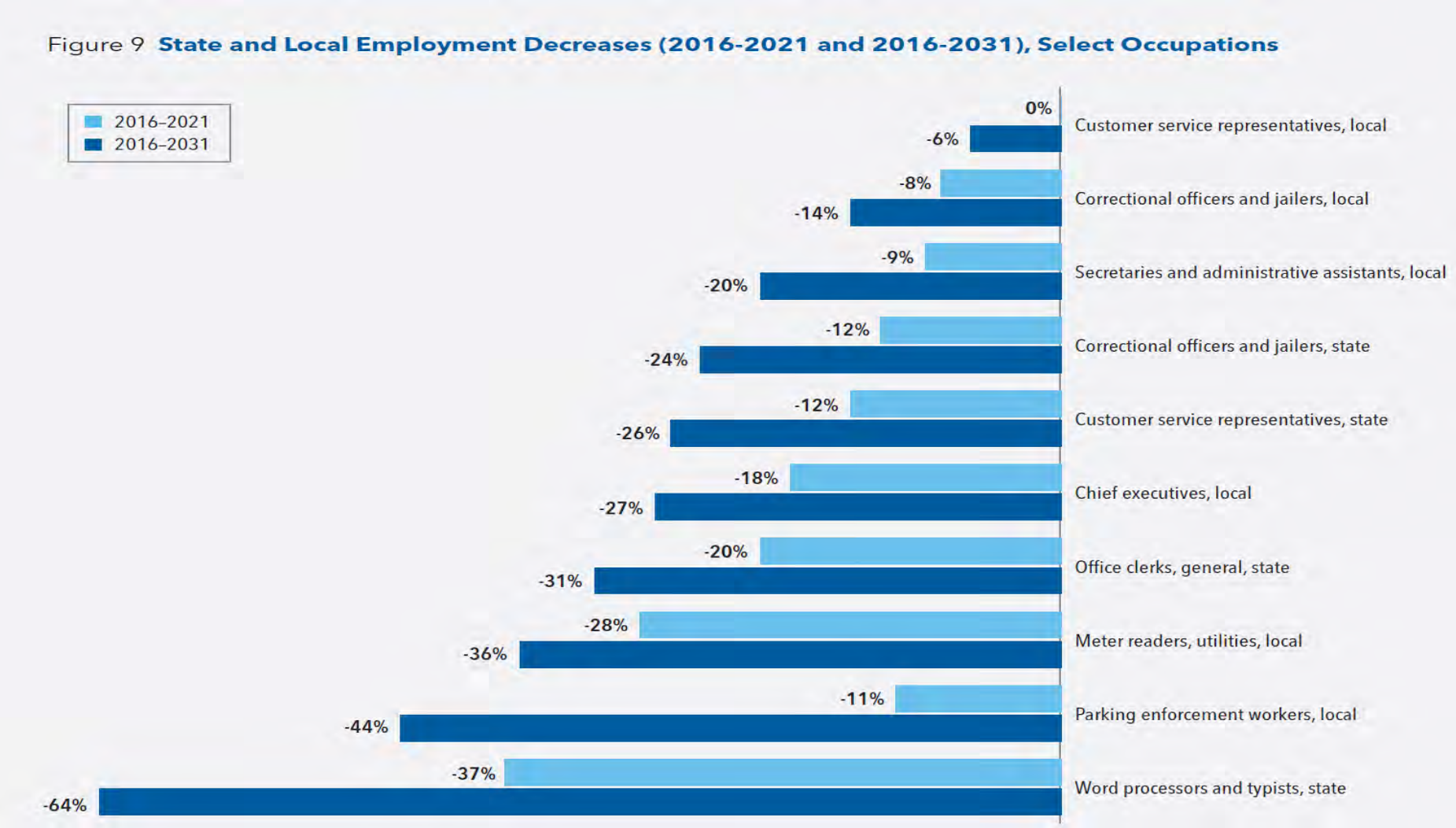
State and Local Employment



State and Local Government Employment Trends, 2023, Mission Square Research Institute

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Trends in World of Work

- Talent scarcity and upskilling on the rise
- Skills for leaders to prevent quiet quitting
- The power of internal mobility
- Human resources officers on the rise
- Sustainable employment – or, when sustainability takes over workforce strategy
- Changing labor market policies to protect workers
- Decentralized and remote work

7 Trends in the World of Work in 2023, Adecco Group

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Economy

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About the Economy

- Consumer Price Index (CPI) changes

- 2020: 1.3%
- 2021: 4.7%
- 2022: 8.0%
- 2023 (projected): 4.0%
- 2024 (projected): 2.3%
- 2025 (projected): 2.2%

Budget and Economic Forecast, Feb. 2023, MMB

About the Economy

- Growth forecast weakened since Feb. 2022 (50% probability)

	Feb. 2022	Feb. 2023
2020	-3.4%	-2.8%
2021	5.7%	5.9%
2022F	3.7%	2.1%
2023F	2.7%	.07%
2024F	2.6%	1.6%
2025F	2.5%	2.0%

Budget and Economic Forecast, Feb. 2023, MMB

About the Economy

- 55% probability factoring:
  - Russia's invasion of Ukraine as result
  - Spiking inflation
  - six Federal Reserve actions to raise interest rates
  - A commitment by the Fed to fight inflation even at the risk of a downturn
- A 25% probability to a more pessimistic scenario factoring:
  - Weaker consumer spending
  - Deeper two quarter recession arising from an intensification of the Russia-Ukraine conflict, which pushes up prices for energy and other commodities
- 20% probability to a more optimistic scenario factoring:
  - Consumer spending
  - Productivity growth
  - Business investment

Budget and Economic Forecast, Feb. 2023, MMB

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About the Economy

- Weaknesses emerging will intensify and grow more diffuse over the coming months, leading to a recession
- Factors
  - Persistent inflation
  - Federal Reserve hawkishness
  - Dampened bank lending amid the banking crisis
  - Reduced government spending due to the debt ceiling deal
  - Underlying trends in consumer spending and income, and business investment.
- Real GDP growth will slow to 1.0 percent in 2023, and then fall to 0.0 percent in 2024

The Conference Board Economic Forecast for the US Economy (6/15/23)

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Conclusion

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Recommendations

- Consider external and internal pay equity study
- Maintain base pay increases in line with general wage increases
- Enhance health insurance benefits while finding ways to slow costs
- Consider additional pay and trending benefits
- Focus on incorporating technology at work and remotely
- Provide clear and consistent means for pay and career growth
- Provide supportive and collaborative workplace
- Look at state of economy

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Q&A's

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Thank you!

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