

WAGE ADJUSTMENT SURVEY & FORECAST

FY 2018

*Survey of Wage Increase Projections for the United States & Discussion of
Wage Budgeting for Hillsborough County Florida in FY 2017-2018*

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OVERVIEW

The Hillsborough County Civil Service Board oversees the classification and compensation functions for nine client agencies within Hillsborough County government. Those nine agencies compete for talent with other Hillsborough County government agencies as well as private sector employers. A primary purpose of this report is to advise our clients of trends in the market that could impact their ability to effectively compete for talent in the upcoming fiscal year. Ultimately, each client agency must determine its own compensation policy (i.e., target market competition level) within the context of its projected financial resources.

DETERMINANTS OF SALARY INCREASES

There are many economic factors that influence salary increase decisions. These include prior year's market-driven movement of wages, increases and decreases in the consumer price index (CPI), Gross Domestic Product, unemployment rates, and internal turnover rates. Base salary increases have remained steady at 3.0% per year mostly due to a rise in inflation, or cost of living adjustment, and a guarded view of the economic landscape where organizations are hesitant to increase their fixed labor costs.

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FY 2017 HILLSBOROUGH COUNTY AREA PUBLIC SECTOR WAGE ADJUSTMENT BUDGETS

The Hillsborough County organizations listed below budgeted the following wage adjustments for FY 17 for nonunion positions:

AGENCY	MARKET ADJUSTMENT	MERIT ADJUSTMENT	PAY RANGE ADJUSTMENTS
Arts Council	3.0%	-	5.0% increase to min and max
Aviation Authority	-	Up to 5%	2.0% increase to min and max
BOCC (CAD, CAT, IA)	-	Up to 4%	-
Children's Board	3.0%	-	3.0% increase to the max
City of Plant City	7.5%	-	-
City of Tampa	3.0%	-	-
Civil Service Board	4.0%	-	5.0% increase to min and max
Clerk of the Circuit Court	-	3.5, 3.0%	-
Environmental Protection Commission	-	4.5,4.0,3.5%	-
Expressway Authority	3.0%	-	3.0% increase to min and max
Pasco County BOCC	2.0%	2.0%	-
Pinellas County BOCC	-	-	2.0% increase to min and max
Planning Commission		4.5,4.0,3.5,3.0%	5.0% increase to the max
Public Transportation Commission	3.5%	3.0,2.0,1.0%	5.0% increase to the max
Sheriff	-	4.5-3.5%	4.5% increase to max
Soil & Water Cons Dist	3.5%	-	5.0% increase to min and max
Supervisor of Elections	-	0-5.0% plus other non-monetary rewards	-
Tampa Port Authority	1.5%	3.0,2.0,1.0%	5.0% increase to the max
Tampa Sports Authority	4%	-	-

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CY 2017 U.S. PRIVATE SECTOR WAGE ADJUSTMENT PROJECTIONS

Salary budgets are expected to rise 3% on average in 2017 which was the same as 2016. The following chart shows the total U.S. salary budget increases by employee category

Employee Category	Actual 2016 Mean	Actual 2016 Median	Projected 2017 Mean	Projected 2017 Median
Nonexempt hourly nonunion	3.0%	3.0%	3.1%	3.0%
Nonexempt salaried	2.9%	3.0%	3.0%	3.0%
Exempt salaried	3.0%	3.0%	3.1%	3.0%
Officers/executives	3.0%	3.0%	3.1%	3.0%
ALL	3.0%	3.0%	3.1%	3.0%

(WorldatWork 2016-2017 Salary Budget Survey, preliminary findings. Survey data collected through May 2016)

The Hay Group, Towers Watson Data Services, WorldatWork, Economic Research Institute, and The Conference Board are each sources that conduct an annual survey of a broad range of organizations to collect information about plans for annual wage adjustments. The results of the wage adjustment surveys are detailed below:

SOURCE	ORGANIZATION'S SPECIALTY	PROJECTED 2017 WAGE INCREASE
The Hay Group	HR services	3.0%
Towers Watson Data Services	Professional services	3.0%
WorldatWork	Compensation data	3.0%
Economic Research Institute	Compensation data	3.0%
The Conference Board	Business research	3.0%
Average Salary Increase		3.0%

<https://www.shrm.org/resourcesandtools/hr-topics/compensation/pages/salary-budgets-2017.aspx>

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It is important to note that these increases are the averages across organizations and can vary between employees, usually due to performance evaluations while salary ranges are adjusted based on job market. The Hay Group says, “We typically see top performers in organizations receiving between 1.5x and 2.0x the median salary increase for employees, so top performing individuals could expect to receive salary increases upwards of 6 to 8 percent.” (<http://www.globoforce.com/gfblog/2016/fallacy-increase-mcmullen/>)

Salary ranges are projected to increase 2.1%, on average, in 2017 (*WorldatWork 2016-2017 Salary Budget Survey Report*). Upward adjustments to an organization’s salary ranges are typically made to compete for quality talent. Traditionally, salary range increases are between two-thirds and three-fourths of the projected salary increases. The reason that salary ranges move less than actual wages is to avoid future employees who are hired at the range minimum being paid at the same rate as longer-term employees.

FEDERAL COST OF LIVING ADJUSTMENTS

Social Security benefits will increase slightly by 0.3% which makes this the fourth consecutive year in which cost of living increases fell below 2.0% where 2016 did not see any increases (<http://www.investmentnews.com/article/20161018/FREE/161019929/social-security-cost-of-living-adjustment-to-get-0-3-increase-in-2017>). These increases are based on the consumer price index for urban wage earners and clerical works (CPI-W). There has been very little change in inflation prompting only a slight increase for cost of living.

Federal employees received a 2.1% pay increase for 2017 and now lawmakers are proposing a 3.2% pay raise for federal employees in 2018.

UNEMPLOYMENT

As of December 2016, the unemployment rate in Tampa-St. Petersburg-Clearwater, FL was 4.7%, compared to Florida’s unemployment rate of 4.9%. As of January 2017, the national unemployment rate was 4.8%. The Tampa area hit a low of 63,501 people who are unemployed but it has grown by 5,907 in recent months (<http://www.deptofnumbers.com/unemployment/florida/tampa/>). The number of jobs in Tampa-St. Petersburg-Clearwater, FL categorized as government has decreased by 0.5% from December 2015 to December 2016 (https://www.bls.gov/eag/eag.fl_tampa_msa.htm). The national unemployment rate is projected to remain at 4.8% by the end of 2017.

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MINIMUM WAGE

The Florida Minimum Wage Act mandates annual adjustment to the Florida minimum wage based on the CPI for the Southern region. The minimum wage in the state of Florida increased to \$8.10 per hour effective January 1, 2017. The Federal minimum wage has remained at \$7.25 per hour since 2009.

COMPENSATION TRENDS FOR 2017 & 2018

A continuing trend is the emphasis on variable pay, essentially rewarding for performance through annual bonuses and other performance-based compensation. Organizations find this approach desirable because it will “offer more flexibility and does not commit cash resources in advance and for the long term. They can be tailored to year-end performance and cash availability, and significantly reduced in the following year if softening performance requires it.” (<https://www.shrm.org/resourcesandtools/hr-topics/compensation/pages/salary-budgets-2017.aspx>)

Organizations may also consider giving more bonuses such as referral bonuses, sign-on bonuses and retention bonuses since bonus programs have a positive effect on employee engagement, performance and satisfaction.

Organizations will continue to see generational differences in the approach to compensation and will have to experiment with pay, benefits, perks, time off, and true values to make a welcomed compensation program. However, each organization will see that there is no one-size fits all solution.

If economic growth actually does pick up later this year, higher salary budget expectations and thus higher actual pay increases may follow for FY 2018. Similarly, if the economy stalls and heads into a recession, employers will likely limit pay increases for FY 2018.

SUMMARY/CONCLUSION

A 3.0-4.0% salary increase for FY '18 can reasonably be expected to maintain an organization's competitive position. “Despite positive pressures from decreased unemployment and an increase in job openings, salary budgets continue to be restrained

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by ongoing uncertainty in the global economy and low inflation rates,” said a senior leader at WorldatWork (<https://www.worldatwork.org/waw/adimLink?id=80567>). As a result, the amount of increases will remain flat because of the lack of a demand for larger salary increases with low inflation and low unemployment has not been a huge factor in driving up salary budgets.

With the emergence of technology, organizations will want to explore more flexible work arrangements as another perk, such as telecommuting one day a week.

A corresponding 2-2.5% increase to pay range minimums and maximums would enhance the organization’s ability to attract quality talent while avoiding compression at the low end of the pay ranges.

PayScale’s Real Wage Index found that wages have risen roughly 9.5% since 2006, but when inflation is factored in, “real wages” are actually down 7.4%. With any luck, the labor market will continue to tighten so that employer confidence will increase and drive up wages to a level that is more reflective of a recovered economy (<http://www.payscale.com/career-news/2016/08/3-percent-raise-next-year>).