

WAGE ADJUSTMENT SURVEY & FORECAST

FY 2019

*Survey of Wage Increase Projections for the United States & Discussion of
Wage Budgeting for Hillsborough County Florida in 2018 & 2019*

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OVERVIEW

The Hillsborough County Civil Service Board oversees the classification and compensation functions for a number of agencies within Hillsborough County government. Those agencies compete for talent with other Hillsborough County government agencies as well as private sector employers within the Tampa Bay labor market.

The purpose of this report is to inform 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. As always, if you see a need for further analysis on specific job classification or positions within your agency, then you may contact us for more information.

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 to keep pace with inflation, or cost of living adjustment, and a guarded view of the economic landscape where organizations are hesitant to increase their fixed labor costs. In fact, 3% is being considered the new ceiling (<https://hiring.monster.com/hr/hr-best-practices/recruiting-hiring-advice/managing-hiring-costs/compensation-2018.aspx>).

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FY 2018 HILLSBOROUGH COUNTY AREA PUBLIC SECTOR WAGE ADJUSTMENT BUDGETS

The Hillsborough County organizations listed below budgeted the following wage adjustments for FY 18 for nonunion positions:

AGENCY	MARKET ADJUSTMENT	MERIT ADJUSTMENT	PAY RANGE ADJUSTMENTS
Arts Council	-	-	-
Aviation Authority	-	5%-1%	-
BOCC Hillsborough	-	4%-2.75%	Restructured whole pay structure
Children's Board	3%	-	Increased max by 3%
City of Plant City	2-12% depending on position in accordance to market study	-	-
City of Tampa	3%	3%, 2.5%, 2%	-
Civil Service Board	3%	-	-
Clerk of the Circuit Court	-	5%-3%	-
Environmental Protection Commission	-	*3%, 2.5% (Annual) *Plus \$1k lump sum if making less than 100k and receive a Remarkable	-
Expressway Authority	-	-	Increased max by 3%
Pasco County BOCC	2%	3%-.25%	Increase max by 2%
Planning Commission	-	4%, 3.5%, 3.0%, 2.5%	Increased max by 3%
Sheriff	-	4.5%, 4%, 3.5%	Increased max by 4.5%

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Soil & Water Cons Dist	-	-	-
Tampa Port Authority	1.5%	3%, 2%, 1%	
Tampa Sports Authority	3.5%	-	-
Tax Collector	-	4.5%, 3.5%, 2.5%	-
Victim Assistance	3%	-	Increase max by 3%

CY 2018 U.S. PRIVATE SECTOR WAGE ADJUSTMENT PROJECTIONS

Salary budgets are expected to remain at 3% on average in 2018 which was the same as 2017. The following chart shows the total U.S. salary budget increases by employee category:

<i>Employee Category</i>	<i>Actual 2017 Mean</i>	<i>Actual 2017 Median</i>	<i>Projected 2018 Mean</i>	<i>Projected 2018 Median</i>
<i>Nonexempt hourly nonunion</i>	3.0%	3.0%	3.1%	3.0%
<i>Nonexempt salaried</i>	3.0%	3.0%	3.1%	3.0%
<i>Exempt salaried</i>	3.0%	3.0%	3.2%	3.0%
<i>Officers/executives</i>	3.0%	3.0%	3.2%	3.0%
ALL	3.0%	3.0%	3.1%	3.0%

(WorldatWork 2017-2018 Salary Budget Survey, top-level results. Survey data collected through May 2017)

The Hay Korn Ferry Group, Mercer, 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:

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SOURCE	ORGANIZATION'S SPECIALTY	PROJECTED 2018 WAGE INCREASE
The Hay Korn Ferry Group	HR services	3.0%
Mercer	HR services	2.9%
WorldatWork	Compensation data	3.0%
Economic Research Institute	Compensation data	3.06%
The Conference Board	Business research	3.0%
Average Salary Increase		3.0%

<https://www.kornferry.com/press/korn-ferry-2018-salary-forecast-smaller-real-wage-increases-across-most-parts-of-the-world/>

https://downloads.erie.com/pdf/National_Compensation_Forecast_January_2018.pdf

<https://www.conference-board.org/publications/publicationdetail.cfm?publicationid=7551>

Salary ranges are projected to increase 2.24%, on average, in 2018 (https://downloads.erie.com/pdf/National_Compensation_Forecast_January_2018.pdf). 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 2.0% which is the highest it has been in five years. These increases are based on the consumer price index for urban wage earners and clerical works (CPI-W).

An executive order was signed for a 2018 pay raise for the federal government with the raise ranging from 1.67% to 2.29% depending on locality. There are also indications that there will not be a raise in 2019 and potentially an implementation for a pay for performance system with one report saying "We believe it is imperative to develop performance-sensitive compensation systems that will contribute to a government that is

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more citizen-centered, results-oriented, and market-based” (<http://www.fedweek.com/fedweek/2018-pay-raise-order-issued/>).

UNEMPLOYMENT

As of January 2018, the unemployment rate in Tampa-St. Petersburg-Clearwater, FL was 3.9%, compared to Florida’s unemployment rate of 4.1%. Likewise, the national unemployment rate was 4.5% as of January 2018 (https://www.bls.gov/eag/eag.fl_tampa_msa.htm). The number of jobs in Tampa-St. Petersburg-Clearwater, FL categorized as government has decreased by 0.8% over the last twelve months (February 2017-February 2018). The national unemployment rate is projected to decrease to 3.8% by the end of 2018 as it becomes harder for employers to find desirable candidates (<https://www.kiplinger.com/article/business/T019-C000-S010-unemployment-rate-forecast.html>).

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 \$8.25 per hour effective January 1, 2018. The Federal minimum wage has remained at \$7.25 per hour since 2009.

COMPENSATION TRENDS FOR 2018 & 2019

As has been the trend for the past few years, companies are creating and maintaining more robust bonus systems while salary increases remain static. Bonuses are attractive to employers since they do not compound over time and offer more flexibility.

Companies are starting to look at other ways to retain talent since the 3% may not do so alone. More and more employers are looking at other ways to reward its talent. For instance, “employees are staying with their employers for flexible arrangements like working from home and for shorter commutes” (<https://hiring.monster.com/hr/hr-best-practices/recruiting-hiring-advice/managing-hiring-costs/compensation-2018.aspx>). It is important to

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note that flexible work options and other “perks” will only go so far though for those individuals with hot skills or those in high-demand professions and companies may have to increase raises for those professions. For example, jobs as social media professionals and senior engineering technologists see raises closer to 5.4-5.8%.

As increases remain consistently around 3%, pay compression issues are on the rise since new hires are getting more attractive offers due to the demand for talent while incumbent employees feel like they are not being rewarded financially and are lagging in pay. This issue can lead to tension among the workforce. Another source of tension is when salaries are increasing for only certain jobs (and those jobs are usually the higher paid ones) and can further divide your workforce such as Executives are projected to have a merit increase of 3.03% compared to 2.90% for nonexempt employees (<http://www.empsight.com/s.nl/it.1/id.98/f>)

Developing a total rewards statement and supporting communications can help employees and applicants see what your organization has to offer in addition to the base salary. Many times, people see just the base pay but do not see the other rewards such as benefits, retirement options, vacation, and flexible work options. You want to make sure that people know what each category means and what is in it for them.

There is also a glimmer of optimism in 2018 compared to last year where only 1% of companies said that they were giving no increases compared to 3.9% who reported that in 2017 (<http://www.empsight.com/s.nl/it.1/id.98/f>).

SUMMARY/CONCLUSION

Three percent increases are not going as far as they have in the past since inflation is increasing at roughly 2% in 2018 making the real wage increase 1%. Last year’s real wage increase was 1.9%. While compensation or personnel budgets are not changing much, employers are looking at different ways to distribute that budget with focuses that align with the company strategic plan. Employers need to continue looking for ways to incentivize employees beyond monetary rewards and should “devote time and energy to develop a comprehensive employment value proposition that best positions their organization as a top employer of choice” (<https://www.shrm.org/resourcesandtools/hr-topics/compensation/pages/2018-salary-forecast-us-global.aspx>).

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While this is a broad view of the compensation landscape, if there are particular compensation questions or issues about your specific organization's positions, please contact us to see how we may be of assistance.