Resolution 17-99

A RESOLUTION APPROVING WAGE INCREASES
FOR GENERAL NON-UNION EMPLOYEES

WHEREAS, there are employees of the City of Council Bluffs, Iowa who do not bargain collectively with the City regarding wage and benefits; and

WHEREAS, it is in the best interest of the City of Council Bluffs to ensure the equitable treatment of all employees; and

WHEREAS, approval of this wage adjustment is considered to be consistent with the best interest of the City,

NOW, THEREFORE, BE IT RESOLVED

BY THE CITY COUNCIL

OF THE

CITY OF COUNCIL BLUFFS, IOWA:

That a 2.5% across the board increase be applied to the general non-union employees pay schedule on July 1, 2017.

ADOPTED AND APPROVED May 8, 2017

Matthew Walsh, Mayor

ATTEST:
Jodi Quakenbush, City Clerk

Council Communication

Department: City Clerk
Case/Project No.: Resolution 17-99 Council Action: 5/8/2017
Submitted by: Jon Finnegan, Director of HR

Description

Resolution approving a wage increase of non-union employees for July 1, 2017 through June 30, 2018

Background/Discussion

This year, it is my recommendation that non-union employees receive a 2.5% increase on 7-1-2017. Market data indicates increases in the marketplace in 2017 will be around 3% (see attached articles). Another factor to consider is the wage increases for the majority of our union employees is scheduled for 2.5%, except for those covered by the CWA, whose increase will be 2%. For the 2018 fiscal year budget, we budgeted for 2.5% for non-union employees, so this recommendation will have no additional cost above what was budgeted.

Recommendation

Approval of this one year increase is recommended. I have prepared a resolution that will effectuate these changes.

ATTACHMENTS:

Description	Type	Upload Date
Market data Report	Other	5/1/2017
Resolution 17-99	Resolution	5/3/2017

Willis Towers Watson

Press Release (https://www.willistowerswatson.com/en/press#sort=%40fdisplayz45xdate47442%20descending&f:@twcontenttypesubl_coveofacets_0=[Press%20Release])

U.S. companies holding the line on pay raises for 2017, Willis Towers Watson survey finds

Star performers rewarded with significantly larger raises

August 24, 2016
| United States

ARLINGTON, VA, August 24, 2016 – Pay raises for U.S. employees are expected to hold steady at 3% in 2017, according to a survey by Willis Towers Watson (NASDAQ: WLTW), a leading global advisory, broking and solutions company. The survey of 967 U.S. companies also found that employers continue to reward their best performers with significantly larger pay raises as they look for ways to keep their top talent and strengthen their pay-for-performance cultures.

The survey, conducted by Willis Towers Watson Data Services, found that virtually all respondents (98%) are planning to give employees raises next year, with salaries for exempt (i.e., professional) nonmanagement employees to increase 3.0%. That's the same increase they received in each of the past three years. Employers are also planning 3.0% average salary increases for management and nonexempt employees. Executives can expect slightly larger raises – 3.1% in 2017, although those are smaller than the average increase executives received this year and in 2015.

"Given the continued low rates of inflation and the ongoing pressure on profit margins, employers remain cautious when it comes to budgeting salary increases," said Laura Sejen, managing director, Rewards, at Willis Towers Watson. "While most companies are feeling little pressure to increase budgets relative to what we've seen in recent years, many are starting to question how those budgets are spent and whether their conventional approaches to salary planning are delivering a good return on that 3% investment. In fact, some employers are challenging the use of the annual cycle, while others are changing the criteria for determining the amount of individual increases."

According to the survey, exempt employees who received the highest performance ratings were granted an average salary increase of 4.6% this year, about 77% larger than the 2.6% increase given to employees receiving an average rating. Companies gave salary increases of less than 1.0% to workers with below-average performance ratings.

The survey also found that annual performance bonuses, which are generally tied to company and employee performance goals, are projected to hold steady or decline slightly in 2017 for most employee groups. Exempt employees are projected to receive bonuses that average 11.6% of salary, roughly the same amount companies budgeted for this year. Conversely, discretionary bonuses, generally paid for special projects or one-time achievements, are projected to increase slightly compared to bonuses awarded last year. Discretionary bonuses for exempt employees are projected to average 5.6% of salary, slightly more than the 5.3% average bonus awarded in 2015.

"Incentives tied to individual and company performance continue to play a greater role in an employee's total rewards package. Unlike salaries, incentives are variable and give employers much greater discretion in rewarding employees for performing at superior levels. During times when employees have greater opportunities to seek employment elsewhere, employers need to evaluate their total rewards strategies and programs to ensure their top employees don't take their skills elsewhere," said Sandra McLellan, North America practice leader, Rewards, at Willis Towers Watson.

About the survey

The Willis Towers Watson Data Services Salary Budget Survey was conducted between April and July 2016, and includes responses from 967 companies representing a cross section of industries. The survey report provides data on actual salary budget increase percentages for the past and current year, along with projected increases for the next year.

About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 39,000 employees in more than 120 countries. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential. Learn more at willistowerswatson.com (https://www.willistowerswatson.com/en).

Media contact

- Ed Emerman: +1 609 275 5162
  eemerman@eaglepr.com (mailto:eemerman@eaglepr.com)

Related solutions

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Salary Budgets Expected to Rise 3% in 2017

Limited pay raises reflect modest economic growth, despite a tighter job market

By Stephen Miller, CEBS
Jul 27, 2016

Updated on Sept. 28, 2016.

Based on preliminary salary budget projections for 2017, organizations in the U.S. are planning to boost pay by around 3 percent on average—as they did in 2016.

In July, WorldatWork, an association of total rewards professionals, released top-level results (https://www.worldatwork.org/adim/pub/2016-2017-top-level-results.pdf) from its 2016-2017 Salary Budget Survey, which received a total of 5,759 responses from among the group's members, who were asked how much they are planning on increasing base pay throughout their organizations in the upcoming year.

In the table below, the "mean" is the mathematical average while the "median" is the middle value after listing reported budget increases expectations in successive order. Outliers, or extreme values on either the high or low end, have the biggest effect on the mean and less effect on the median.

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 (/ResourcesAndTools/tools-and-samples/hr-qa/Pages/whatisthemeaningofsalaried,nonexemptemployee.aspx)	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%**

Source: WorldatWork 2016-2017 Salary Budget Survey, *preliminary findings.*

Survey data collected through May 2016.

Aggregated across all Canadian employee categories, regions and industries, the average total salary budget increase is 2.6 percent in 2016, a reduction from the 2.8 percent budgeted in 2015 and short of the 2.9 projected for this year, WorldatWork reports.

Among other recent pay forecasts for the coming year:

- **The Conference Board,** a business membership and research group, published its U.S. Salary Increase Budget forecast for 2017 (https://www.conference-board.org/publications/publicationdetail.cfm?publicationid=7254) in July, projecting that median U.S. salary increase budgets for 2017 will be 3 percent, the same as the median increase that the organization has reported for the previous six years. Similar to WorldatWork's forecast, The Conference Board expects this 3 percent salary increase to hold steady across all employment categories (nonexempt hourly, nonexempt salaried, exempt and executive), again equal to actual 2016 increases.

- **ERI Economic Research Institute,** which provides compensation data to private and public organizations, published its preliminary 2017 salary increase projections (http://downloads.erieri.com/pdf/Planning-Global-Compensation-Budgets-for-2017.pdf) in June. Again, no surprises here: The firm is also forecasting a 3 percent salary increase for the U.S. next year—unchanged from 2016 and 2015. The analysis also foresees U.S. unemployment falling only slightly next year, dropping from 4.9 percent to 4.8 percent.

- **Aon Hewitt,** in its 2016 U.S. Salary Increase Survey (http://aon.mediaroom.com/news-releases?item=137470) released in September, projects that base pay is expected to be 3 percent in 2017, up slightly from 2.8 percent in 2016. Spending on variable pay is expected to be 12.8 percent of payroll—unchanged from 2016.

- **The Federal Reserve Bank of Atlanta,** looking at the median percent change in the hourly wage of individuals, pegged year-over-year wage growth (https://www.frbatlanta.org/chcs/wage-growth-tracker.aspx?panel=1) as of June 2016 at 3.6 percent. The Atlanta Fed noted that wage growth, while by no means surging, has been accelerating since October 2015 at a pace not seen since January 2009.

Other recent salary budget forecasts for 2017 have been issued by compensation consultancy Korn Ferry Hay Group (http://www.businesswire.com/news/home/20160804005344/en/What's-3-Percent-Base-Salary-Increases-Forecasted) (citing a 3 percent median pay increase), consultancy Willis Towers Watson (http://www.globenewswire.com/news-release/2016/08/24/866587/0/en/U-S-companies-holding-the-line-on-pay-raises-for-2017-Willis-Towers-Watson-survey-finds.html) (3 percent average salary increases for management and nonexempt employees, while executives can expect 3.1 percent), pay consultancy Empsight (www.shrm.orghttp://www.empsight.com/s.nl/it.l/id.90/.f) (median merit increase budgets of 3 percent across all categories, and 2.8 percent at the 25th percentile) and pay survey data provider BLR (http://compensation.blr.com/Compensation-news/Compensation/Compensation-Administration/2016-2017-Pay-Budget-Survey-Highlights/) (finding 2.5 to 3 percent across all employee types).

These forecasts reflect the amount employers expect to be able to increase base pay throughout the organization. Individual salary raises are often based on job performance evaluations (/ResourcesAndTools/hr-topics/compensation/Pages/better-pay-for-performance.aspx), while salary ranges for job positons may be adjusted based on job market factors (/ResourcesAndTools/hr-topics/compensation/pages/job-leveling.aspx).

"The 3 percent median pay increase number doesn't necessarily mean that all employees should expect to receive this number, said Chicago-based Tom McMullen, Hay Group's North American total rewards expertise leader, who noted "a reasonable spread of practices across organizations" in findings from Hay Group's U.S PayNet database, with responses from more than 850 U.S. organizations received from March through June 2016.

"Organizations at the 90th percentile consistently indicate a 3.5 percent increase budget across all employee groups, while the 10th percentile is showing 2 percent across all groups," McMullen said. "We typically see top performers in organizations receiving between 1.5X and 2X the median salary increase for employees, So top performing individuals could expect to receive salary increases upwards of 6 to 8 percent."

Conflicting Economic Indicators

There is evidence of a tightening labor market in the U.S., which typically pushes wages higher. As reported by the U.S. Bureau of Labor Statistics (BLS), since the end of the Great Recession in June 2009 the U.S. unemployment rate has fallen from a high of 9.5 percent to 4.9 percent (http://www.bls.gov/news.release/pdf/empsit.pdf), as of June 2016.

But, as the government recently reported (http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm), U.S. economic growth was only 0.8 percent (revised) in the first quarter of 2016 and 1.2 percent in the second—a slower pace (http://www.cnbc.com/2016/07/29/us-advance-q2-2016-gross-domestic-product.html) than many economists had expected.

"The economy is only growing annually at 2 percent, so even though unemployment is getting better it's hard to raise prices right now" to produce the increased revenue that could fund higher wages across the board, said Craig Rowley, a Dallas-based senior client partner with Korn Ferry Hay Group.

As to the apparent contradiction of tepid economic growth and a tightening labor market, "keep in mind that part of the drop in the unemployment levels is people dropping out of the labor force," Rowley pointed out. "The participation rate has been at a record low (http://www.marketwatch.com/story/share-of-americans-in-labor-force-shrinks-to-38-year-low-2015-10-02)."

Cautious Employers

Another reason for salary increase stagnation: Given the conflicting signs of how strong the U.S. economy is, employers are opting to remain cautious with their pay-budget forecasts, compensation specialists say.

"Despite positive pressures from decreased unemployment and an increase in job openings, ... salary budgets continue to be restrained by ongoing uncertainty in the global economy and low rates of inflation," said Kerry Chou, senior practice leader in compensation at Scottsdale, Ariz.-based WorldatWork. "Organizations are still planning and awarding salary increases but the amount of the increases remains flat and is not changing year over year." In the U.S. in particular, with low inflation, "the demand for larger salary increases just isn't there and low unemployment has not been enough to motivate organizations to increase salary budgets," Chou said, noting that labor market pressures would likely need to come from multiple directions to accelerate wage growth.

"While it is true that the U.S. job market has improved over the past couple of years, it is also true that companies continue to operate in a highly uncertain international environment and with a strong dollar that restrains exporting opportunities," added Matteo Tonello, managing director of corporate leadership at The Conference Board in New York City. "Domestically,

they realize that they may be in the tail end of a 6- or 7-year expansionary phase. Whether or not the prediction of an impending recession turns out to be accurate, controlling fixed costs such as salaries becomes an imperative in such an uncertain marketplace."

Jonas Johnson, senior researcher at Irvine, Calif.-based ERI Economic Research Institute, noted that "right now, folks are reporting lower expected salary increases in 2017 than when they reported expected 2016 increases in 2015" a year ago, based on anticipation that the economy would grow at a faster clip in the latter half of last year.

Johnson said that ERI's compensation budgets report, referenced above, used data from Oct. 1, 2015 through May 31, 2016. He has subsequently analyzed survey responses from Jan. 1 through July 22 that suggests slightly lower 2017 salary budget projections for general employees (2.7 percent) and professionals/executives (2.9 percent), with the caveat that "what folks say they will do and what actually happens" often differs, based on the changing economic outlook.

If economic growth actually does pick up later this year, higher salary budget expectations—followed by higher actual pay increases—may finally follow. Likewise, if the economy stalls and heads into recession, employers would be likely to limit pay increases for next year.

Salary Range Adjustments

With regard to salary ranges, WorldatWork reported average upward salary structure adjustments of 1.9 percent (2.0 percent median) in 2016, which is anticipated for 2017 to average 2.1 percent (2.0 percent median).

Lump-sum base pay awards—an increase in pay made in the form of a single cash payment when, for instance, an employee is at the maximum of his or her salary range—were made by 60 percent of companies for exempt salaried positions in 2016, with an average of 13 percent of all exempt salaried employees receiving lump-sum base pay awards instead of a pay raise.

Shift to Variable Pay

Tonello pointed to another factor restraining salary budgets. "Companies have chosen to shift from the fixed costs of salary raises to rewarding employees through annual bonuses and other performance-based compensation."

Variable pay vehicles (www.shrm.org/ResourcesAndTools/hr-topics/compensation/pages/incentive-pay-mix.aspx) such as annual or quarterly bonuses based on individual, team and organizational goal achievement "offer more flexibility and do not commit cash resources in advance and for the long term," Tonello said. "They can be tailored to year-end performance and cash availability, and significantly reduced in the following year if softening performance requires it."

Despite the mixed economic outlook, "We're seeing there is a willingness to provide compensation upside through short and long-term incentive plans and financial recognition programs," said Hay Group's McMullen. "Organizations are willing to provide handsome cash payments using these programs if they get the corresponding performance from the organization and its employees."

Willis Towers Watson's survey found that exempt employees are projected to receive annual performance bonuses that average 11.6 percent of salary in 2017, roughly the same amount companies budgeted for this year. Discretionary or incidental bonuses (www.shrm.org/ResourcesAndTools/hr-topics/compensation/Pages/incidental-bonuses-alternative-rewards.aspx), generally paid for special projects or one-time achievements, for exempt employees are projected to average 5.6 percent of salary, slightly more than the 5.3 percent average bonus awarded in 2015.

"Incentives tied to individual and company performance continue to play a greater role in an employee's total rewards package," said Sandra McLellan, North America practice leader for rewards at Willis Towers Watson.

At SHRM's 2016 Annual Conference & Exposition, held in June, variable pay advocate John A. Rubino explained why (www.shrm.org/ResourcesAndTools/hr-topics/compensation/pages/variable-pay-aligns-performance.aspx) he is on "a worldwide crusade to abolish merit-based salary" raises, which often fail to differentiate top performers from average employees. He argued that base pay should reflect each position's market value, while individual performance should be rewarded through lump-sum variable compensation. This results in "employees who are focused on adding value to the business by meeting and exceeding performance expectations," he said.

In the U.S., the percentage of organizations using variable pay marginally rose to 84 percent in 2016, WorldatWork reported in its complete 2016-2017 Salary Budget Survey (https://www.worldatwork.org/adimLink?id=79994). This number had been hovering around 80 percent for many years. A combination of awards based on both organization/unit success and individual performance continues to be the most prevalent type of variable pay program.

Regional Differences Greater for Variable Pay

Workers in most U.S. cities and across all industries can expect to see salary increases in line with the national average for 2017, according to Aon Hewitt. But workers in some U.S. cities are expected to see higher-than-average variable pay in 2017. These cities include Houston (21.1 percent), New York City (15.1 percent), Minneapolis/St. Paul (14.9 percent) and Chicago (13.7 percent).

"Variable pay budgets vary by city year over year and depend heavily on the performance of the specific industries that are located within the city as well as the local economic conditions," explained Ken Abosch, broad-based compensation leader at Aon Hewitt. "For example, the energy sector dominates Houston, which was hit with rocky financial performance this year. In 2017, Houston is expected to have the lowest base salary pay increases but the highest variable pay levels in the U.S., which allows these organizations to keep employees engaged and rewarded."

Financial Reward Opportunities

With continuing modest base pay increases likely for next year, employers should think about ways to differentiate themselves from competitors and appeal to job candidates. In addition to variable pay bonus programs that reward achievement, employers shouldn't discount career training and advancement opportunities. Getting promoted, after all, is still one of the best ways for employees to grow their paycheck.

Promotional increases were awarded to 8.0 percent (median: 7.0 percent) of employees in 2015, one-tenth of a percentage point greater than the 7.9 percent (median: 7.0 percent) average in 2014, WorldatWork found.

Of the promotional increases received, the size of the average pay increase remained unchanged at 8.4 percent (median: 8.0 percent). The planned amount that organizations spend on promotional increases in 2016 also had no change, at 1.5 percent (median: 1.0 percent) of total base salaries.

"Challenging business conditions and strong global competition this year means many companies are holding the line on compensation spending in the year ahead," said Abosch. "However, as the job market continues to improve, stagnant compensation spending could leave many companies in a difficult position in the war for top talent. Organizations may need to either re-think their compensation strategy, or emphasize the other benefits and perks they provide as a way to attract and retain the best workers."

Related SHRM Article:

Bonus Binge: Variable Pay Outpaces Salary (/ResourcesAndTools/hr-topics/compensation/Pages/variable-pay-outpaces-raises.aspx), *SHRM Online* Compensation, August 2016

Incidental Bonuses and Alternative Rewards Are on the Rise (/ResourcesAndTools/hr-topics/compensation/Pages/incidental-bonuses-alternative-rewards.aspx), *SHRM Online* Compensation, July 2016

Related SHRM Resource:

(/ResourcesAndTools/hr-topics/compensation/Pages/incidental-bonuses-alternative-rewards.aspx)
For a round-up of salary budget forecasts, visit SHRM's (/ResourcesAndTools/hr-topics/compensation/Pages/incidental-bonuses-alternative-rewards.aspx) Salary Increase Projections 2017 (https://apps.shrm.org/HRresources/keyworddetails.aspx?type=6&id=146) Express Request.

SALARY SURVEYS | MERIT PAY

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2017 Merit Increase Projections

By Kristy Williams, CCP, Survey Manager
Published October 18, 2016

We recently released our ***2016 Salary Budget Survey,*** which contains data from 219 participating Chicagoland member organizations. The survey reports average budgeted pay increases for the next 12-month period (including general, merit and/or cost of living adjustments (COLA)), as well as the types of pay increase programs used. Results are segmented by employee work group and by manufacturing, non-manufacturing or all industries combined.

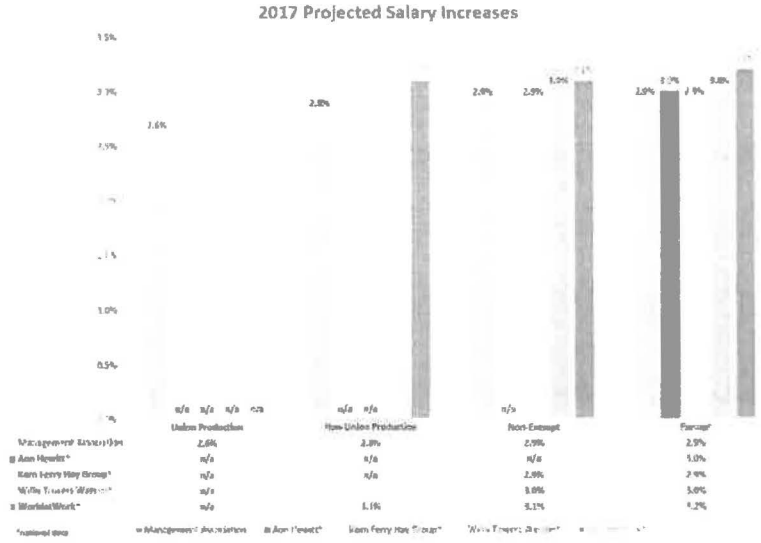
The trend of giving approximately 3% increases continues for the sixth straight year. Local projections for 2017 (2.6% - 2.9%) are very similar to projections made in 2016 (2.8% - 3.1%). Looking historically at our survey, increases have stayed within the 1.5% - 3.6% range for the last 15 years. In fact, an average of 4.0% hasn't been achieved since the 2000-2001 time period, and you would have to go back 10 years further (1991) to see 5.0%.

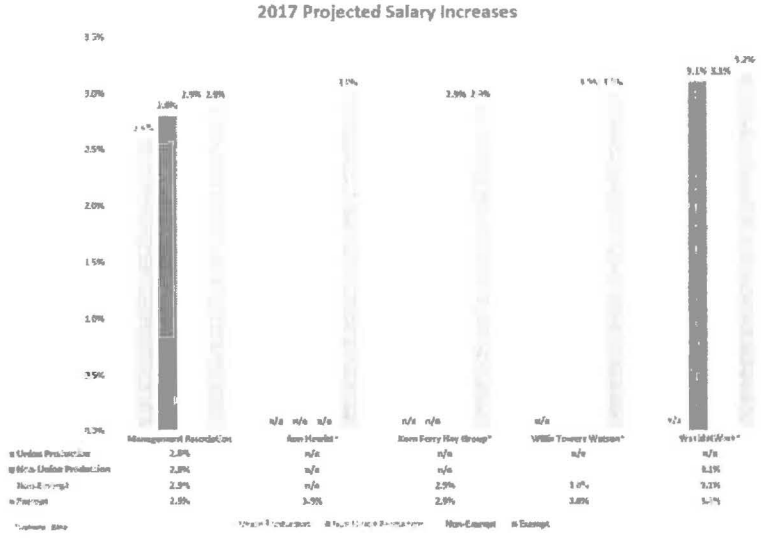
Below is a chart showing our data as it compares to national sources (click for a larger view):











The results of the ***2016 Salary Budget Survey*** are made available to all members by the generosity of those that participated. If you find this data of value, please consider participating in the future. Members may download the full report under the "My Surveys" link on the "Surveys" tab. If you have questions, please contact us at 800-448-4584 or at info@hrsource.org.

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