



CITY OF MANITOWOC

WISCONSIN, USA

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DATE: October 7, 2024
TO: Personnel Committee
FROM: Jessie Lillibridge, HR Director
RE: 2025 Compensation Plan Maintenance

Approximately six years ago, I was on a small committee of department heads that met for several months to review and revise the performance management and compensation process for non-represented employees.

Prior to the revisions to these processes, there was no mechanism in place to ensure that the compensation structure was maintained and kept competitive with the current market. The policy that was rolled out in 2019 included language which directed the HR Director to automatically adjust the overall compensation structure each year based on the increase data received from the Carlson Dettmann Salary Survey, and also, to conduct a market analysis to be done every five years to ensure that the plan remained competitive.

This was an effective, data-driven way to ensure that the hiring rates and employee wages remained competitive, which positively impacted the ability to hire and retain the best candidates.

The first few years that this process was in place, the annual increases received from the salary survey ranged from 1.75% to 2.35%. On January 1st of those years (2019-2022), the plan was increased by these rates per the policy. In 2022, a full market analysis was done in response to the unpredictable labor and financial market we were seeing post-pandemic. That analysis determined that the plan should be adjusted by 5% in 2023 to remain competitive.

Last year, the salary survey data came in at a 2.98% increase for the overall non-exempt compensation plan and a 2.78% increase for the overall exempt compensation plan. Due to budget concerns, instead of increasing the overall compensation plans by these numbers, the Mayor and Council chose to deviate from the policy and only increase the overall plans by 2.5% effective January 1, 2024.

This year, the salary survey data dictates a 2.9% increase to the overall plans effective January 1, 2025. My recommendation is that we follow the market recommendation to avoid falling behind once again, and hopefully mitigate any necessary increases when another full market analysis is done.

In the five years that this policy has been in place, the only time policy was deviated from was when the increases came in over 2.5%. For example, when increases came in at 1.35%, the compensation plan was adjusted by 1.35%. When increases came in at 2.98%, the compensation plan was adjusted by only 2.5%. As a reminder, the policy was set in place so that the compensation plan adjustments would be relevant to the current market and not just based on an arbitrary number.

This year, Mayor Nickels has requested a discussion on changing policy language to state that the overall compensation plan **may** be adjusted based on the annual salary survey. This would replace current language stating that the overall plan **will** be adjusted based on the survey. This would allow for the Mayor to annually determine the increase to the compensation structure rather than using the data-driven numbers based on current market conditions.

Another thing to keep in mind is that, in addition to dictating how the compensation structure is maintained each year, the data from the survey is also used to determine annual increases for employees.

My concern with this proposed policy change is that if we continue to deviate from using the current market numbers, our compensation plan and employee wages will lag behind the market and become non-competitive. The Mayor and Council have recently focused on employee benefits and compensation, which I believe has greatly improved the culture at the City. I truly appreciate City leaders' willingness to make employees a priority the past few years. And employees have shared that they are extremely grateful for the benefits and compensation changes that the Mayor and Council have implemented over the past few years.

In addition to my concerns over the plan remaining relevant and competitive, my fear is if we make the proposed changes, much of the progress we've made over the past few years, will be set back. If we do revise the policy and then, as a result of the revision, we deviate from the salary survey recommendations only when the numbers come in high, it will send a negative message to our employees.

Thank you.