

CITY OF WAUWATOSA

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EMPLOYEE RELATIONS COMMITTEE MEETING Special Meeting - Tuesday, March 6, 2007 Council Chambers

PRESENT: Alds. Meaux (6:12 p.m.), Purins, Stepaniak -3

ALSO PRESENT: Alds. Becker, Birschel, Donegan, Grimm, Krol, Treis; J. Archambo, City Admin.; A. Kesner, City Attorney; Beth Aldana, Asst. City Attorney/Personnel Dir.; W. Kappel, Dir. of Public Works; Police Chief B. Weber; R. Stingl, Fleet, Traffic & Maint. Supv.; W. Tarman-Ramcheck, Pub. Wks. Prog. Analyst;
K. Walbrant, Parks & Forestry Supv.; L. Kavelaris, Police

Ald. Purins as Chair called the meeting to order at 6:08 p.m.

Compensation Systems, Structures & Comparisons

Charles Carlson, CEO of Enetrix, formerly Carlson Dettman, said he has been in the public sector human resources management field for over 30 years. He first worked with the city in 1987. He said his objective is to inform the council of some of the major issues. Some of the topics he hoped to cover included the definition of what total compensation is, the condition of compensation in the public sector, and Wauwatosa's compensation system.

Total compensation includes: Pay (base pay and short term incentives) and benefits; hours of work, working conditions, and Benefits. Benefits include the big 4: mandatory (social security, unemployment compensation), health related, retirement, and paid time off. It is critical to know what the cost of total compensation is and to communicate it to employees. Surveys indicate 80% of employees see fringe benefits as important or more important than salary. The national average cost of fringe benefits today is 43% of salary, but the majority of employees surveys said fringe benefit costs are about 20% of salary. Mr. Carlson said hours of work do matter and stability of employment is an important factor in examining the value of a job. The third major component is working conditions.

Wisconsin public sector compensation is much better today than 40 years ago. Pay is up at all levels. Jobs are protected by contract language. In the early 1960's collective bargaining added interest arbitration. The past 30+ years of interest arbitration has evolved into how best to live with it in that you must come up with a "last best offer" and "winner takes all."

Two recent municipal interest arbitration decisions that involved the city were: (1) police union in 2000 where the union's final offer was selected primarily due to a deterioration of wage standing relative to comparable departments; and (2) public works union in 2006 where the city's final offer was selected primarily because the city proved that it has a quality health plan and was offering a fair "quid pro quo" for the changes requested.

Local government employees are 90% unionized today. There are much better pay systems in place than there were 30 years ago. Collective bargaining is designed to redistribute the wealth. In addition to pay being up, the market is fairly inelastic.

Comparisons between public and private sector are complicated. Government does many things the private sector doesn't do. As a result, many of these jobs don't have good comparisons in the private sector. Where they do line up, generally the public sector tends to pay better for lower level jobs, but the private sector pays better for higher level jobs. High tech jobs don't have the same flexibility.

In a comparisons of benefits of the big 4 public vs. private: on par for mandatory benefits; public sector outlay for health benefits are higher on a per employee basis; pension program is better than most in the private sector; and paid time off is probably on a par. Mr. Carlson said health costs are only going to get worse. The solution is something you have to get at as a combined effort.

The Carlson Dettman Pay Study in 2001 helped the city achieve its goals of: Making sure the city was paying fairly, having a better alignment with the marketplace and provide a mechanism to keep the plan current. The pay study compared employee compensation with 16 comparable communities.

Prior to adoption of the pay plan in 2001, the city's merit based pay system had no standards and was under funded. There were compression issues between some supervisors and union positions they were supervising. There are also some market adjustments that were needed.

The recommendations from the pay study that were adopted were: opting to "match the market" as a pay plan target, implementation of a job evaluation system, new pay grades, internal pay adjustments to deal with compression and market issues, and a step pay plan with modest pay ranges.

Mr. Carlson said there are only half the council members currently serving that were on the council in 2001. There are always questions that arise regarding the reasoning behind the decisions made in 2001. Some concern was expressed regarding the step pay plan. He said a step system becomes a cost control in allocating pay in an equitable manner. He pointed out that the only way a merit based pay plan will work is that it must be adequately funded; and a merit based plan is more expensive than a step plan because until an employee reaches the mid point of a step plan, he is being paid less than the market price.

Mr. Carlson said it is always a good idea to test a pay plan every 5 years to make sure it is still working well. He felt it is really important to focus on the right things and ask the right questions when looking at compensation. Key items a focus should be: does the city provide good services? What is the financial capacity of the community relative to other comparable area communities? Does the city provide services efficiently or inefficiently? Is the workforce the right size? How does the city's total compensation package compare to community standards? What will the city's financial situation be in 5, 10, and 20 years?

Mr. Carlson said based on his 35+ years of experience in the field he felt Wisconsin has one of the most effective systems of state and municipal government in the U.S. He said the key is to focus on things that are really under the council's control and try to get everyone involved in the process. He said the city has good employees and they are most likely to work with the city if they are brought into the process and invited to share and development information as a team. If you become adversarial, things never work well. He cautioned that to initially cut non-represented employee pay and/or benefits is to antagonize the very people you rely on to communicate with the union employees. He said that is not good business. The city needs the non-represented people to manage the city.

Ald. Stepaniak asked if all or most step plans increase pay in addition to a cost of living increase and what are the consequences of that. Mr. Carlson said most step plans also include an adjustment for cost of living. Because of the political process there is pressure on politicians to put less money into step systems. The result will be when the city tries to hire replacements, city will no longer be competitive in the market. The city could consider a modified merit system or spread out the step increases, but this will only undermine the system. One consideration might be for longer labor agreements.

Ald. Purins asked about sources of information regarding long term planning. Mr. Carlson suggested the Kaiser foundation. He pointed he has not heard of any rosy forecasts for 10-20 years from now. The best way to keep runaway expenditures under control is to make sure we are effective consumers of health care. Mr. Carlson felt there will be a national health care system in this country with 10 years. He said he didn't know what the implications of that will be.

Ald. Birschel spoke of Medicare negotiating fees for services. Mr. Carlson said Medicare is growing because of all the aging baby boomers. The sheer size of Medicare makes it easy for them to achieve lower fees. Hospitals shift the cost to private payers.

The meeting adjourned at 7:25 p.m.

Carla A. Ledesma, City Clerk
Wauwatosa, Wisconsin

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