
CITY COUNCIL REPORT

WORK STUDY AGENDA

TO: David Cavazos
City Manager

AGENDA DATE: January 24, 2012

FROM: Janet Smith
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ITEM:5

SUBJECT: PAY & BENEFITS STUDY – THE SEGAL COMPANY

This report provides information to the City Council on the results from the recent City-wide pay and benefits study and seeks City Council input regarding next steps.

The independent review by The Segal Company (“Segal”) shows that, overall:

- City of Phoenix employees are paid less, by 19 percentage points, than similar jobs in comparable local private sector companies
- City of Phoenix employees are paid consistent with other local public sector employees and 2 percentage points above other large cities around the nation
- City of Phoenix employees have a total compensation package (pay with benefits) valued at 1 percentage point above the combined market of private and public sector employers
- City of Phoenix pay practices such as pay step progression and longevity programs are common in public sector environments; however, uncommon in private sector environments
- City of Phoenix practices that appear more generous than those offered in the market and require follow-up include tuition reimbursement, medical/dental insurance, shift differentials, and retirement/pension benefits
- Private sector employers offered more generous benefits such as executive physicals, stock options, and higher annual salary increases

Overall, Segal’s report shows City of Phoenix employees are paid commensurate with the aggregate market (public and private sector combined); however, some jobs were found to be paid above or below the competitive market range. Staff will identify a plan to bring those jobs to the market, based on City Council direction.

BACKGROUND

In recent years, local and national discussions have focused on public-sector employee pay and benefits. In 2011, the City Council approved staff recommendations for hiring an independent consultant to conduct a total compensation study. After a competitive bid and evaluation process, The Segal Company (“Segal”) was selected. Segal was tasked with gathering detailed information on both pay and benefits from other governments – locally, regionally, and nationally. They were also tasked with gathering information from private employers with similar jobs, nationally, and in the local Phoenix market. A panel of citizens from the Innovation and Efficiency Task Force participated

in the development and review of the study. The goal of the study was to ensure the following:

- costs associated with pay and benefits are fair and equitable based on the work performed;
- the City of Phoenix remains an employer of choice; and,
- the City of Phoenix continues to be a responsible steward of public funds.

After extensive data collection from peer employers both in the private and public sectors and published data sources, Segal published the attached report titled *City of Phoenix 2011 Total Compensation Study* which outlines their findings. Peer employers were identified as organizations in the public and private sector roughly similar in size, complexity, or services with comparable jobs, as well as those employers the City of Phoenix ("City") typically competes with to attract and retain talented employees.

REPORT

Segal's review focused on the duties assigned to each job; individual performance in the job was not a factor in Segal's evaluation. The City's data reflects the 1% cutback in wages and deferred compensation reductions which were part of the 3.2% total compensation concessions agreed to last year.

Segal further refined their analysis and has compiled a list of specific jobs for which they recommend a pay grade adjustment either up or down based on market data. Their recommendations were based on comparisons with other public and private jobs as well as market data for the specific market (local or national) in which the City typically recruits from to fill jobs.

Total Compensation Comparisons When viewing wages with benefits (total compensation), the City leads the aggregate market by a small margin for general employees and public safety combined. In calculating the total compensation percentage, Segal considered the value of the employer's contributions to major benefit programs such as pension, health and dental care, and deferred compensation plans.

However, sworn public safety jobs lead the market by 5% compared to the combined (local and national) public sector markets - while general employees are also slightly higher, by 1%, compared to the combined public and private sector markets. If the City implements modifications to pension contributions, as recommended by the Pension Reform Task Force, the City's total compensation figure declines from 1% above market to within market for general City employees.

NEXT STEPS

The full compensation report is attached and can also be found on the Employment page of the City's website at: <http://www.phoenix.gov/employment/index.html>. Segal is completing their evaluation of the City's benefits compared specifically to the private sector. Recommended changes to pay or benefits will require further discussion with consideration given to the City's desired market position and potential pension modifications. Based on Council direction, staff will develop an implementation plan and timeline to adjust compensation to meet the Council's directed market position.