

# What is the True Total Cost of Your Employees?

Denise Y. Casey, MPA, SHRM-SCP  
Human Resources Director  
Town of Lexington

[dcasey@lexingtonma.gov](mailto:dcasey@lexingtonma.gov)  
781-698-4591

# Getting to Know You

- Name
- Community
- Professional Occupation
- What do you want to learn from this workshop?



# Factor in Employee Cost

- Base Salary is only 1 component of the total “cost” of an employee to a Town/City:
  - Additional Wage Payments;
  - Benefits;
  - Worker’s Compensation / Injured on Duty;
  - Training and Development;
  - Industry Specific Licensing;
  - Physical Location; and
  - Tools and Other Resources.



# Concept of Total Rewards

- Total rewards is defined as all forms of financial returns employees receive from employers.
  - Direct: base pay, incentive pay, \$\$ achievement awards.
  - Indirect: health/dental benefits, unpaid leave, flexible benefit programs, non-cash recognition.

# Base Salary

- The annual amount of compensation an employee receives for their employment with the community.



# Employee Profiles

Employee #1

Dot

- Dot is a FLSA exempt employee (salaried) who earns a base salary of \$60,000.
- If asked what she “makes in a year”, Dot would respond \$60,000.
- But... that is not the “total” picture of what Dot earns or receives from the community or what her employment “costs” the community.



# Employee Profiles

## Employee #2 Jamie



- Jamie earns a base hourly rate of \$25.00 and works 40 hours a week (2080 annually).
- If asked what he “makes in a year”, Jamie would respond \$52,000.
- But.... that is not the “total” picture of what Jamie earns or receives from the community or what his employment “costs” the community.

# Other Forms of Monetary Compensation

- Forms of compensation:
  - Education Incentive (i.e. Quinn Bill)
  - Shift Differential Pay
  - Weekend Differential Pay
  - Longevity Pay
  - License Pay
  - On-Call Stipend
  - Holiday Pay
  - Hazardous Duty / Weapons Pay
  - Stipends (Detective, Prosecutor)
  - Defibrillation Pay
  - Command / “Out-of-grade”
  - Field Training Officer Pay
  - Incentive pays (sick leave, attendance)





# Other “Fringe” Benefits Accrued to the Employee – Cost to the Community

- Health Insurance
  - Town / Employee split.
  - Cost of most popular family & individual plans. “Cadillac” level family plans cost **\$28,157.28.**
  - Community contribution rate is between 90-50%!!!
  - Growing attention to this benefits as a part of “Total Compensation.”
  - Retiree health insurance.
  - OPEB.



# Other “Fringe” Benefits Accrued to the Employee – Cost to the Community

- Dental Insurance
  - Contributory or Voluntary
  - Typically 50%-50% split.
- Life Insurance
- Other Benefits
  - (Long-Term Disability, Short-Term Disability, Cancer insurance, 457 Plan / Deferred Compensation match)



# Other Benefits Accrued to the Employee – Cost to the Community

- Training and Development.
- Seminars and Conferences.
- Professional Certifications.




# Other Costs to the Community

- Retirement Assessment
- Medicare
- Unemployment Insurance
- Worker's Compensation / Injured on Duty



A sample Medicare Health Insurance card for John Doe. The card features a red header with 'MEDICARE' and 'HEALTH INSURANCE' separated by the Medicare logo. Below the header is the phone number '1-800-MEDICARE (1-800-633-4227)'. The card lists the beneficiary's name as 'JOHN DOE', Medicare claim number '000-00-0000-A', and sex as 'MALE'. It also shows entitlement to Hospital (Part A) and Medical (Part B) insurance, both effective as of 01-01-2007. A 'SIGN HERE' label with an arrow points to a line at the bottom of the card. A large 'SAMPLE' watermark is overlaid on the card.

MEDICARE			HEALTH INSURANCE	
1-800-MEDICARE (1-800-633-4227)				
NAME OF BENEFICIARY				
JOHN DOE				
MEDICARE CLAIM NUMBER		SEX		
000-00-0000-A		MALE		
IS ENTITLED TO		EFFECTIVE DATE		
HOSPITAL (PART A)		01-01-2007		
MEDICAL (PART B)		01-01-2007		
SIGN HERE →				

# Leave Benefits

- Leave Benefits:
  - Vacation Leave / “Holyoke” Vacation;
  - Bereavement Leave;
  - Sick Leave;
  - Sick Leave Bank; and / or
  - Personal Leave.



# Dot's Employment Cost to the Town/City

● Base Salary	\$60,000
● Health Insurance	\$16,000
● Dental Insurance	\$900
● Life Insurance	\$50
● Professional Certifications	\$1,000
● Seminars and Training	\$2,000
● Worker's Compensation Injury	\$3,000
● <b>Dot's Total Rewards from Town/City</b>	<b>\$82,950</b>
● <b>"Hidden" Benefits/Costs</b>	<b>\$22,950</b>



# Jamie's Employment Cost to the Town/ City

● Base Salary	\$52,000
● Overtime	\$25,000
● Details **	\$5,000
● Educational Incentive	\$10,400
● Holiday Pay	\$3,000
● First Responder Pay	\$700
● Uniforms / Clothing	\$3,000
● Health Insurance	\$16,000
● Dental Insurance	\$900
● Life Insurance	\$50
● Training	\$2,000
● <b>Jamie's Total Rewards from Town/City</b>	<b>\$118,050</b>
● <b>"Hidden" Benefits/Costs</b>	<b>\$66,050</b>



\*\*Most details are privately funded. This example is for municipal details.

# How Does Your Community Compare to the “Market”

- Recruitment
- Retention
- Talent Management





# Aspects of Compensation System

- External Equity – Marketplace analysis.
  - Match the market;
  - Lead the market; or
  - Lag the market.

Determined by a study of your “market”.

Comparable communities are typically the “market”. However, for some jobs (IT, electric light) private sector comps may be used.

# Salary and Benefits Data

- Looking At Salary Data
  - Create a “composite employee”
    - Average years of service for the group (10, 15, 20).
    - Average level of education (AS, BS, MCJ).
    - Average of add pays (Longevity, Defib).
  - Compare your “composite employee” to your comparables for an “apples-to-apples” comparison.
  - Make sure you are using consistent fiscal years. If a comparable community has not settled their contract, then you should “normalize” the data.



# Sample Detail Rate Chart

Community	FY14	FY15	FY16	FY17
Town A	\$32.25	\$40.00	not settled	not settled
Town B	\$35.00	\$37.00	\$38.00	\$38.00
Town C	\$34.11	\$35.16	\$36.48	\$37.50
Town D	\$36.00	\$38.00	\$39.00	\$40.00
Town E	\$39.29	\$43.21	\$44.40	\$45.62
Town F	\$32.00	\$32.00	\$32.00	\$32.00
Town G	\$38.00	\$38.00	\$38.00	\$40.00
Town H	\$32.00	\$32.00	\$37.00	\$37.00
Town I	\$38.00	\$38.00	\$38.00	\$38.00
Town J	\$36.00	\$38.50	\$39.60	\$39.60
Town K	\$40.60	\$41.01	\$42.50	\$43.98
<b>Average</b>	<b>\$35.75</b>	<b>\$37.53</b>	<b>\$38.50</b>	<b>\$39.17</b>
Lexington vs. Average (\$)	+\$3.20	+\$1.42	+\$1.43	+\$1.75
Lexington vs. Average (%)	+8.95%	+3.77%	+3.70%	+4.47%

# Sample Health Insurance Exhibit

Insurance Product	Type of Plan	Annual Town Cost FY04	Annual Town Cost FY05	Annual Town Cost FY06	Annual Town Cost FY07	Cumulative Increase	Monetary Increase
HMO Blue	Family	\$9,323	\$10,356	\$11,160	\$12,632	35.50%	\$3,310
(87%/13%)	Individual	\$3,571	\$4,009	\$4,301	\$4,855	35.93%	\$1,283
Blue Choice	Family	\$12,943	\$13,718	\$15,965	\$18,077	39.66%	\$5,134
(80%/20%)	Individual	----	----	----	----	----	----
Harvard Pilgrim HMO	Family	----	----	----	----	----	----
(87%/13%)	Individual	----	----	----	----	----	----
<b>Total Cost to the Town*</b>		\$271,056	\$359,178	\$365,194	\$384,773	41.95%	\$113,717
<p>Note: Only two (2) bargaining unit employees opted for the Blue Choice (80%/20%) plan; none opted for the less expensive Harvard Pilgrim plan. Of those in HMO Blue, about 70% are in the family plan.</p>							
<p>*Total cost increase is based on actual enrollment in each plan each year.</p>							

# Sources Cited

- 1) Fitzpatrick, Kate; MMMA Presentation, “Boot Camp for Managers,” October 2, 2008.
- 2) LaLonde, Stephen P., “Enhancing Grievance Preparation Processing and Resolution at all Levels.” MMA Labor Relations Seminar Presentation, October 2008. Copyright 2008, Stephen LaLonde and Andrea Terrillion.
- 3) SHRM Learning System, Module 5; Employee and Labor Relations, Society for Human Resource Management, 2007.
- 4) Terrillion, Andrea, “Taking the Mystery Out of Past Practice and Management Rights”, MMPA Annual Labor Relations Seminar Presentation, October 27, 2006.
- 5) [www.Humanresources.about.com/od/manageperformance](http://www.Humanresources.about.com/od/manageperformance)
- 6) Human Resource Management in Local Government.
- 7) Human Resource Management in Public Service.
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