HENNEPIN COUNTY ACTIVATES TOTAL REWARDS FROM THE OUTSIDE IN

BY MICHAEL ROSSMAN, RON KEIMACH AND LYN HARPER
Mercer engaged with Hennepin County, Minnesota, to develop and activate a Total Rewards plan to support both organizational and stakeholder goals while also meeting the varied needs of a multigenerational workforce. The county’s workforce — more than 9,000 strong — was facing a significant number of upcoming retirements and a shifting, highly competitive labor market. With 40% of the workforce reaching retirement age in the next three years, Hennepin County had an opportunity to create a total rewards strategy to attract and retain the talent needed to help the county achieve its community goals. Mercer worked with Hennepin County to redesign and reset its Total Rewards program from the “outside in” to meet employees where they are in the work lifecycle.
**Motivating Factors for Change**

Hennepin County was confronted with a growing pool of retirement-eligible employees, shifting workforce demographics and a regional workforce talent shortage, as well as better-funded private-sector competition to attract talent. The three-to-five-year forecast for the regional talent pool suggested that a substantially larger retired population would require support from a smaller working population. The county also wanted to build a diverse employee base that was more representative of the communities it served, while also focusing on the continual development of its workforce.

**Retirement Eligibility Trends**

![Hennepin County Employees Eligible for Retirement](chart)

- **Total Employees**: % eligible in 5 years: 22%, in 10 years: 32%
- **Surpervisors**: % eligible in 5 years: 20%, in 10 years: 34%
- **Managers**: % eligible in 5 years: 42%, in 10 years: 52%
- **Directors**: % eligible in 5 years: 30%, in 10 years: 53%

**Hennepin County Generational Trends**

![Generational Trends](chart)

- **Traditionalists**: 2010: 54.7%, 2011: 53.6%, 2012: 49.9%
- **Boomers**: 2013: 46.7%, 2014: 43.0%, 2015: 39.8%
- **Gen X**: 2016: 39.6%
- **Gen Y**: 2016: 35.4%
- **Gen Z**: 2016: 22.3%

**Meet Hennepin County**

Mission: To enhance the health, safety and quality of life of our residents and communities in a respectful, efficient and fiscally responsible way.

- **1.26M** County population
- **9,000+** Total # of employees
- **380** Job classifications
- **46** Average age of employees
- **64** Average retirement age
- **11** Average years of service
Focus group data showed that most of Hennepin County’s employees did not understand how to value their Total Rewards from the county, so they generally defaulted to thinking of base pay as the only “value” metric available. By utilizing a variety of approaches and tools, such as a compelling Total Rewards philosophy, Mercer’s proprietary Internal Labor Market® Map and focus groups to gather employees’ views (inside out) and employers’ views (outside in), Mercer and Hennepin County were able to design and activate a total rewards solution to showcase all of Hennepin’s benefits to help attract and retain passionate, mission-driven employees.
## Tuning In to Feedback

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<th>Employee Perspective: Inside Out</th>
<th>Employer Perspective: Outside In</th>
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<td><strong>Compensation</strong></td>
<td>• Provide competitive pay and recognition for being a high performer.</td>
<td>• Adopt a visionary compensation philosophy.</td>
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<td>• Develop a new pay structure with significant training for supervisors to help them manage pay.</td>
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<td>• Recognize high performers.</td>
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<td><strong>Career Development</strong></td>
<td>• Create and advertise opportunities for advancement (beyond becoming a people manager) and learning at all career stages.</td>
<td>• Provide visible career paths and more career discussions to encourage internal mobility.</td>
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<td>• Promote learning and development opportunities to employees.</td>
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<td>• Invest in first-line supervisors and provide more management training.</td>
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<td>• Create a dual-career track.</td>
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<td>• Deliver meaningful performance evaluations.</td>
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<td><strong>Health and Work/Life Benefits</strong></td>
<td>• Offer competitive and comprehensive health benefits and allow for flexible benefits dependent on life stage.</td>
<td>• Provide benefits that are fiscally sustainable and competitive with other employers.</td>
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<td><strong>Retirement</strong></td>
<td>• Communicate more frequently and earlier in an employee’s career around the value of PERA and other savings accounts.</td>
<td>• Champion the value of long service to the county, while recognizing the generational gap on what is viewed as valuable.</td>
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<td><strong>Work Environment</strong></td>
<td>• Be a progressive employer of choice and support work/life balance and flexible work schedules.</td>
<td>• Encourage interaction between younger and older employees with a mentorship program.</td>
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<td>• Reduce hierarchical levels to better empower employees.</td>
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<td><strong>HR Systems</strong></td>
<td>• Ensure consistent and transparent policies and practices across job classes.</td>
<td>• Reduce the number of job classes to reduce the amount of review needed.</td>
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<td></td>
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<td>• Provide a more effective application and screening process.</td>
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<td><strong>Communication</strong></td>
<td>• Equip managers to increase communications around career opportunities, health and benefits, retirement and areas in HR systems to provide transparency and deeper understanding.</td>
<td>• Reach diverse and multicultural employees and prospective employees through multiple demographically appropriate communications channels.</td>
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<td></td>
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<td>• Recruit earlier from local high schools and colleges.</td>
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To help Hennepin County create an effective Total Rewards strategy, Mercer worked with the Hennepin HR team, leadership, the unions and individual employees to get input on four foundational perspectives to be factored in to the plan. These included:

• **Cost perspective** — Can the rewards programs designed to support the desired strategy be provided at an affordable and sustainable cost? If not, how should they be modified to be financially viable?

• **Employee perspective ("inside out")** — What does or should differentiate working for Hennepin County from competing employment opportunities? How do employees place value on the current rewards package?

• **Employer perspective ("outside in")** — What are the needs of the workforce in terms of structure, behavior, capabilities and performance? How should the rewards programs be designed and delivered in order to meet the employees where they are and secure those workforce outcomes?

• **External perspective (more “outside in”)** — What are the labor and related rewards environments in which the organization competes? How do they influence or constrain Total Rewards practices that Hennepin County may wish to adopt?

The answers to these questions informed the creation of a roadmap for a Total Rewards strategy, prioritized and mapped to a timeline, along with a series of philosophies to guide the strategy.

**ROADMAP TO ACHIEVING THE FUTURE-STATE TOTAL REWARDS STRATEGY**

- Continuous Improvement Box
- Mentorship Program
- Life & Disability Cost Analysis
- Dental Plan Cost Analysis
- Flexible Benefits Assessment
- ERG Financial Support
- Policies (PTO/ERHIP/HCSP)*
- Spot Rewards
- Minimum Qualifications Review
- People Manager Training
- Pay for Performance Strategy
- Salary Structure/Step Review
- Comprehensive Compensation Study
- Job Classification (Career Paths)
- Communications Strategy and Campaign

*Increased time due to Union negotiations
TOTAL REWARDS STRATEGY AND FIVE-YEAR PLAN

Although implementation of the plan has only recently commenced, what Hennepin County and Mercer achieved together was a robust, integrated Total Rewards strategy and roadmap for execution.

OVERARCHING GOAL & PHILOSOPHIES

Goal: To attract and retain a well-qualified and diverse workforce by creating a comprehensive Total Rewards* strategy that communicates the value of working for Hennepin County.

*Definition: “Total rewards” encompasses not only compensation and benefits but also personal and professional growth opportunities and a motivating work environment (for example, recognition, valued job design, and work/life balance).
# Total Rewards Strategy and Five-Year Plan

## Findings & Recommendations

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**Already in the Works:**
- Leadership development
- Career development
- Mentoring
- Strengths Culture
- Volunteering / giving
- Employee Resource Groups and Communities of Practice
- Core Values

**Short-term Recommendations:**
- New employee orientation expansion
- Earlier benefits eligibility

**Long-term Recommendations:**
- Career development framework
- People management training
  - Pay administration
  - Career development

**“One Hennepin” messaging**
- Organizational accountability
- Leadership expectations
- Managerial courage
- Manager ownership of outcomes
- Manager training expectations

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### Continuous Improvement

- Customer Service
- Diversity & Inclusion
- Employee Engagement
- Workforce Development
PROGRESS CONTINUES

Since the strategy and roadmap were adopted, a number of projects have kicked off. Recent milestones include the following:

- An **Employee Career Center** is opening to provide career guidance to any employee who is interested in better understanding career paths and development opportunities.

- An expanded, year-long **New Employee Academy** has opened, providing a comprehensive enterprise view for new employees, as well as a cohort model that brings back new employees three times throughout their first year to network with colleagues across business lines and seek career assistance to ensure success in their new (and next) job. Hennepin County will be tracking the retention of new employees who start under this new model to assess whether the program makes a difference in retention, performance and overall success of new team members.

- A **50% employer-paid dental plan** with better coverage is expected to be approved by the Hennepin County Board for implementation.

- A **unified healthcare savings plan** is expected to be approved by the Hennepin County Board that includes all employees, alleviates confusion caused by the current plan and recognizes the importance of saving for the future.

- A **financial literacy communication campaign** that includes a new “managing your money” website is underway to help all employees better understand the importance of budgeting, saving and retirement planning.

- A **comprehensive market study** of all jobs has commenced to build the solid foundation for future compensation and classification reforms.

- The enterprise-wide **Total Rewards communication plan** has been deployed, is being well received and is starting to change the way the organization refers to HR services.
When reflecting back on this engagement, Mercer and Hennepin County note the following key takeaways to share with anyone considering overhauling a Total Rewards strategy:

- Messaging and buy-in from the board are critical to convince the board to take the lead.
- Secure a high level of engagement from all levels of staff to help create solutions.
- Develop a set of philosophies specific to Total Rewards.
- Communicate what is important and utilize Rewards Statements as powerful communication tools (see sample).
- Focus on talent, as they truly are the last frontier for building a sustained competitive advantage.
- Approach the future of Total Rewards based on the ability to influence desired outcomes in terms of retention, engagement, productivity and results.
- Make holistic decisions based on specifics such as pay, benefits, career and work/life.
- Utilize fact-based predictive-modeling decision-making.
- Go beyond what others are doing — adopt your organization’s specific best fit versus trying to adapt to some other organization’s best practice.
- Define your Total Rewards strategy and governance to ensure consistent application of policies and procedures.

Effective rewards strategy design means embracing the needs of a diverse, multigenerational workforce. Rewards mean something different to different people, at different times in their careers and in different times in their lives. As Hennepin County moves forward, in the era of choice, the design and delivery of meaningful rewards are at the heart of the organization’s attraction, retention and training plan.
ABOUT THE AUTHORS

Michael Rossman serves as the Chief Human Resources Officer for Hennepin County and sits on the executive team for the organization. He has been with Hennepin County for nearly 25 years, serving in many capacities, most notably in his current executive leadership role as well as the past administrator for the nationally recognized regional medical examiner’s office owned and operated by Hennepin County. Hennepin County is the largest unit of government in the State of Minnesota, besides the state itself.

Ron Keimach is a Senior Principal in Mercer’s San Francisco Career line of business. He has over 20 years of consulting experience helping organizations define, design and implement rewards strategies, using these programs to support the business and engage employees. Ron’s experience covers a vast array of Total Rewards topics — base salary and variable compensation, incentives, organizational design and effectiveness, executive compensation, job leveling, program communications and change management — for clients representing a wide range of industries. Ron holds a master’s degree from Northwestern University (the Kellogg School) in management policy and marketing, and a bachelor’s degree from the University of California Berkeley in econometrics and public policy. He has also served on the teaching faculty at the University of California.

Lyn Harper is a Principal in Mercer’s Career line of business in the Baltimore/ Washington, DC area, advising clients on total rewards, compensation and benefits, and talent strategy. She has particular expertise with organizations in the not-for-profit and public sectors. Lyn assists clients with their Total Rewards program reviews, market pricing and structures. She has spent 25 years providing strategic, human resources, operational and financial guidance to education, healthcare, real estate, technology, small utilities, private and public pension funds, and various tax-exempt clients throughout the United States. Lyn graduated from the University of Virginia with a Bachelor of Planning and earned an MBA from the university’s Colgate Darden Graduate School of Business Administration.