

Compensation and Recruiting Update

CENTRAL MICHIGAN REGIONAL GROUP
MICHIGAN SCHOOL BUSINESS OFFICIALS

Friday, October 4th, 2024, Lunch and Meeting 12:15 p.m.
1:45 p.m.

University Club – Michigan State University

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President



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Agenda

- Introductions
- Labor Market Overview
- Current/Future Trends
- Salary Survey
- AI Influence on HR
- Succession Planning
- Questions, comments, best practices

The background of the slide is a blurred photograph of a business meeting. Four people are seated around a white table, smiling at the camera. From left to right: a Black man in a dark suit, a woman with dark curly hair in a light blue shirt, a man with a beard in a dark suit, and a woman with blonde hair in a light blue shirt. In the foreground, the back of a woman's head with long brown hair is visible, looking towards the group. The setting appears to be a bright, modern office with large windows in the background.

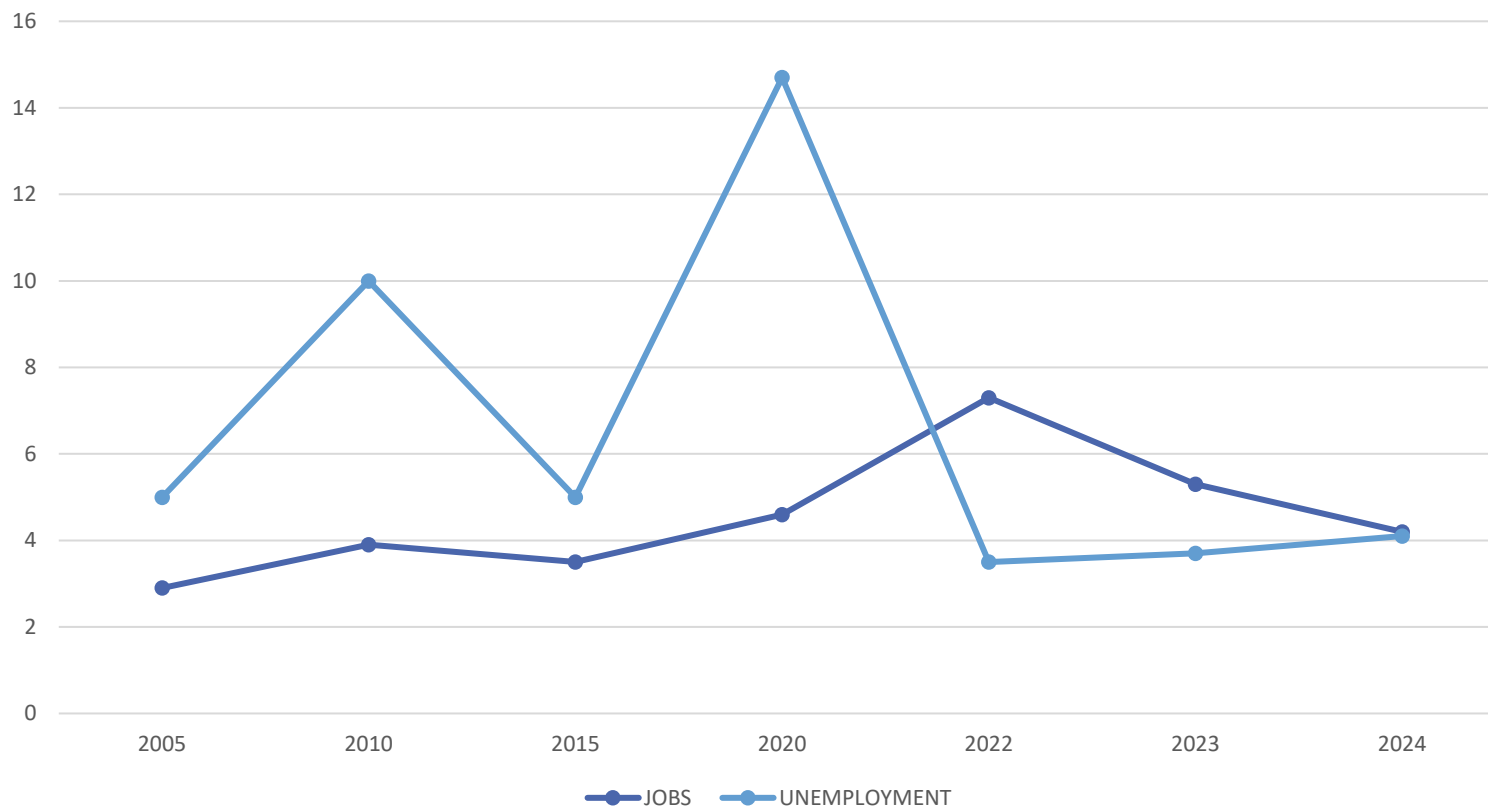
Labor Market Overview

Introduction

- In a competitive marketplace, “human capital is an organization’s only sustainable competitive advantage.” (Barney, J. 1991. Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17 (1), 99 – 120).
 - Is working for a school system attractive to a potential applicant?
 - What are your current hiring practices?
 - What special recruiting tactics have been effective in making great hires?
 - Who is responsible for Human Resource practices?

Current Environment

Jobs & Unemployment





Current Environment

Some Perspective

- February 2020 – MI unemployment – 3.5%
- April 2020 – MI unemployment – 23.6%
- July 2009 – MI unemployment – 15.9% Great Recession
- May 1933 – MI unemployment – 24.9% Great Depression
- June – 2024 MI unemployment – 4.1% (US – 3.9%)

TRENDS



Current Trends

- Shifting demographics
 - Mobile society = higher turnover
 - Remote/hybrid models
- Talent shortages
 - Lack of qualified candidates
 - Competition with other organizations
- Reduced employee loyalty
 - “Job hopping” no longer a stigma
- Artificial Intelligence (AI) Impact



Current Trends - continued

- Talent shortage mitigation
 - Fit job to candidates not candidates to job
 - Hire for attitude, train for skills
- Wage inflation – WorlDatWork data
 - Average salary increases for educational institutions in Michigan – 4.0% (2024 actual), 4.2% (2025 projected), salary range adjustments 2.2% (2025 projected)



Virtual Interviews, Recruiting, Training/Education

- Recruiting
- Virtual onboarding
- Virtual career fairs
- Virtual education sessions are replacing some in person training and conferences or are becoming hybrid events



Virtual Interviews, Recruiting, Training/Education

- Both companies and candidates have adapted
- Technology has evolved – who heard of Zoom before the Pandemic?
- The efficiency (time saved, costs reduced, accessible) is outweighing the loss of in person contact





Remote Work

- A Gartner survey indicates companies plan to permanently shift employees to remote work
- Most frequent question from candidates = competitive advantage
- More organizations are changing jobs to fit remote/hybrid work rather than making the people fit the jobs



Diversity, Equity & Inclusion (DE&I)

- A renewed focus due to numerous factors
- Organizations are committing resources and designating employees to the effort
- Broadens, expands, and includes other policy areas such as anti harassment and equal employment and affirmative action policies
- Is being used as a recruiting and retention tool

Workplace Culture

- Work environment is of increasing importance
- Includes your brand, mission, vision, as well as everything from onboarding to offboarding experiences
- Hard to develop, easy to lose, and requires care and feeding to maintain
- You might not be able to see it or define it but you'll know when you have it right



2024 MSBO / Hiring Solutions LLC Salary Survey



Study Overview

- **Review of Methodology**

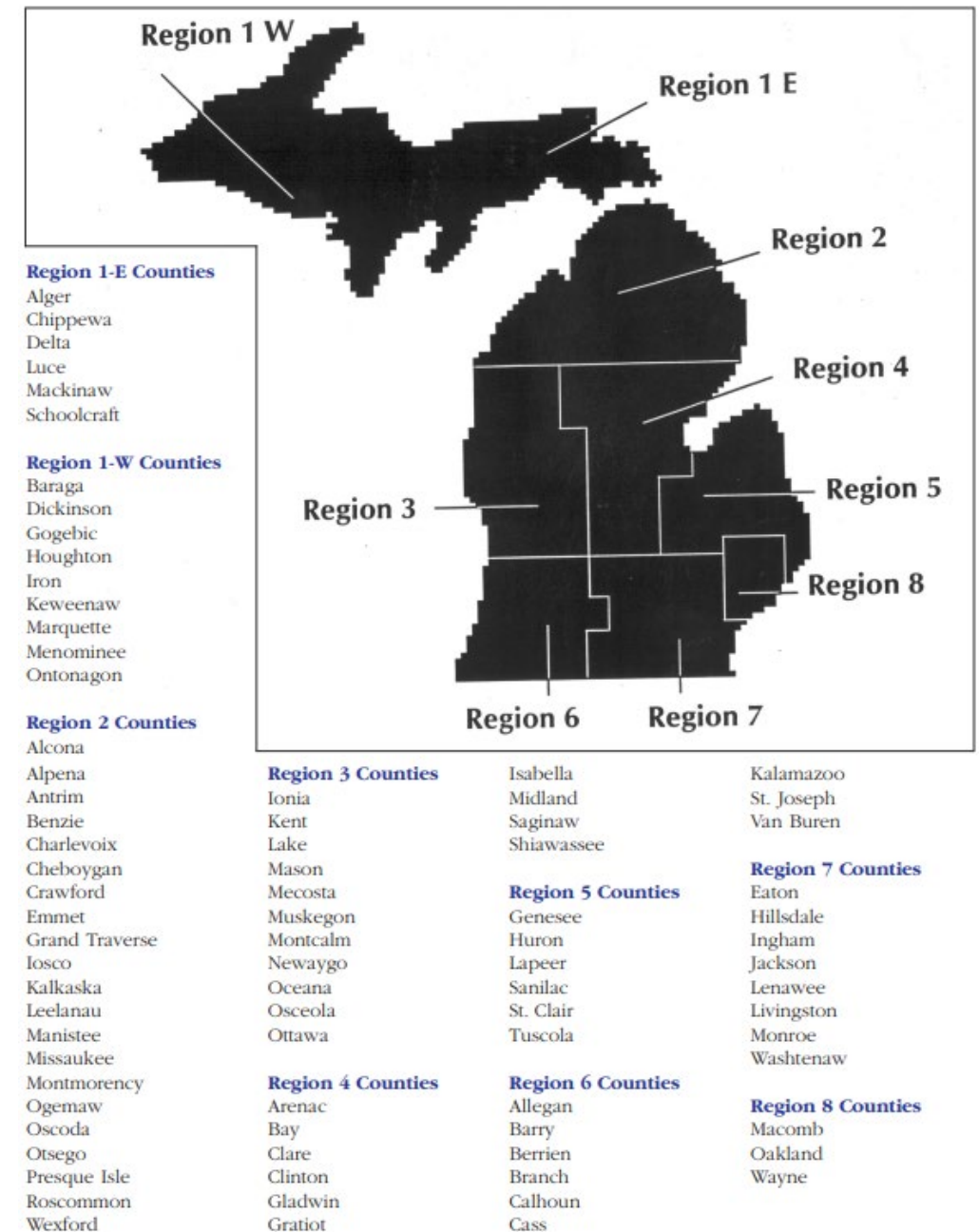
- Intake overview – We use standardized forms describing the major responsibilities and key factors of each position to make sure the data is comparable.
- We include 10 key administrative positions in the survey each year.
- What salary information was collected? We collect the midpoint of the current salary range for each position. If salary ranges are not available we collect average salaries.
- Due to feedback by participants, we have separated the data for K12 and ISDs to make the information more valuable.
- Validity – In general, it's important to have multiple data points (typically 6) for each position. This is why some categories do not have information.

Study Overview

- **Participants – 237 Total**

- **By Region:**

- 1- Upper Peninsula (21)
- 2- Northern Lower MI (20)
- 3- Central West MI (26)
- 4- Central East MI (24)
- 5- Thumb Area (26)
- 6- Southwest MI (31)
- 7- Central Lower MI (40)
- 8- Southeast MI / Metro Detroit (49)



Results from the Survey (2024)

Executive Summary

- The number of organizations participating in the survey increased from 214 in 2023 to 237 in 2024. There was solid representation in each of the 8 MSBO regions.
- The effects of increased demand for talent combined with a lower number of applicants has resulted in higher wage inflation. *WorldatWork* reports 2025 salary budgets projections for Michigan educational institutions is 4.2%.
- The continued high demand for Business Office positions is reflected in significant increases in salary ranges for the Director, Manager, and Accountant positions.

Results from the Survey (2024) Continued

Executive Summary

- The K12 Business, Technology, and Facilities positions all saw a significant increase in salary ranges.
- The ISD Business, HR, Technology, and Facilities positions all saw a significant increase in ranges.
- Overall, the results indicate educational organizations in Michigan are responding to the high demand/low supply balance in the market for staff members and more are evaluating their compensation practices to stay competitive.
- Offering competitive compensation is important but shifts due to other factors have placed a greater emphasis on work/life balance policies such as remote or hybrid work arrangements.

What now?

- How to use the data and apply it in your organization:
 - Review your position descriptions to ensure they are up to date and accurate – they are basis of numerous HR systems.
 - Develop salary ranges in your district using the best comparables – these will help you maintain a compensation system so you pay within market salaries.
 - Determine a pay strategy – Do you want to lead, lag, or be at the market competitive compensation?
 - Develop a strategy for positions in which you are paying above or below the market.



Artificial Intelligence – AI

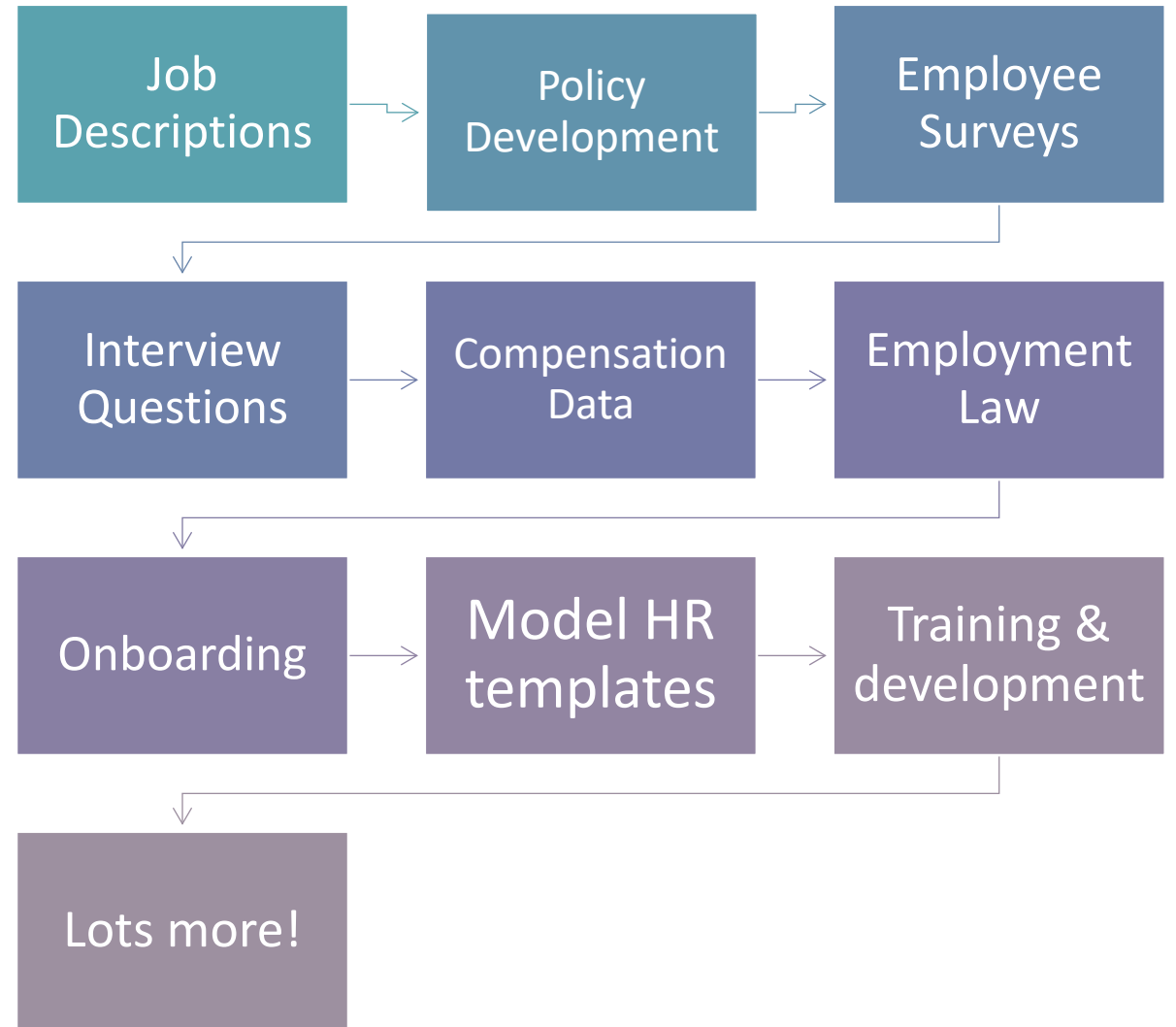
- Large Language Models (LLM's) – accesses vast amounts of data & produces human like responses to input
- 2018 – Open AI received Microsoft investment
- 2020 – ChatGPT3 was released – natural sounding text, summarized information, language translation, etc.
- 2022 – ChatGPT 3.5 – free version released
- 2023 - Chat GPT 4 paid version released

HR Implications

- A tool that can make HR applications more efficient and effective
- Access to data and communicate it in a natural, useable format
- Instant access to information from numerous sources
- Must have ways to ensure compliance with policies, regulations, laws, etc.
- Organizations should have policies on appropriate uses
- Concerns about effect on jobs
- Bias/discrimination/ethical issues
- Information is not audited for accuracy and timeliness



Potential HR Uses



Succession Planning



MSBO Position Statement

- MSBO Board of Directors – July 2024 Board Retreat discussion
- Adoption of Succession Planning Statement
- What comes next?



Michigan School Business Officials Succession Planning for Key School Administrative Positions

The Michigan School Business Officials (MSBO) recommends succession planning as a best practice to promote business office and operational administrative stability in a school district.

Succession planning is a strategic process that identifies and develops personnel to fill key positions. Succession planning will vary from district to district, although there may be some commonalities.



Introduction

Review:

- What it is?
- Who should have one?
- How to develop, maintain & evaluate one?

☐ Background and Basics

☐ Succession Planning Steps

Succession Planning = Success Planning

“Failing to plan is planning to fail” – Benjamin Franklin

People / Position Insurance

- Insure other assets- property, liability, health, life, etc.
- Plan for other critical events:
 - Weather,
 - IT/business interruption,
 - financial, etc.
- Strategic/business plans
- Why not plan for the inevitable loss of your most valued asset?

Risk mitigation:

- Lessen negative impact of talent loss on staff, students, programs, etc.
- Reduce economic risk
- Reduce reputational risk
- Minimize Board/public loss of confidence in administration

What is Succession Planning?

Identifying high-potential employees, evaluating and honing their skills and abilities, and preparing them for advancement into positions that are key to the success of business operations and objectives.

- Succession planning involves:
 - ✓ Understanding the organization's long-term goals and objectives.
 - ✓ Identifying the high-potential candidates and their respective developmental needs.
 - ✓ Determining workforce trends and predictions.
 - ✓ *Not* a guarantee of promotion or permanent position



The Importance of a Plan

- To avoid extended and costly vacancies in key positions.
- Ensure the stability of business operations.
- To provide meaningful developmental opportunities for both the organization and its employees.
- To help develop a diverse workforce by enabling decision-makers to look at the future makeup of the organization.



Succession Planning vs. Replacement Planning

Replacement Planning:

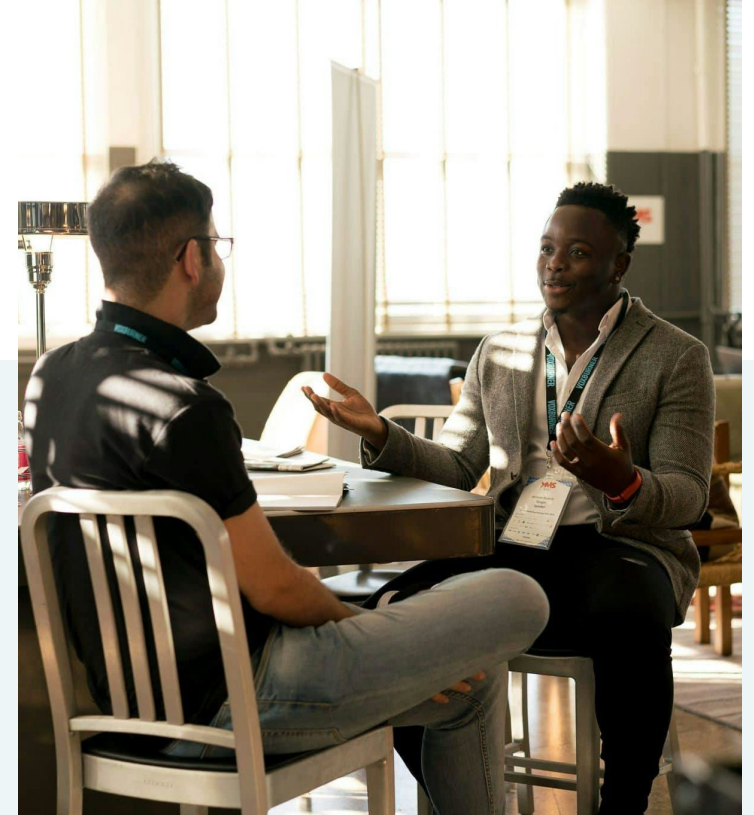
- Program to identify trends in turnover or growth, develop plans to recruit employees to fill the needs before they occur
- Identifying individuals within an organization who would be best equipped to serve as backups for the current employees
- Designed for more routine turnover, leaves of absence, vacation & sick absences
- Broad application, both key and non key positions

Difference

- Succession planning focuses on a limited number of Key Positions.
- Replacement planning may include all positions

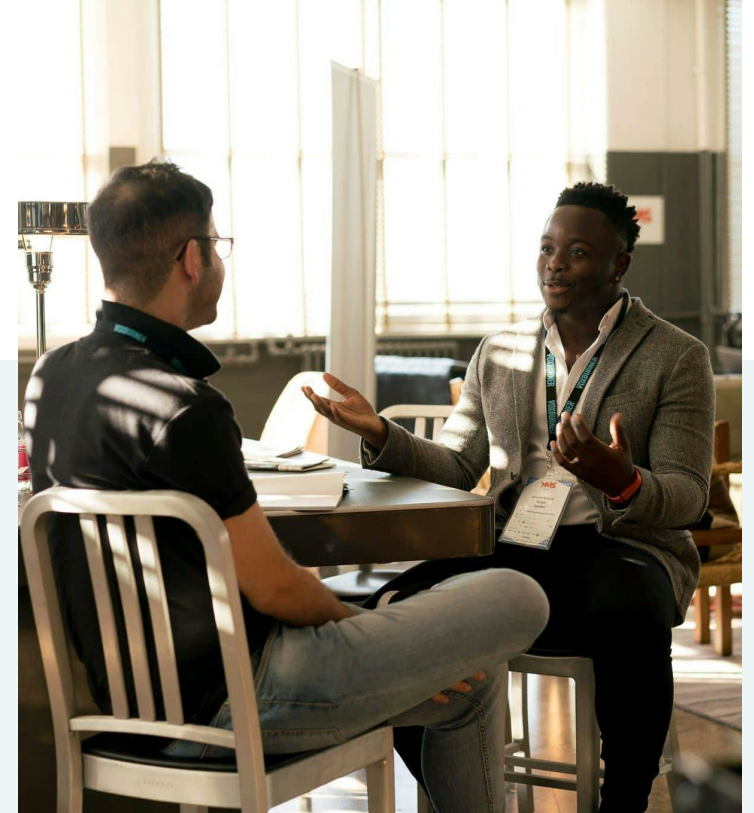
Steps Involved in Succession Planning

1. Identifying legal and diversity issues to consider.
2. Establishing present and future leadership roles and objectives.
3. Selecting key employees.
4. Evaluating the strengths, weaknesses and readiness for succession in key employees.



Steps Involved in Succession Planning (cont.)

5. Planning for the individual development of and ways to retain key employees.
6. Identifying emergency positions without successors.
7. Planning for positions that cannot be filled internally.



Thank you for your participation!

THANK YOU!



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