

Public Sector Compensation and Labor Relations Trends

PSHRA San Diego
April 23-24, 2025

Speaker:
Maggie Williams-Dalgart
Project Manager
Gallagher, *Formerly Koff & Associates*



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About Us

- Founded in 1984 as Koff & Associates
- Merged with Arthur J. Gallagher in April 2021
- Provide premier public sector human resources services:
 - Classification and Job Analysis
 - Compensation and Plan Development
 - Recruitment Services
- Partner with:
 - Cities, Counties, Special Districts, and Others
- Straightforward, interactive, all-inclusive methodology

Public Sector Compensation and Labor Relations Trends - Overview

✓ Survey Methodology & Agency Types

2024 Salary Increases

2025 Salary Increases

2024 MOU's

Retirement: Classic vs. PEPRA

Finding Quality Talent

Starting Pay Rates for New Hires

HR and Labor Relations Anticipated Challenges for 2025

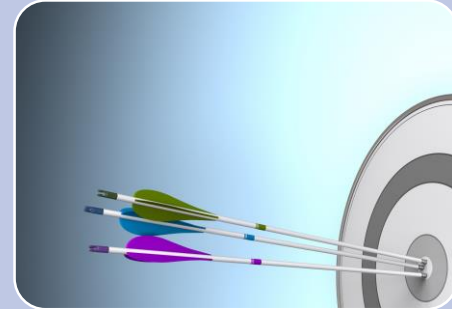
Survey Methodology



Survey emailed to clients and various California and national public sector HR contacts.



Agencies given 30 days to complete a 35-question survey.

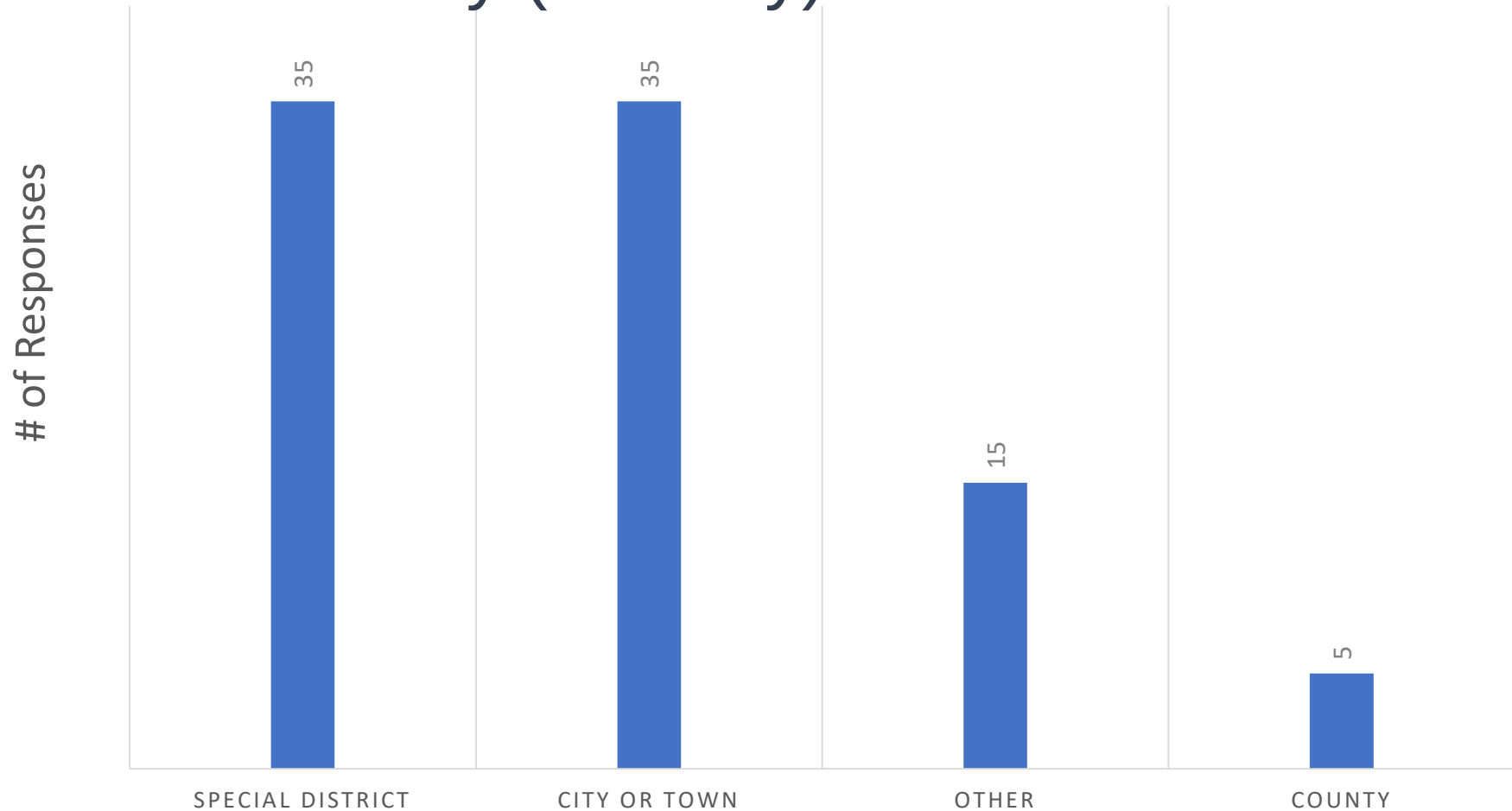


Total of **158** results received nationwide (**90 from California agencies**) by 9/30/2024.

of Survey Responding Agencies by State



Types of Agencies Responding to Survey (CA only)



Total = 90 Responses

Types of “Other” Survey Responding Agencies

Total = 15 Responses

Community
College

County Office
of Education

Courts

Housing
Authority

Schools

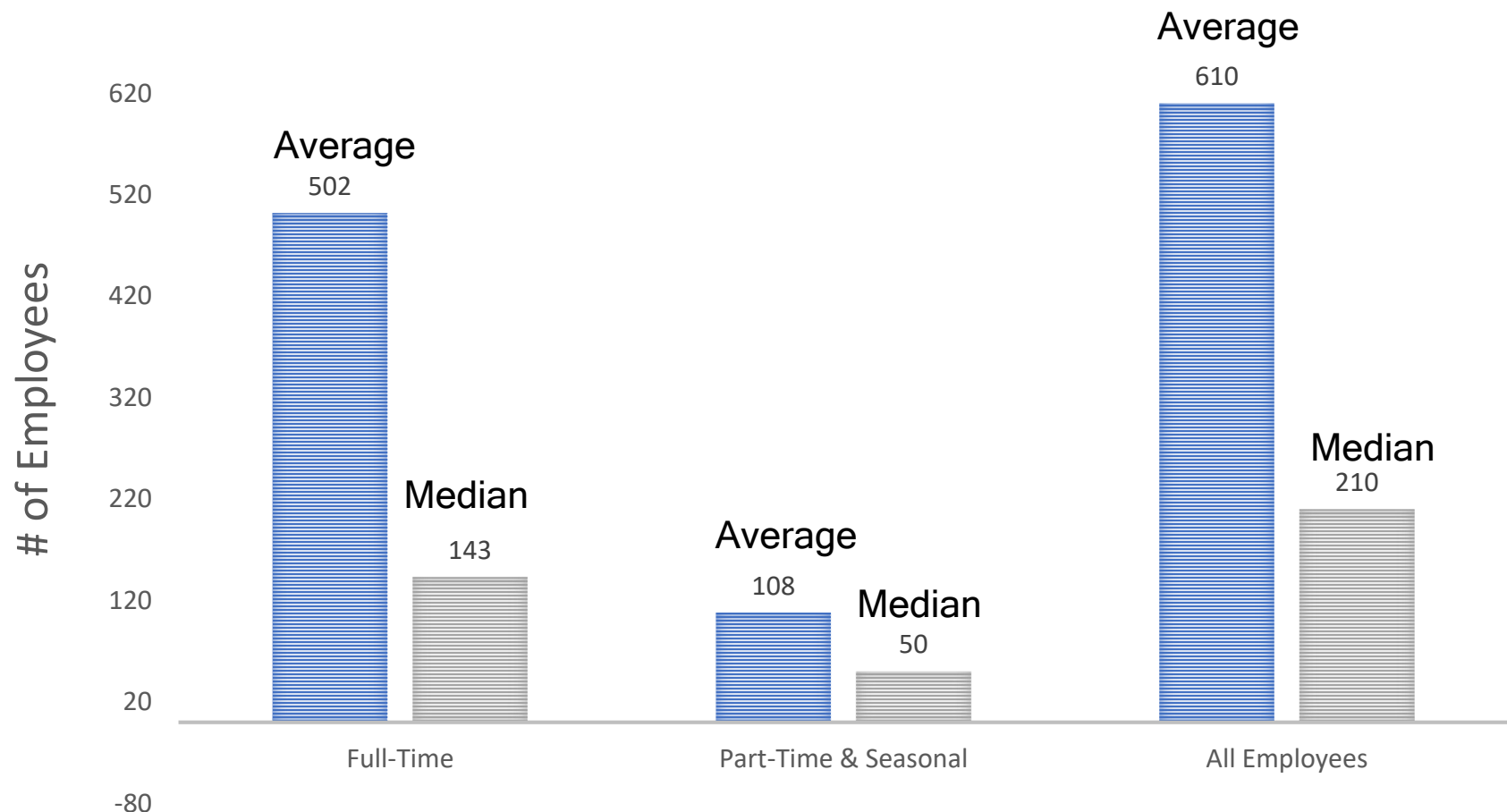
JPA - Public
Behavioral
Health

State

Transportation
Planning
Agencies

Transit
Authority

Approximately how many Full-time, Part-time including Seasonal, and Total Employees does your agency have on payroll today?



Total Employee Population for all agencies ranged from 4 to 6,653
Total = 88 Responses

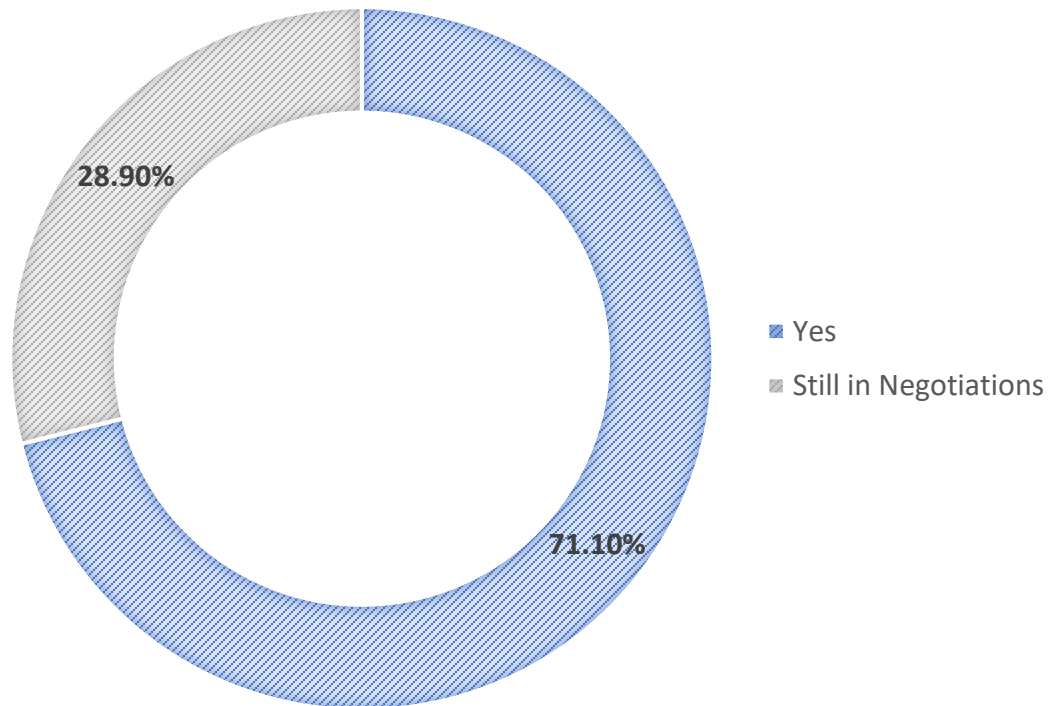
2024 Salary Increases



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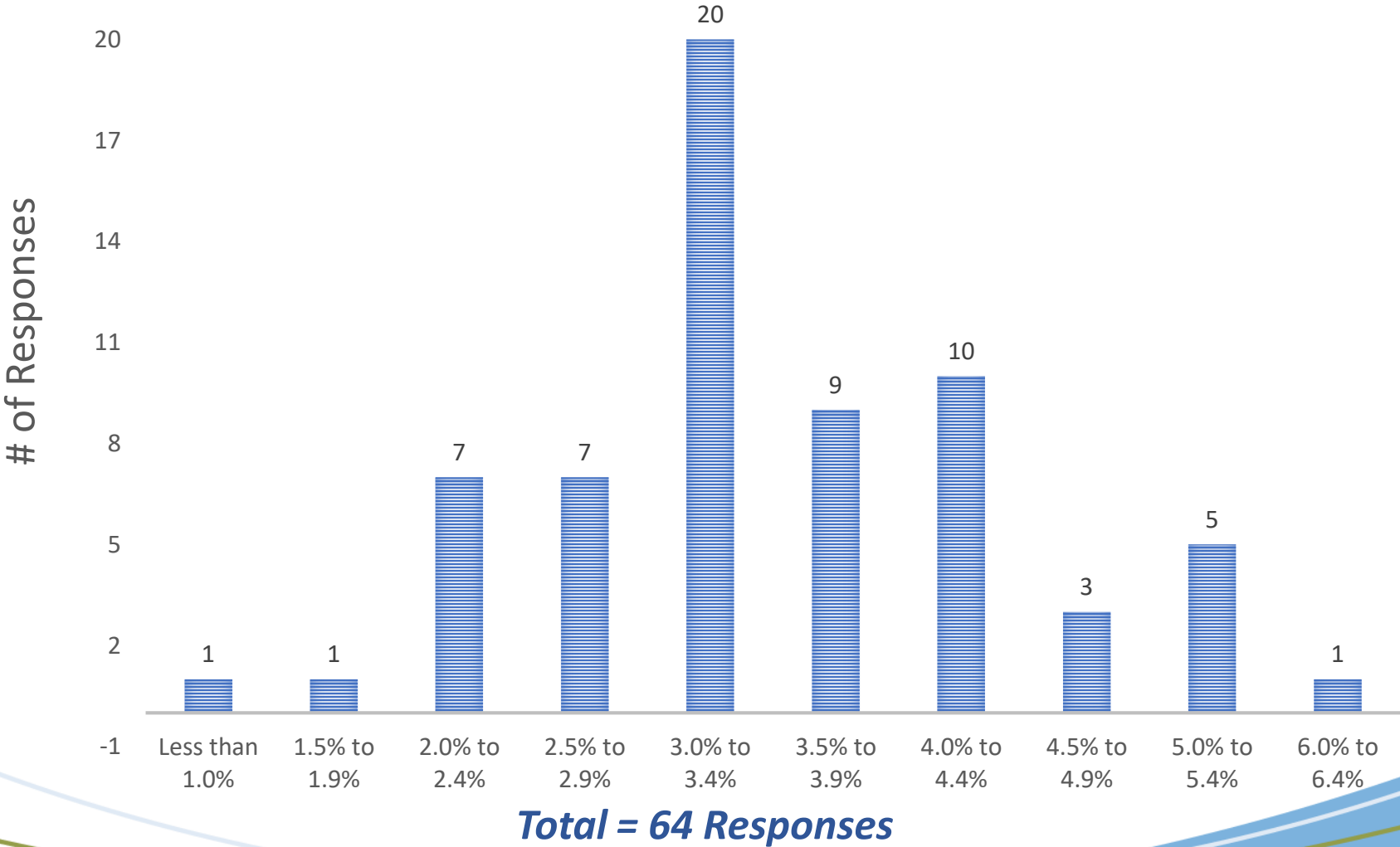
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Has your agency agreed to provide a Cost-of-Living Adjustment (COLA) to any of your bargaining groups and/or your unrepresented employees between July 1, 2024, and June 30, 2025?



Total = 90 Responses

How much of a COLA has your agency granted to your employees between July 1, 2024, and June 30, 2025?



Weighted
Average COLA
granted in
2024/25

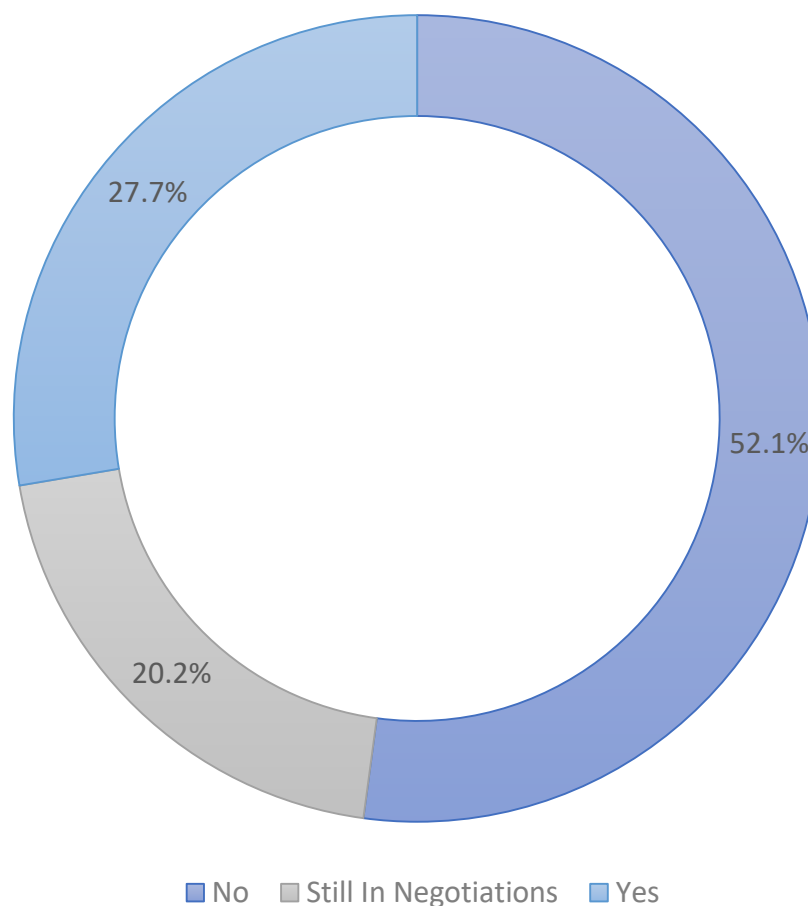
3.28%



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Has your agency agreed to provide any compensation adjustments based on some type of salary survey (i.e., equity adjustments) to any of your bargaining groups and/or unrepresented employees, regardless of a COLA, in 2024?



Total = 88 Responses

What was the average amount of salary equity adjustment, regardless of a COLA, granted to your classifications that received a market adjustment in 2024?

5.9%

Range = 0.5% to 18.0%

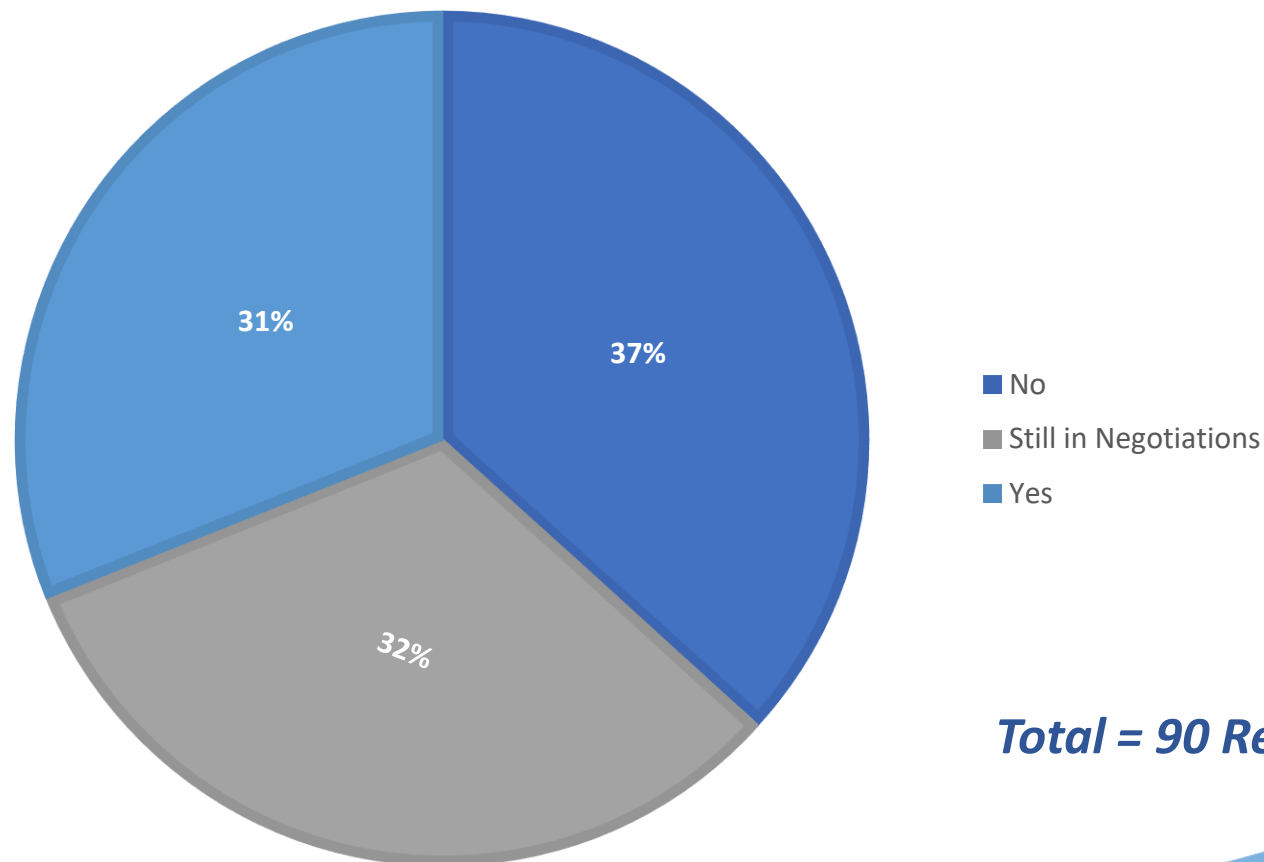
Total = 88 Responses



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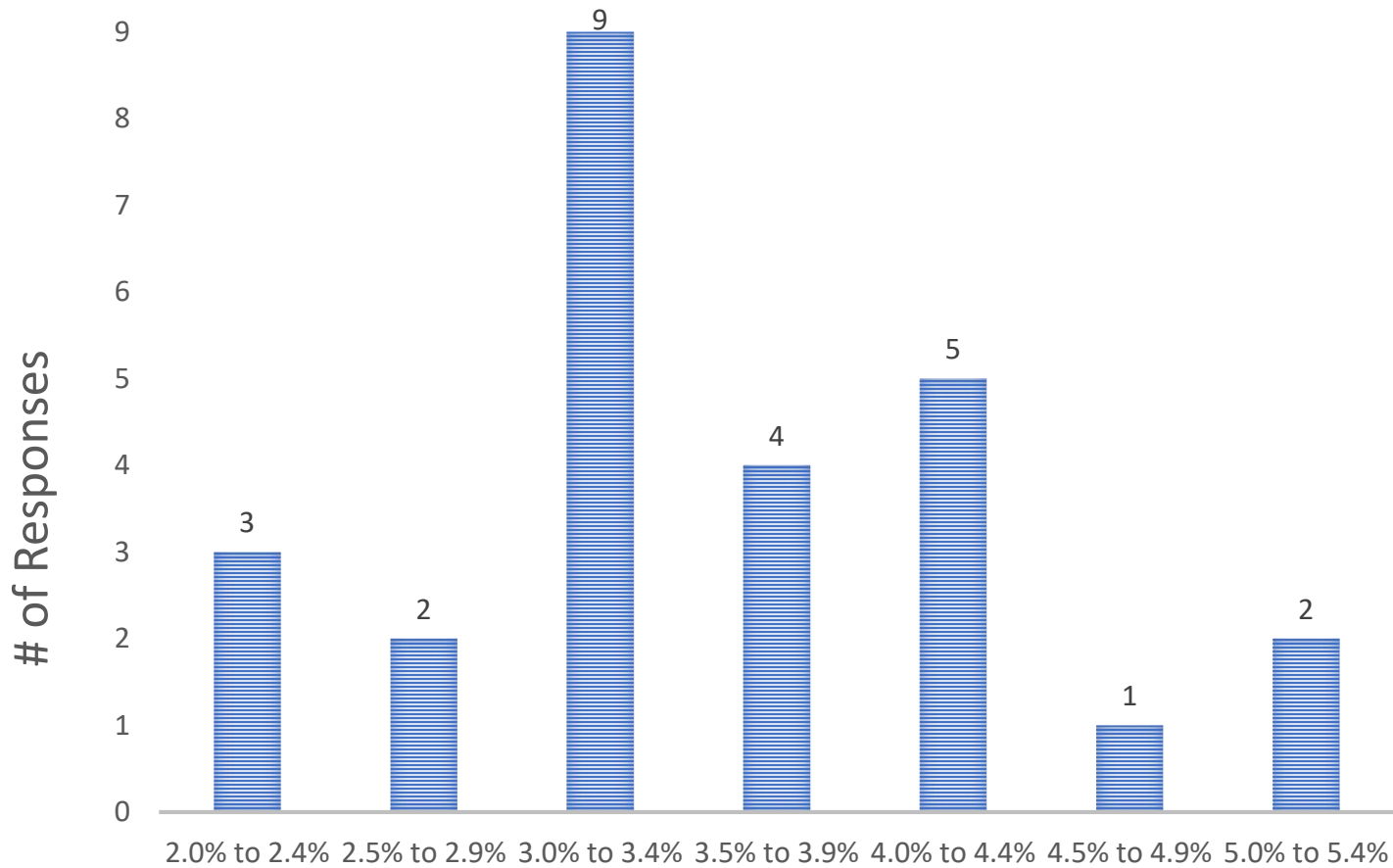
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Has your agency agreed to provide a Cost-of-Living Adjustment (COLA) to any of your employee groups for next year (i.e., effective between July 1, 2025, and June 30, 2026)?



Total = 90 Responses

How much of a COLA has your agency granted to your employees between July 1, 2025, and June 30, 2026?



Total = 24 Responses

**Weighted
Average
COLA**
**to be granted
to employees
in 2025/26**

3.31%



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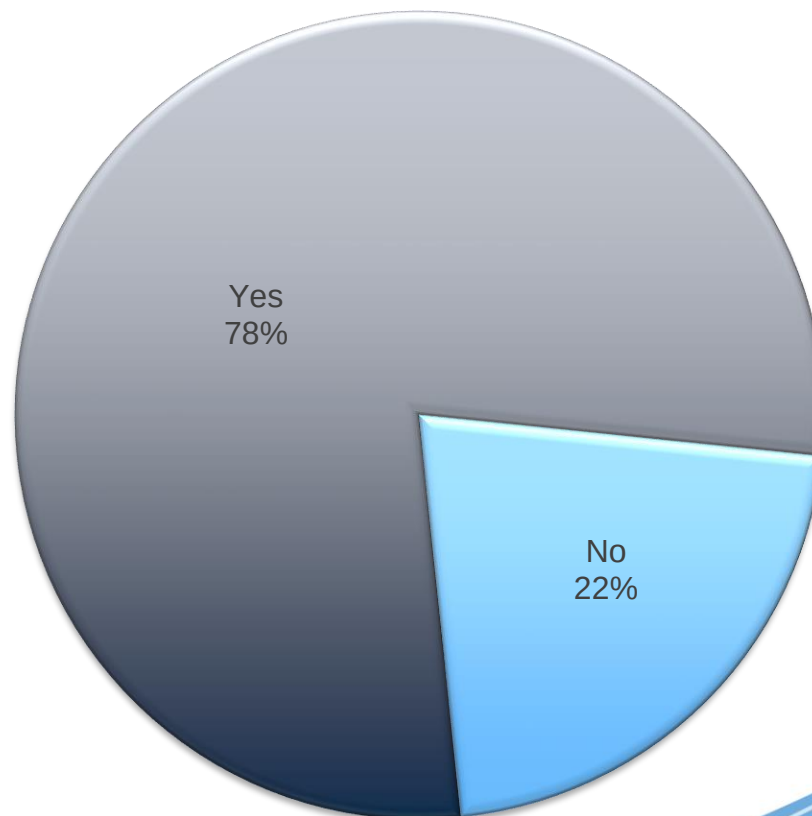
2024 MOU's



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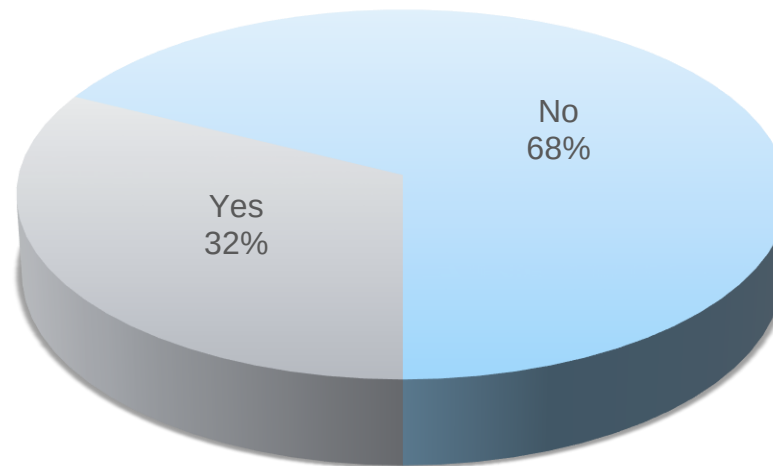
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Does your agency have any recognized
employee bargaining groups?



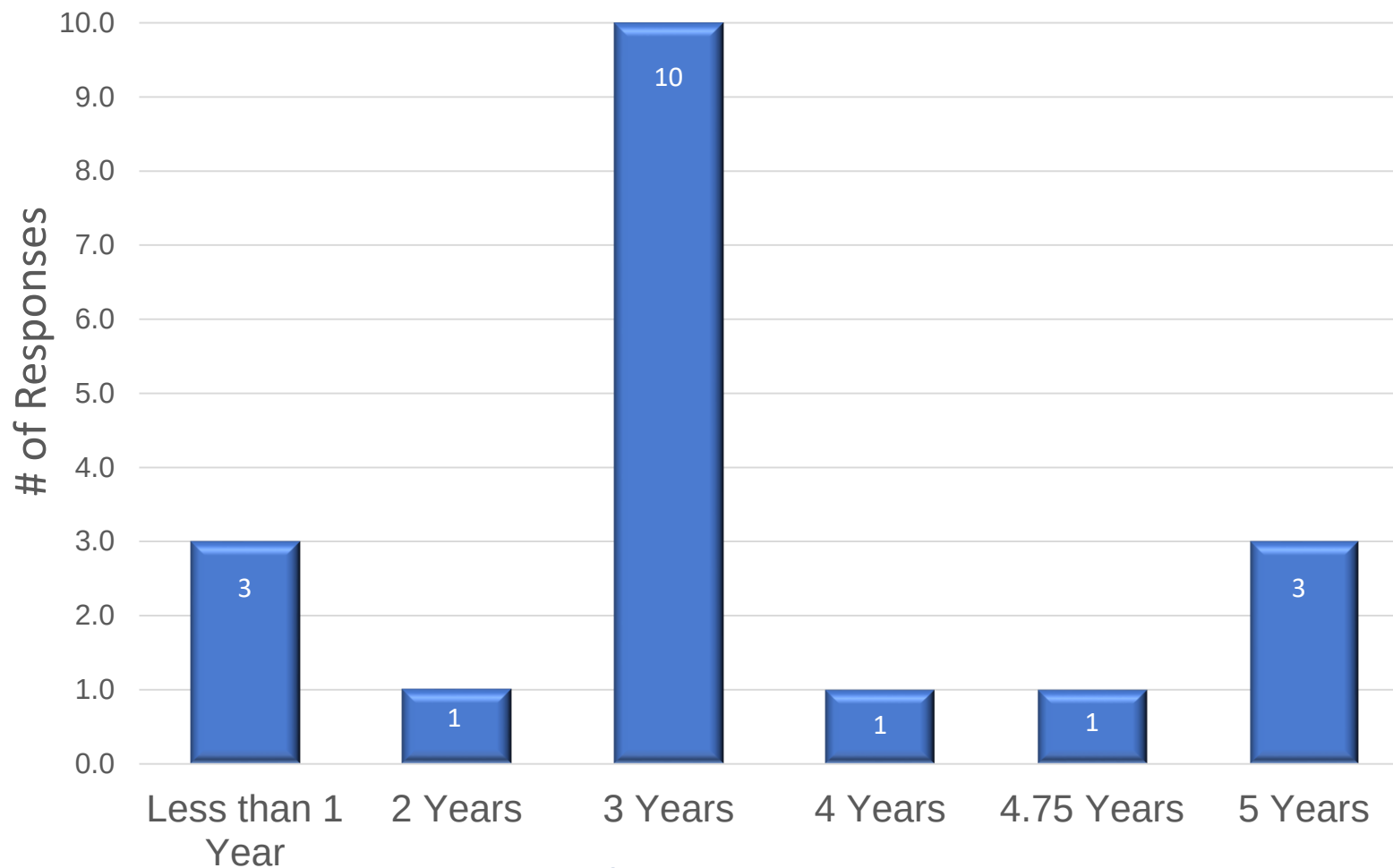
Total = 88 Responses

Has your agency adopted any new labor agreement(s) in 2024?



Total = 67 Responses

What is the length of any new labor agreement(s) your agency negotiated during 2024?



Total = 17 Responses

**Weighted
Average
Length of
Labor
Agreements
Negotiated in
2024**

3.1 years



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Retirement: Classic vs. PEPRA



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Approximately what percentage of your SWORN employees are covered under the California PEPRA (versus Classic) pension tier?

54%

Total = 26 Responses



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Approximately what percentage of your NON-SWORN employees are covered under the California PEPRA (versus Classic) pension tier?

59%

Total = 64 Responses



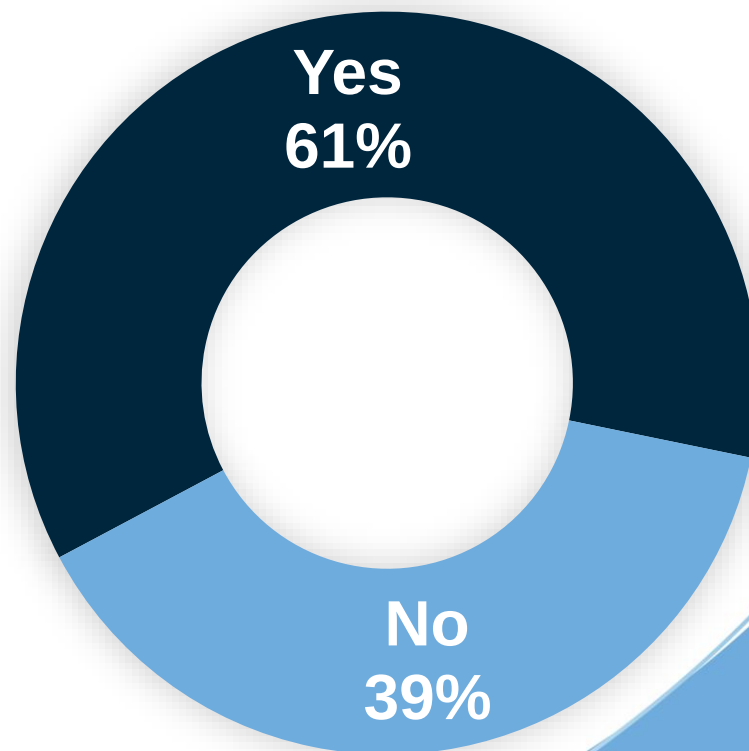
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Finding Quality Talent in 2024



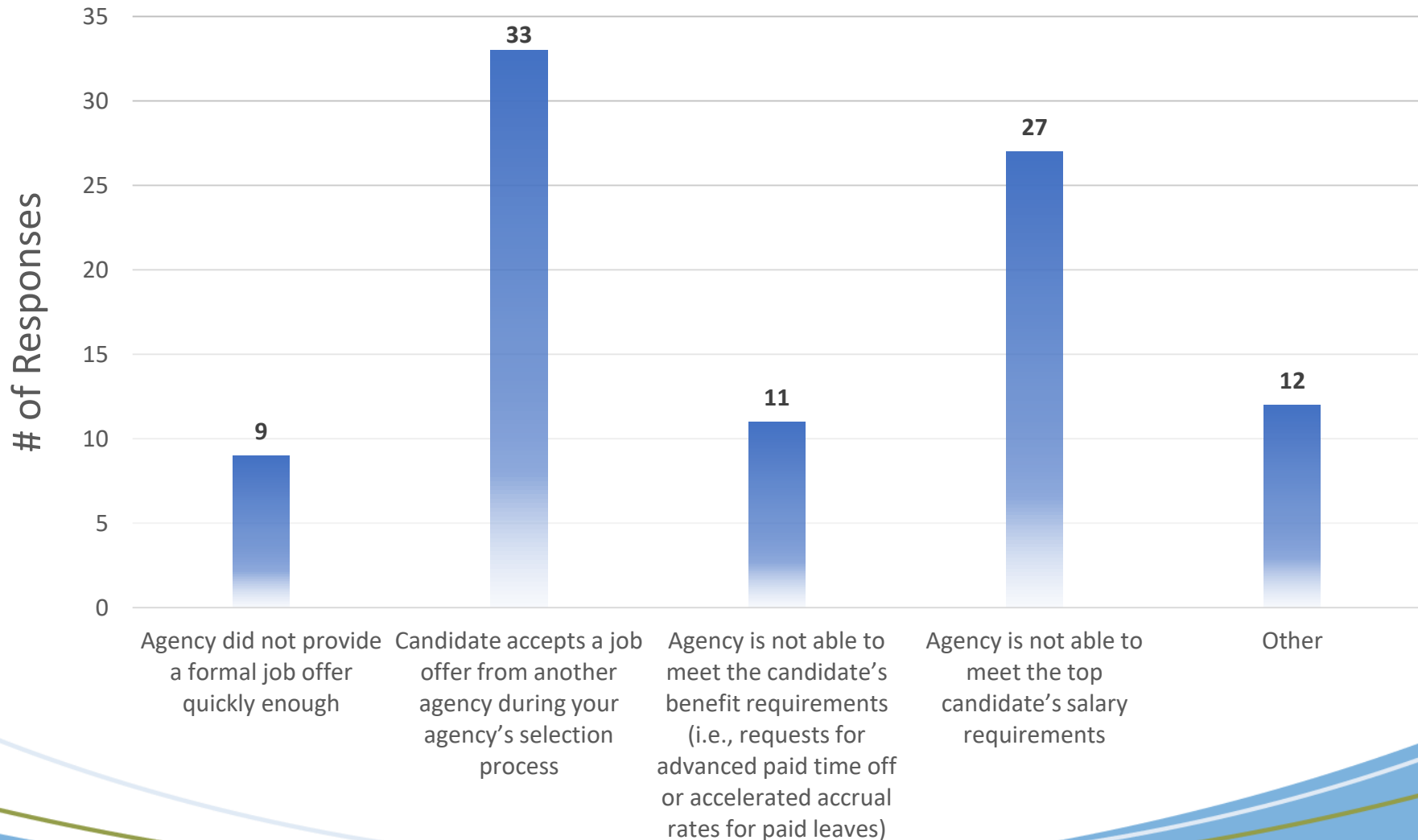
In 2024, has your agency had any top candidates drop out of the process at or after the job offer stage?



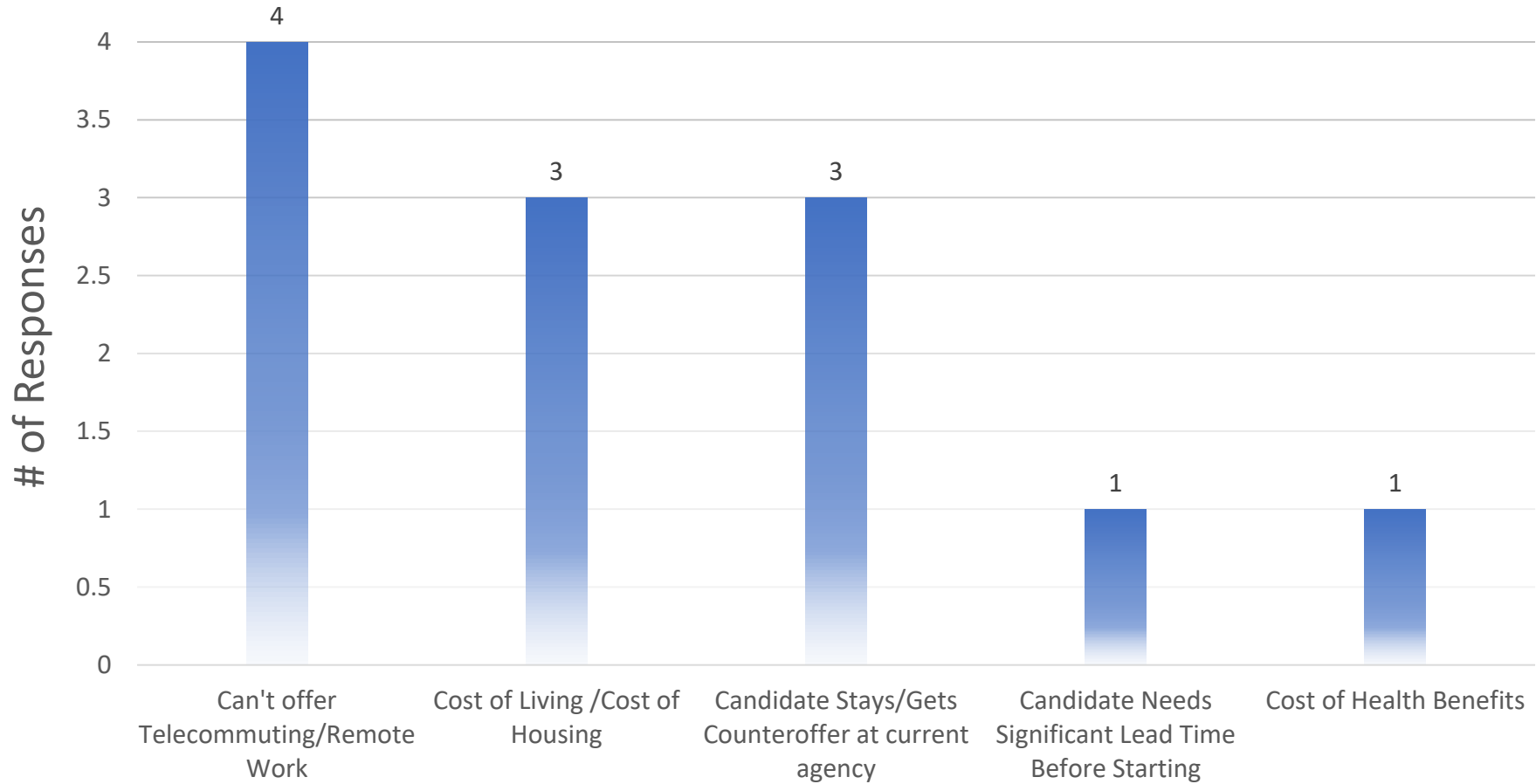
Total = 77 Responses

Why have top candidates dropped out?

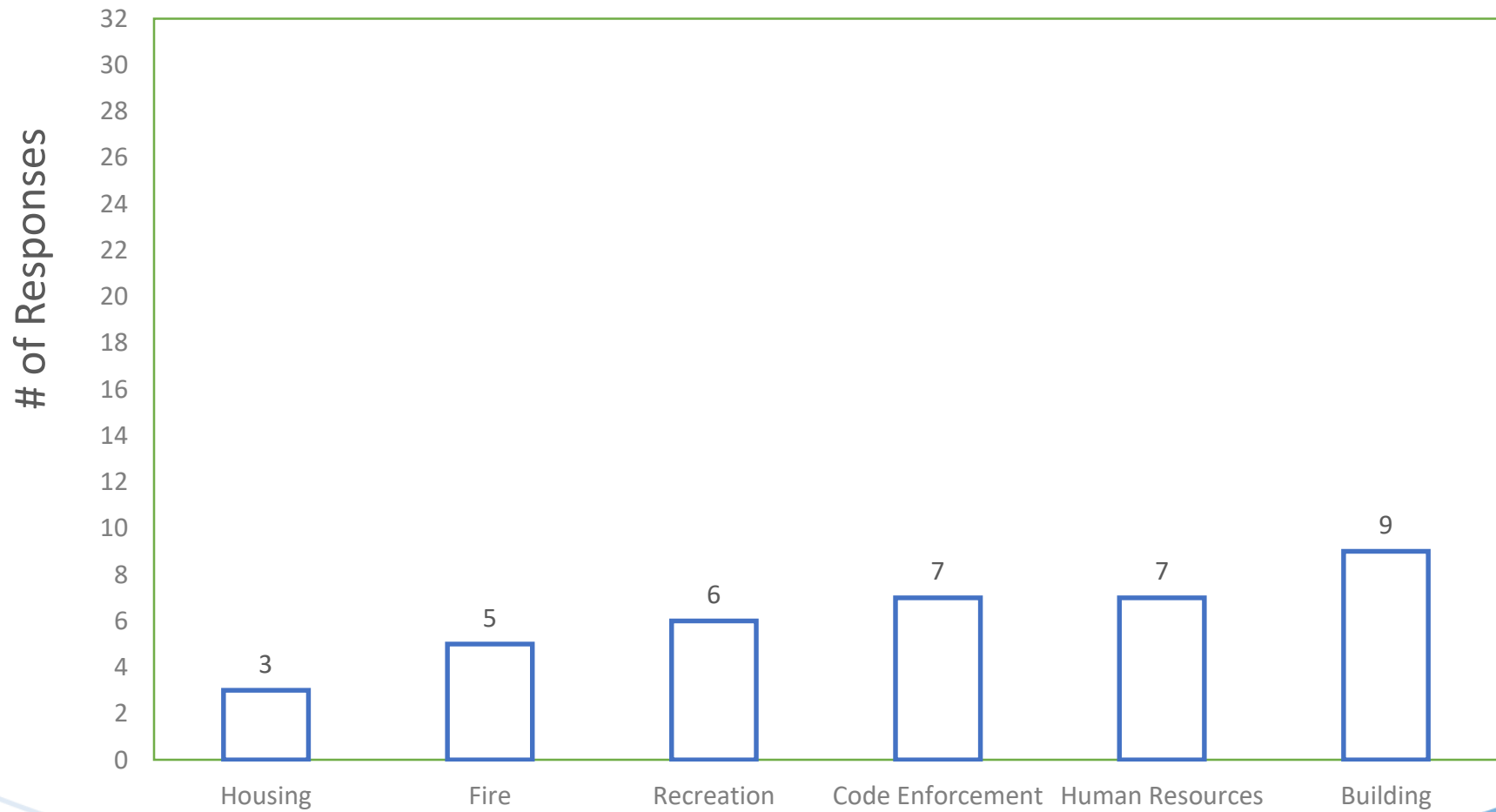
Total = 43 Responses



“Other” Responses for Top Candidates Dropping Out

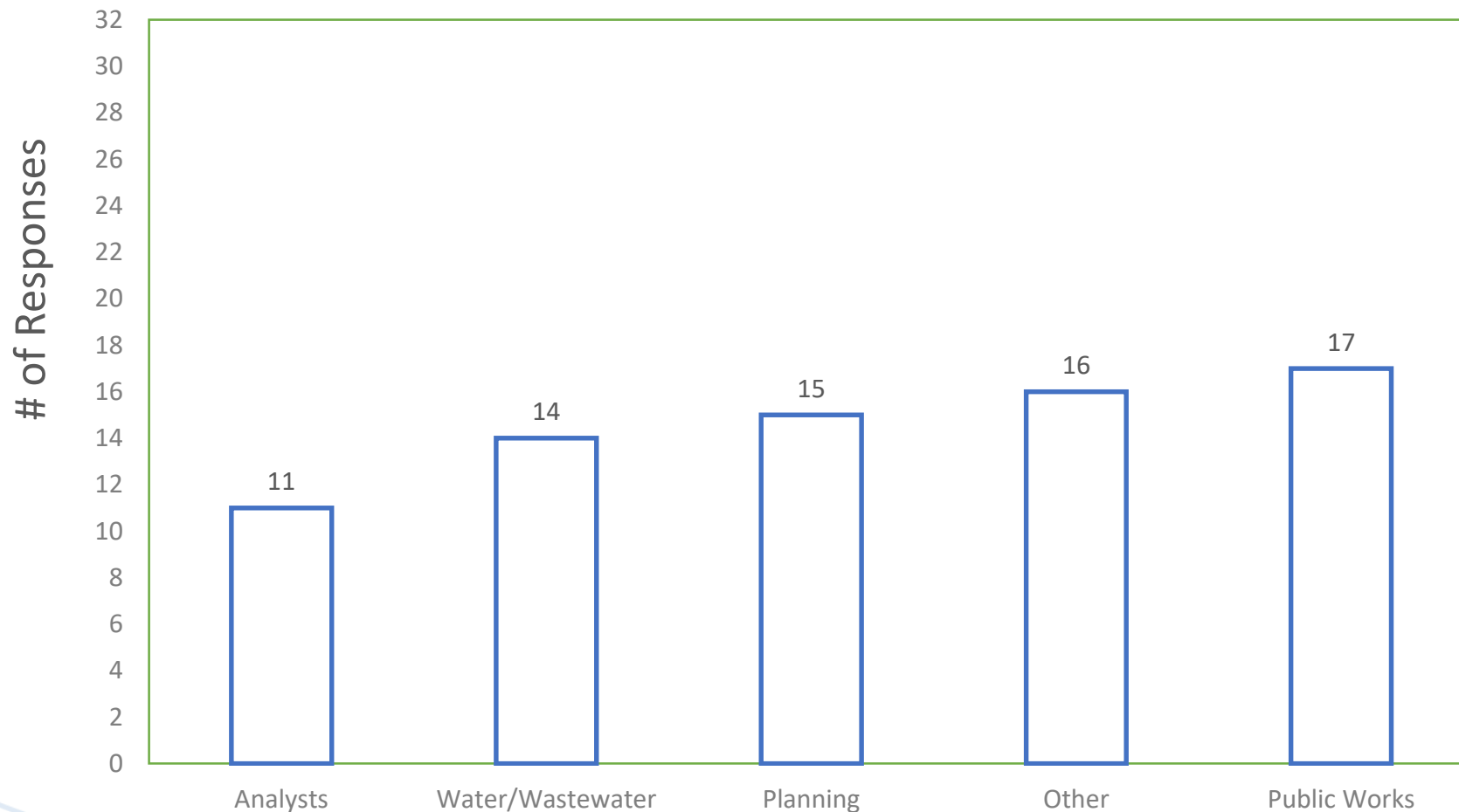


Has your agency had difficulty recruiting for qualified candidates in any of these career areas in 2024?
(check all that apply – page 1 of 3)

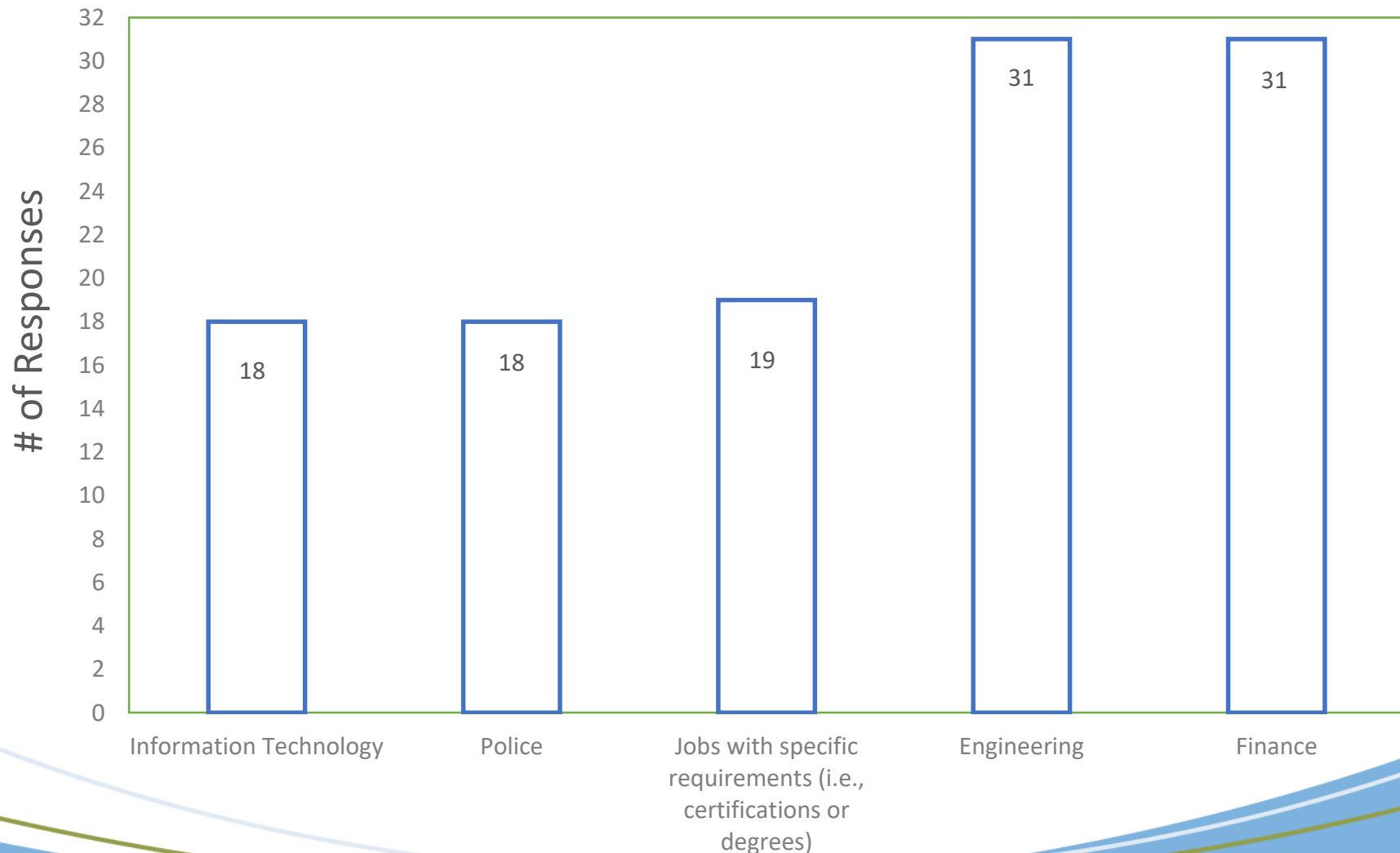


Total = 67 Agencies Responding

Has your agency had difficulty recruiting for qualified candidates in any of these career areas in 2024?
(check all that apply – page 2 of 3)



Has your agency had difficulty recruiting for qualified candidates in any of these career areas in 2024?
(check all that apply – page 3 of 3)



Types of “Other” Difficult to fill Positions

- Electricians
- GIS
- Grants
- Legal Process/Courtroom Clerks
- Legislation
- Licensed Marriage and Family Therapists
- Licensed Social Workers
- Lifeguards
- Mobility
- Nurses
- Operations/Maintenance
- Procurement
- Psychiatric Technician
- Psychiatrists
- Risk Management
- Solid Waste
- Specialty Technicians
- Sworn Rangers
- Urban Forestry



Starting Pay Rates for New Hires

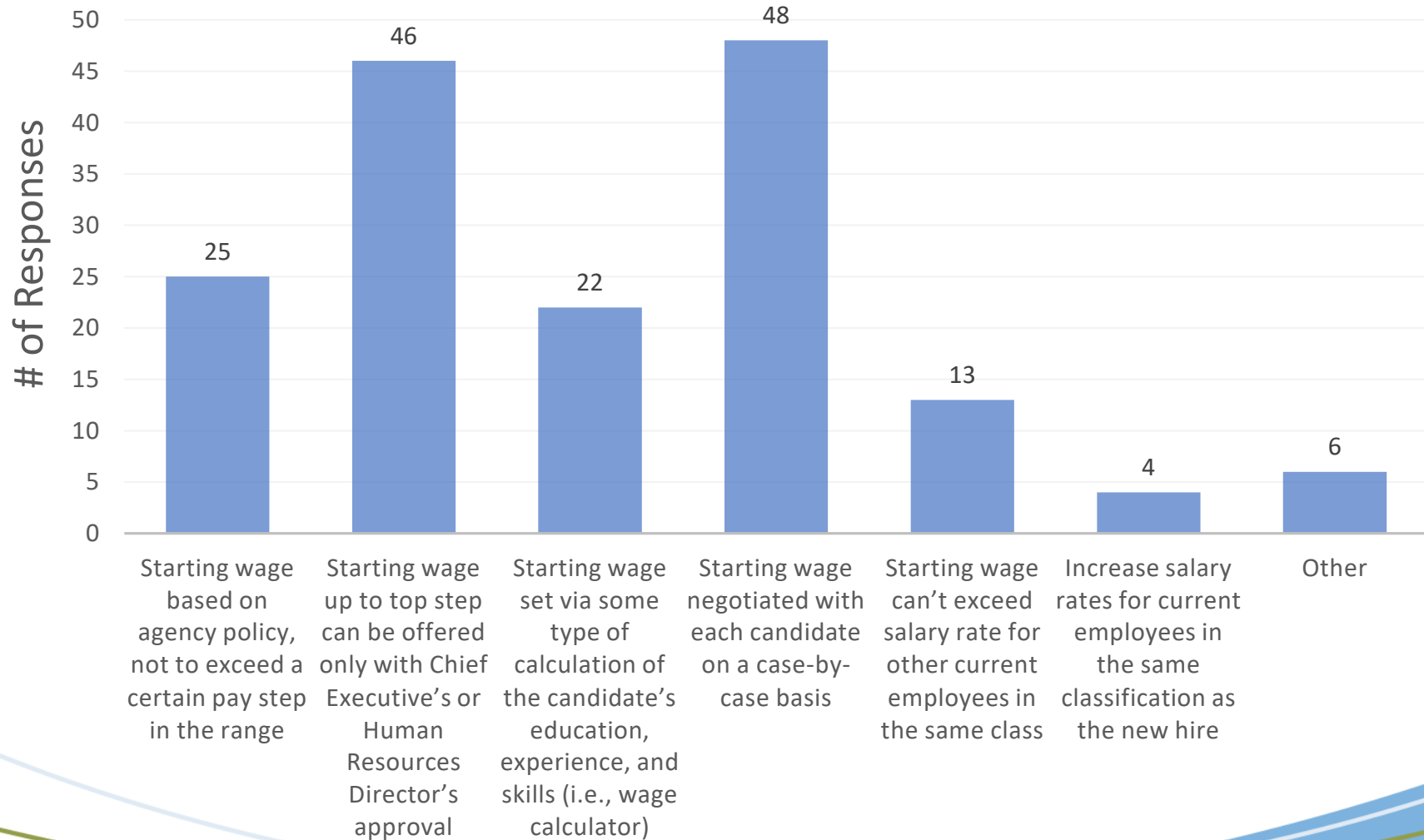


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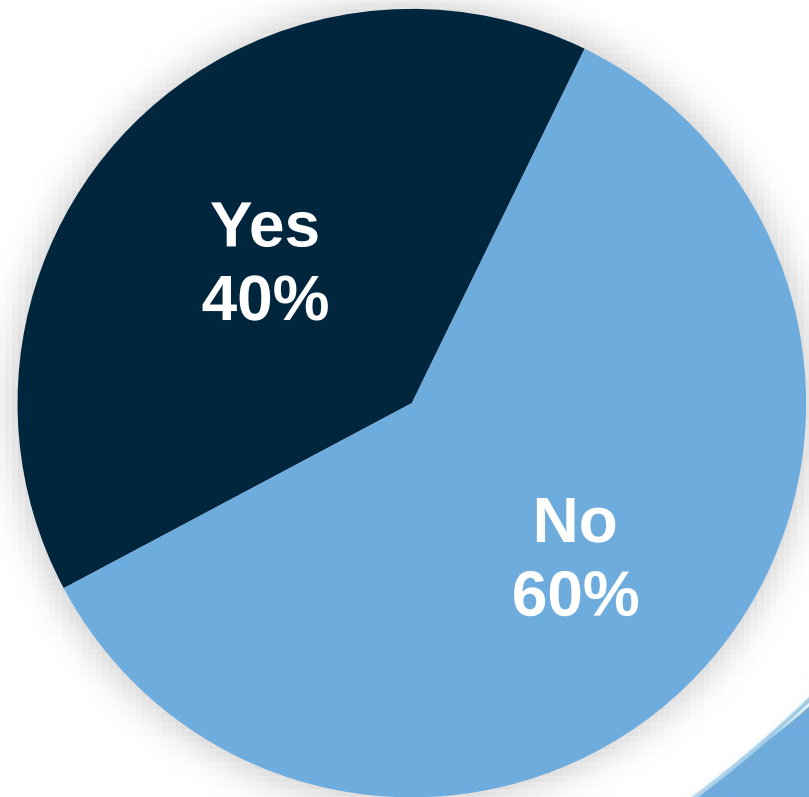
How does your agency determine the starting salary rate for new hires? (check all that apply)



“Other” Responses for Setting Starting Salary

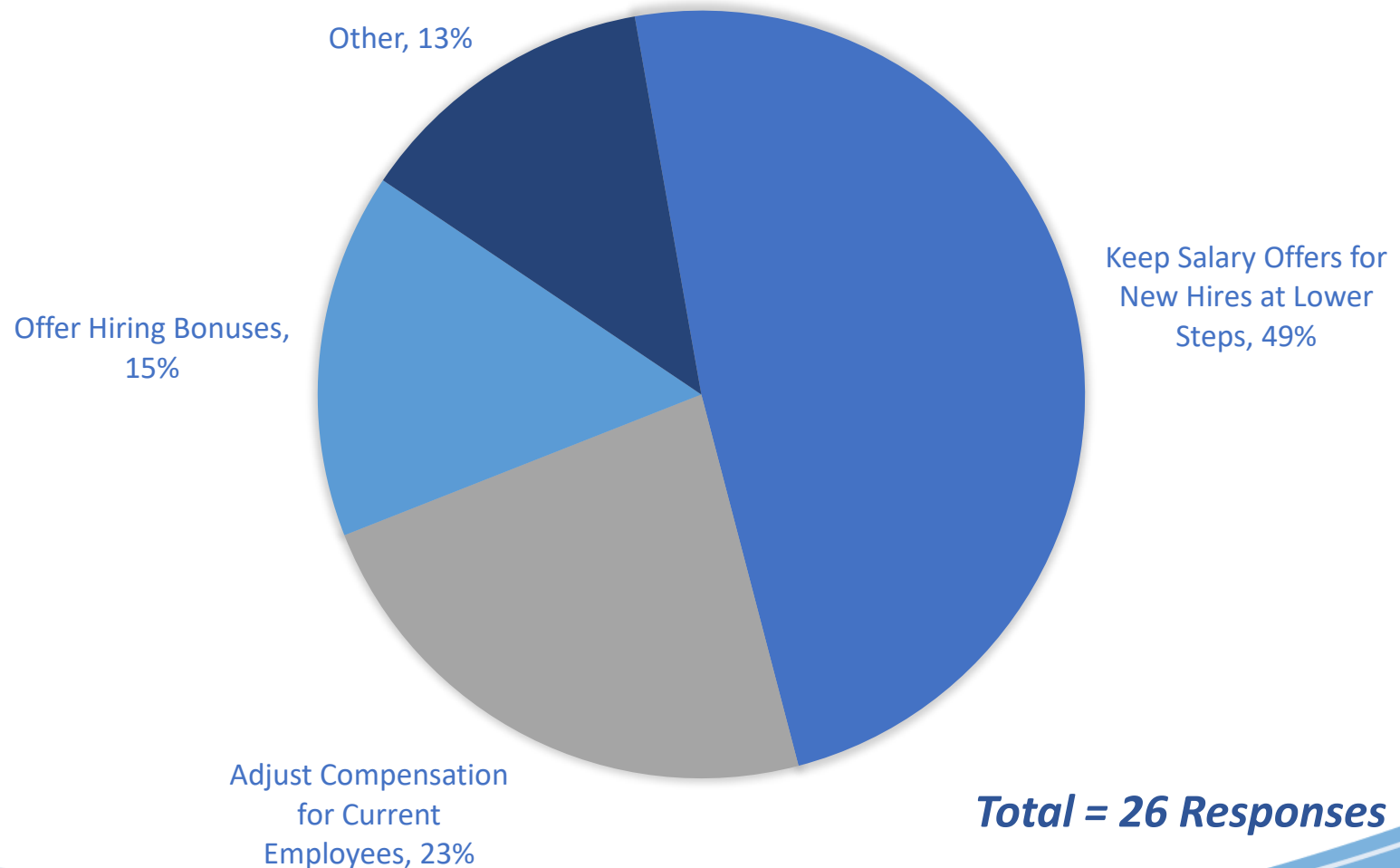
- If a reclassification or salary adjustment is required, staff can present to the Board for approval
- Lateral fire sworn hires with experience can be brought in at a higher step with Fire Chief approval
- Represented employee starting rates are already established in the MOU
- Starting pay steps based on relevant experience and certifications plus internal equity with existing staff
- We use a combination of methods to prevent pay inequity when making an offer to a viable candidate

Has your agency experienced issues when making salary offers to new candidates at or near the top step of the pay range while existing employees have taken years to reach top step?



Total = 26 Responses

How has your agency addressed this Salary Offer issue? (check all that apply)



“Other” Responses for Setting Salaries

- Offer advanced paid leaves upon hire to candidates
- Offer accelerated vacation accruals to candidates
- Take qualifications of candidate into consideration (*a candidate with greater qualifications may be justified to start at a higher rate than an existing employee*)
- Explain the full compensation package offered to candidates, including benefits and special pays



HR and Labor Relations Anticipated Challenges for 2025



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What, if any, are your concerns for 2025 as an HR practitioner or Labor Relations professional?

(responses fell into these 6 categories)

Attracting New Talent

Benefits & Work/Life Balance

Compensation

Economy-Related

Losing Qualified Talent & Retention Issues

Other

Total = 51 Responding Agencies

Concerns for 2025 – Attracting New Talent

- Can't hire fast enough to secure the best candidates
- Competition for qualified candidates is becoming more intense
- Continued reduction in qualified applicants / lack of education and experience
- Difficult to hire P.E. Registered Engineers / Engineers willing to relocate
- Filling labor-intensive positions
- Finding qualified candidates with experience unique to our industry
- Having to lower our Minimum Qualifications to fill positions
- Hiring Utility Operators and/or Chemists
- How to reach a new demographic of candidates who demand higher salaries but do not have the experience to warrant higher wages in the salary range

Concerns for 2025 – Attracting New Talent (Cont'd)

- Lack of public interest in government work
- Looking for new incentives to entice candidates to agency
- Losing candidates to agencies closer to candidate's home
- Maintaining competitive hiring advantage while still staying within budget
- Not being able to attract qualified talent when Cost-of-Living is so high in this geographic area
- Continued difficulty recruiting for department heads / not enough internal candidates to fill retirements for Directors and Managers
- Seeking ways to make the hiring process more efficient to prevent losing candidates to another agency

Concerns for 2025 – Benefits and Work/Life Balance

- Ability to meet employee work/life balance requests universally
- Offering competitive remote work options
- Work-from-home arrangement continues to be a challenge
- Benefits will not be adjusted accordingly to make our agency more appealing for applicants to come work here and stay long term
- Insufficient health care providers available in rural areas to serve employee needs
- Rising health care costs / inability for employers to cover increases
- Keeping benefits competitive with local agencies
- We are not able to match a lot of the fringe benefits like free lunch, on-premises daycare, and flexible work schedules

Concerns for 2025 – Compensation

- Ability to remain competitive compared to other agencies / inability to keep up with the market
- High expectations from labor groups for large COLA's / salary increases
- Financial ability to offer salary increases
- Continued salary compaction due to Minimum Wage increases
- Conducting a Salary/Compensation Survey in 2025
- Governing body is unwilling to consider pay increases to stay competitive
- Would like to have more ability to give bonuses and merit pays to staff that are topped out in the salary range of their classification
- There needs to be more than the cost-of-living adjustments to keep pace with inflation, especially when health premiums are considered

Concerns for 2025 – Economy/Budget

- A potential recession
- Budget constraints if a tax measure does not pass
- Budget deficit
- Continued high Cost of Living in our area of California
- Lack of housing availability continues to present problems for attracting candidates from out of our area
- Insufficient revenue
- Hiring freeze due to budget constraints

Concerns for 2025 – Losing Quality Talent/Retention Challenges

- Concerns around losing qualified talent to nearby agencies
- Lack of staff qualified to take over for retiring employees
- Decreasing longevity
- Directors and Managers are approaching retirement age / vacancies expected in near future of top management positions
- Not being able to retain qualified talent when Cost of Living is so high in this geographic area
- The agency will suffer from instability with employee turnover
- Turnover due to retirements will present a challenge
- Need to do some serious succession planning

Concerns for 2025 – Other Concerns

- Changes in law are a primary concern
- Agency may lose funding for specific projects if they are not completed per deadlines due to lack of personnel
- Agency projects will be delayed and not completed on time due to lack of personnel
- Customer service to our community may be diminished and impacted due to lack of qualified personnel
- Fairness when sworn personnel routinely get high COLAs while the rest get significantly less
- Morale of current employees will suffer

Concerns for 2025 – Other Concerns (Cont'd)

- Negotiating wages in 2025 and employees with unrealistic expectations and a sense of entitlement the City hasn't experienced in the past
- Preparing for negotiations; trying to maintain good labor-management relations to make negotiations successful
- Succession Planning
- Training

Thank you!

Maggie Williams-Dalgart
Project Manager

Gallagher/Koff & Associates

510.679.3983
maggie_williamsdalgart@ajg.com



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