



COUNTY OF SAN DIEGO

BOARD OF SUPERVISORS

1600 PACIFIC HIGHWAY, ROOM 335, SAN DIEGO, CALIFORNIA 92101-2470

AGENDA ITEM

DATE: July 16, 2024

19

TO: Board of Supervisors

SUBJECT

INCLUDING THE IMPACT OF COST-OF-LIVING DIFFERENTIALS IN SAN DIEGO COUNTY AS A PART OF COMPENSATION ANALYSIS FOR COUNTY EMPLOYEES (DISTRICTS: ALL)

OVERVIEW

As one of the region's largest employers, the County of San Diego is recognized as a leader in fostering a dynamic and inclusive work environment and setting a high standard for public sector employment. In recent years, the County has made strong commitments towards implementing forward-thinking policies that advance equity and employee well-being, and that recognize our workforce as the cornerstone to delivering the high-quality services and programs that our communities and residents rely upon.

As part of this approach, in 2021, the County collaborated with employee groups to utilize compensation studies to compare the wages of employee classifications for 25 represented bargaining units and non-represented employees with those in 13 other counties across the state. This compensation analysis was conducted by Koff and Associates and aimed to provide data that could inform discussions and decisions around compensation levels. Compensation studies are crucial for public sector management for ensuring salaries and benefits are set at levels that allow recruitment and retention of talent while promoting transparency and responsible resource management. To address the impact of regional differences in wages, the 2021 compensation studies used a "cost-of-labor" methodology that focuses on what other employers are paying for similar jobs within the region.

According to the UC Berkeley Labor Center, the cost-of-labor methodology has several weaknesses: (1) public sector work is complex with a diversity of occupations and responsibilities that are not easily compared with private sector benchmarks, (2) unlike the private sector, public sector compensation is not based on the market alone, but reflects budget

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constraints, revenue availability, and labor negotiations, and (3) there is a well-documented lag in public sector compensation based on educational level, compared to counterparts in the private sector, suggesting that cost of labor may not accurately capture public sector salary realities, and (4) the cost-of labor methodology fails to adequately account for the vast differences in cost-of-living between these regions. The 13 comparator agencies included counties like: Fresno, Kern, and San Bernardino, which are a far cry from the cost of living in San Diego County. According to Zillow, the median rent in Fresno is \$1,345 per month compared to \$3,095 in San Diego – a 230% difference. In fact, San Diego recently took the No. 1 spot on the U.S. News & World Report's list of the Most Expensive Places to Live in the United States, given soaring housing prices, as well as high food, transportation, childcare, and utilities costs across our region.

An emerging practice in compensation studies is to account for these regional differences using a cost-of-living methodology. The cost-of-living accounts for the actual expenses that employees incur, including housing, transportation, healthcare, childcare, broadband, and other necessities. It can also allow for consideration of the differences in cost-of-living faced by different family structures, including but not limited to single-parent households, households with multiple children under five, households supporting people with disabilities, and more.

Choosing cost-of-living rather than cost-of-labor as the comparator in a compensation study is crucial for ensuring equitable and realistic compensation for employees across different regions and supports the County's recruitment and retention goals. MIT created a Living Wage Calculator as a robust and highly popular tool that has widespread adoption across public, private, and nonprofit sectors. The tool features geographically-specific data for housing, food, childcare, health care, housing, transportation, other basic needs – like clothing, personal care items, and broadband, among others – and taxes at the county, metro, and state levels for 12 different family types. This tool provides a data-driven tool to compare cost-of-living differences across 3,143 counties in the United States.

Today's action directs the Chief Administrative Office (CAO) to include the MIT Living Wage Calculator as a cost-of-living comparator in the 2024 compensation studies. The scope of this item is limited to the methodological approach to the compensation studies to ensure relevant data is available and does not constrain the County's full range of options as part of any future compensation negotiations with employee groups.

RECOMMENDATION(S)

~~VICE CHAIR TERRA LAWSON-REMER AND SUPERVISOR MONICA MONTGOMERY STEPPE~~

- ~~1. Direct the CAO to include the MIT Living Wage Calculator as a comparator to analyze regional differences for the 2024 compensation studies.~~
- ~~2. Direct the CAO to discuss with the employee groups the application of the various indicators in the MIT living wage calculator to determine the final indicators to be used.~~

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EQUITY IMPACT STATEMENT

Implementing a cost-of-living analysis for determining county compensation would increase equity by ensuring that all employees are compensated based on the actual expenses they incur in their specific regions. This approach addresses regional disparities in living costs, helping to create a more balanced and just compensation structure that reflects the true economic realities faced by workers.

SUSTAINABILITY IMPACT STATEMENT

The proposed actions ordinance aligns with the County of San Diego’s Sustainability Goals by promoting sustainable economic growth for our community. The proposed actions included in this letter provide just and equitable wages.

FISCAL IMPACT

There is no fiscal impact associated with today’s actions. There will be no change in net General Fund cost and no additional staff years. There may be fiscal impacts associated with future related recommendations which staff would return to the Board for consideration and approval.

BUSINESS IMPACT STATEMENT

N/A

THIS ITEM HAS BEEN WITHDRAWN AT THE REQUEST OF VICE-CHAIR TERRA LAWSON-REMER AND SUPERVISOR MONICA MONTGOMERY STEPPE

ADVISORY BOARD STATEMENT

N/A

BACKGROUND

As one of the region’s largest employers, the County of San Diego is recognized as a leader in fostering a dynamic and inclusive work environment and setting a high standard for public sector employment. In recent years, the County has made strong commitments towards implementing forward-thinking policies that advance equity and employee well-being, and that recognize our workforce as the cornerstone to delivering the high-quality services and programs that our communities and residents rely upon.

As part of this approach, in 2021, the County collaborated with employee groups to utilize compensation studies to compare the wages of employee classifications for 25 represented bargaining units and non-represented employees with those in 13 other counties across the state. This compensation analysis was conducted by Koff and Associates and aimed to provide data that could inform discussions and decisions around compensation levels that could support the County’s recruitment and retention goals.

To address the impact of regional differences in wages, the 2021 compensation studies used a methodology called “Cost of Labor” to measure regional differences in wage trends. This metric

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focuses on what other employers are paying within the region to account for regional variations in wages.

However, this methodology fails to adequately account for the vast differences in cost-of-living between these regions. The 13 comparator agencies included places like: Fresno, Kern, and San Bernardino, which are a far cry from the cost of living in San Diego County. In fact, San Diego recently took the No. 1 spot on the U.S. News & World Report's list of the Most Expensive Places to Live in the United States, given soaring housing prices, as well as high food, transportation, childcare, and utilities costs across our region. According to Zillow, the median rent in Fresno is \$1,345 per month compared to \$3,095 in San Diego – a 230% difference.

An emerging practice in compensation studies is to account for these regional differences using a cost-of-living driven methodology. According to the UC Berkeley Center, “employing cost of living differentials in public sector compensation studies offers a more straightforward approach that aligns with best practices and public sector values. This method adjusts salaries based on purchasing power, ensuring equitable comparisons across different geographic contexts.”

Choosing cost-of-living rather than cost-of-labor as the comparator in a compensation study is crucial for ensuring equitable and realistic compensation for employees across different regions and supports the County’s recruitment and retention goals. The cost-of-living accounts for the actual expenses that employees incur, including housing, transportation, healthcare, childcare, broadband, and other necessities. It can also account for different costs faced by varying households and family structures using standard household equivalence scales. On the other hand, cost of labor typically reflects the average wages paid within a specific labor market, which may not accurately capture the nuance of County positions, which are often not easily compared with other private sector positions in the region.

MIT created a Living Wage Calculator as a robust and highly popular tool that has widespread adoption across public, private, and nonprofit sectors. The tool features geographically-specific data for housing, food, childcare, health care, housing, transportation, other basic needs – like clothing, personal care items, and broadband, among others – and taxes at the county, metro, and state levels for 12 different family types. This tool provides a data-driven tool to compare cost-of-living differences across 3,143 counties in the United States.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today’s proposed actions support the County’s 2024-2029 Strategic Plan objectives of Empower Workforce and Empower Innovation by investing in the County workforce and implementing best practices.

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Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Terra Lawson-Remer', with a stylized flourish at the end.

Terra Lawson-Remer
Supervisor, Third District

A handwritten signature in blue ink, appearing to read 'Monica Montgomery Steppe', with a long horizontal flourish extending to the right.

Monica Montgomery Steppe
Supervisor, Fourth District

ATTACHMENT(S)
N/A