

Fiscal Year 2023-24 Anticipated Cost-of-Living Adjustments (COLA) and Merit Increase Survey Results

Executive Summary

The NC League of Municipalities (NCLM) has historically conducted an annual survey of municipalities to gauge anticipated cost-of-living adjustments (COLA) and merit increases in upcoming budgets. This year, NCLM partnered with the NC Association of County Commissioners (NCACC) to collect and include data on NC counties.

Pay adjustments have remained a prevalent topic since the COVID-19 pandemic began and the "Great Resignation," high inflation, and other economic factors affected and influenced local governments' ability to attract and retain employees. Organizations have continued to feel the pressure of a complex employment market, and pay adjustments continue to be an important tool local governments can utilize to stay competitive in the public and private sectors. We hope the results of this survey will serve as a useful planning and benchmarking tool for our members who are looking to compare their anticipated plans with others in their population groups and regions.

Data were collected between 4/3/23 - 4/21/23 and we received 266 full responses consisting of 220 municipalities and 46 counties. Responses reflect the best estimate of organizations' plans at a single point in time; few, if any, budgets had been formally presented or approved at the time of the survey. **NCLM and NCACC thank all of the local governments who participated in this year's survey. We greatly appreciate your time and effort which help make this the most useful and timely report possible for you and your peers.**

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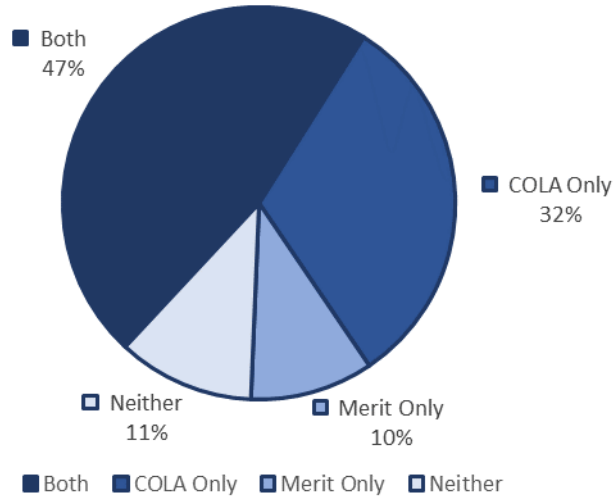
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Organizations Offering COLA and/or Merit

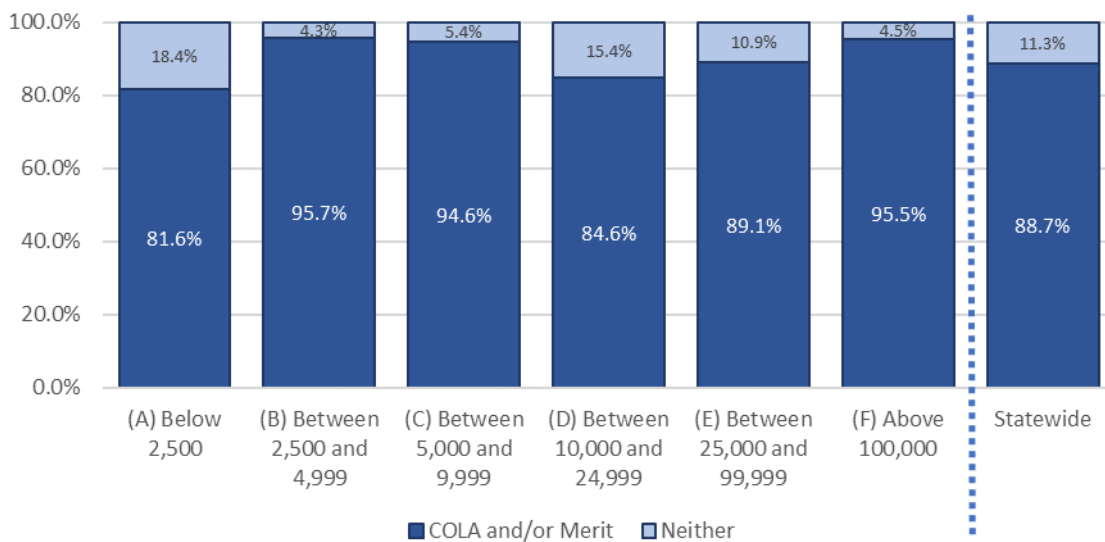
Our survey found that approximately 89% of respondents are planning on providing COLA and/or merit increases in their upcoming budgets. This figure is up from 87% at this time last year and 65% the year before.

Percent of Respondents Planning on Offering COLA and/or Merit Increases in FY24 (Statewide) (n=266)



The same data show that over 80% of respondents in each population group are planning on providing COLA and/or merit increases in their FY24 budgets:

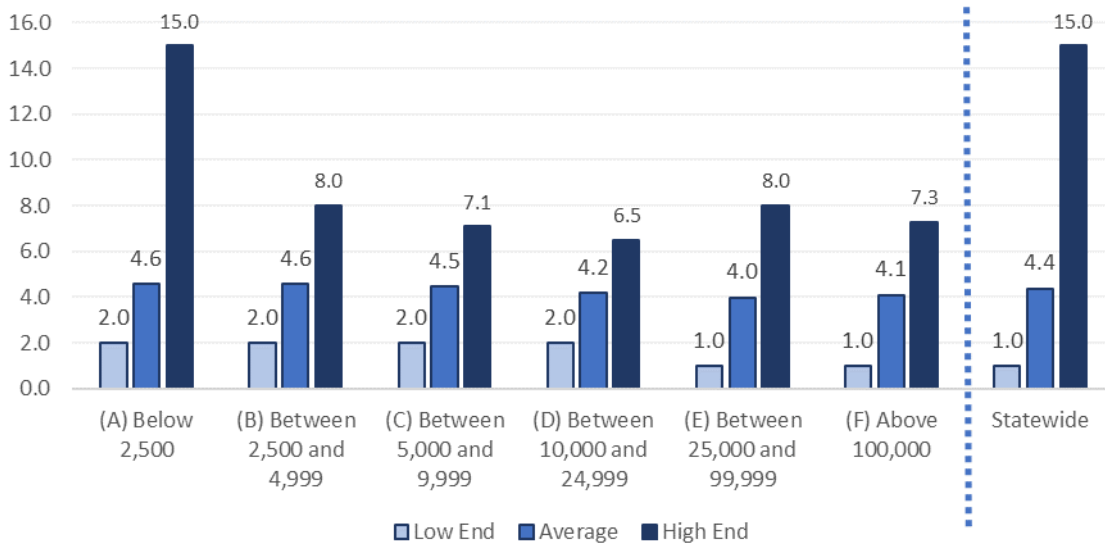
Percent of Respondents Planning on Offering COLA and/or Merit Increases in FY24, by Population Group (n=266)



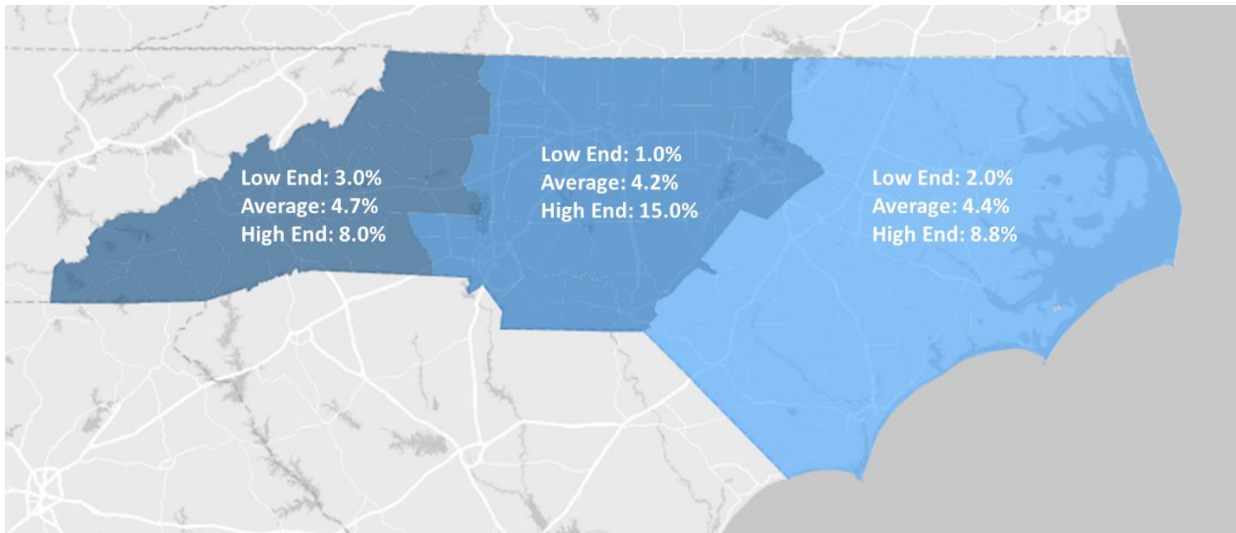
COLA Summary

Of 266 respondents, 209 (78.5%), reported that they are planning on providing a COLA in their FY24 budgets. These data, showing a statewide average of 4.4%, are broken down by population groups and regions below. This average is slightly down from last year's 4.7% which was nearly double the prior year's average.

Average Planned % Increases in Organizations Providing COLA, by Population Group (n=209)



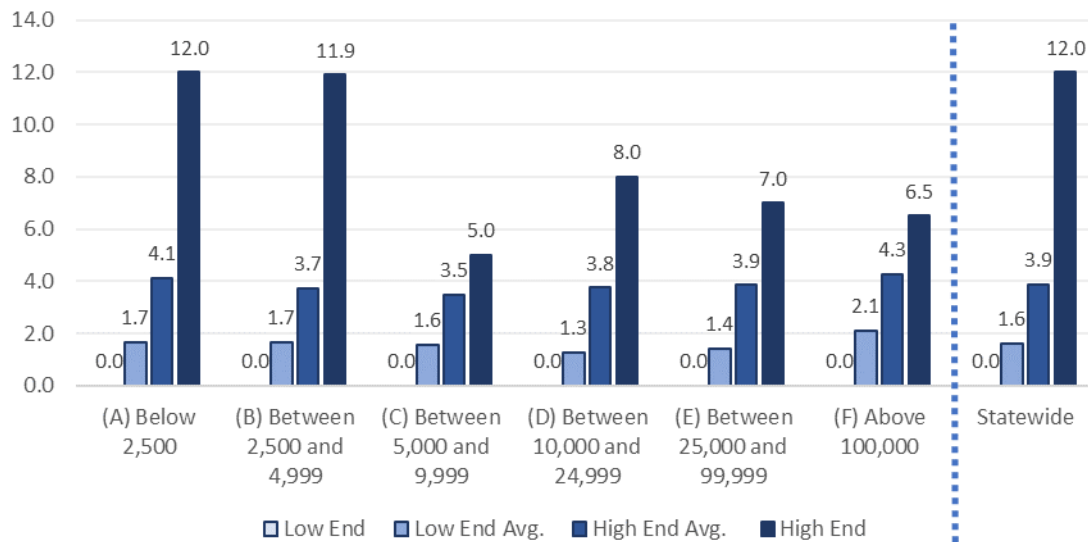
Average Planned % Increases in Organizations Providing COLA, by Region (n=209)



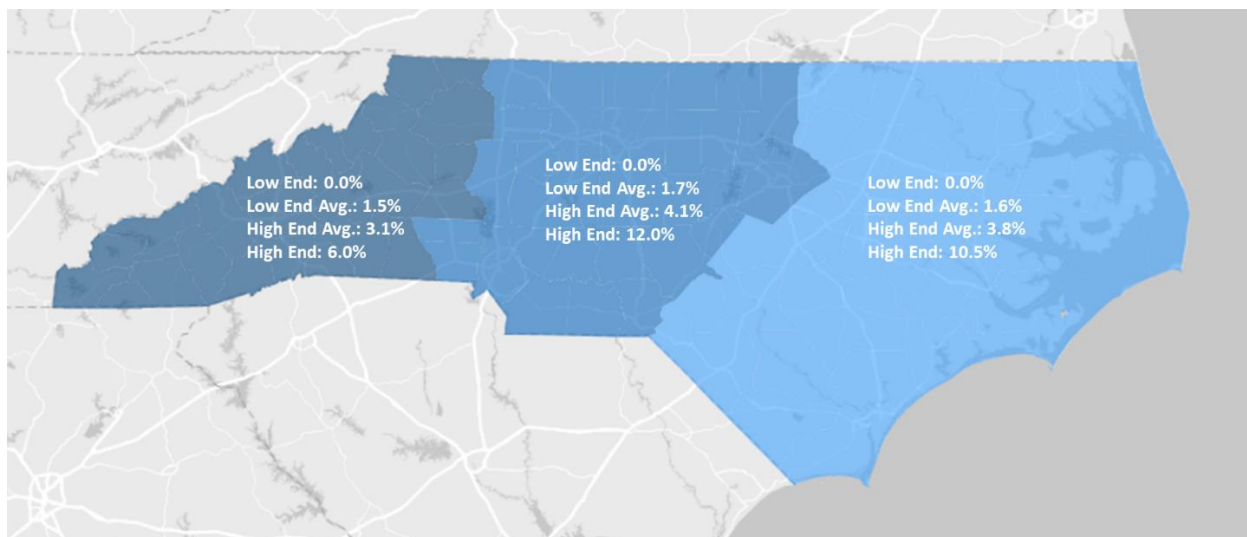
Merit Increase Summary

Of 266 respondents, 152 (57.1%), reported that they are planning on providing merit increases in their FY24 budgets. Respondents were asked to report the ranges they were offering, including a low and high end of planned merit increases. As shown below, ranges varied by region with a statewide average of 1.6% to 3.9%. These averages are relatively consistent with last year's anticipated merit averages.

Average Ranges of Planned % Increases in Organizations Providing Merit, by Population Group (n=152)



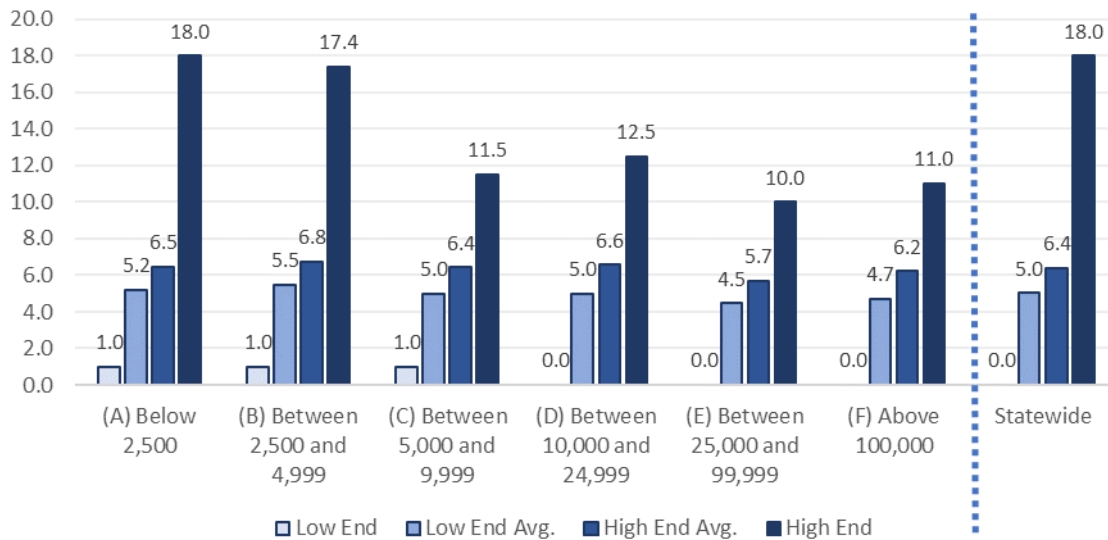
Average Ranges of Planned % Increases in Organizations Providing Merit, by Region (n=152)



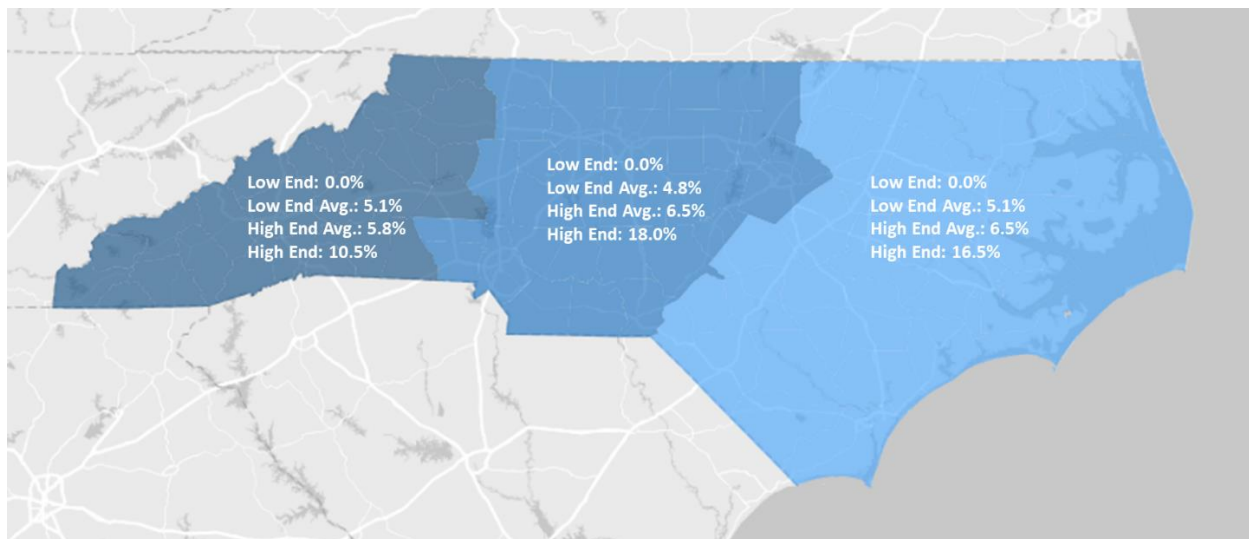
Combined Planned COLA and Merit Increase Summary

Local governments across the state provide varied combinations of COLA and merit in their pay adjustment plans; for example, organizations may provide one instead of the other, or provide a small merit range on top of a larger COLA. It is thus useful to view organizations' total plans to gain a fuller picture of pay increases across the state. On average, local governments are expecting to provide between 5.0% and 6.4% between their merit and COLA increases, with lows and highs varying by population and region.

Average Ranges of Planned Total Pay Increases in Organizations Providing Merit and/or COLA, by Population Group (n=236)



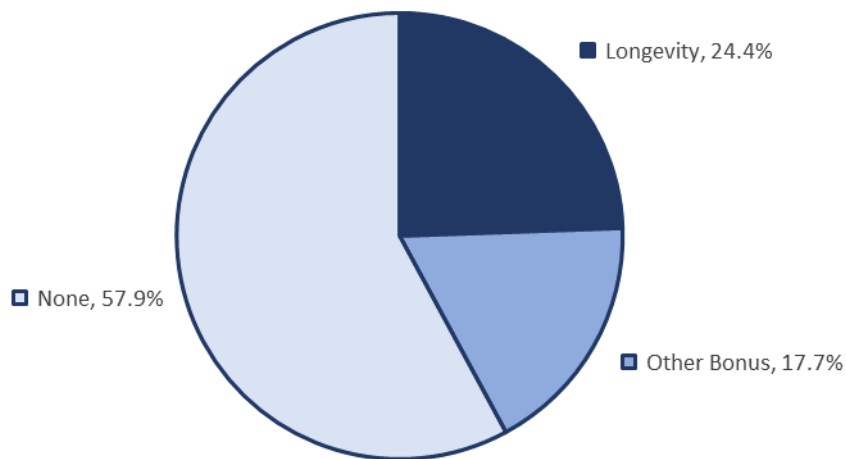
Average Ranges of Planned Total Pay Increases in Organizations Providing Merit and/or COLA, by Region (n=236)



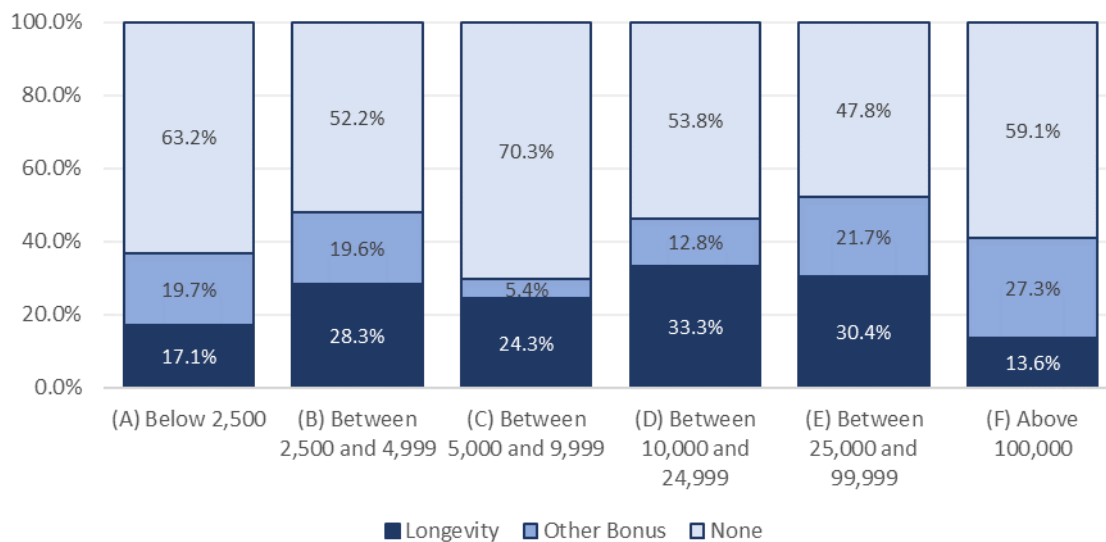
One-Time Incentives

NCLM asked respondents whether they provided one-time bonuses or other incentives such as longevity pay or 401k contributions in their FY23 or FY24 budgets. Approximately 42% of respondents reported providing a one-time incentive, up marginally from last year. Notably, longevity bonuses are significantly less common in populations under 2,500 and over 100,000, suggesting that NC’s smallest and largest cities gravitate towards providing other types of incentives.

Organizations Providing One-Time Incentives in FY23 or FY24, Statewide (n=266)



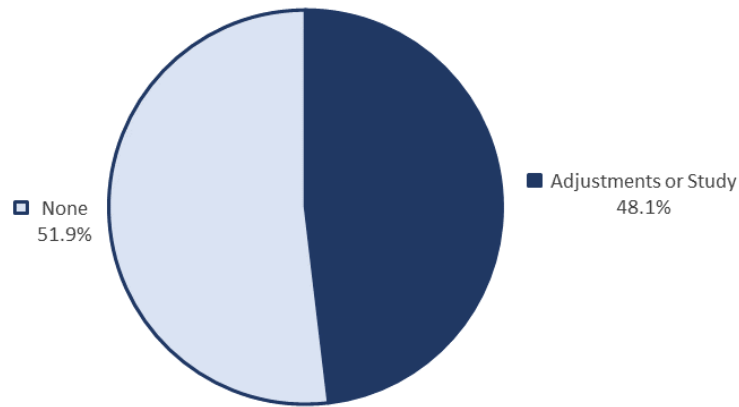
Organizations Providing One-Time Incentives in FY23 or FY24, by Population Group (n=266)



Structure Adjustments

Of 266 respondents, 48.1% reported recently making market or structure adjustments to their pay plans or conducting or planning to conduct compensation and class studies. This is up significantly from last year's figure of 29.0% and likely indicates that local governments are responding to a competitive employment market.

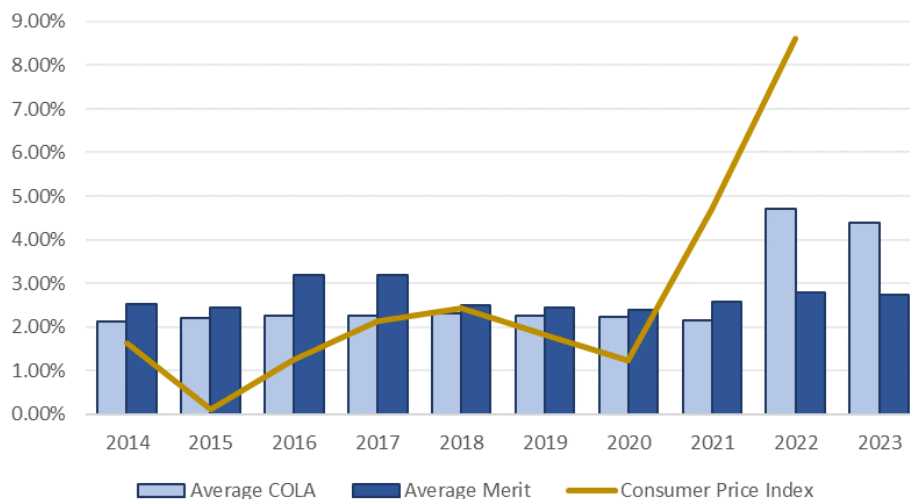
Organizations Which Made Market or Structure Adjustments, or Conducted Compensation and Class Studies in FY23 or FY24 (n=266)



CPI-U Index

Our historical data show that reported planned average COLA and merit increases in NC local governments generally kept pace with the [Consumer Price Index for all urban consumers](#) (CPI-U) up until the COVID-19 pandemic. While organizations have increased pay at a higher rate than usual over the last couple of years, average increases have not generally kept pace with inflation.

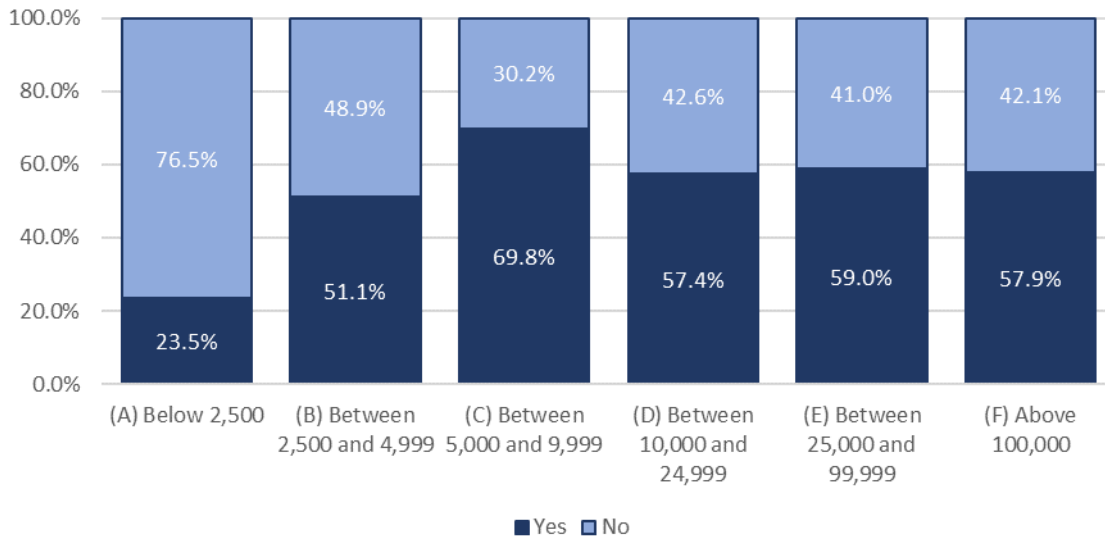
Average Statewide COLA and Merit Increases vs. CPI-U Index, 2014-Present



Survey Response Rates

NCLM and NCACC received responses from 220 of 551 NC municipalities and 46 of 100 NC counties. The responses represented the following regions and population groups:

Response Rate by Population Group (n=651)



Response Rate by Region (n=651)

