2023 Compensation and Benefits Report

NORTH CAROLINA Office of
State Human Resources

Report to the Joint Legislative Appropriations Committee

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EXECUTIVE SUMMARY

N.C.G.S. 126-7.3 states, “To guide the Governor and the General Assembly in making decisions regarding the compensation of State employees, the Office of State Human Resources shall conduct annual compensation surveys.” The report is presented to the Appropriations Committees of the House and Senate no later than two weeks after the convening of the legislature in odd-numbered years, and May 1 of even-numbered years. The report:

- Identifies gaps between existing compensation programs and market best practices that may impact internal equity, market competitiveness, and the retention/attraction of talent; and
- Sets the stage for strategic planning to address current economic and labor market conditions.

Key to the discussion of state employee compensation is the on-going efforts by the Office of State Human Resources (“OSHR”) to maintain the Statewide Compensation System.

Since the implementation of the Revised and Enhanced Pay Plans effective June 1, 2022, OSHR continues to collaborate closely with agencies to maximize mutual understanding of the labor market data and administer a market-based system within a decentralized setting. Communications and messaging to key stakeholders remain a significant part of this process. Through collaboration with Mercer, OSHR created a job placement study process to research, analyze, and address any ongoing recruitment and retention challenges that agencies have raised since implementation of the Revised and Enhanced Pay Plans. Over the past year, this job placement process has allowed OSHR to make adjustments based on information provided by agencies in order to refine market matches and better align jobs within the pay structures.

A key component of a market-based compensation system is the regular assessment of labor market trends to maintain competitiveness and alignment with the market. It is common and a best practice for most organizations to adjust their pay plans regularly, based on general structure movement trends. Therefore, based on consultation with Mercer and data on structure market movement gathered from both Mercer and World-at-Work surveys, OSHR implemented a conservative 2.5 percent increase to all pay structures effective June 1, 2023. The minimums, midpoints and salary grade maximums were increased accordingly (including the recalculation of the first and third quartiles).

Another critical aspect of maintaining a competitive system is reviewing market movement on benchmark jobs. In the fall of 2023, the OSHR Classification and Compensation team analyzed market movement on benchmark jobs and found an increase in market value in 67 percent of the classifications and a decrease in market value in 33 percent of classes. Fluctuations in the market are anticipated, so OSHR will continue to monitor trends in the market and make any needed adjustments based on a three-year trend. These changes will ensure jobs are placed appropriately within the pay plans and remain aligned to market.

Key Highlights of This Report:

1. A recurring source of funding is needed to improve the State's competitive market position through regular pay plan adjustments. Resources will also be necessary to strategically identify and address competitive labor market pay, to identify structural gaps, and to support the dynamic career pathing needs of the State's workforce.

2. Average salary increases in the labor market were 4.5 percent[1] in 2023, which is greater than the increases seen in the last several years. The average salary increase budget is projected to be 3.95 percent[2] for all employers in 2024 due to the inflation and recruitment challenges over the past year. The 2023-2025 fiscal biennium provided a 4.0 percent legislative increase, effective July 1, 2023, for most state employees and a 3.0 percent legislative increase effective July 1, 2024. The increased Labor Market Adjustment Reserve from 1 percent in 2022 to 1.5 percent in 2023 is expected to reduce the gap in pay for some job classifications.

   While these legislative increases are larger than what state employees have received in recent years, the state continues to lag the market. Salary increases in the labor market have cumulatively outpaced legislative increases over the past ten years. Specifically, pay in the general labor market has exceeded legislative increases over the past 10 years by 9.45 percent without taking into account compounding, or about 12 percent when including compounding (see Appendix B).

3. Turnover and vacancy rates remain high by historic norms. Regular and consistent legislative increases for state employees coupled with labor market reserves are needed to narrow the gap in average market movement.

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[1] Sources: Mercer 2023 U.S. Compensation Planning Survey, Monthly Pulse Report (November Edition), and 2023-24 United States WorldatWork Salary Budget Survey released in August 2023. The percentage is calculated as an average of total increases reported by both sources.

[2] Sources: Mercer 2023 U.S. Compensation Planning Survey, Monthly Pulse Report (November Edition), and 2023-24 United States WorldatWork Salary Budget Survey released in August 2023. The percentage is calculated as an average of merit increases reported by both sources.

INTRODUCTION

This report conveys economic and pay trends. Findings and data are derived from compensation and benefits surveys that OSHR regularly analyzes to determine whether the salary ranges and average salaries for State classifications and benefits for State employees are competitive in the labor market. The report summarizes key findings and comparative data showing the relationship of the State's wages and compensation programs to those of competitors in both the private and public sectors, as well as in relation to talent management trends nationally, regionally, and locally.

North Carolina's Total Compensation Philosophy

It is the philosophy of the State of North Carolina to appropriately and equitably compensate its employees, to encourage excellence in performance, and to maintain the labor market competitiveness necessary to recruit, retain, motivate, and develop a competent and diverse workforce. To accomplish this, the state utilizes a quartile-based system where the midpoint of the salary range is aligned to the market 50th percentile for established State classifications. The hallmarks of this system are market responsiveness and equitable and affordable compensation.

Market Responsiveness

- Establish total compensation competitively with relevant labor markets
- Recognize that labor market factors differ for specific occupations

Equitable and Affordable Compensation

- Align internal pay within occupational groups while avoiding adverse impacts
- Maintain internal classification structure alignment
- Maintain fiscal responsibility

Traditionally, statewide salary adjustments have come in the form of across-the-board increases granted by the legislature.

The Pay Administration Policy coupled with the Sign-On and Retention Bonus Policy provide agencies with a variety of tools to address recruitment and retention challenges. These policies and increased flexibility provided to agencies support their efforts to be competitive in the ongoing tight labor market.

TOTAL COMPENSATION

Total Compensation encompasses all forms of pay and benefits an employee receives from the employer. When comparing compensation with that of other employers, whether public or private, the focus is often on total compensation rather than just base pay. This report includes comparisons of base pay and fringe benefits.

A competitive benefits package is a primary attractor in the recruitment of prospective employees, particularly in difficult-to-fill occupations. Benefits are equally critical in the retention of state employees. It is important for employees to be knowledgeable of the value of their employment in terms of base pay, benefits, and other reward opportunities. The State communicates this important aspect of employees' compensation to both current and prospective employees using a web based Total Compensation Calculator.

Benefits as a percentage of average base pay are depicted in Table 1.

Table 1: Benefits as a Percentage of Average Salary and Wages

(Calculated as of 12-28-2023)

Benefit Category	Percentage of Average Salary	Average Value
Holidays (12 days)	4.62 percent	$2,910
Sick Leave (12 days)	4.62 percent	$2,910
Vacation Leave (20 days)	7.70 percent	$4,851
OASI – DI [Social Security]	7.65 percent	$4,819
Retirement and Disability*	25.02 percent	$15,762
Health Insurance	12.00 percent	$7,557
Longevity Pay	1.50 percent	$945
Total Benefit Value	63.11 percent	$39,754
In determining the Percentage of Average Salary, the average State employee's years of service are 12 years and average State employee salary is $62,997. The total benefit value is added to employees' base pay to determine Total Compensation.		
	Average Base Pay	$62,997
	Average Benefit Value	$39,754
	Average Total Compensation	$102,751

Sources: NC Office of State Human Resources, State Health Plan, NC General Assembly, Session Law 2023-134, House Bill 259, NC Office of State Budget and Management, and the NC Retirement Systems Division.

**It is important to note that approximately 7 percent of the 25.02 percent total State costs for Retirement and Disability are provided for retiree health insurance. Per recent legislation, retiree health insurance will not be provided for employees hired on or after January 1, 2021. Data from the UNC School of Government County Survey indicates that paying for retiree health insurance is a common practice among government employers and losing that benefit will adversely affect the competitiveness of the State's benefits package for new hires.*

Once Average Total Compensation is derived, salary and benefits can be calculated as a percentage of Total Compensation. This allows for comparisons to be made between the State's average percentage of Total Compensation and national trends, as seen in Table 2.

This analysis indicates that North Carolina's salary and wages generally comprise a smaller portion of Total Compensation than is seen nationally, while North Carolina's paid time off and retirement benefits generally appear to be favorable compared to national averages, when expressed as a percentage of Total Compensation.

Note that this analysis generally includes only annually budgeted compensation items; other variable compensation and benefits such as overtime pay, workers' compensation and unemployment are not included in the State or labor market data.

Table 2: Salary and Certain Benefits as a Percentage of Total Compensation

Benefit Category	U.S. BLS Percentage of Total Compensation*	NC Average Percentage of Total Compensation 2023	NC Change From 2022
Salary and Wages	61.9 percent	61.9 percent	-0.3 percent
Paid Time Off	7.3 percent	10.5 percent	0 percent
Health Insurance	10.9 percent	7.4 percent	-0.1 percent
Retirement (defined benefit plan only)	12.4 percent	15.5 percent	0.9 percent
OASI-DI (Social Security)	5.3 percent	4.7 percent	-0.1 percent

*- Employer Costs for Employee Compensation - December 2023 (bls.gov)

Sources: U.S. Bureau of Labor Statistics, Office of State Human Resources, Office of State Budget and Management and the NC Retirement Systems Division.

ECONOMIC REVIEW

General Salary Budget Trends

OSHR uses nationally recognized compensation planning surveys to benchmark and track labor market movement. Base pay increase budgets are shown in Table 3.

In 2023, the average base pay increase budget was 4.6 percent according to Mercer's U.S. Compensation Planning Survey. The 2023-24 United States WorldatWork Salary Budget Survey indicated salary increase budgets averaged 4.4 percent. Compared to the average of these two sources (4.5 percent), the legislative increase of 4 percent in July 2023 puts the State of North Carolina off pace by 0.5 percent for this past year.

Table 3: Actual and Projected Base Pay Increase Budgets

National Firm	2021 Actual	2022 Actual	2023 Actual	2024 Projected
Mercer	3.0 percent	4.3 percent	4.6 percent	3.8 percent
WorldatWork	3.0 percent	3.5 percent	4.4 percent	4.1 percent
Average	3.0 percent	3.9 percent	4.5 percent	3.95 percent

Sources: Mercer 2023 U.S. Compensation Planning Survey, Monthly Pulse Report (December Edition), and 2023-24 United States WorldatWork Salary Budget Survey released in August 2023.

Note: The table above represents the percentage of payroll given to employees in the form of a base salary increase.

One year ago, the projected base pay increase budgets for 2023 were 3.7% on average between Mercer and WorldatWork. These projections were less than the 4.5% actual base pay increase budget for 2023. Sue Holloway, Director of Compensation Content at WorldatWork stated, "It's certainly noteworthy that projected budgets for 2023 were so far off from what actually happened. This is something to keep in mind along with how tight the labor market remains as organizations plan their 2024 budgets." A recurring labor market or salary adjustment funding source would enable OSHR and state agencies to strategically respond to changes in the market by deploying those funds to areas of need that appear over the course of the year, in this rapidly changing market.

Since 2014, salary increases in State government have cumulatively trailed average labor market increases by 9.45 percent, as shown in Appendix B, chart "Total Market Movements vs Total Legislative Increase (Cumulative) 2014-2023." The chart includes the market movement according to Mercer and WorldatWork. When compounded annually, this gap grows to 12.2 percent as shown in Appendix B, chart "Comparison of N.C. State Employee Annual Pay Increases to Labor Market Movement (Compounded), 2014-2023."

Based on a 10-year lookback, the cumulative, non-compounded lag has decreased, from 11.4 percent in the 2022 Compensation and Benefits Report to 9.45 percent in this year's report. This improvement is due, in part, to the lack of a legislative increase in 2013 no longer included in the lookback period. However, the lack of a legislative increase in 2015 continues to impact current state salaries. The lag between market and legislative increases in the most recent 4 years (2021 to 2024) is projected to be 2.35 percent. Such continued variances between market and legislative increases perpetuate the market lag. When compounded, the variance between market increases and legislative increases widens further from 9.45 percent to approximately 12 percent for the same period. It is imperative that State employees continue to receive legislative increases regularly to help reduce the gap and improve State employees' salaries relative to the market.

Consumer Price and Employment Cost Indices

In addition to general labor market movement, the increase in the Consumer Price Index-Urban (CPI-U) for the 12-month period ending in June 2023 was 3.0 percent, and for the 12-month period ending in December 2023 was 3.4 percent.[3] This percentage measures the average change over a specific period in the prices paid by urban consumers for goods and services. According to the Bureau of Labor Statistics (January 2024), the CPI-U includes all urban consumers and comprises roughly 93 percent of the population in the United States. It is based on the expenditures of almost all residents of urban or metropolitan areas, including professionals, the self-employed, the unemployed, and retired people, as well as urban wage earners and clerical workers.

Most pay increases for State employees have included a cost-of-living component, but these have typically not been reflective of CPI-U.

The cost-of-living portion of annual legislative increases from 2014 to 2023 trailed the CPI-U percentages for 4 out of last 10 years. This differential reflects that compensation for state employees has historically failed to keep pace with the CPI-U. Salary increases in State government have cumulatively trailed CPI-U by 4.9 percent over the last 10 years in simple aggregate terms and 5.9 percent in compounded terms adversely impacting employees' "buying power." Charts[4] comparing legislative increases with CPI-U are included in Appendix B.

While comparing legislative increases with overall consumer price index is a reasonably good indicator to maintaining the purchasing power of state employees' pay, a more nuanced approach would be to combine it with a geographically relevant index. Factors such as constant influx of population, stiff rise in real estate prices and rentals are constantly pushing the relative position of

[3] All items index, Consumer Price Index for All Urban Consumers, as reported by U.S. Bureau of Labor Statistics in its June 2023 and Dec. 2023 press releases (https://www.dol.gov/newsroom/economicdata/cpi_07122023.pdf and https://www.dol.gov/newsroom/economicdata/cpi_01112024.pdf).

[4] In odd-numbered years, this report is due to the Legislature in January-February. It is important to note, OSHR prepares this report months in advance and, in past versions of Appendix B, OSHR has used the CPI of the month in which the report is being prepared. In some years, this has been in September, in others it has been October or November. To be consistent on the way the information is presented, OSHR decided to change the methodology and, in Appendix B, recalculate the information of the past 10 years by consistently using June's CPI.

the State of North Carolina in an upward direction. These factors further impact the purchasing power of State employees. This is evident from the data on Cost-of-Living Index (COLI) given in Table 4 below and sourced from the Council of Community and Economic Research (C2ER):

Table 4: Historic trend of Cost-of-Living Index (National Average vs State of North Carolina)

Year	2017	2018	2019	2020	2021	2022	2023
COLI (National Average)	100	100	100	100	100	100	100
COLI (State of NC)	94.6	94.2	95.0	98.0	95.7	95.7	95.3

Source: C2ER Annual Reports for COLI for the years 2017 to 2023. State of NC COLI is average of COLI of all reported metro areas within North Carolina for each year.

BASE PAY AND LABOR MARKET ANALYSIS

The State of North Carolina desires to attract and retain the best talent while being competitive in the market using a total rewards approach. The State targets a competitive market range around the market median for comparable jobs. The total rewards focus incorporates the value of working for the State across both compensation and benefits, to determine market-competitive total rewards.

Common Practices in Compensation

A frequent practice in the market is a multi-pronged approach, to include an across-the-board increase, market-based increase, and/or lump sum payment.

Employers also may utilize recurring funding such as Labor Market Reserve or Salary Adjustment Fund, as a mechanism to advance employees within their pay grade. In addition to the legislative increase of 4 percent awarded to most state employees (unless otherwise specified in the approved budget), the legislature provided a labor market adjustment fund to enable agencies to provide much needed market-driven salary increases for up to 25% of permanent positions. Having a recurring labor market or salary adjustment funding source like agencies received in 2022 and 2023 enables State agencies to respond more quickly and effectively to changes in the market. Employers typically establish a process to set priorities for labor market increases and salary adjustment funds based on criticality, turnover, retention, recruitment difficulties, and market position. It is often helpful for employers to evaluate job-specific turnover to identify critical needs.

Organizations within the market continue to look for flexibility in administering compensation systems that enable nimble recruitment and retention of valuable talent. The Statewide Compensation System used in North Carolina state government includes specific classifications and pay plan structures developed based on sound market practices. The Pay Administration Policy also provides agencies with additional flexibility for paying within the range, however, this flexibility is effective only if funding is available. Agencies are leveraging pay administration flexibility to determine more competitive salaries based on the application of the pay factors outlined in the policy. The average compa-ratio for state employees in 2022 was 1.00 and has now increased slightly to 1.02 for 2023. The average salary in 2022 was $58,017 and has now increased to $62,997 for 2023.

Monetary incentive awards, such as non-recurring bonuses, can also be short-term solutions to address recruitment and retention challenges. The updated Sign-On and Retention Bonus Policy has helped agencies respond to the ongoing, tight labor market.

Since June 2022, 28,528 employees have received sign-on or retention bonuses with an average of $2,301 per employee and a total cost of $65.6M[5]. Approximately 46 percent of the workforce, or 25,730 employees, received retention bonuses with an average of $2,259 per employee and a total cost of $58.1M. Sign-on bonuses were provided to 3,068 employees, with an average of $2,448 per employee and a total cost of $7.5M.

Approximately, $36.1 million in bonuses were awarded to employees in job classifications with the highest vacancy rates, as these job classifications are the most critical classifications, and/or specific critical positions within a classification, with labor market shortages impacting the business needs of the agency and impairing the delivery of essential services. The job classifications with the highest vacancy rates are Registered Nurse (53.7 percent), Correctional Officer II (48.2 percent), Health Care Technician I (42 percent), Correctional Officer III (35.9 percent), and Correctional Officer I (34.5 percent).

For any systematic analysis of compensation to take place, OSHR must continue to receive funding for a Market Analysis and Modeling tool (Ex., MarketPay) and a Position Description Writing and Workflow tool (Ex. PeopleAdmin). OSHR currently has the tools mentioned above and receives recurring funds to participate in and receive results from various major salary survey providers. To expand the number of benchmark jobs and build on the strong foundation of a market-based compensation strategy, dedicated funding for additional surveys is necessary.

In its 2023 U.S. Compensation Planning survey, Mercer noted significant variation in pay based on industry. Energy, Life Science, and Other Manufacturing saw increases higher than the national average while Retail, Wholesale and Healthcare lagged behind the market. In addition, pay transparency became more widespread following legislation requiring more transparency in several states, but as the year ended, employee resistance to return-to-office announcements garnered more attention. Overall, Mercer anticipates that most labor market indicators show stabilization, including in job growth, hiring and quit rates. High Tech is no longer leading increases in budgets, while Energy and Consumer Goods are planning merit increases greater than the national average.

Recommendations for Maintaining the Statewide Compensation System

Based on our multi-year collaboration with Mercer, OSHR recommends annual updates to the pay plans, by a percentage that is aligned to reported market structure adjustments, the State's fiscal resources, and unique conditions in which the State (and each agency) operates as a public sector entity. Mercer also recommends that every three to four years the State conduct a comprehensive

[5] The legislature, through the 2023 Appropriations Act (Session Law 2023-134) allocated twenty million dollars ($20,000,000) in nonrecurring funds for the 2023-2024 fiscal year and twenty million dollars ($20,000,000) in nonrecurring funds for the 2024-2025 fiscal year to the Division of State Operated Healthcare Facilities (DSOHF) to be used to provide sign-on and retention bonuses to employees working, or hired to work, at one or more healthcare facilities operated by the Secretary of the Department of Health and Human Services under G.S. 122C-181.

market assessment and use market pricing data to modify existing pay plans (or create a new pay plan structures if deemed necessary) to ensure that they remain aligned with market competitive compensation. Based on initial implementation of the pay plans in 2022 and market adjustment of all pay structures by 2.5 percent in 2023, OSHR recommends a targeted analysis of specific jobs in 2024 to determine areas where the market for those particular jobs may have changed more dramatically than the market trend overall. This recommendation aligns with Mercer's guidance regarding OSHR's continued effort to position the most critical jobs (and employees) for the State competitively to ensure top talent continues to consider working for and remain employed with the State; as such, additional annual reviews on a job-by-job basis are also recommended.

The jobs benchmarked by Mercer as part of the study reflect a cross-section of jobs and levels and represent 70 percent of the employee population and 46 percent of the jobs within State government (State of NC). In this report, we have included a sample of 56 benchmarks with jobs from each of the 19 Job Families.

Within this group of sample benchmarks, Table 5 lists 20 classes that resulted in a Compa-Ratio below 90 percent represented as a percentage of 2023 average salary of the employees sitting in those classes, as shown in the Compa-Ratio column. Data regarding the total sample of 56 benchmark classes can be found in Appendix E.

Table 5: Sample Benchmark Classes with a Compa-Ratio Below 90 percent

See Appendix E for the full list

Job Title	Number of Employees	Base Salary Average	Salary Range Midpoint	Compa-Ratio	FY 2022-2023 Turnover Rate*
ADMINISTRATIVE SUPPORT					
Administrative Specialist I	2,762	43,387	50,438	86 percent	12 percent
AGRICULTURAL, ENVIRONMENTAL AND SCIENTIFIC					
Conservation Biologist Manager	12	75,725.58	104,676.00	72 percent	16.9 percent
Conservation Biologist II	85	63,161.38	82,159.00	77 percent	5.7 percent
Forestry Technician I	109	39,519.17	48,036.00	82 percent	19.6 percent
Geologist/Hydrogeologist	106	70,688.31	82,159.00	86 percent	5.9 percent
EDUCATION AND TRAINING					
Parks District Interpretation & Ed Spec	4	49,586	64,373	77 percent	0 percent

Job Title	Number of Employees	Base Salary Average	Salary Range Midpoint	Compa-Ratio	FY 2022-2023 Turnover Rate**
Education Diagnostician II	31	55,758	67592	82 percent	9.5 percent
Public Health Educator II	5	65,113	74,520	87 percent	0 percent
FINANCIAL AND BUSINESS MANAGEMENT					
Revenue Field Auditor I	56	69,642	78,246	89 percent	17 percent
HUMAN RESOURCES					
Agency HR Director III	11	136,463.64	153,098.00	89 percent	0 percent
INFORMATION TECHNOLOGY					
User Support Technician I	94	56,723.14	66,011.00	86 percent	2.1 percent
Operations Techician	25	57,160.28	66,011.00	87 percent	8.1 percent
INSTITUTIONAL SUPPORT					
Floor Maintenance Supervisor	4	38,011.75	45,749.00	83 percent	0 percent
LAW ENFORCEMENT AND PUBLIC SAFETY					
Medical Examiner Specialist	11	53,568.64	64,520.00	83 percent	24 percent
LEGAL					
Attorney Manager II	27	139,210.04	182,356.00	76 percent	7.2 percent
Deputy Attorney General	13	149,890.62	237,063.00	63 percent	7.8 percent
OPERATIONS AND TRADES					
Carpenter II	21	43,723.81	50,438.00	87 percent	9.1 percent
Vehicle/Equipment Operator I	60	37,923.62	41,496.00	88 percent	19.9 percent
PROGRAM MANAGEMENT					
Insurance Consumer Analyst I	13	48,667.85	52,960.00	88 percent	7.5 percent
Insurance Regulatory Analyst II	19	65,497.79	78,246.00	82 percent	9.9 percent

Sources: Office of State Controller HR/Payroll System, MarketPay analysis

* Unless specified, OSHR calculates turnover using both EHRA and SHRA employees at State Agencies over a 12-month period, using the total number of separations and an average headcount over that time. In this report, only SHRA employees were included.

ADDITIONAL ANALYSIS

Use of Labor Market Adjustment Reserve

One tool, when available, that has helped maintain competitive salaries over the past two years is the Labor Market Adjustment Reserve Fund (LMAR).

The 2023 Appropriations Act (Session Law 2023-134, § 39.2) established a Labor Market Adjustment Reserve (LMAR) for most state agencies. The Appropriations Act provided funding equal to the cost of providing a one and one-half percent (1.5 percent) increase of the agency's appropriated salaries and associated benefits. In addition, the Appropriations Act authorized the State Budget Director to adjust an agency's budgeted receipts to provide an equivalent one and one-half percent (1.5 percent) LMAR.

The Appropriations Act set the following requirements for use of LMAR funds:

- Any increase provided to an employee shall not exceed the number that is greater of $15,000 and 15 percent of their current base salary.
- Any increase provided to an employee may not result in the employee's salary exceeding the maximum of the salary range associated with the position.
- No more than 25 percent of the agency's permanent employees (that is, all positions, including vacant positions) may receive a salary increase from the funds appropriated for this purpose.
- Certain types of employees were not eligible for LMAR funding. *
- Funds must be used to increase salaries paid to employees and shall not be used to supplant other funding sources or for any other purpose.

*****Ineligible employees include State Highway Patrol and the State Bureau of Investigation, employees whose position's salary is established by law, and employees who are paid based on an experience-based salary schedule that is eligible to receive funding from the Pay Plan Reserve.

Agencies were permitted to provide increases retroactively to July 1, 2023, and were required to report all uses of LMAR funds to date by December 15, 2023. The 1.5 percent LMAR funding (a 50 percent increase from last year which includes the same criteria of up to 25 percent of positions) allowed agencies to provide increases to a broader number of job classifications and, on average, larger increases. In 2023 LMAR increases were awarded to 7,641 positions across 501 different job classifications. This represents an increase of 4.25 percent from 2022 in which 7,329 positions across 317 different job classifications received LMAR increases. This also represents a 58.04 percent increase in the number of job classifications that were awarded LMAR increases from 2022 to 2023.

The LMAR effectively brought most employees' salaries within the new labor-market-based ranges. Mercer recommends that the ranges be adjusted regularly based on market movement and market matches also be updated on a regular cadence to ensure market competitiveness and alignment.

Over the past four years, the impact of the COVID-19 pandemic has been experienced in every aspect of employment. Although some aspects of employment are returning to pre-pandemic business as usual, the impact continues in others. Although many employers have discontinued or minimized remote work options, emphasis on flexible work arrangements, health benefits, and other employee support systems continue to be primary considerations for employees.

Recruitment and Retention

Many factors affect the ability of an organization to recruit and retain a competent and high-performing workforce. Given the organizational and occupational diversity of North Carolina's State government, there is no "one size fits all" solution to the myriad recruitment and retention issues facing its managers. In the past several years, all industries, including state governments, have experienced radical changes in the recruitment market. In 2023, the State of North Carolina has seen applications for its posted vacancies start to improve with an average of 18 applicants per job posting. While this is not close to pre-pandemic numbers when the State was receiving an average of 35 applicants per job posting, it has increased from an average of 14 applicants per job posting in 2022.

In 2023, we continued to see the need for the State of North Carolina to explore enhancements in technology that will improve the candidate experience, streamline the hiring process, provide meaningful data analytics, and leverage the efficiencies of a Statewide e-recruiting system while providing recruiting flexibility at the Agency level. The candidate pool still has not reached the level it was prior to the pandemic, and candidates are more interested in having the option for fully remote or hybrid jobs. Agencies are embracing the opportunity to highlight jobs that have the flexibility to offer remote or hybrid work schedules. In 2023, agencies had 2,444 job postings that advertised a remote option.

In 2023, career fairs were once again being held in-person. OSHR attended 37 career fairs across the state and four virtual, national career fairs. In addition, OSHR organized the first ever in-person All Agency Career Expo at the NC State McKimmon Center in Raleigh on October 4, 2023. Thirty State agencies and 13 University of North Carolina System universities participated and met with the 1,359 people that attended the expo.

OSHR partnered with NCWorks at the expo, who provided their mobile unit to help attendees search and apply for jobs. NCWorks also had representatives from their Veterans Services Division to talk with attendees who are veterans. Attendees also had the opportunity to attend information sessions provided by State agencies including the Department of Transportation, Department of

Health and Human Services, Department of Adult Corrections, Department of Public Safety, and the Office of State Budget Management. OSHR delivered a presentation on how to complete a State employment application.

New Hire Demographics and Recruitment Strategies
It is critical that the State of North Carolina attract and retain a high-quality workforce and talent pipeline that allows for organizational stability, career growth and succession planning. Part of this succession planning includes hiring the next generation of State employees. Increased recruitment efforts to get workers into entry and associate-level have led to 23 percent of new hires being age 18-25 (See Appendix C).

The State is maintaining its efforts to attract and retain high-quality, multi-generational employees to create a workforce with a wide range of backgrounds and skills. OSHR is partnering with agencies to educate and provide guidance on the use of social media such as the #TriangleTuesdays campaign, to promote job opportunities and the benefits of working for the State. OSHR is also working with the agencies to rewrite and revamp their job postings to make them more attractive, modern, and relevant to job seekers. We also continue to identify and reach out to organizations that support transitioning military members and their spouses, individuals with disabilities, and diverse populations to promote the State as an employer of choice.

OSHR is using more innovative approaches to recruit and retain a strong state workforce. OSHR improved the vacancy descriptions to include the appearance of job postings to attract more qualified applicants from a wide range of backgrounds. OSHR is committed to helping connect students and recent graduates with careers in State government.

A joint initiative with the Office of Strategic Partnership, Ed2NC, has introduced micro internships which connect current North Carolina college students with paid, short-term projects (10-80 hours) to assist the host agency. These projects will allow students to explore different roles and perform specific skill-based assignments, gaining skills employers seek and helping the sponsoring agencies. In 2023 Ed2NC has partnered with the state agencies and supported 13 micro-internships.

Ed2NC is also busy building relationships between agencies and North Carolina higher education institutions to expand and enhance information sharing and communication among state government recruiters and higher education-based career advisors. In May, Ed2NC hosted a reception following the NC Association of Colleges and Employers (NCACE) 2023 conference. The reception provided an opportunity for agency recruiters and our campus partners to meet in person for the first time.

Ed2NC launched two contact directories to help agency recruiters and campus partners identify and connect with each other to support the academic to career pipeline and establish new partnerships.

These are just a few of the ways OSHR is working to modernize our recruitment processes, increase outreach to qualified job applicants, and help agencies recruit and retain a workforce dedicated to serving the needs of the people of North Carolina. These new programs and initiatives illustrate OSHR's commitment to developing and broadening the talent pipeline that allows for organizational stability, career growth, and succession planning.

The internship and mentorship programs available across State agencies continue to be strong avenues for raising awareness of State employment opportunities with the State's student population. OSHR continues to explore additional ways to expand the internship programs to include more opportunities for individuals with disabilities and students at Historically Black Colleges and Universities/Minority Serving Institutions to support Employment First and the Governor's NC Job Ready initiative.

Recent graduates and those early in their careers only comprise one part of the State of North Carolina's talent pipeline. It is also important to consider other demographics when evaluating if the State is meeting its goals of attracting and retaining talent. When it comes to hiring, innovative employers seek talented people, period. In a tight labor market, more employers proactively reach out to potential job candidates with decades of hard-wired knowledge. Recruiting experienced workers provides the State with a depth of knowledge and experience, saving time and expense on training needs, bringing valued skills to the table and allowing employees to contribute at a high level immediately.

In addition to recruiting a diverse, multi-generational workforce, a key factor in the State's talent pipeline is retention, ensuring that employees progress through their careers and continue to invest their knowledge and talent. Retaining current State employees is also fiscally prudent, since it costs significantly more to hire new staff than it does to retain and develop current employees. Failure to retain, as demonstrated in the following section on turnover, costs the State and results in valuable knowledge and skills walking out of the door.

Turnover Rates and Cost

[6]Turnover rates vary among industries, organizations, geographic locations, departments, and occupations as well as by employee characteristics including age, education, and organizational tenure. For example, younger, newer, unskilled, and blue-collar employees tend to be more mobile and have higher turnover rates. For this reason, turnover may be calculated for various categories of interest, as well as for the organization as a whole. Additionally, per the Society for Human Resource

[6] Source: Integrated HR/Payroll System. Please note that these turnover figures may not match other state turnover statistics, as the HR/Payroll System is programmed to use a turnover calculation methodology different from the standard used in the field of Human Resources. Since this chart has historically been prepared using the HR/Payroll System turnover methodology, the chart above continues to use that methodology.

Management, an organization may not have a severe organization-wide turnover rate but may have a severe departmental turnover rate or a high professional employee turnover rate, which requires appropriate action to alleviate.

The direct cost associated with turnover is generally understood. However, in March 2023, Forbes released an article, Five Hidden Costs of Employee Attrition, outlining five hidden costs of turnover. In addition to the common estimation of anywhere from 50 percent of the annual salary to 3 or 4 times the annual salary, Forbes notes "(1) lost productivity, (2) employee burnout, (3) lost tribal knowledge, (4) wasted time and money associated with hiring a replacement, and (5) the cost of training a new person/risk of a mis-hire as hidden costs." These additional costs highlight the importance of employee retention.

Turnover is a measure of employee separations from an agency or university, most often expressed as a turnover rate. Two types of turnover are tracked: total turnover and voluntary turnover. Total turnover includes all separations for any reason**.** The total turnover rate is calculated by dividing the number of separations in a time period by the average number of employees in that time period. Voluntary turnover includes separations for reasons that the employee has control of, such as resigning to take a job with another employer. Statewide turnover is simply a marker by which to compare job-specific turnover. OSHR works with agencies and universities to evaluate job-specific turnover and the reasons behind it, which may or may not relate to pay.

In the 2023 calendar year, agencies had a voluntary turnover rate of 12.7 percent, a significant decrease from 14.85 percent the previous year. The increase reflects the broader global turnover trend. The State of North Carolina experienced 6,608 voluntary separations in 2023 (including retirements).

Because the cost of replacing human capital is so high, it underscores the need to closely monitor turnover, strive for competitive salaries, and maintain a positive work environment with high employee engagement levels. The Statewide Compensation System was developed, in part, to support retention of the workforce due to its flexibility and ability to provide job enrichment along with upward and lateral career paths. However, recurring annual program funding to help agencies move pay for employees in critical positions with higher turnover coupled with sound management practices are required for the system to be most effective.

Charts indicating turnover and workforce age trends are included in Appendix C. As noted in Appendix C, the turnover methodology in the HR/Payroll System differs from that commonly used in the Human Resources world. To allow a comparison to past reports, turnover in this report continues to use the HR/Payroll System methodology. As a result, turnover figures in this document may not match other OSHR reports.

Longevity

Currently, the State pays a longevity bonus to career employees with more than 10 years of service. Longevity is an incentive that improves retention rates of our most experienced employees, encouraging employees with historical knowledge to continue working with the State.

About 53 percent of employees subject to the SHRA are eligible for longevity bonuses, at a projected cost of approximately $54.5 million per year. About 44 percent of State employees who are exempt from the SHRA are also eligible for longevity bonuses at a cost of approximately $2.6 million per year. North Carolina pays, on average, a $1,958 longevity bonus. This is based on a graduated percentage-based schedule starting at 1.5 percent of annual salary for 10 years of service and increasing every five years to a maximum of 4.5 percent for 25 years of service.

It is important to note that retirements decreased by 14 percent from FY2021-22 to FY2022-23, from 2,541 to 2,179. While this increased the overall cost of longevity, it also resulted in the retention of the most experienced State employees. For more than a decade, OSHR has reported on the aging population of State employees and the risk of a knowledge drain as these employees near retirement age. Various social factors, such as increases in average life span, economic conditions requiring employees to work beyond full retirement eligibility, and flexible work arrangements such as teleworking, have delayed the anticipated impact, but with the average age of State employees remaining steady at 47, we may see a continued increase in retirements.

Table 6: Five Years of Turnover Rates – State of North Carolina Data

	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23
Voluntary	7.97 percent	7.22 percent	8.74 percent	13.11 percent	10.45 percent
Retirement	3.47 percent	3.21 percent	3.46 percent	4.60 percent	3.53 percent
Involuntary	1.38 percent	1.33 percent	1.43 percent	1.57 percent	1.31 percent
Total	12.82 percent	11.76 percent	13.64 percent	19.29 percent	15.28 percent

Note: 2016-2021 turnover reflects state agencies only. 2021-2022 data indicates an increase in turnover which reflects a national trend referenced in media as the "Great Resignation."

* Unless specified, OSHR calculates turnover using both EHRA and SHRA employees at State Agencies over a 12-month period, using the total number of separations and an average headcount over that time. In this report, only SHRA employees were included.

BENEFITS ANALYSIS

Teleworking

Many state agencies operate under the OSHR Teleworking Program Policy. This policy was last updated in February 2023, based on the findings and lessons learned from the pilot period (July 1, 2021 – June 30, 2022). Agencies are required to report teleworking activities to OSHR annually on or before March 1.

Employees in North Carolina, like those around the country, continue to re-evaluate their priorities, with many seeking new work-life balance and opting to transition into roles that better match their values. There are widespread changes to the workforce globally including: increased flexibility to work remotely; reduced business office footprint and expense for many organizations; increased investment in technology, particularly associated with employee engagement and online connectivity; and creating pay structures that are more nimble, more responsive to employee performance and more reliant on skills assessment.

For the State of North Carolina, the current environment provides a unique opportunity to implement competitive pay plans, flexible remote and hybrid work policies, and benefits that will attract highly qualified candidates to meet the State's operational needs.

Paid Parental Leave

On May 23, 2019, to support families and strengthen the economy, Governor Cooper issued an Executive Order to extend Paid Parental Leave to employees in Cabinet agencies. Several non-Cabinet agencies opted in to provide the benefit to their employees as well. The 2023 Appropriations Act (N.C. Session Law 2023-134) which became law on October 3, 2023, provides Paid Parental Leave to employees of State agencies, departments, and institutions, including the University of North Carolina, public schools, and community colleges.

The Paid Parental Leave benefit helps State government attract and retain employees and helps level the playing field between the State and private employers in terms of benefits. Paid Parental Leave is triggered for eligible employees by the qualifying event of becoming a parent by birth, adoption, foster care, or other legal placement of a child. Eligible State employees who give birth receive eight weeks of paid leave to recover from the birth and to bond with and care for their newborn. Other eligible state employees receive four weeks of paid leave to bond with and care for the child. Paid Parental Leave is paid at 100 percent of the eligible employee's regular pay.

To date, more than 7,500 State employees have used Paid Parental Leave since the benefit became available including 4,671 state agency employees and 2,920 UNC System employees. In FY2022-23, 1,264 agency employees and 707 UNC System employees used Paid Parental Leave. OSHR will continue to market the benefit program proactively as a recruitment and retention tool that helps to make state government careers more competitive with private sector opportunities.

Table 7: State Employees Using Paid Parental Leave

State Agency Employees	UNC System Employees
467 birth mothers	388 birth mothers
797 other eligible parents	319 other eligible parents
502 female employees	448 female employees
762 male employees	259 male employees

**Table shows the count of employees who used Paid Parental Leave in FY2022-2023.*

Personal Observance Leave

On June 6, 2022, Governor Cooper signed Executive Order 262 to provide up to eight hours of paid Personal Observance Leave to employees of Cabinet agencies. Non-cabinet agencies, including boards and commissions, may choose to adopt the policy for their personnel.

Personal Observance Leave may be used by eligible employees for any single shift or calendar day of personal significance, including but not limited to, days of cultural or religious importance. This benefit is another tool to help ensure North Carolina State government's ability to continue to attract, retain and support top talent in its workforce. During the year of inception (June - December 2022), 30,104 employees across Cabinet and non-Cabinet agencies used Personal Observance Leave. Usage for calendar year 2023 resulted in 35,417 employees across Cabinet and non-Cabinet agencies who used Personal Observance Leave.

Paid Time Off Analysis

Paid Time Off (PTO) referred to here is employees' time off for which they continue to receive pay. Categories of PTO include Vacation Leave, Sick Leave, and Holiday pay. Below is an analysis of the various types of PTO we offer and our competitiveness with our peer Southeastern states.

Holidays

The total average for all Southeastern states in the survey is 12.7 holidays. North Carolina grants a consistent 12 paid holidays per year.

Table 8: Holidays

Holiday Leave	North Carolina	SE States
Days per year	12	12.7

Source: 2023 NCASG Benefits Survey, Participating SE States are Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, South Carolina, Tennessee, and West Virginia.

Vacation

Based on comparison to Southeastern states, North Carolina’s vacation accrual rates are competitive.

Table 9: Vacation Leave (in days)

Years of State Service	North Carolina	SE States	Differential in Days
< 5	14	13.86	+0.14
5-10	17	18.57	-1.57
10-15	20	22.17	-2.17
15-20	23	23	0
20-25	26	24.5	+1.5
25+	26	25.07	+0.93

Source: 2023 NCASG Benefits Survey, Participating states are Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, South Carolina, Tennessee, and West Virginia.

Sick Leave

Southeastern states grant an average of 14.2 days per year of sick leave for employees with up to three years of service. North Carolina’s sick leave accrual is below the average for all Southeastern states at 12 days per year of employee sick leave.

Table 10: Sick Leave (in days per year)

Sick Leave	North Carolina	SE States	Differential in Days
Accrual	12	14.6	2.6

Source: 2023 NCASG Benefits Survey. Participating states are Alabama, Georgia, Kentucky, Louisiana, Mississippi, South Carolina, Tennessee, and West Virginia.

Health Insurance

The information below is used to compare North Carolina’s most utilized PPO plan, the 80/20 Plan, to other organizations.

Comparison to Southeastern States for Family Coverage

Most other states provide a higher percentage contribution for family coverage than for individual coverage. North Carolina’s employer contribution for family coverage on the 80/20 plan significantly lags behind the average employer contribution for family coverage among Southeastern states. As shown in the table below, North Carolina’s employer contribution for family coverage is 18.4 percent less than the average.

Table 11: Survey of Southeastern States' Health Insurance Coverage for Dependent Care

NC Contribution for Family Coverage	SE States Contribution for Family Coverage
51.6 percent	70 percent

Source: 2023 NCASG Benefits Survey. Participating states are Alabama, Arkansas, Kentucky, Louisiana, Mississippi, South Carolina, Tennessee, and West Virginia.

Comparison to Local Government Practices for Employee-Only Coverage

County governments report on the choice of health plan, deductibles, and employee and agency cost. The table below is based on an analysis of employee-only (not family) health insurance coverage for employees of the 10 most populous North Carolina counties. The comparative results suggest that for employee-only coverage, the State compares favorably in deductible, average annual premium, and employer contribution.

Table 12: Survey of Local Governments' Health Insurance Practices for Employee-Only Coverage*

Type of Agency	Normal Deductible*	Normal Co-pay*	Average Annual Amount Employee Pays*	Average Annual Amount Agency Pays*
10 Counties	$1,300	$25	$847	$7,490
NC	$1,250	$25	$600	$7,774

**Source: County Salaries in North Carolina 2023, State Health Plan 2023.*
Note: The above information applies to employee-only coverage, unlike Table 11 above, which discusses family coverage. North Carolina data is for employee-only coverage in the standard 80/20 PPO plan with participation in both wellness activities.

Statewide Flexible Benefits Program (NCFlex)

The NCFlex program, administered by OSHR, currently has more than 120,000 employees from the agencies, University System, Community College System and charter schools enrolled. The State's Flexible Benefits Program includes the following pre-tax plans:

- Health Care Flexible Spending Account
- Dependent Day Care Flexible Spending Account
- Dental Plan offers three options: High Option, Classic Option and Low Option (for employees and family
- Vision Care Plan offers three options: Core, Basic and Enhanced; the no-cost Core Vision Plan provides employees an annual eye exam for $20 co-payment and discounts for materials at no cost to the employee
- Voluntary Accidental Death and Dismemberment Insurance (for employees and family)

- Core Voluntary Accidental Death and Dismemberment Insurance (employees only); provides $10,000 of AD&D coverage at no cost to enrolled employees
- Voluntary Group Term Life Insurance (for employee and family); provides new employees up to $200,000 of guaranteed coverage and employees may be eligible for coverage up to $500,000
- TRICARE Supplemental Insurance provides a supplemental insurance plan to military retirees and qualified National Guard and Reserve Members
- Cancer Insurance offers three options: Premium, High and Low Option and includes either a $25 or $100 wellness benefit payable directly to employees
- Critical Illness Insurance with $15,000, $25,000, and $40,000 Options
- Accident Insurance offers two plans, Classic and Enhanced
- Combined Short-Term and Long-Term Disability Insurance

Diversity of benefits will continue to be a major factor in the State's ability to compete for talent. Benefits remain a priority for employers to recruit employees.

Retirement

In North Carolina, the FY2023-2024 employer contribution on behalf of employees in the Teachers and State Employees Retirement System (TSERS) was 25.02 percent. This includes contributions to the retirement systems pension fund, death benefit trust fund, retiree health plan reserve and disability income plan. The State's contribution to the pension fund only is currently 17.64 percent.

Supplemental Retirement Programs

Besides the traditional retirement program, the State offers voluntary supplemental retirement programs: a 401(k) plan and a 457(b) plan. The State of North Carolina does not match employee contributions, except for law enforcement.

A review of the 2022-2023 NC County Salary Survey Data reveals that 81 of North Carolina's 100 counties offered a 401(k) program to non-Law Enforcement employees and 59 counties made matching 401(k) contributions.   Twenty-eight counties offer both a 401k/457 plan to their elected officials.

CONCLUSION

North Carolina cannot function without a skilled workforce, and we must continue to pursue competitive and innovative ways of attracting, developing, and retaining talented and high-performing employees to serve the people of North Carolina. As in previous years, approximately 25 percent of State employees will be eligible to retire with full retirement benefits within five years, making the recruitment and retention of qualified employees more critical than ever.

APPENDIX

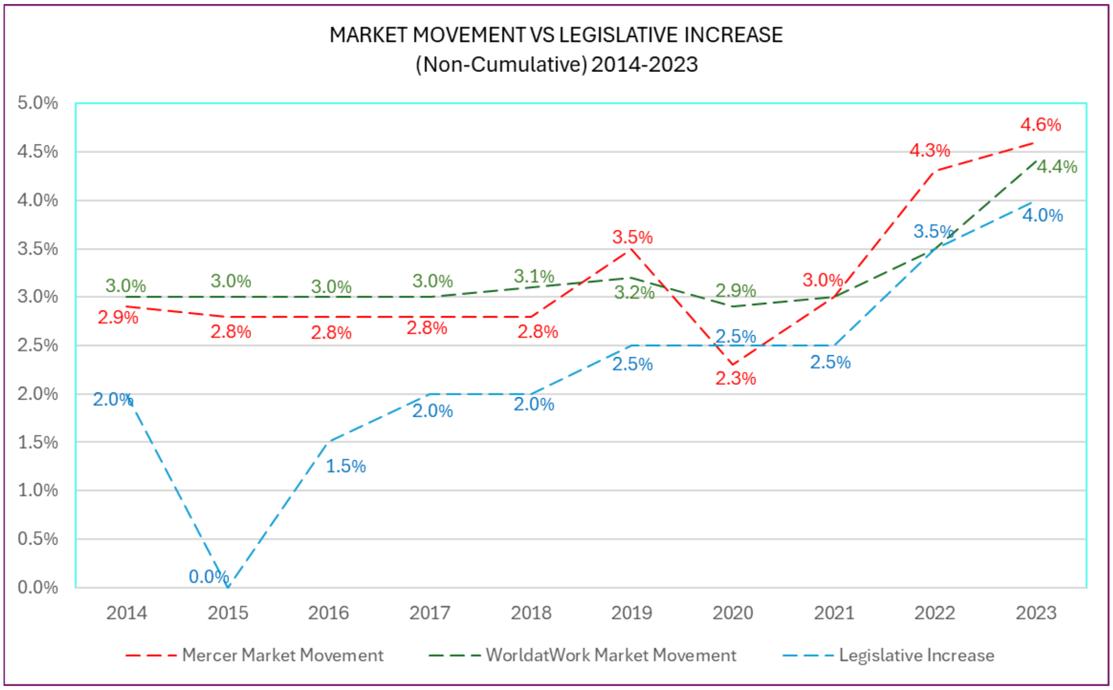
APPENDIX A. History of Legislative Increases 1992-2023

Year	Cost-of-Living	Career Growth	Bonus/Other
1992	$522	0	0
1993	2 percent	0	1 percent bonus
1994	4 percent	0	1 percent bonus
1995	2 percent	0	0
1996	2.5 percent	2 percent	0
1997	2 percent	2 percent	0
1998	1 percent	2 percent	1 percent performance bonus
1999	1 percent	2 percent	$125 performance bonus
2000	2.2 percent	2 percent	$500 bonus
2001	$625	0	0
2002	0	0	10 days bonus leave
2003	0	0	$550 bonus plus 10 days bonus leave
2004	2.5 percent for salaries over $40K; or $1,000/yr. for salaries under $40K	0	0
2005	the greater of $850 or 2 percent	0	5 days bonus leave
2006	5.5 percent	0	0
2007	4 percent	0	0
2008	the greater of $1,100 or 2.75 percent	0	0
2009	0	0	0
2010	0	0	0
2011	0	0	0
2012	1.2 percent	0	5 days “special leave”
2013	0	0	5 days “special leave”
2014	$1,000 flat increase	0	5 days bonus leave
2015	0	0	$750 bonus
2016	1.5 percent	0	0.5 percent bonus; variable merit bonus ($475 for ME, $700 for EE)
2017	$1,000	0	3 days “special bonus” leave
2018	2 percent or increase to $31,200	0	5 days “special bonus” leave; 4 percent increase/new minimum salaries for Correctional Officers or eligible Adult Corrections employees; 6 percent increase and step pay plan for eligible State Highway Patrol employees

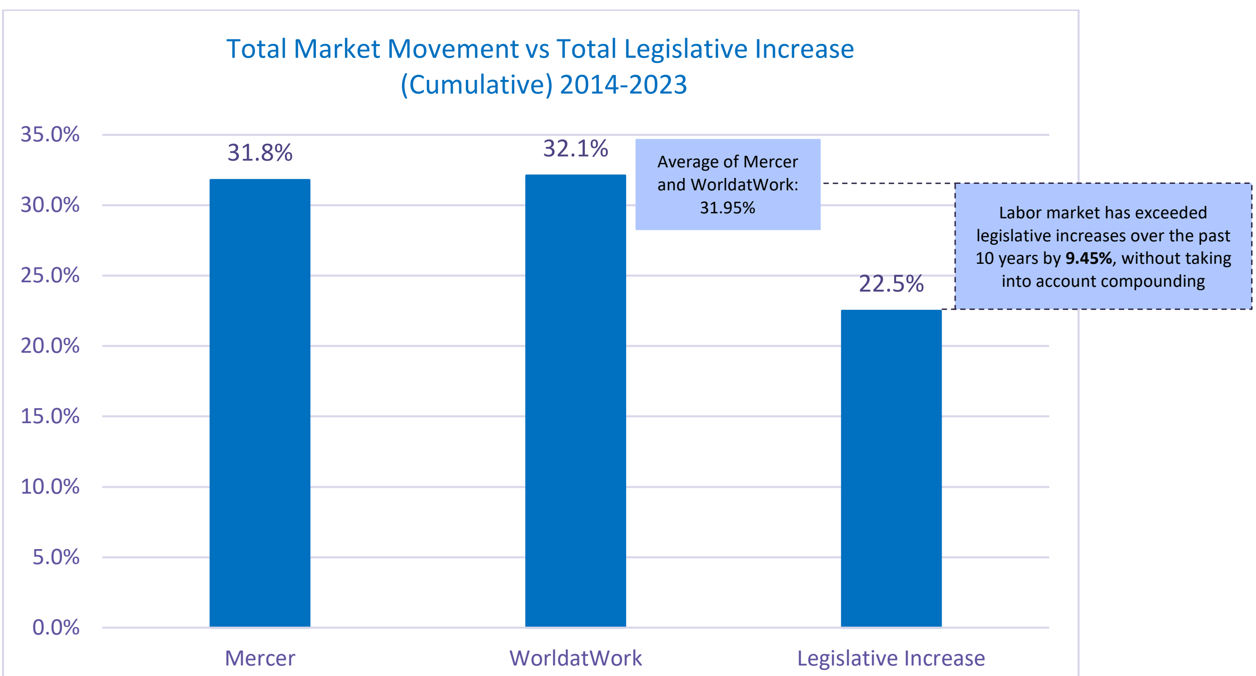
2019	2.5 percent	0	5 days “special bonus” leave; 6.5 percent increase and step pay plan for eligible SHP, SBI & ALE employees
2020	2.5 percent	0	0
2021	2.5 percent	0	$1,000 pandemic bonus for permanent FTE employed as of 12/1/2021. Additional $500 if at least one of the following criteria is met: (Annual Salary =<$75,000; or employee is a law enforcement officer; or is in the Division of ACJJ of DPS with job duties requiring frequent in-person contact; or is employed in a position at a 24-hour residential or treatment facility operated by DHHS.
2022	3.5 percent	0	Includes a 3.5 percent salary increase for most State employees except those paid on an experience-based salary schedule (such as Correctional Officers, State Highway Patrol Officers, Alcohol Law Enforcement Officers, State Bureau of Investigation Officers, or Probation and Parole Officers)
2023	4 percent	0	Provides a 4 percent legislative increase to most state employees except employees paid on an experience-based salary schedule (such as Correctional Officers, Youth Counselors, Youth Counselor Technicians, Youth Services Behavioral Specialists, Probation and Parole Officers, Juvenile Court Counselors, Law Enforcement Officers of the State Highway Patrol, State Bureau of Investigation, and Alcohol Law Enforcement)

APPENDIX B. NC Legislative Increase Comparison to Market Movement and CPI

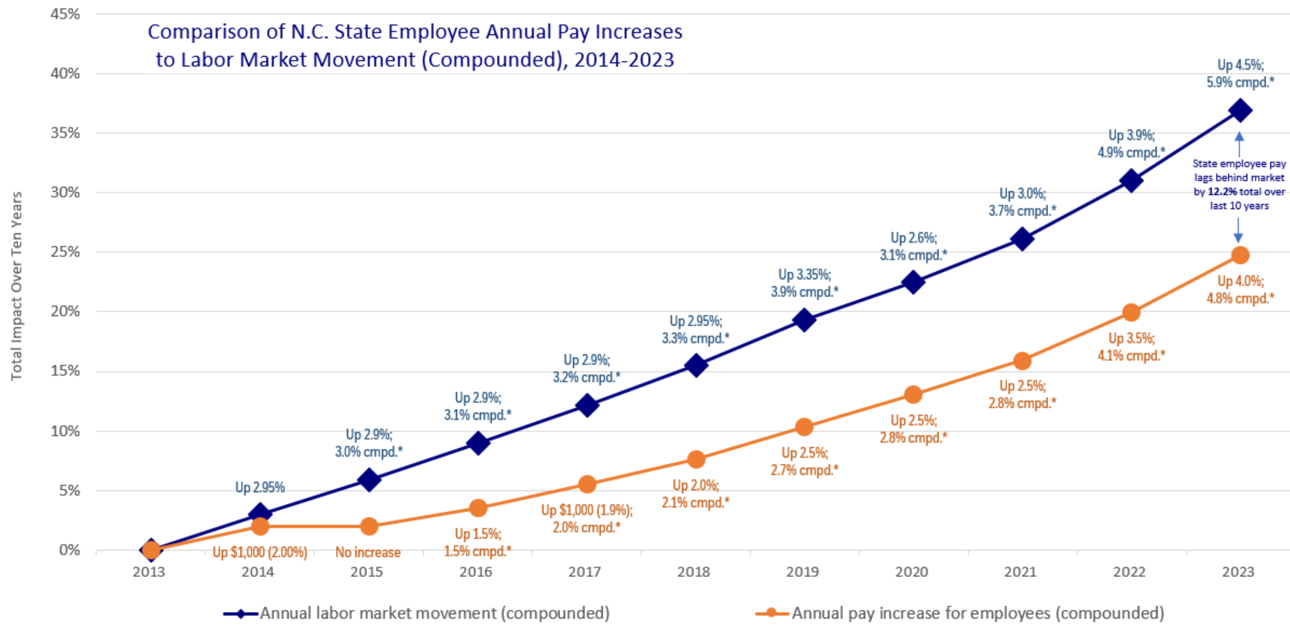
Comparisons to Market Movement



Sources: Mercer 2023 U.S. Compensation Planning Survey, Monthly Pulse Report (December Edition), and 2023-24 United States WorldatWork Salary Budget Survey released in August 2023.



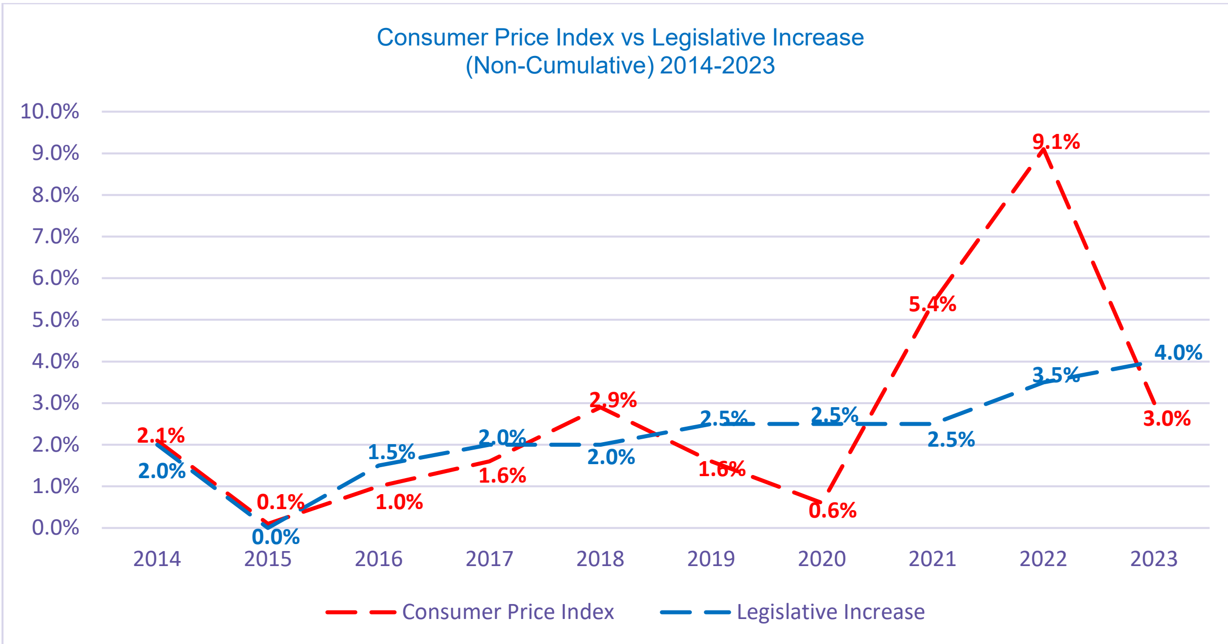
Sources: Mercer Compensation Planning Survey Results, November 2023, 2023-2024 World at Work Salary Budget Survey, Appendix A above (Excluding Compounding).



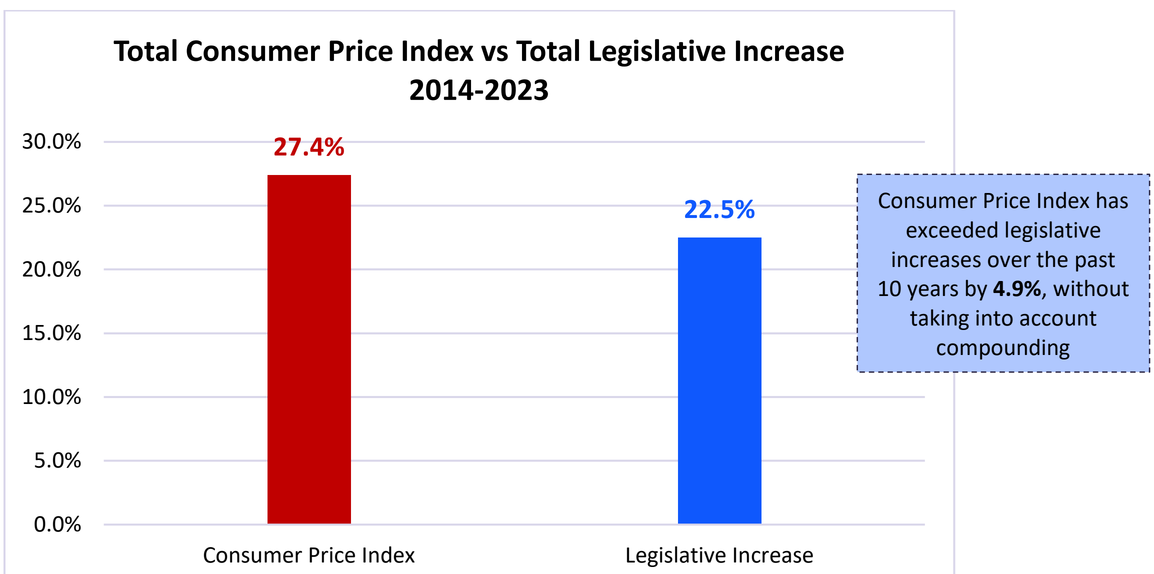
**Note: "cmpd." means the compounded effect of this pay increase in addition to the increases shown earlier in the graph. This graph shows how the pay would grow over ten years of a hypothetical state agency employee who made $50,000 a year on July 2, 2013, then received only legislative increases after that date.*

These comparisons assume that the hypothetical employee was not in a step plan, and that the hypothetical employee did not receive the Labor Market Adjustment Reserve (LMAR) in 2022 and 2023. If the employee received LMAR in both years, the orange line would read "Up 4.5% (5.2% cmpd.)" for 2022 and "Up 5.5% (6.7% cmpd.)" for 2023; the gap between pay and the market would be 9.1% total.

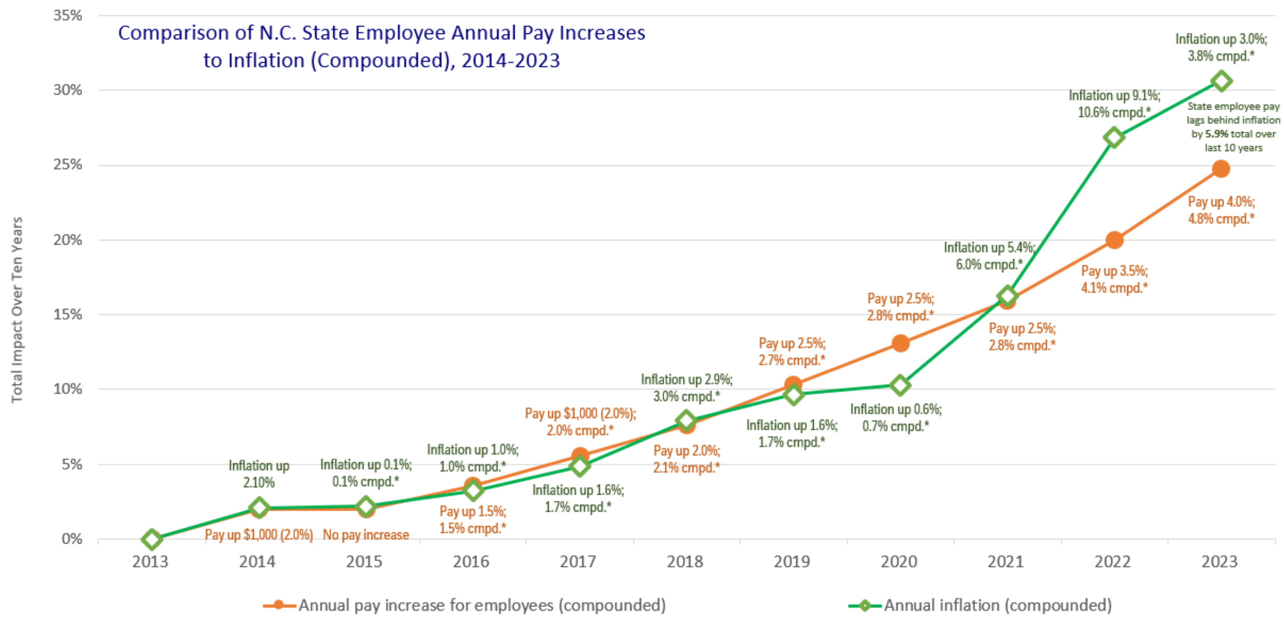
Comparisons to Inflation (CPI)



Sources: U.S. Department of Labor/Bureau of Labor Statistics and the N.C. Office of State Human Resources.



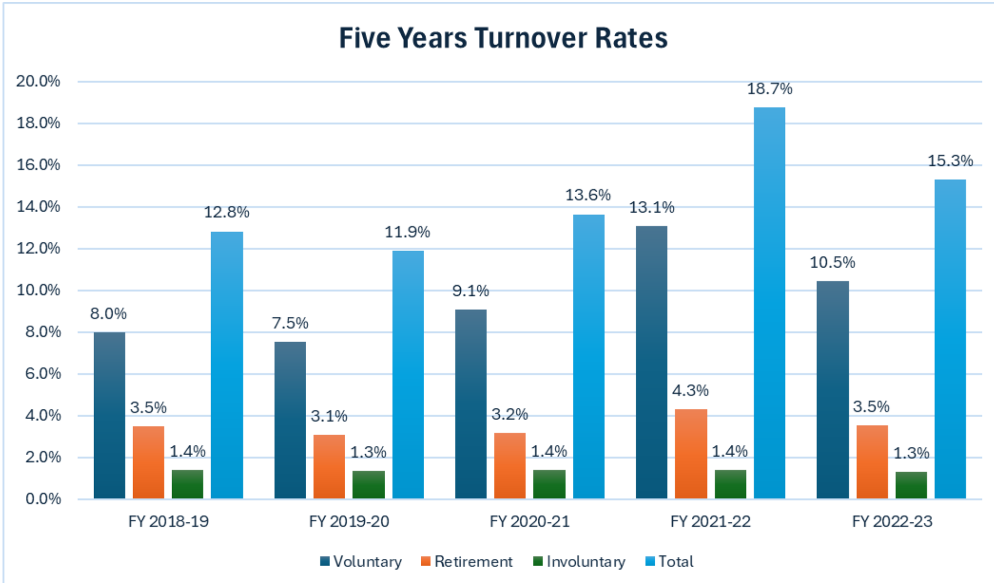
Source: US Department of Labor, Bureau of Labor Statistics, Employer Costs for Employee Compensation, December 2023 (Excluding Compounding).



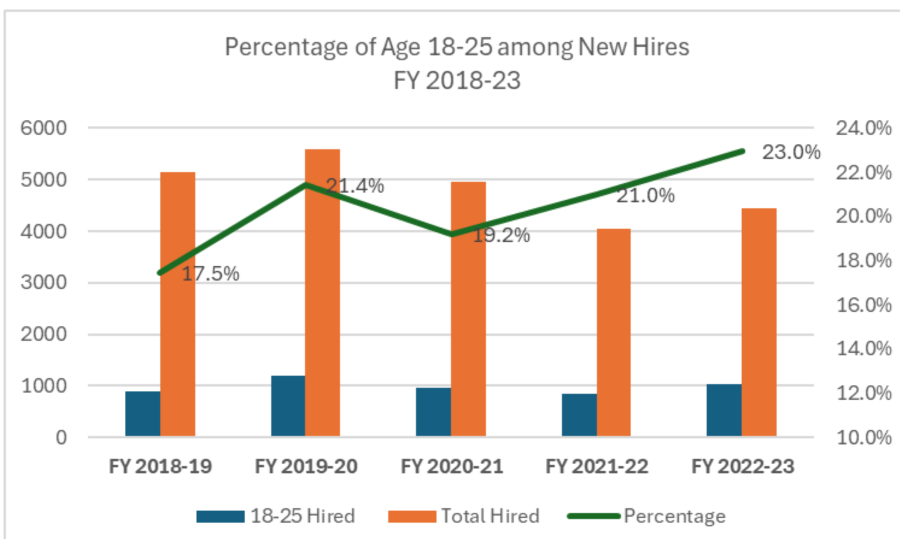
**Note: "cmpd." means the compounded effect of this pay increase in addition to the increases shown earlier in the graph. This graph shows how the pay would grow over ten years of a hypothetical state agency employee who made $50,000 a year on July 2, 2013, then received only legislative increases after that date.*

These comparisons assume that the hypothetical employee was not in a step plan, and that the hypothetical employee did not receive the Labor Market Adjustment Reserve (LMAR) in 2022 and 2023. If the employee received LMAR in both years, the orange line would read "Up 4.5% (5.2% cmpd.)" for 2022 and "Up 5.5% (6.7% cmpd.)" for 2023; the gap between pay and inflation would be 2.8% total.

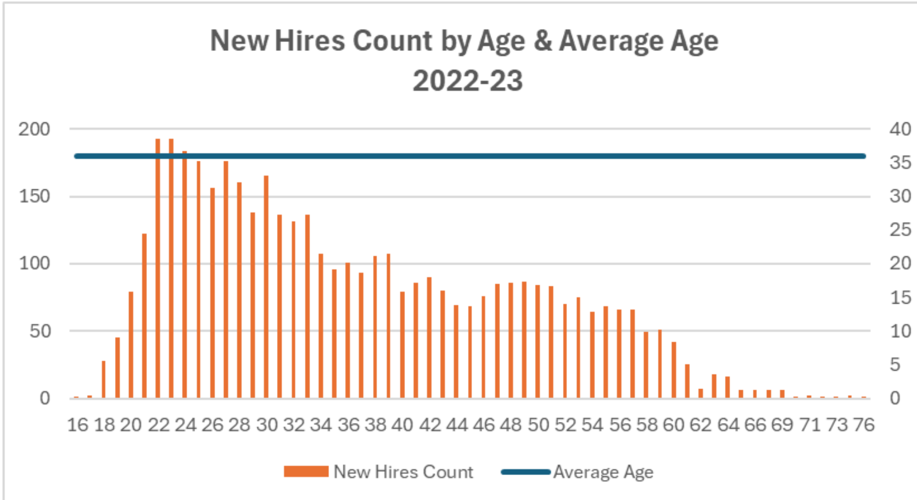
APPENDIX C. Workforce Turnover and Aging Trends



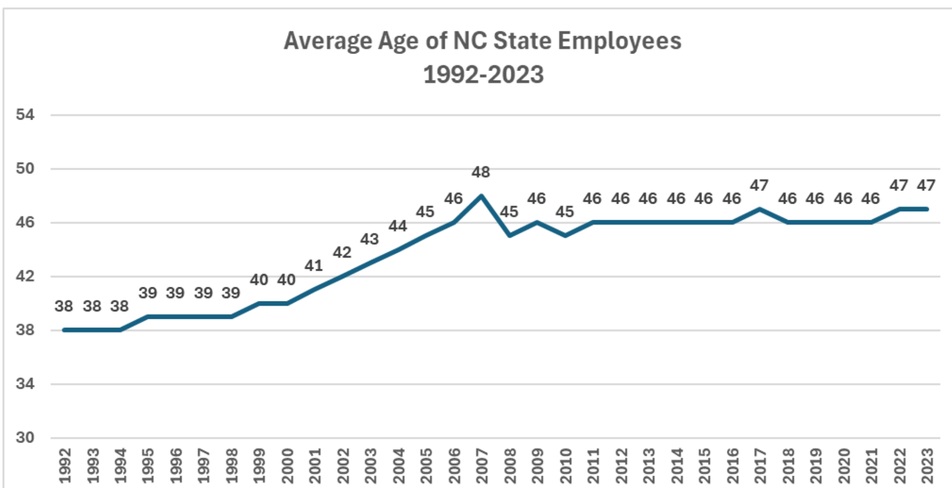
Source: Integrated HR/Payroll System. Please note that these turnover figures may not match other state turnover statistics, as the HR/Payroll System is programmed to use a turnover calculation methodology different from the standard used in the field of Human Resources. Since this chart has historically been prepared using the HR/Payroll System turnover methodology, the chart above continues to use that methodology.



Source: Integrated HR/Payroll System



Source: Integrated HR/Payroll System



Source: Integrated HR/Payroll System

APPENDIX D. Market Survey Library (OSHR Survey Library 2023*)

Catapult (previously CAI): • N.C. Wage and Salary Survey	**North Carolina County Salaries (State of North Carolina)**: • North Carolina County Salaries Survey
Salary.com (previously CompData): • Accounting Service Suite • Engineering Service Suite • Health Care • Legal Service Suite • Not-For-Profit	**PayScale:** • PayScale Compensation Survey-Public Administration • PayScale Compensation Survey- National
Mercer: • FSS Insurance • Benchmark Database without Manufacturing Operations/Total Remuneration Survey • IHN – Healthcare System & Hospital Survey • Metro Benchmark –Southeast • Benchmark surveys to include Logistics & Supply Chain Support; Sales, Marketing & Communication; Corporate Services and Human Resources: Finance Accounting & Legal; Executive; Engineering & Design; and Information Technology	**Willis Towers Watson Data Services:** • General Industry Mid-Management, Prof & Support • General Industry Executive • Health Care Middle Management, Professional and Support • Health Care Executive & Management
National Compensation Assn. of State Governments: • NCASG State Governments • Numerous ad hoc surveys throughout the year by individual members	**Western Management Group:** • Western Management Group CompBase - Winter

APPENDIX E. Sample Benchmark Classes and Labor Market Analysis

Job Title	Number of Employees	Base Salary Average	Salary Range Midpoint*	Comp-Ratio	FY 2022-23 Turnover Rate**
ADMINISTRATIVE SUPPORT					
ADMINISTRATIVE SPECIALIST I	2,745	40,650	49,208	82.61 percent	13.8 percent
AGRICULTURAL, ENVIRONMENTAL AND SCIENTIFIC					
CONSERVATION BIOLOGIST MANAGER	12	75,725.58	104,676.00	72 percent	16.9 percent
MICROBIOLOGIST II	4	60,626.00	82,159.00	74 percent	0 percent
CONSERVATION MGMT COORDINATOR	10	83,704.10	112,527.00	74 percent	0 percent
MICROBIOLOGIST MANAGER	1	78,520.00	104,676.00	75 percent	17.02 percent
PARKS RESOURCE MANAGEMENT SPECIALIST	1	56,931.00	74,520.00	76 percent	0 percent
CONSERVATION BIOLOGIST II	90	63,161.38	82,159.00	77 percent	6.8 percent
CORRECTIONS					
CORRECTIONAL ASSOCIATE WARDEN PROGRAMS	1	71,062.00	82,159.00	86 percent	0 percent
CORRECTIONAL ASSOCIATE WARDEN OPERATIONS	1	73,194.00	82,159.00	89 percent	0 percent
EDUCATION AND TRAINING					
PARKS DISTRICT INTERPRETATION & ED SPEC	4	49,585.75	64,373.00	77 percent	0 percent
EDUCATIONAL DIAGNOSTICIAN II	30	55,757.94	67,592.00	82 percent	12.6 percent
TECHNICAL TRAINER I	4	54,153.75	64,373.00	84 percent	0 percent
ENGINEERING					
FACILITY PLANNER	2	65,705.00	78,246.00	84 percent	0 percent
ARCHITECTURAL SUPERVISOR II	5	118,887.25	136,087.00	87 percent	0 percent

Job Title	Number of Employees	Base Salary Average	Salary Range Midpoint*	Comp-Ratio	FY 2022-23 Turnover Rate**
FINANCIAL AND BUSINESS MANAGEMENT					
DST INVESTMENT CHIEF FINANCIAL OFFICER	1	200,000.00	233,000.00	86 percent	100 percent*
DST INVESTMENT ATTORNEY	1	98,000.00	112,000.00	88 percent	0 percent
NCSPA-DIRECTOR III	4	108,008.00	123,006.00	88 percent	0 percent
INTERNAL AUDIT DIRECTOR	6	135,894.00	153,098.00	89 percent	0 percent
AUDIT MANAGER II	1	93,109.00	104,676.00	89 percent	0 percent
HUMAN RESOURCES					
AGENCY HR DIRECTOR III	11	136,463.64	153,098.00	89 percent	9.6 percent
HUMAN SERVICES					
REHABILITATION COUNSELOR	227	50,357.60	55,608.00	91 percent	25.4 percent
INFORMATION, COMMUNICATION AND MEDIA					
INFORMATION & COMMUNICATIONS SPEC I	32	50,791.84	55,608.00	91 percent	23.3 percent
INFORMATION & COMMUNICATIONS SPEC II	55	74,714.53	74,520.00	100 percent	15.0 percent
INFORMATION TECHNOLOGY					
APPLICATIONS SYSTEMS MANAGER I	78	132,717.03	117,157.00	113 percent	5.2 percent
APPLICATIONS SYSTEMS ANALYST II	258	102,271.66	94,768.00	108 percent	6.4 percent
APPLICATIONS SYSTEMS SPECIALIST	201	115,453.67	101,875.00	113 percent	2.6 percent
DATABASE MANAGER I	5	132,996.80	117,157.00	114 percent	19.4 percent
OPERATING SYSTEMS SOFTWARE PROGRMER II	46	115,890.11	101,875.00	114 percent	8.7 percent
OPERATING SYSTEMS SOFTWARE MANAGER II	2	154,224.50	134,730.00	114 percent	0 percent
OPERATING SYSTEMS SOFTWARE MANAGER I	14	134,861.71	117,157.00	115 percent	20.3 percent

Job Title	Number of Employees	Base Salary Average	Salary Range Midpoint*	Comp-Ratio	FY 2022-23 Turnover Rate**
INSTITUTIONAL SUPPORT					
FOOD SERVICE ASSISTANT	276	34,545.48	35,846.00	90 percent	0 percent
FOOD SERVICE SUPERVISOR I	64	41,144.48	45,749.00	90 percent	9.8 percent
FOOD SERVICE SUPERVISOR II	31	45,851.97	50,438.00	91 percent	17.36 percent
FOOD SERVICE DIRECTOR II	9	78,007.44	73,030.22	93 percent	23.5 percent
LAW ENFORCEMENT AND PUBLIC SAFETY					
POLICE OFFICER I	99	50,487.72	55,295.00	91 percent	15.2 percent
SECURITY GUARD	134	36,984.16	35,846.00	102 percent	13.1 percent
LEGAL					
ATTORNEY III	110	100,983.60	116,708.00	87 percent	9.2 percent
PARALEGAL II	56	57,993.75	66,981.00	87 percent	13.5 percent
ASSISTANT AGENCY GENERAL COUNSEL I	27	104,416.59	116,708.00	87 percent	12.3 percent
MEDICAL AND HEALTH					
PHYSICIAN	57	220,663.81	206,406.00	106 percent	11.1 percent
REGISTERED NURSE	546	72,314.72	71,133.00	101 percent	26.2 percent
NATURAL, HISTORIC AND CULTURAL RESOURCES					
LIBRARIAN II	12	59,067.08	61,308.00	96 percent	16.7 percent
OPERATIONS AND TRADES					
TRANSPORTATION WORKER I	736	42,619.34	41,496.00	103 percent	15.5 percent
VEHICLE/EQUIPMENT REPAIR TECHNICIAN I	82	46,991.26	45,749.00	103 percent	10.6 percent
GROUNDS SUPERVISOR I	26	44,839.12	43,570.00	103 percent	15.4 percent

Job Title	Number of Employees	Base Salary Average	Salary Range Midpoint*	Comp-Ratio	FY 2022-23 Turnover Rate**
BRIDGE INSPECTOR III	6	73,155.50	70,972.00	103 percent	0 percent
FERRY CREW MEMBER I	32	36,973.50	35,846.00	103 percent	24.2 percent
MAINTENANCE/CONSTRUCTION TECHNICIAN IV	68	60,594.22	58,389.00	104 percent	5.9 percent
HVAC MECHANIC II	39	57,772.82	55,608.00	104 percent	7.5 percent
MAINTENANCE/CONSTRUCTION TECHNICIAN I	129	41,199.75	39,520.00	104 percent	9.4 percent
ELECTRONICS TECHNICIAN II	109	60,921.51	58,389.00	104 percent	9.9 percent
PLANNING AND ECONOMIC DEVELOPMENT					
ECONOMIST II	4	93,003.25	97,373.00	96 percent	0.00 percent
PROGRAM MANAGEMENT					
PROGRAM COORDINATOR I	216	48,712.99	50,438.00	96 percent	17.4 percent
DRIVER LICENSE EXAMINER I	415	42,914.68	39,520.00	109 percent	18.9 percent
DRIVER LICENSE EXAMINER II	14	48,494.64	43,570.00	111 percent	6.1 percent
SAFETY AND INSPECTION					
SAFETY OFFICER II	28	68,238.96	70,972.00	96 percent	0.00 percent

Sources: Integrated HR Payroll System and Market Pay System

**Based on updated pay structures implemented June 1, 2023.*

***Certain jobs with a small number of incumbents may report a very high turnover rate due to one or two departures, or a zero turnover rate due to no departures.*

2023 Compensation and Benefits Report

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