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." Section 126-7.3 calls for the Office of State Human Resources ("OSHR") to "present the results of the compensation survey," which is this Annual Compensation and Benefits Report, "to the Appropriations Committees of the House of Representatives and the Senate no later than two weeks after the convening of the legislature in odd-numbered years and May 1 of even-numbered years." This 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.

OSHR maintains the Statewide Compensation System which is a key component in the overall compensation of state employees. On June 1, 2022, OSHR implemented the Statewide Compensation System's Revised and Enhanced Pay Plans. Since that time, OSHR has continued to evaluate labor market data and administer a labor market-based system within a decentralized setting. OSHR's future vision is to partner with agencies providing subject matter expertise for support, consultation, guidance, and continued evaluation of the Statewide Compensation System. Communication and messaging to key stakeholders is a significant part of this process.

A critical component of a market-based compensation system is the regular assessment of labor market trends to maintain competitiveness. Based on consultation with Mercer and data on structure market movement gathered from Mercer and WorldatWork surveys, OSHR applied a 2.5 percent increase to all pay structures, effective June 1, 2023.

In 2024, OSHR continued to support agency recruitment and retention efforts through job placement studies and, when appropriate, OSHR adjusted the grade placement of certain classifications based on market analysis. This mostly includes agency specific roles such as Driver's License Examiner I and II, Advocate I and II, and Correctional Enterprise Supervisor, Manager and Director roles. Best practice is to analyze labor market data at least every three years to ensure pay plan structures remain aligned with the market and jobs are appropriately placed within the pay plans. To align with best practices, OSHR's plans for 2025 include conducting another comprehensive market study that will increase the number of benchmark jobs and further align State jobs competitively with the overall job market.

In August 2024, OSHR finalized a contract with Mercer for consultation and guidance on market compensation patterns and trends, including best practices for adjusting the State's pay plans to reflect changes in the market since the last comprehensive labor market study. The Mercer contract also includes targeted consultation to address more complex agency recruitment and retention issues and requests.

In preparation for the next comprehensive labor market study, anticipated in FY2025-26, OSHR's Classification and Compensation team focused on standardizing and improving classification specifications (class specs) and developing a consistent approach to their definitions and standards. In addition, the team is developing a career framework for each job family based on Mercer's career levels. This consistent, shared understanding will improve the OSHR Classification and Compensation team's ability to market-price jobs and perform cross-family calibration in labor market studies.

Key Highlights of this Report

1. Agencies need a recurring source of funding, such as the Labor Market Adjustment Reserve (LMAR) fund established in 2022 (and funded in 2023), to respond competitively when pay plan adjustments are implemented to improve the State's competitive market position. LMAR funding is critical to enable agencies to respond to labor market issues for hard-to-fill and hard-to-retain positions. LMAR funding is also critical to carry employees to the minimum of their classification's pay plan. Moreover, LMAR funding creates a way for agencies to minimize salary compression. Salary compression discourages advancement by keeping compensation essentially stable even though employees take on leadership roles and greater responsibility. Periodic resources are also necessary to support efforts to strategically identify and address competitive labor market pay, identify structural gaps, and support the dynamic career needs of the State's workforce.

2. Average salary increases in the labor market were 3.8 percent[1] in 2024, which is less than the increases seen in the market over the last two years, but higher than several previous years. The average salary increase budget is projected to be 3.8 percent[2] for all employers in 2025 due to sustained inflation pressure. The 2023-2025 fiscal biennium budget provided a 3 percent legislative increase, effective July 1, 2024, for most State employees.

3. While these legislative increases are larger than what State employees have received in recent years, the State continues to lag the market. Labor market salary increases have cumulatively outpaced legislative increases over the past ten years. Specifically, pay in the

[1] Sources: Mercer 2024 U.S. Compensation Planning Survey, Monthly Pulse Report (November Edition), and 2024-25 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 2024 U.S. Compensation Planning Survey, Monthly Pulse Report (November Edition), and 2024-25 United States WorldatWork Salary Budget Survey released in August 2024. The percentage is calculated as an average of merit increases reported by both sources.

general labor market has exceeded legislative increases over the past 10 years by 9.1 percent without compounding, or 11.7 percent including compounding (see Appendix B).

4. The State has seen improvements in overall turnover and vacancy rates. The 12-month rolling turnover rate as of September 5, 2024, fell to 12.6 percent from 14.8 percent for the same period in 2023. In July 2024, the vacancy rate for the State dropped to 21.3 percent, down slightly from June (21.5 percent) and down from 23.5 percent in July 2023. Although these improvements are small, they demonstrate steady progress since the height of the pandemic.

INTRODUCTION

This report describes 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 talent management trends nationally, regionally, and locally. The scope of the report is those employees who are subject to the State Human Resources Act, including employees at Council of State agencies, Cabinet agencies, and certain boards and commissions. (The Office of Administrative Hearings is within the scope of this report, but the NC School of Science and Math and the Office of the Commissioner of Banks are not.) The report covers the calendar year 2024. Based on the required delivery time frame in mid-January, some data may be calculated on a rolling 12-month basis if end-of-year data is not available yet, and such exceptions are noted in footnotes for the data.

North Carolina's Total Compensation Philosophy

It is the philosophy of the State of North Carolina to appropriately and equitably compensate its employees, encourage performance excellence and 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's 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 been across-the-board increases granted by the legislature. The Pay Administration Policy and the Sign-On and Retention Bonus Policy provide agencies with strong tools to address recruitment and retention challenges. These policies, along with increased flexibility delegated to agencies, support agencies' 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 their employer. When comparing compensation with that of other employers, 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 recruiting prospective employees, particularly in difficult-to-fill occupations. Benefits are equally critical in the retention of State employees. Employees need to be knowledgeable of the value of their employment in terms of base pay, benefits, and other reward opportunities. The State communicates this critical aspect of employees' compensation to 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 12-31-2024)

Benefit Category	Percentage of Average Salary	Average Value
Holidays (12 days)	4.62 percent	$2,928
Sick Leave (12 days)	4.62 percent	$2,928
Vacation Leave (20 days)	7.70 percent	$4,879
OASI – DI [Social Security]	7.65 percent	$4,848
Retirement and Disability*	24.04 percent	$15,234
Health Insurance	12.77 percent	$8,092
Longevity Pay	1.50 percent	$951
Total Benefit Value		$39,860
In determining the Percentage of Average Salary, the average State employee's years of service are 11 years, and average State employee salary is $63,370. The total benefit value is added to employees' base pay to determine Total Compensation.		
	Average Base Pay	$63,370
	Average Benefit Value	$39,860
	Average Total Compensation	$103,230

(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 6.99 percent of the 24.04 percent total State cost for Retirement and Disability is provided for retiree health insurance. Per recent legislation, retiree health insurance will not be provided for employees hired on or after January 1, 2021. Without retiree health benefits, average Total Compensation for the employees hired on or after January 1, 2021, comes down to $98,836 compared to average Total Compensation of $103,267 for those hired before 2021. Data from the UNC School of Government County Survey in previous years 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 the average total compensation is derived, salary and benefits can be calculated as a percentage of total compensation. This allows for comparisons 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 slightly smaller portion of total compensation than national averages, 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.

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

Benefit Category	U.S. BLS Percentage of Total Compensation*	NC Average Percentage of Total Compensation 2024	NC Change From 2023
Salary and Wages	61.6 percent	61.4 percent	-0.5 percent
Paid Time Off	7.4 percent	10.4 percent	-0.1 percent
Health Insurance	11.3 percent	7.8 percent	0.4 percent
Retirement	13.4 percent	14.8percent	-0.7 percent
OASI-DI (Social Security)	5.3 percent	4.7 percent	0.0 percent

(Sources: U.S. Bureau of Labor Statistics - Employer Costs for Employee Compensation - September 2024 (bls.gov) released in December 2024*, Office of State Human Resources, Office of State Budget and Management, and the NC Retirement Systems Division.)*

Note: *This analysis generally includes only annually budgeted compensation items and excludes other variable compensation and benefits, such as overtime pay, workers' compensation, and unemployment for the State and labor market data.*

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.

According to Mercer's U.S. Compensation Planning Survey, the average base pay increase budget in 2024 was 3.7 percent. The 2024-25 United States WorldatWork Salary Budget Survey indicated salary increase budgets averaged 3.8 percent. Compared to the average of these two sources (3.7 percent), the legislative increase of 3 percent in July 2024 puts the State of North Carolina off pace by 0.7 percent for 2024.

Table 3: Actual and Projected Base Pay Increase Budgets

National Firm	2022 Actual	2023 Actual	2024 Actual	2025 Projected
Mercer	4.3 percent	4.1 percent*	3.6 percent	3.7 percent
WorldatWork	3.5 percent	4.4 percent	3.9 percent	3.8 percent
Average	3.9 percent	4.3 percent	3.8 percent	3.7 percent

(Sources: 2024 Mercer QuickPulse - US Compensation Planning Survey, Monthly Pulse Report (for November December Edition), and WorldatWork's 2024-2025 Salary Budget Survey released in July 2024.)

**2023 Actual in Compensation & Benefits Report 2023 was shown as 4.6 percent, including off-cycle increases as reported by Mercer in the November 2023 report. It is adjusted to 4.1 percent based on subsequent Mercer reports. All analyses are based on 2023. The actual number is also adjusted accordingly.*

In last year's report, the projected base pay increase budgets for 2024 were 3.95 percent on average between Mercer and WorldatWork. These projections were greater than the 3 percent actual base pay increase given to State employees in 2024.

Since 2015, salary increases in State government have cumulatively trailed average labor market increases by 9 percent, as shown in Appendix B.2, chart "Market Movements vs Legislative Increase (Cumulative) 2015-2024." The chart includes the market movement according to Mercer and WorldatWork. When compounded annually, this gap grows to 11.6 percent, as shown in Appendix B.3, chart "Market Movements vs Legislative Increase (Compounded), 2015-2024."

Based on a 10-year review, the cumulative, non-compounded lag has decreased from 9.45 percent in the 2023 Compensation and Benefits Report to 9 percent in the 2024 report. 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 four years (2021 to 2024) is projected to be 2 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 percent to approximately 11.6 percent for the same period. It is imperative that State employees continue to receive legislative increases regularly and in line with the market 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 Consumer Price Index-Urban (CPI-U) increase for the 12 months ending in November 2024 was 2.7 percent, and in September 2024, it was 2.4 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 and 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 reflected the CPI-U.

The cost-of-living portion of annual legislative increases from 2015 to 2024 trailed the CPI-U percentages in four out of the last 10 years. This difference reflects that compensation for State employees has historically failed to keep pace with the CPI-U. Salary increases in State government have cumulatively trailed the CPI-U by 4.8 percent over the last 10 years in simple aggregate terms and 5.3 percent in compounded terms, adversely impacting employees' ability to keep up with rising costs. Charts comparing legislative increases with the CPI-U are included in Appendix B.4-B.6.[4]

[3]. *Consumer Price Index for All Urban Consumers, as reported by the U.S. Bureau of Labor Statistics in its October 2024 press release.*

[4] *In odd-numbered years, this report is due to the Legislature in January-February. It is important to note that OSHR prepares this report months in advance, and in older 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.*

BASE PAY AND LABOR MARKET ANALYSIS

The State of North Carolina seeks 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, which includes an across-the-board increase, market-based increase, and/or lump-sum payment.

Employers may also utilize recurring funding such as the Labor Market Adjustment Reserve (LMAR) or Salary Adjustment Fund to advance employees within their pay grade. The legislature provided a labor market adjustment reserve fund in the 2022 and 2023 Appropriations Acts to enable agencies to provide much-needed market-driven salary increases. Having a recurring labor market or salary adjustment fund, as well as legislative increases, makes it possible for State agencies to pay more competitive salaries. State agencies are also able 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 continue to look for flexibility in administering compensation systems that enable nimble recruitment and retention of valuable talent. The Statewide Compensation System used in the North Carolina State government includes specific classifications and pay plan structures based on sound market practices. The Pay Administration Policy provides agencies 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 applying the pay factors outlined in the policy. Compa-ratio is a standard measure used to evaluate compensation as a formula comparing an employee’s salary to the midpoint of the range. The average compa-ratio for State employees in 2023 was 1.02 and increased to 1.06 for 2024 following the 3% legislative increase and agencies’ use of LMAR funds. (The compa-ratio is expected to be approximately 1.01 on January 1, 2025, after the annual increase in pay ranges effective January 1, 2025. This will be updated as final figures become available.) The average salary in 2023 was $62,997 and increased to $63,370 for 2024.

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

In 2024, 19,274 employees received sign-on or retention bonuses, with an average installment payment of $3,030 per employee and a total cost of $58.4M.[5] A total of 15,965 employees received retention bonuses with an average of $3,070 per employee and a total cost of $49M. Sign-on bonuses were provided to 3,579 employees, with an average installment payment of $2,626 per employee and a total cost of $9.4M. Since June 2022, 33,342 employees have received sign-on or retention bonuses, with an average of $3,726 per employee and a total cost of $124M.

Approximately $26 million in bonuses were awarded to employees in job classifications with the highest vacancy rates. These job classifications are the most critical classifications and/or specific critical positions within a classification, with labor market shortages impacting the agency's business needs and impairing the delivery of essential services. Among job classifications with at least 3 positions, the job classifications with the highest vacancy rates are registered nurse (53.9 percent), licensed practical nurse (45.6), correctional officer II (47.5 percent), health care technician I (40.3 percent), correctional officer III (34.8 percent) and correctional officer I (34.6 percent).

For any systemic 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 or the component serving this function in the new Human Capital Management system). OSHR currently has the MarketPay and PeopleAdmin tools mentioned above and receives recurring funds to participate in and receive results from major salary survey providers. Dedicated funding for additional surveys is necessary to expand the number of benchmark jobs and build on the strong foundation of a market-based compensation strategy.

In its August 2024 U.S. Compensation Planning survey, Mercer noted a downward trend in base salary budget increases. Pay transparency continues to be more widespread following legislation requiring more transparency in several states. The report states, "The delivery of pay increases outside of the annual process seems to have stopped." In addition, they note, "Though the methodologies differ, employers are no longer providing market adjustments or other pay increases meant to retain employees at the rates they were in 2021 and 2022."[6]

Recommendations for Maintaining Competitiveness of the Statewide Compensation System

Based on our multi-year collaboration with Mercer, OSHR recommends annual updates to pay plans by a percentage 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. Best practice recommends that every three to four years, the State should conduct a

[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. 122 C-181. Agencies without appropriated monies for a bonus can fund bonuses through lapsed salary. The total bonus number here includes bonuses from any funding source.

[6] https://www.imercer.com/articleinsights/projected-2025-annual-merit-increases

comprehensive market assessment and use market pricing data to modify existing pay plans, or create new pay plan structures if deemed necessary, to ensure that they remain aligned with market competitive compensation. Based on the initial implementation of the pay plans in 2022 and market adjustment of all pay structures by 2.5 percent in 2023, OSHR collaborated with Mercer in fall 2024 to determine appropriate pay plan increases for the State's pay plans, which were presented to the State Human Resources Commission in early December 2024 and were approved with an effective date of January 2025. OSHR also recommends a comprehensive market assessment and labor market pricing project commencing in 2025 to align with industry best practices.

The average compa-ratio of a workforce is a good measure of the competitiveness of a compensation structure, as it indicates how well employee salaries align with the market median for similar jobs. Based on the State's pay philosophy to benchmark at the market median, the target compa-ratio should be around 100 percent, which aligns with the midpoint of the pay range for most employees. Appendix E to this report provides the average compa-ratio for the 64 benchmarked jobs over the last three years, representing 17 percent of the State's workforce across 19 job families. Generally, the compa-ratio has increased, barring a few exceptions where the compa-ratio decreased due to class-specific factors like highly experienced employees being replaced by employees with less experience (at lower pay). In the current pay structures, the average compa-ratio for the current employee population is close to 106 percent, whereas the compa-ratio for the 64 benchmarked jobs is approximately 104 percent. The average compa-ratio for employees will shift lower when assessed as part of the updated January 2025 pay plans. These new January 2025 pay plans reflect national trends in the market. OSHR's current estimate of the compa-ratio under the updated January 2025 pay plans is approximately 101 percent; this will be updated as final figures become available. An average compa-ratio above 100 percent underscores the importance of periodic adjustments to the pay structures to maintain alignment with the market, to remain competitive, and thereby attractive for prospective employees.

Market competitiveness is equally important for healthy employee retention. Detailed retention and turnover analyses are outlined in the Additional Analysis section of this report. Table 4 lists 9 jobs from 7 job families with high turnover rates (15 percent or more) and low average compa-ratio (90 percent or less). It is important to note that low incumbent jobs (three or fewer employees) have been excluded, as these jobs tend to skew the data.

The incumbents have, on average, more than four years of related job experience, as noted in the last column. Notably, 7 of these 9 jobs (78 percent) have an average related experience of more than 12 years, and 4 of 9 (44 percent) jobs have an average related experience of more than 16 years. Because the midpoint represents the market rate for the work, we are likely to experience high turnover where employees earn salaries below 90 percent of the midpoint despite having many years of related experience.

Based on these trends, it is important to continue to obtain sufficient funding to pay competitive salaries, particularly to employees with significant years of experience.

Table 4: Sample Job Classes with Average Compa-Ratio below 90 percent

Job Title	Number of Employees	Base Salary Average	Salary Range Midpoint	Compa-Ratio	2024 Turnover Rate*	Average Related Experience (Years)
Job Family - Information Technology						
IT Executive II	4	206,065	242,093	85.12	34.78%	>24-28 Yrs
Job Family - Medical & Health						
Behavior Analyst	9	68,546	76,468	89.64	21.24%	>8-12 Yrs
Job Family - Human Services						
Rehabilitation Services Asst Manager	8	63,418	74,520	85.10	28.92%	>12-16 Yrs
Job Family - Law Enforcement and Public Safety						
Law Enforcement Program Specialist	4	56,649	70,972	79.82	24.00%	>12-16 Yrs
Job Family – Legal						
Tort Claims Adjuster	5	59,528	66,981	88.87	23.08%	>24-28 Yrs
Job Family - Natural, Historic and Cultural Resources						
Zoo Curator	6	65,309	74,520	87.64	20.00%	>20-24 Yrs
Job Family - Safety and Inspection						
Liquified Gas Inspector	6	46,186	58,389	79.10	15.79%	>28 Yrs
OSHA Industrial Hygienist I	28	63,451	78,246	81.09	21.95%	>4-8 Yrs
OSHA Safety Officer I	44	64,507	74,520	86.56	18.36%	>12-16 Yrs

(Sources: Office of State Controller HR/Payroll System.)

*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

Similar to Session Law 2022-74, the 2023 Appropriations Act (Session Law 2023-134, § 39.2) established for most State agencies a Labor Market Adjustment Reserve (LMAR) for the 2023-2025 fiscal biennium. When made available, LMAR funding has helped State agencies provide competitive salaries.

The 2023 Appropriations Act provided a 50 percent increase in funding from 2022, resulting in a one-and-one-half percent (1.5 percent) increase in an 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 for an employee shall not exceed the number that is the 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 (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 should 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.

As of June 2024, State agencies used LMAR funds to award salary increases to 10,515 positions across 569 different job classifications. This represents a 37.61 percent increase in LMAR-related salary adjustments since the January 15, 2024, report was submitted to Fiscal Research, in which 7,641 positions across 501 different job classifications received LMAR increases.

Recruitment and Retention

Many factors affect an organization's ability 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 agencies. In the past several years, all industries, including State governments, have experienced radical changes in the recruitment market.

In 2024, State of North Carolina applications for posted vacancies have started to improve, with an average of 25 applicants per job posting. While this is not close to pre-pandemic numbers, when the State received an average of 35 applicants per job posting, it has increased from an average of 18 applicants per job posting in 2023.

In 2024, 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 Human Capital Management (HCM) project will provide this technology. The HCM project received initial funding in the 2023 Appropriations Act, proceeded to an RFP in January 2024, and had a contract awarded in December 2024 to Workday (for software) and Deloitte (for implementation) with an anticipated launch date for phase one in late 2025. OSHR must continue to receive funding for the additional phases of the new Human Capital Management system for overall improvements to the state's technology to improve efficiencies, obtain meaningful data analytics, and support agencies' needs for recruitment and retention of employees.

The candidate pool has not returned to its pre-pandemic level, and candidates are still interested in fully remote or hybrid jobs. Agencies continue to embrace the opportunity to highlight jobs that offer the flexibility to offer remote or hybrid work schedules. In 2024, an average of 275 job postings per month were advertised as a remote option.

In 2024, OSHR represented state agencies at 31 career fairs across the State and two virtual national career fairs. In addition, the second in-person All Agency Career Expo was held at the Sheraton Imperial Hotel on Monday, September 9, 2024. Twenty-six State agencies and 11 University of North Carolina System institutions participated and met with 1,723 people who attended the expo.

OSHR partnered with NCWorks at the expo, which provided its mobile unit to help attendees search for and apply for jobs. NCWorks also had representatives from their Veterans Services Division to talk with veterans who attended. Attendees had the opportunity to attend information sessions provided by State agencies, including the Department of Adult Correction, the Department of Public Safety, the Office of State Budget Management, and the Department of State Treasurer and UNC System Office. OSHR delivered two presentations on completing a state employment application, and the Division of Temporary Solutions spoke about the value of temporary employment with the State.

New Hire Demographics and Recruitment Strategies

The State of North Carolina must attract, grow, 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 efforts to recruit workers into entry- and associate-level positions have led to 22 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 useful backgrounds and skills to serve the state. OSHR is partnering with agencies to educate and provide guidance on using social media, such as the #TriangleTuesdays campaign, to promote job opportunities and the benefits of working for the State. OSHR uses the hastag #TriangleTuesdays every Tuesday on the State's LinkedIn page to promote job opportunities within the Triangle area. In support of Executive Order 278 (EO 278), *Recognizing the Value of Experience in State Government Hiring*, OSHR provides training in how to write a job posting to make it more attractive, modern, and relevant to job seekers, as well as training in how to screen applications for qualified candidates by looking not only at education but also experience. We also continue to identify and reach out to organizations that support transitioning military members and their spouses.

OSHR is committed to helping connect students and recent graduates with careers in State government. Ed2NC, Higher Education for NC Government, is an initiative to bring together state agency recruiters and higher education career advisors to create a pipeline of talent by connecting students and recent graduates with careers in state government.

Ed2NC works to build 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 its first in-person summit. This event brought together 62 human resources directors, State agency recruiters, college/university deans, career services directors, career advisors, and interns to discuss and collaborate on topics that impact the mission of Ed2NC. The summit focused on several key themes, including strengthening the talent pipeline, providing recruitment strategies for community colleges and HBCU students, and increasing student engagement after the initial contact at a career fair.

Ed2NC also looks for innovative ways to engage with students and, in 2024, coordinated six site visits where undergraduates from institutions such as UNC Chapel Hill, NC State, UNC Pembroke, and Duke University came to Raleigh and participated in roundtable discussions with agencies. Students learned about internships, job opportunities, work culture, and the agency values and missions.

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 programs and initiatives illustrate OSHR's commitment to developing and broadening the talent pipeline to allow for organizational stability, career growth, and high-level service to the state of North Carolina.

The internship and mentorship programs available across State agencies continue to be strong avenues for raising awareness of employment opportunities for the student population. OSHR continues to explore additional ways to expand the internship programs to create a wider pool for potential future state employees.

In 2024, OSHR partnered with several agencies to develop apprenticeship programs. The Department of Adult Correction has an apprenticeship program that brings in Correctional Officer IIs (medium custody facilities) and IIIs (close custody facilities) who have less than one year of experience as correctional officer trainees/apprentices and provide on-the-job and classroom training. After a year, they qualify as a Correctional Officer II or III and obtain a Certificate of Apprenticeship Completion. In June 2024, OSHR approved the Department of Transportation (DOT) Transportation Apprenticeship Program (TAP+) for Engineering Technician Is. NCDOT posted the first apprenticeship cohort in August 2024, hoping to start the program by the end of 2024. OSHR has also worked with the Department of Information Technology to identify three classifications (IT Security and Compliance Specialist I, Network Analyst, and User Support Technician) for apprenticeship programs and is currently in collaboration with the Department of Administration on early research of an apprenticeship program focused on green energy building management. To further support apprenticeships, OSHR revised the Recruitment and Posting of Vacancies Policy to allow agencies to fill vacant positions with apprentices who have completed an OSHR-recognized apprenticeship program without the need to post the vacancy.

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 whether 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 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, which requires supporting employees as they progress through their careers and continue to invest their knowledge and talent. Retaining current State employees is also fiscally prudent since hiring and onboarding new staff costs significantly more than retaining and developing current employees. Failure to retain, as demonstrated in the following section on turnover, negatively impacts the State and results in valuable knowledge and skills walking out the door.

Turnover Rates and Cost

Turnover rates vary among industries, organizations, geographic locations, departments, and occupations and 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 and the organization as a whole. Additionally, according to the Society for Human Resource Management, an organization that may not have a severe organization-wide turnover rate may have a severe departmental turnover rate or a high professional employee turnover rate, which requires appropriate action to alleviate.

According to the results of the Mercer 2024 US and Canada Turnover Surveys, the average turnover rate in the US in 2024 was 13.5 percent (excluding retirees, volunteers, and contractors), showing a decline from previous years, with 24.7 percent in 2022 and 17.3 percent in 2023. Nearly half of the 2,093 US respondents indicated difficulty in hiring specific roles, with the most challenging fields being:

- Transportation
- Logistics
- Healthcare
- Mining and Metals
- Manufacturing

Mercer offered three strategies for combatting high turnover rates: competitive benefits, including flexible work options, active listening through tools such as surveys, exit interviews and stay interviews, and internal promotions. "When employees see a clear path for advancement, they are less likely to leave for better opportunities," according to Mercer's report.

Turnover is a measure of employee separations from an agency or university, 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 the employee has control over, such as resigning to work with another employer. Statewide turnover is 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.

From December 2023 to November 2024, agencies had a voluntary turnover rate of 11 percent (including retirements), a significant decrease from 12.8 percent the previous year and better than the national average of 13.5 percent. The decrease reflects the broader global turnover trend compared to the previous two years. The State of North Carolina experienced 5,802 voluntary separations in 2024 (including retirements).[7]

[7] Source: OSHR Data Analytics Portal.

Table 5: Five Calendar Years of Turnover Rates* – State of North Carolina Data

	2020	2021	2022	2023	Dec 2023 – Nov 2024
Voluntary	7.39 percent	12.10 percent	11.49 percent	8.86 percent	7.39 percent
Retirement	3.21 percent	3.94 percent	4.63 percent	3.90 percent	3.62 percent
Voluntary (Including Retirement)	**10.60 percent**	**16.04 percent**	**16.12 percent**	**12.76 percent**	**11.01 percent**
Involuntary	1.35 percent	1.41 percent	1.39 percent	1.40 percent	1.44 percent
Total	**11.95 percent**	**17.45 percent**	**17.50 percent**	**14.15 percent**	**12.45 percent**

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. Only SHRA employees were included in this report. December 2024 data was not available at the time of this report.

Because the cost of replacing human capital is so high, it highlights the need to monitor turnover closely, 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 adjust pay for employees in critical positions with higher turnover, coupled with sound management practices, is required for the system to be most effective.

Appendix C includes charts showing turnover and workforce age trends. 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 those of 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 the retention rates of our most experienced employees, encouraging employees with historical knowledge to continue working with the State.

About 50 percent of employees subject to the State Human Resources Act (SHRA) are eligible for longevity bonuses, which are projected to cost approximately $54.8 million per year. About 57 percent of State employees who are exempt from the SHRA are eligible for longevity bonuses, which are projected to cost approximately $13.5 million per year. North Carolina pays, on average, a $2,089 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.

Retirement Eligibility

It is important to note that the retirement turnover rate decreased by 0.15 percent (the number of retirements decreased from 2,027 to 1,962) in August 2024, considering retirements over the preceding twelve months. 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 46, we may see a continued increase in retirements. As of August 2024, 8.3 percent of State employees are eligible to retire, and 25.5 percent of State employees will be eligible to retire within five years.

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.

Based on the Teleworking Report for calendar year 2023, agencies reported that approximately 24 percent of employees teleworked in some capacity. At that time, the employee population was almost evenly split between full-time and part-time teleworking, with 51 percent teleworking full-time and 49 percent teleworking part-time. Roughly 40 percent of all employees who telework do so full-time, and 60 percent of employees telework part-time.

Like those around the country, employees in North Carolina continue to re-evaluate their priorities, with many seeking flexibility and opting to transition into roles that help them achieve it. There are widespread changes to the workforce globally, including increased opportunity 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.

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

Paid Parental Leave

On July 1, 2023, the new law on Paid Parental Leave for State employees became effective. The law established section 126-8.6 of the North Carolina General Statutes and provides coverage to eligible employees of State agencies, departments, and institutions, including the University of North Carolina, public schools, and community colleges. The Paid Parental Leave framework remains unchanged from Executive Order 95, signed by Governor Roy Cooper on May 23, 2019. It provides eight weeks of paid leave to eligible State employees who have given birth to a child and four weeks of paid leave to eligible State employees who are non-birthing parents.

The Paid Parental Leave benefit helps State government attract and retain employees and helps level the playing field between the State and private employers regarding 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 bond with and care for their newborn. Other eligible State employees receive four weeks of paid leave to bond with and care for their child. Paid Parental Leave is paid at 100 percent of the eligible employee's regular pay.

Since the benefit became available, 9,675 state employees, including 5,955 State agency employees and 3,720 UNC System employees, have used paid parental leave. In FY2023-24, 1,284 agency and 800 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 6: State Employees Using Paid Parental Leave

State Agency Employees	UNC System Employees
430 birth mothers	564 birth mothers
854 other eligible parents	236 other eligible parents
460 female employees	504 female employees
824 male employees	296 male employees

Note: *Table shows the count of employees who used Paid Parental Leave in FY2023-2024.*

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 adopt the policy for their employees.

Eligible employees may use Personal Observance Leave for any single shift or calendar day of personal significance, including but not limited to days of cultural or religious importance. This leave benefit is another tool to help ensure the North Carolina State government's ability to continue to attract, retain, and support top talent in its workforce. 37,716 employees across Cabinet and non-Cabinet agencies have used Personal Observance Leave during the calendar year 2024.

Bereavement Leave

Executive Order 325, signed by Governor Cooper on November 1, 2024, authorized and directed the Director of the Office of State Human Resources to develop a Bereavement Leave Policy consistent with the Executive Order. The Bereavement Leave Policy was finalized on November 1, 2024, and may be used for loss on or after September 27, 2024. The Bereavement Leave Policy provides up to 40 hours of fully paid leave to eligible employees for bereavement following the loss of an immediate family member, and up to eight hours of fully paid leave to eligible employees for bereavement following the loss of a colleague.

The Executive Order and associated policy automatically apply to employees in Cabinet agencies. Other state agencies or universities may voluntarily adopt them.

Paid Time Off Analysis

Paid Time Off (PTO) 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 peer Southeastern states.

Holidays

The average for all Southeastern States in the survey is 12.7 holidays. North Carolina provides eligible State employees with 12 paid holidays per year.

Table 7: Holidays

Holiday Leave	North Carolina	SE States
Days per year	12	12.7

(Source: 2024 NCASG Benefits Survey, Participating Southeastern (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 8: Vacation Leave (in Days)

Years of State Service	North Carolina	SE States	Differential in Days
< 5	14	13.63	+0.37
5-10	17	17.00	0
10-15	20	20	0
15-20	23	22.88	+0.12
20-25	26	24.94	+1.06
25+	26	25.56	+0.44

(Source: 2024 NCASG Benefits Survey. Participating states are Alabama, Arkansas, Kentucky, Louisiana, Mississippi, South Carolina, Tennessee, and West Virginia.)

Sick Leave

Southeastern states grant an average of 14.36 days of sick leave per year to employees with up to three years of service. North Carolina's sick leave accrual rate is the same as Kentucky and Tennessee at 12 days per year; however, sick leave accrued per year by North Carolina's employees is below average compared to the remaining six Southeastern states.

Table 9: Sick Leave (in days per year)

Sick Leave	North Carolina	SE States	Differentials in Days
Accrual	12	13.86	1.86

(Source: 2024 NCASG Benefits Survey. Participating states are Alabama, Georgia, Kentucky, Louisiana, Mississippi, South Carolina, Tennessee, and West Virginia.)

Health Insurance

The information below compares North Carolina's most utilized PPO Plan, the 80/20 Plan, to other organizations.

Comparison to Southeastern States for Family Coverage

Most other states contribute more to family coverage than North Carolina. North Carolina's employer contribution for family coverage on the 80/20 Plan continues to lag significantly 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 21 percent less than the average, with 50 percent of Southeastern states reporting employee contribution rates at less than 25 percent.

Table 10: Survey of Southeastern States' Health Insurance Coverage for Dependent Care

NC Employer Contribution for Family Coverage	SE States Employer Contribution for Family Coverage
48 percent	69 percent

(Source: 2024 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 costs. The table below is based on analyzing employee-only (not family) health insurance coverage for employees in eight of the most populous North Carolina counties. The comparative results suggest that the State compares favorably in deductible, employer contribution, and normal co-pay for employee-only coverage, while the average annual employee cost is more favorable for the sampled counties.

Table 11: 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**
Eight Counties	$1,450	$29	$465	$7,756
NC	$1,250	$25	$600	$7,774

**Source: Ad hoc County Survey on Benefits Costs October 2024, State Health Plan 2024.*
***Data was only provided by Forsyth, Johnston, New Hanover and Wake Counties. Data from Cumberland, Durham, Granville and Mecklenburg counties was gathered from their websites.*

Note: *The above information applies to employee-only coverage unlike Table 10 above, which discusses family coverage. North Carolina data is for employee-only coverage in the standard 80/20 PPO Plan with participation in Tabacco Attestation.*

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 a $20 co-payment and discounts for materials at no cost to the employee
- Voluntary Accidental Death and Dismemberment (AD&D) 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 employees 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 when recruiting employees.

Retirement

Effective July 1, 2024, the employer contribution on behalf of State employees in the Teachers and State Employees Retirement System (TSERS) was 24.04 percent. This includes contributions to the retirement system pension fund, death benefit trust fund, retiree health plan reserve, and disability income plan. The State's contribution to the pension fund alone is currently 16.79 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 law enforcement. In past years, the UNC School of Government has provided an NC County Government Salary Survey, revealing 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. However, the School of Government no longer conducts this survey, so current figures are unavailable.

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 recruiting and retaining qualified employees more critical than ever.

APPENDICES

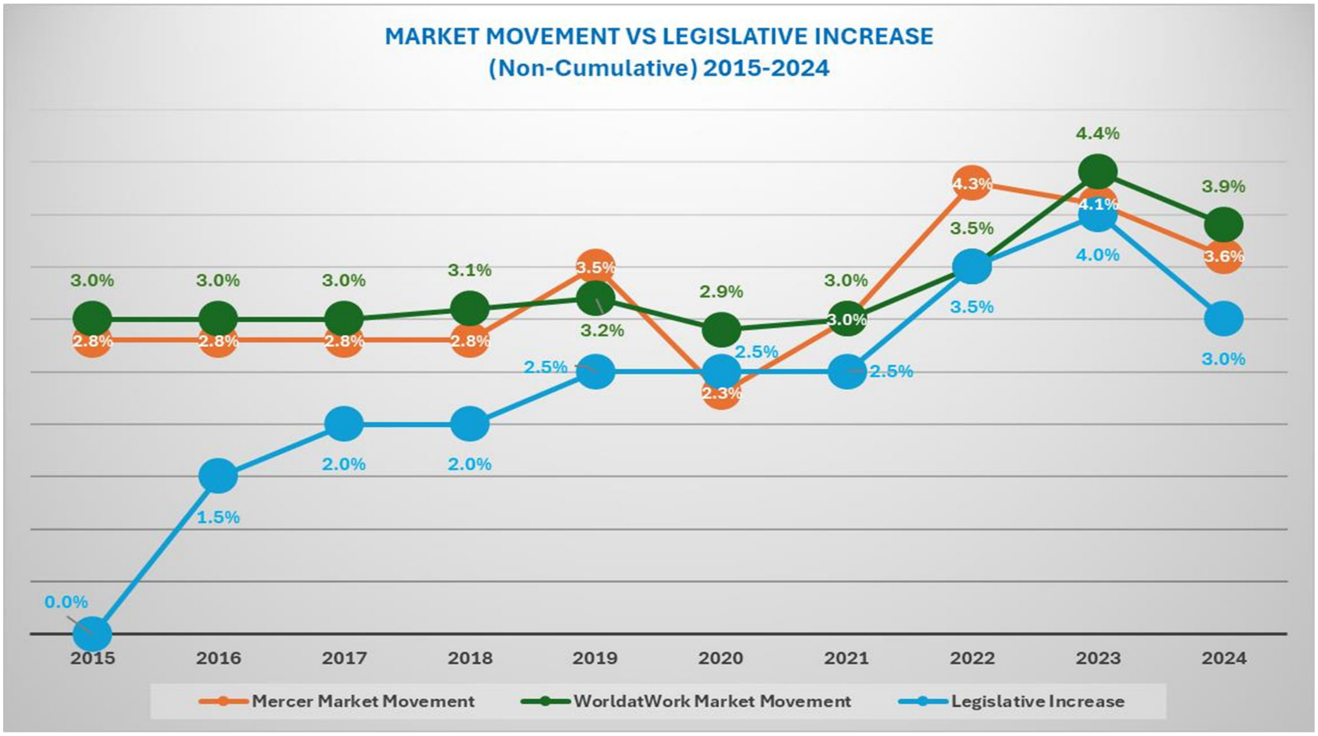
* APPENDIX A. History of Legislative Increases 1992-2023

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 (converted as 2 percent based on average salary of $50,000)	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 Correction

			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, and 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)
2024	3 percent	0	Provides a 3 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)

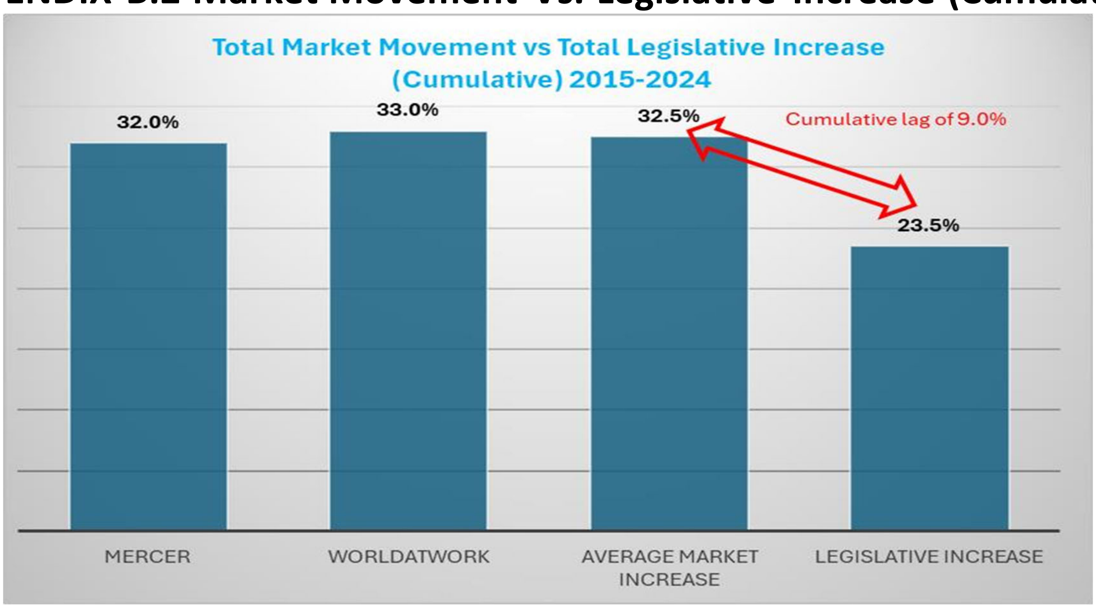
*History of Legislative Increases is reflective of state agencies only

APPENDIX B.1 Market Movement Vs. Legislative Increase (Non-Cumulative)



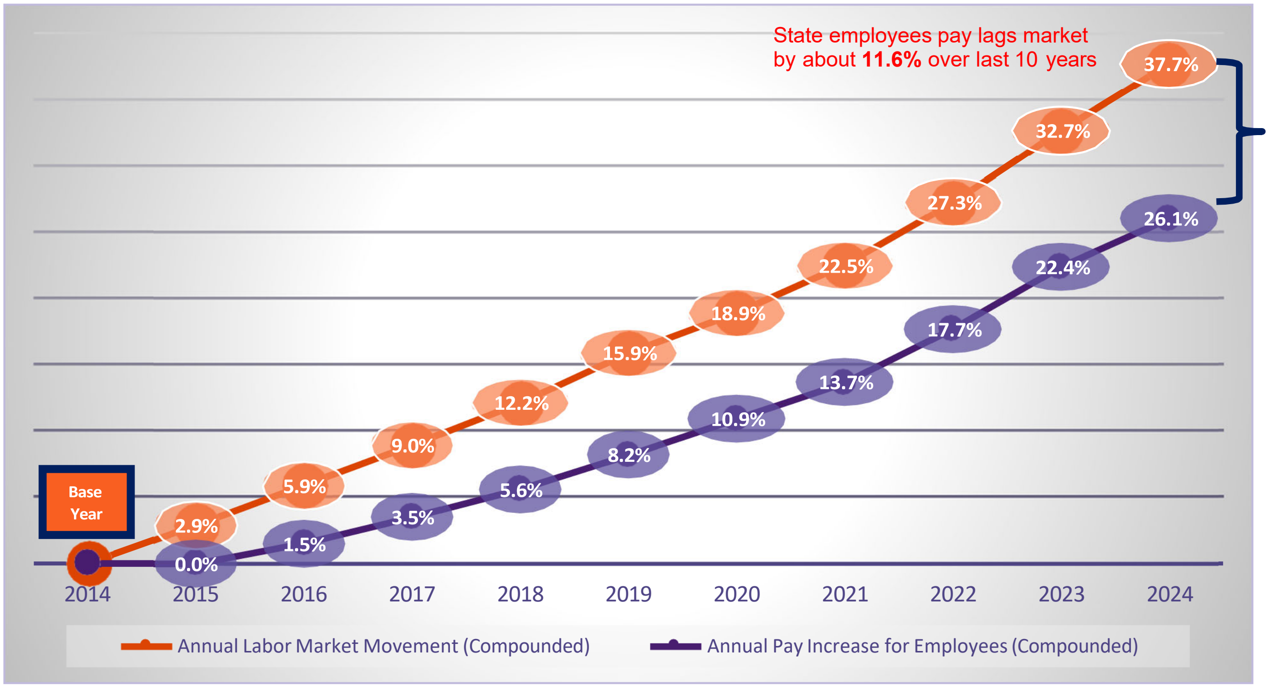
(Sources: 2024 Mercer QuickPulse - U.S. Compensation Planning Survey, Monthly Pulse Report (April Edition), WorldatWork Salary Budget Survey 2024-25 released in July 2024.)

APPENDIX B.2 Market Movement Vs. Legislative Increase (Cumulative)



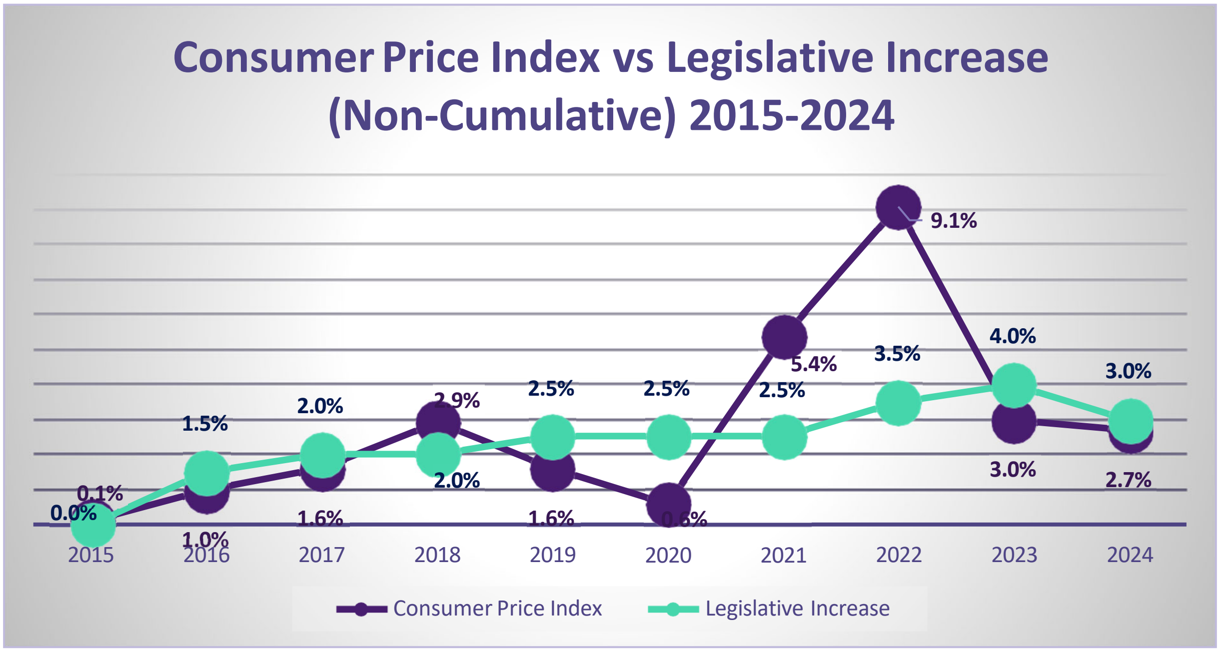
(Sources: 2024 Mercer QuickPulse - U.S. Compensation Planning Survey, Monthly Pulse Report (April Edition), WorldatWork Salary Budget Survey 2024 - 25 released in July 2024.)

APPENDIX B.3 Market Movement vs Legislative Increase (Compounded)



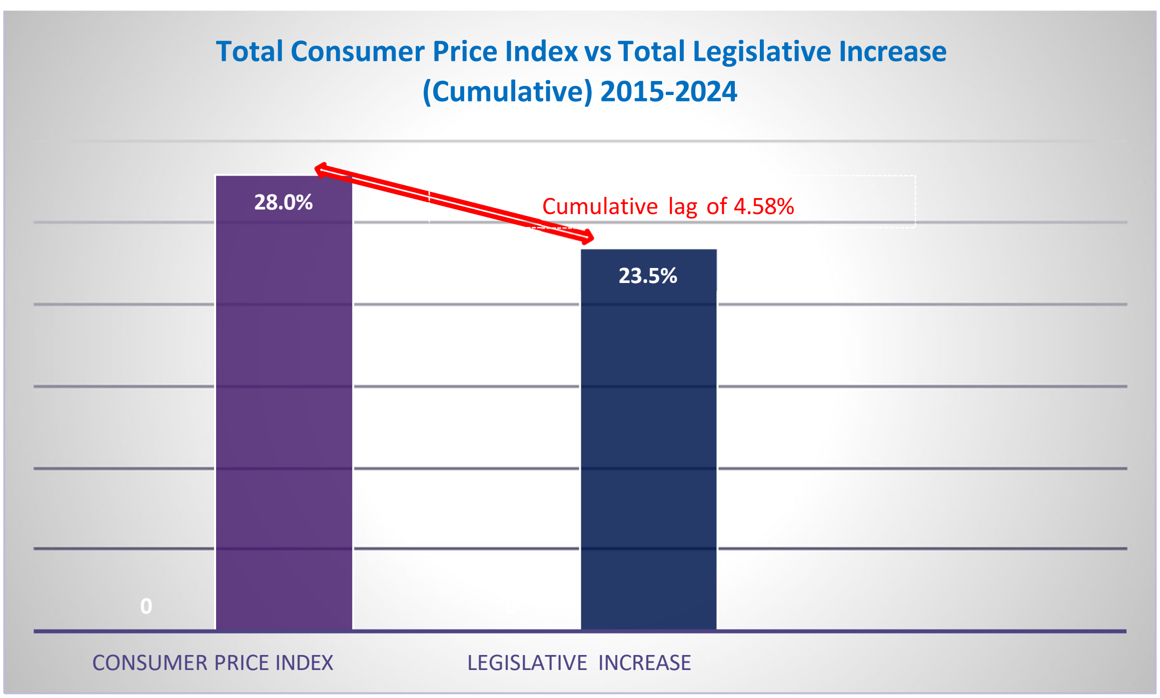
Note: *The comparison assumes that the hypothetical employee was not in a step plan and that the hypothetical employee did not receive the Labor Market Adjustment Reserve (LMAR) in the years 2022 through 2024. If the employee received LMAR in all three years, the orange line would read 18.8 percent inpercent inpercent inpercent in 2022, 25.4 percent in 2023 and 31 percent in 2022, 25.4 percent in 2023 and 31 percent in 2022, 25.4 percent in 2023, and 31 percent in 2024; the gap between pay increase and the market would be 6.8 percent for such an employee.*

APPENDIX B.4 Legislative Increase Comparison to Inflation (CPI) (Non-Cumulative)



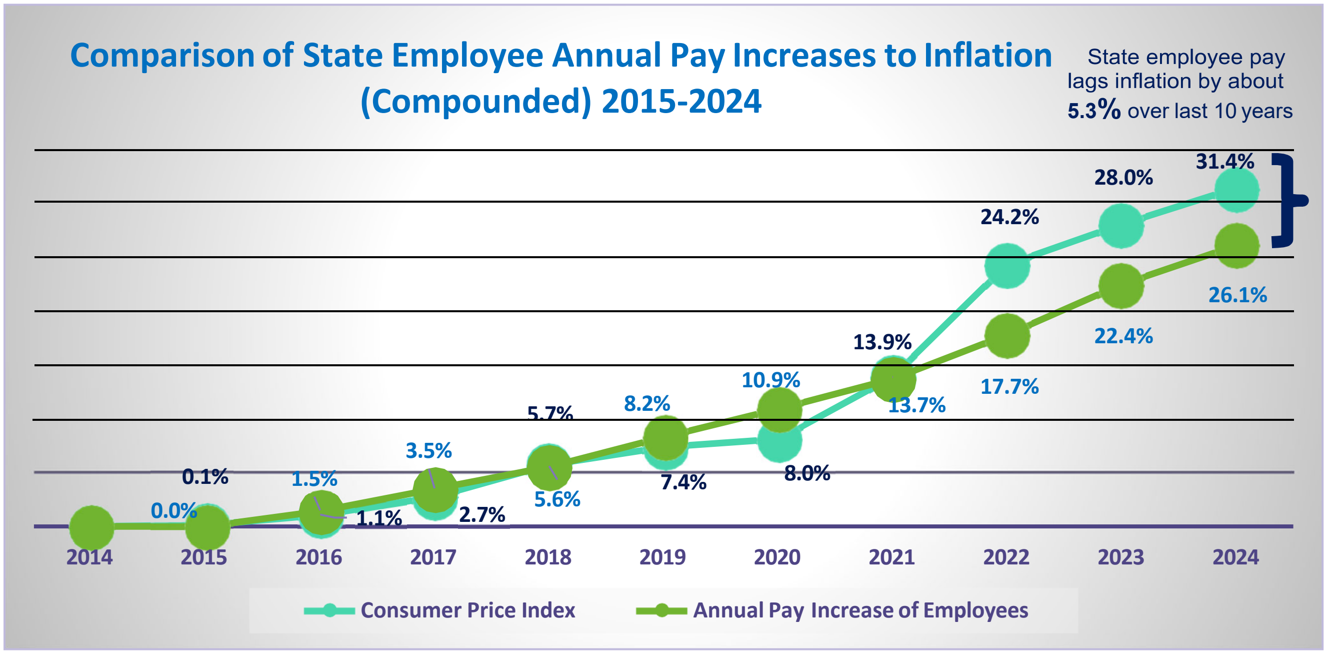
(Sources: U.S. Department of Labor/Bureau of Labor Statistics and the NC Office of State Human Resources.)

APPENDIX B.5 Legislative Increase Comparison to Inflation (CPI) (Cumulative)



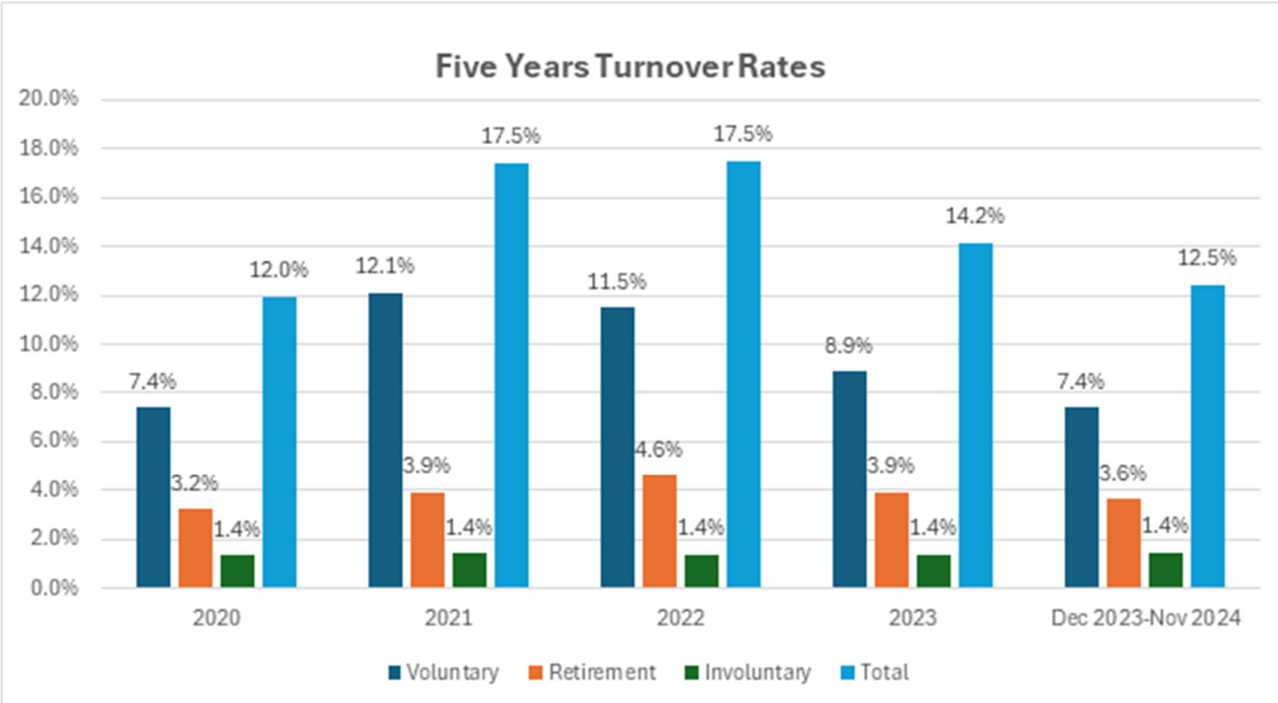
(Sources: U.S. Department of Labor/Bureau of Labor Statistics and the NC Office of State Human Resources.)

APPENDIX B.6 Legislative Increase Comparison to Inflation (CPI) (Compounded)

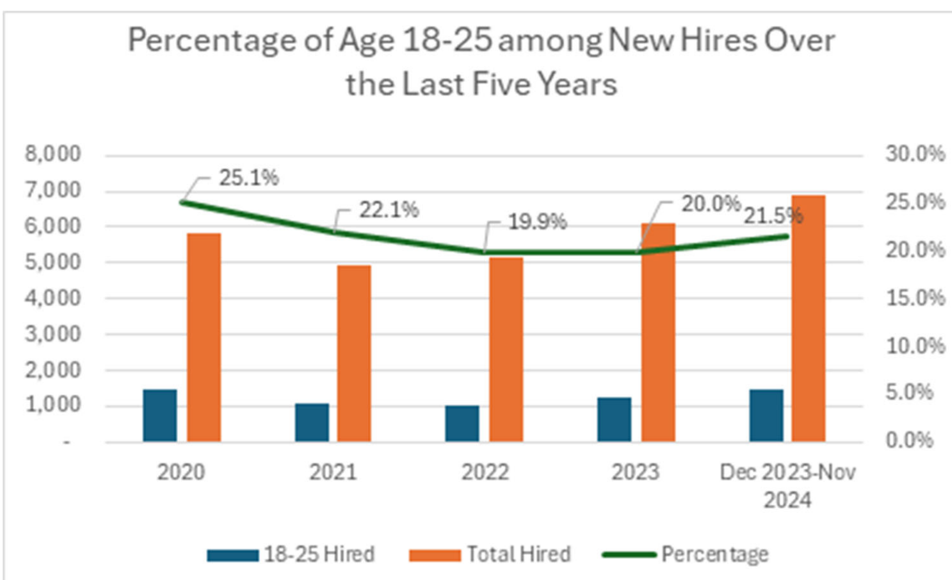


Note: *This graph shows how the pay would grow over ten years for a State employee who made $50,000 a year on July 2, 2014, then received only legislative increases after that date. The comparison assumes that the hypothetical employee was not in a step plan and did not receive a Labor Market Adjustment Reserve (LMAR) in 2022, 2023, or 2024. If the employee received LMAR in all three years, the blue line would read 18.8 percent for 2022, 25.4 percent for 2023 and 31 percent for 2023; the compounded gap between pay and inflation would be 0.8 percent for such an employee.*

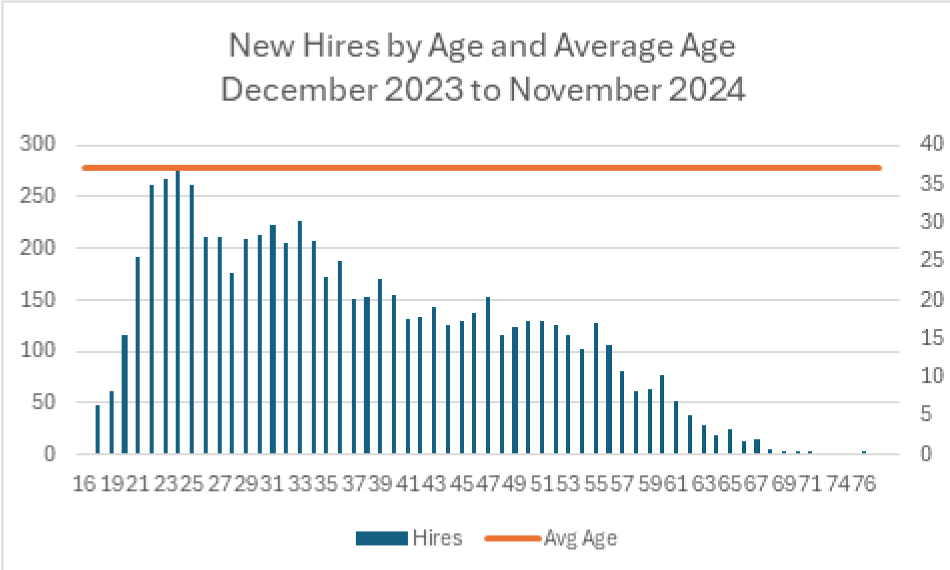
APPENDIX C. Workforce Turnover and Aging Trends



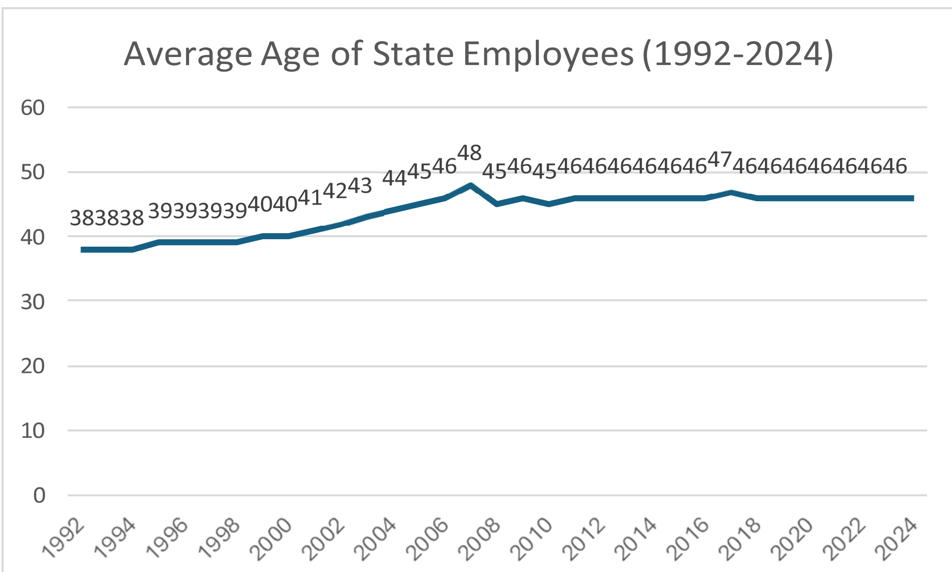
(Source: Unless specified, OSHR calculates turnover using both EHRA and SHRA employees at State agencies over 12 months, using the total number of separations and an average headcount over that time. In this report, only SHRA employees were included.)



(Sources: GDAC, Integrated HR/Payroll System.)



(Source: GDAC.)



(Source: GDAC.)

APPENDIX D. Market Survey Library (OSHR Survey Library 2024)

Catapult (previously CAI): • NC Wage and Salary Survey	**PayScale:** PayScale Compensation Survey - National
Salary.com (previously CompData): • Accounting Service Suite • Engineering Service Suite • Health Care • Hospitality • Legal Service Suite • Not-For-Profit	**Willis Towers Watson Data Services:** • General Industry Mid-Management, Prof & Support • General Industry Executive • Health Care Middle Management, Professional and Support • Health Care Executive Compensation
Mercer: • FSS Insurance • FSS Financial Operations • 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	**Western Management Group:** Western Management Group CompBase - Winter
National Compensation Assn. of State Governments: • NCASG 2024 Salary Survey • NCASG Correction Enterprise Custom (Private) Survey • Numerous ad hoc surveys throughout the year by individual members	

APPENDIX E. Compa-Ratio Trend of Benchmarked Jobs for the Last Three Years

(Note: Red cells indicate a decrease in Compa-Ratio.)

Job Family	Job Title	# of Emp	Compa -Ratio (2022)	Compa -Ratio (2023)	Compa -Ratio (2024)
ADMINISTRATIVE SUPPORT	Administrative Specialist I	2764	82.6 percent	85.6 percent	90.7 percent
	Executive Assistant I	128	98.2 percent	101.6 percent	105.6 percent
	Executive Assistant II	25	111.7 percent	114.5 percent	117.7 percent
AGRICULTURAL, ENVIRONMENTAL AND SCIENTIFIC	Chemist I	56	89.7 percent	92.2 percent	94.9 percent
	Chemist II	18	83.5 percent	90.7 percent	91.0 percent
	Environmental Program Manager I	30	97.9 percent	100.6 percent	103.7 percent
	Environmental Specialist I	173	86.0 percent	86.9 percent	89.3 percent
	Environmental Specialist II	233	92.1 percent	94.5 percent	97.3 percent
	Geologist/Hydrogeologist	114	82.5 percent	86.1 percent	89.6 percent
CORRECTIONS	Correctional Administrator II	5	107.6 percent	120.4 percent	125.6 percent
	Correctional Admissions Technician	29	104.6 percent	108.5 percent	115.2 percent
	Correctional Training Coordinator I	18	119.6 percent	119.4 percent	126.5 percent
EDUCATION AND TRAINING	Extension Educ & Training Spec I	19	81.1 percent	83.0 percent	93.7 percent
	Staff Development Specialist I	61	85.5 percent	90.0 percent	97.7 percent
	Staff Development Specialist II	82	85.9 percent	90.0 percent	94.7 percent
ENGINEERING	Architect II	15	114.4 percent	117.1 percent	118.7 percent
	Engineer I	387	101.4 percent	99.9 percent	103.8 percent
	Engineering Assistant	14	98.3 percent	105.1 percent	107.9 percent
	Engineering Supervisor I	157	103.6 percent	105.5 percent	109.0 percent
	Engineering Supervisor III	150	115.2 percent	117.1 percent	121.2 percent

Job Family	Job Title	# of Emp	Compa-Ratio (2022)	Compa-Ratio (2023)	Compa-Ratio (2024)
FINANCIAL AND BUSINESS MANAGEMENT	Business Systems Analyst I	92	96.7 percent	97.8 percent	100.9 percent
	Business Systems Analyst II	81	103.4 percent	105.2 percent	110.3 percent
	Inventory Associate II	20	113.8 percent	118.1 percent	121.5 percent
	Procurement Specialist II	51	105.7 percent	108.6 percent	110.0 percent
	Real Property Agent I	42	84.4 percent	96.4 percent	102.6 percent
HUMAN RESOURCES	Agency HR Consultant II	74	102.2 percent	103.2 percent	107.1 percent
	Agency HR Director III	10	85.4 percent	89.1 percent	94.5 percent
	HR Technician I	96	106.1 percent	109.2 percent	115.1 percent
HUMAN SERVICES	Rehabilitation Counselor	251	90.2 percent	90.5 percent	92.9 percent
INFORMATION, COMMUNICATION & MEDIA	Information & Communications Spec II	83	90.4 percent	95.2 percent	97.7 percent
	Information & Communications Spec III	55	98.0 percent	99.9 percent	102.9 percent
INFORMATION TECHNOLOGY	Applications Systems Manager I	78	111.1 percent	112.7 percent	116.1 percent
	Applications Systems Specialist I	215	111.9 percent	113.3 percent	116.5 percent
	IT Project Manager II	45	88.1 percent	90.1 percent	92.5 percent
	Network Engineer	46	94.2 percent	98.0 percent	102.7 percent
	Systems Administrator II	68	110.1 percent	111.2 percent	114.4 percent
	User Support Technician I	103	83.8 percent	85.5 percent	89.6 percent
	User Support Technician II	90	89.9 percent	91.4 percent	95.0 percent
INSTITUTIONAL SUPPORT	Cook	146	99.4 percent	100.4 percent	103.3 percent
	Floor Maintenance Assistant	46	98.5 percent	99.3 percent	101.3 percent
	Housekeeper	465	97.6 percent	98.5 percent	101.1 percent
	Housekeeping Supervisor I	35	88.4 percent	90.1 percent	93.3 percent

Job Family	Job Title	# of Emp	Compa-Ratio (2022)	Compa-Ratio (2023)	Compa-Ratio (2024)
LAW ENFORCEMENT AND PUBLIC SAFETY	Police Officer I	89	88.0 percent	91.4 percent	95.3 percent
LEGAL	Security Guard	139	101.1 percent	103.2 percent	106.3 percent
	Agency General Counsel I	16	96.0 percent	99.6 percent	104.3 percent
	Assistant Agency General Counsel II	40	103.4 percent	105.0 percent	108.7 percent
	Attorney Manager I	9	87.8 percent	94.1 percent	96.0 percent
MEDICAL AND HEALTH	Physician	57	101.8 percent	106.9 percent	110.9 percent
	Registered Nurse	525	100.2 percent	101.6 percent	108.3 percent
NATURAL, HISTORIC AND CULTURAL RESOURCES	Librarian II	13	97.7 percent	96.3 percent	108.4 percent
OPERATIONS AND TRADES	Electrician II	65	89.4 percent	97.9 percent	104.7 percent
	HVAC Mechanic I	67	102.2 percent	106.8 percent	114.9 percent
	Maintenance/Construction Technician I	128	99.4 percent	102.2 percent	106.8 percent
	Maintenance/Construction Technician III	284	91.3 percent	96.2 percent	101.7 percent
	Marine Painter	8	138.4 percent	115.6 percent	117.8 percent
	Vehicle/Equipment Repair Technician I	90	99.4 percent	102.3 percent	105.5 percent
	Vehicle/Equipment Repair Technician II	349	106.1 percent	107.9 percent	111.2 percent
PLANNING AND ECONOMIC DEVELOPMENT	Economist II	3	94.1 percent	95.5 percent	96.4 percent
PROGRAM MANAGEMENT	Program Coordinator I	223	93.8 percent	96.6 percent	101.7 percent
	Program Supervisor II	84	88.9 percent	92.5 percent	98.5 percent
	Program Supervisor II	84	88.9 percent	92.5 percent	98.5 percent
SAFETY AND INSPECTION	Safety Officer II	32	91.8 percent	96.3 percent	100.6 percent
	Total Employees in Benchmarked Jobs	**G,062**	**97.4 percent**	**100.1 percent**	**104.3 percent**
	Representation of Benchmarked Jobs	**17 percent**	**Average Comp Ratio of Benchmarked Jobs**		
	Total Employees	**53,826**			

(Sources: Integrated HR Payroll System and Market Pay System.)

Compensation and Benefits Report

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