NORTH CAROLINA OFFICE OF STATE HUMAN RESOURCES

Managing Employee Work

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§ 1. Vision

North Carolina is committed to a feedback and growth-oriented culture for all employees. This policy exists to help employees contribute, grow, and succeed in serving North Carolinians with excellence. This policy aims to ensure employee efforts are aligned with the goals of their division, agency, and the state, while also encouraging career growth and development, recognizing exceptional performance, and resolving unsatisfactory job performance prior to initiating formal disciplinary action.

OSHR will revisit and update this policy within two work cycles, shaped by implementation experience and an agency learning pilot with a small cohort of agencies.

Discrimination, retaliation, and harassment based on a protected class are prohibited at all points in the employee work cycle. Supervisors must apply consistent standards to all employees and ensure all feedback is fair, objective, and based on observable facts.

§ 2. Covered Employees

This policy applies to permanent, probationary, and time-limited employees subject to the North Carolina Human Resources Act, as well as certain exempt positions. Agencies may determine the extent to which this policy applies to employees exempt from N.C.G.S. §126-4(7). This policy does not apply to temporary employees or contractors.[1]

Employees of constituent institutions of The University of North Carolina should refer to the University SHRA Performance Appraisal Policy.

§ 3. Roles and Responsibilities

For the State to succeed in its mission, everyone needs to understand what is expected of them and how they can help create a workplace that supports productivity, growth, and engagement.

OSHR is responsible for:

- Providing resources and training related to this policy, including maintaining a comprehensive website with tools, inventory of techniques, references, guidelines, funding options, metrics for program evaluation and other materials;
- Reviewing records and documentation to ensure agencies' compliance.

Agencies are responsible for:

- Assigning a Performance Management Coordinator to oversee this policy and champion recognition initiatives within the agency.
- Setting strategic priorities so employee work plans connect to the agency's mission, and making sure communication and resources are in place for success.
- Reviewing and calibrating goals and ratings across the organization.
- Building a culture of continuous feedback that promotes productivity, growth, and engagement through training and guidance.
- Adopting a recognition program that best meets the needs of the agency.

Supervisors are responsible for:

[1] Each agency is responsible for managing the work of and feedback mechanisms for temporary employees.

- Making sure team members understand job expectations, agency values, and the skills they need to thrive.
- Aligning employee goals with their responsibilities and agency priorities.
- Having regular, timely conversations about performance that cover progress, concerns, opportunities, and accomplishments, and documenting these discussions throughout the Annual Employee Work Cycle.
- Creating an environment that supports growth by providing mentoring, addressing issues promptly, and encouraging long-term career development.

Employees are expected to:

- Understand their core responsibilities and agency values and work toward their goals.
- Communicate with their supervisor to ensure understanding of expectations and organizational needs.
- Communicate any workplace barriers that prevent the accomplishment of job requirements and ask for help, training, or resources when needed.
- Take an active role in their performance and career development to enhance skills and knowledge through continuous learning and seek training, workshops, or mentorship to improve performance.

§ 4. The Annual Employee Work Cycle

The Annual Employee Work Cycle is a 12-month period that starts with supervisors and employees meeting to collaboratively develop employee work plans and set expectations for the cycle and ending with an Annual Progress Review to evaluate progress and accomplishments. Agencies determine if they will participate in the cycle on a calendar year basis (January 1 to December 31) or on a fiscal year basis (July 1 to June 30).[2]

If an agency changes the timing of their employee work cycle, the agency shall notify all covered employees a minimum of 60 calendar days prior to the start of the new cycle.

§ 5. Phases of the Annual Employee Work Cycle

The employee work cycle consists of three stages: (1) Preparation and Planning, (2) Continuous Feedback and Guidance, and (3) the Annual Progress Review.

§ 5.1 Phase 1: Preparation and Planning

§ 5.1a Organizational Goal Setting and Calibration

Prior to holding performance planning discussions with employees, agencies and supervisors must:

- **Select Values**: Agencies select values that are aligned with agency missions and objectives. Values are behavioral competencies that support organizational culture and mission. An agency shall select between two (2) and seven (7) values from OSHR's Values Library.
- **Determine Goals:** The supervisor defines three (3) to five (5) goals with each employee. Goals may be specific to an individual, a work unit, or a classification group and should support the organizational unit's mission, strategic goals, and priorities.

[2] The OSHR Director has the authority to provide exceptions to or change the dates of the employee work cycle.

- **Calibrate Goals**: Agencies should facilitate discussions across similar work units to systematically assess goal validity and ensure organizational consistency. In this process, managers and supervisors of similar organizational units should review and standardize goals to ensure fairness, consistency, and alignment with organizational goals.

§ 5.1b Employee Work Plans

Setting employee goals and developing annual employee work plans provides an opportunity for employees and supervisors to discuss assigned responsibilities and to ensure employees understand their goals; the agency's values; and their supervisor's expectations. Work plans must be entered into the state's performance management platform and shall include goals related to work outcomes and should include a goal related to employee growth and development.

The supervisor shall hold a performance planning discussion with each employee and put an employee work plan in place within 45 calendar days of:

- The launch of the annual employee work cycle;
- A significant change in position or duties;
- A change in supervisor; or
- A new (probationary, time-limited, or transfer) employee's date of employment.

The employee's signature on their work plan acknowledges receipt of the plan.

The employee work plan may be modified at any time during the annual work cycle and shall be modified when new or different responsibilities and/or expectations are added. Both the supervisor and employee shall document any changes to the plan before implementing the changes.

<u>New Employees</u>

A new employee should meet the expectations for their position duties and consistently accomplish their work plan. If a probationary employee's performance indicates that they cannot accomplish expected work goals, the supervisor shall document performance deficiencies through the feedback process and work with their agency HR if performance does not improve. Supervisors can find additional information in the Addressing Unsatisfactory Job Performance policy.

§ 5.1c Employee Growth and Development

Both the employee and the supervisor are responsible for employee growth and development. Developing current employees is a primary vehicle for agency workforce planning and should aim to improve employee productivity and effectiveness and prioritize the essential qualifications and practical skills that are critical to agency success and succession planning.

Employees should include a growth and development goal as part of their annual work plan. See the Employee Learning and Development Policy for additional information.

§ 5.2 Phase 2: Continuous Feedback and Guidance

Agencies should create a culture where feedback happens regularly, not just during annual reviews. Supervisors and employees should meet often to talk about progress on work plans and discuss goals or any support the employee needs.

Continuous feedback means giving and receiving feedback in real time, soon after events happen. This helps employees make quick adjustments or get recognized promptly. Feedback should be a two-way conversation. Employees should feel comfortable sharing information, asking questions,

and requesting help or feedback. Supervisors should also keep notes on employee progress during these regular discussions. Documentation should be specific, factual, and objective.

Straightforward Feedback

During these conversations, feedback should be specific, actionable, and focused on development and growth. To make feedback discussions productive, OSHR recommends this simple framework with three questions:

1. What should you continue doing?
2. What should you start doing?
3. What should you stop doing?

§ 5.2a Check-Ins Using the Performance Management Platform

The state's performance management platform includes a Check-in feature that is enabled for all agencies. This feature allows either a supervisor or an employee to request a check-in.

Check-ins are an easy way to ensure feedback meetings are occurring and documented.

§ 5.2b Feedback Frequency

Recommended. OSHR recommends at least quarterly feedback conversations for all employees and will work with agencies to implement approaches to creating a continuous feedback culture, following issuance of this policy. Agencies should tailor the frequency of feedback to individual employee needs.

Required. Supervisors must hold and document feedback sessions in certain cases:

Employee Category	Minimum Feedback Sessions Required
All new employees (including probationary, time-limited, or transfers)	Quarterly
Employees with a Needs Improvement rating in the most recent annual cycle	At the midpoint of the annual review cycle
Employees with active performance-related disciplinary issue(s)	At the midpoint of the annual review cycle
Employees who are separating or transferring	Upon request before separation or transfer

For feedback, supervisors may use the Check-in function of the state's performance management platform. There is a separation template for employees transferring or separating.

§ 5.2c Requesting Feedback

Employees may request a feedback conversation or a check-in with their supervisor at any time during the performance cycle. When an employee requests this review, the supervisor shall provide a feedback meeting if it has been more than thirty (30) calendar days since the employee's last feedback conversation, check-in, or, if applicable, Annual Progress Review.

§ 5.3 Phase 3: Annual Progress Review

At the end of the annual employee work cycle, supervisors shall complete a one-on-one meeting with each of their employees to review the employee's work and discuss the employee's activities and performance throughout the entire annual employee work cycle.

Prior to this meeting, employees are encouraged to evaluate their progress on their work plan and development over the preceding twelve (12) months and provide comments and documentation to support their self-assessment.

Supervisors shall not complete the Annual Progress Review and submit final ratings in the state's performance management platform until they have:

- Calibrated ratings across the appropriate organizational unit,
- Completed one-on-one meetings with each employee and
- Included appropriate comments and documentation to support the employee's performance rating. Comments must be based on measurable and observable evidence.

If an employee is on a leave of absence (LOA) for any reason for more than ninety (90) consecutive days throughout the annual cycle, their supervisor must take that leave into account when conducting the Annual Progress Review.[3]

If a supervisor is unable to complete the Annual Progress Review, then the next-level supervisor shall ensure the Annual Progress Review is provided in a timely manner.

§ 5.3a Review and Acknowledgement of Annual Progress Review

Following completion of their Annual Progress Review and receipt of their final ratings, the employee shall review their ratings and comments and complete the signature page.

§ 6. Performance Ratings

Supervisors shall hold Annual Progress Reviews with all employees and assign performance ratings during these meetings. Performance ratings may be used in personnel decisions.

Agencies shall select one of two performance rating models for agency-wide use:

- **Cumulative Rating Model:** Supervisors provide one cumulative rating that encompasses performance on all goals and values.
- **Individual Ratings Model:** Supervisors rate every goal and value in the employee work plan, and these ratings are averaged into a single overall rating.

In both models, supervisors shall assign a rating and complete three (3) questions related to:

1. How the employee performed against their goals.
2. How the employee demonstrated the organization's core values.
3. How the employee can grow (or a question on general feedback, per agency preference).

The answers will provide insights and documentation on the employee's work and the supervisor's rationale for the performance rating. Documentation may include examples of employee work, information on work metrics, and/or feedback provided to the employee during the prior 12 months that supports the Annual Progress Review. Supervisors shall assign one of the following ratings:

[3] Supervisors should consult with HR and legal counsel regarding employees who were on continuous or intermittent FMLA during the annual work cycle. Quantitative or production goals should be adjusted to account for any amount of time on FMLA.

Rating		Description
3	Outstanding Performer	The employee consistently performs above expectations on assigned goal(s) and values(s).
2	Successful Performer	The employee successfully accomplishes assigned goal(s) and values(s).
1	Needs Improvement	The employee needs to improve to successfully complete assigned goal(s) and values(s).
U	Unavailable to Evaluate	The employee is on LOA at time of the Annual Progress Review
T	Insufficient Time to Evaluate	The employee has been employed by the agency for less than 90 calendar days at the end of the annual work cycle.

§ 6.1 Guidance on Assigning Ratings

Supervisors shall ensure that an employee does not receive an overall rating of "Outstanding Performer" if they are rated "Needs Improvement" on any goal or value, regardless of performance on other goals or values.

Active Performance or Conduct-related Disciplinary Actions

When rating employees with an active performance or conduct-based disciplinary action that is related to a goal or value, supervisors must reference the relevant disciplinary action in the documentation.

- If the performance or conduct concern has not resolved, the supervisor shall document that the employee still needs improvement on the relevant goal(s) or value(s) in the Annual Progress Review and, if applicable, provide a rating of "Needs Improvement" for the goal(s) or value(s) cited in the disciplinary action.
- If an employee has resolved the issues related to the goal(s) or value(s) cited in the disciplinary action, the employee should receive feedback or a rating denoting that success on the relevant goal(s) or value(s).[4]

§ 6.2 Ratings Calibration

Employees succeed to different degrees. That is normal and expected. An effective rating system must acknowledge those differences. Calibration should ensure more meaningful ratings that make for better employee development and government performance. Agencies shall calibrate ratings prior to sharing final ratings with employees. Agency HR personnel shall facilitate calibration discussions at the agency level to systematically assess rating validity and ensure organizational consistency. Before sharing final ratings with employees, supervisors shall meet to compare ratings across similar teams. A calibration process ensures fairness and consistency.

§ 7. Request for Review of Feedback and Rating

Employees may request a review of their feedback and/or rating. This review must follow their agency's process. This process may result in changes to performance documentation and/ or rating.

[4] If the employee also receives an overall or cumulative rating of "**Successful Performer**" then the performance-based disciplinary action shall become inactive.

§ 8. Use and Retention of Performance Evaluations

Agencies may use performance evaluations and ratings in internal agency personnel decisions, including, but not limited to, promotions, salary adjustments, and workforce planning.

- **Retention Schedule**: Agencies shall retain annual review documentation in a secure manner for the length of the employee's tenure at the agency.
- **Confidentiality**: Performance evaluations are confidential documents under G.S. § 126-22 and G.S. § 126-24. Employees shall have access to their performance documentation.
- **Access for Hiring Purposes**: Pursuant to N.C.G.S. § 126- 24(2a), agencies may choose to obtain copies of performance documents for applicants who are current or prior state government employees as part of their hiring process. See the Applicant Reference Check policy for additional information.
- **Access for Ratings Calibration and Review:** Calibration discussions and review requests may require the disclosure of employee-specific information on a need-to-know basis among supervisors and managers. Any information shared during this review shall be treated as confidential. A breach of confidentiality shall be considered unacceptable personal conduct and may result in disciplinary action.

§ 9. Recognizing Exceptional Performance

Recognizing and rewarding exceptional performance signals to employees that their contributions are valued in real time and creates incentives for high achievement. **Recognition** is intangible acknowledgment of an employee that has a nominal impact on agency resources while **Reward** involves providing tangible incentives (monetary or non-monetary). Either may be based on an employee's overall performance, specific achievements, or exemplifying an agency value. Agencies and supervisors should recognize and reward exceptional work throughout the annual employee work cycle—not only during the Annual Progress Review.

Agencies should maintain at least one recognition program, and are encouraged to offer multiple programs. Recognition programs must provide consistent, fair, timely, and meaningful acknowledgement of outstanding employee contributions and performance.

Examples of agency recognition programs could include:

- **Public recognition programs** such as recognition boards and social media spotlights.
- **Letters of commendation** placed in an employee's personnel file.
- **Development and growth opportunities** such as special projects, leadership development programs, conference attendance, or mentoring relationships.

Agencies should also encourage supervisors to use informal recognition to express genuine appreciation for employee efforts, attitudes, and impact.

All employees, regardless of appointment type, tenure, disciplinary action, or performance rating, are eligible for recognition.

§ 10. Addressing Unsatisfactory Performance

Agencies must maintain a structured, fair, and consistent process for identifying and addressing unsatisfactory job performance before formal disciplinary action is initiated, with the goal of supporting employee development while maintaining organizational accountability.

Unsatisfactory job performance means work-related performance that fails to satisfactorily meet job requirements as set out in the relevant job description, work plan, or as directed by the management of the work unit or agency. It includes, but is not limited to:

1. Failure to produce work of acceptable quality, accuracy, quantity, promptness, work habits, or by established deadlines;
2. Failure to uphold agency values;
3. Inability to follow instructions or procedures, appropriateness of work performed, or demonstrated poor judgement, analysis or decision-making;
4. Insufficient or inappropriate customer service, service delivery, or teamwork;
5. Misuse/abuse of fiscal resources, including wasteful use of State resources;
6. Absenteeism, tardiness, or other abuses of work time; and
7. Any other factors that, as determined by the supervisor and/or management of the work unit or agency, are appropriate to determine whether an employee's performance constitutes unsatisfactory job performance.

When an employee's performance falls short of stated expectations, the supervisor is responsible for initiating timely and constructive feedback to support improvement. At all times, the supervisor's goal should be to help the employee improve their performance.

Supervisors should work with employees to determine whether any workplace barriers prevented the accomplishment of job requirements and consider whether help, training, mentorship, or resources should be part of the improvement strategy.

In general, a supervisor should document performance-related discussions and follow-up actions within the performance management platform[5], via e-mail, text message, or another written formats. Performance-related discussions and documentation should be factual, specific, and timely.

§ 10a. Failure to Improve

Supervisors must allow sufficient time for the employee to demonstrate improvement. Before disciplinary action begins, the supervisor must confirm the employee has received clear written notice of: the specific performance concerns; what improvement is expected and by when; and that failure to improve will result in disciplinary action. If performance does not reach a successful level after appropriate time and support, management should consult Human Resources and refer to the Disciplinary Action Policy.

For probationary employees, supervisors should refer to §4 of the Appointment Types and Career Status Policy.

§10b. Immediate Action for Grossly Inefficient Job Performance.

[5] Managers may use the Check-In feature within Cornerstone to document performance discussions. Managers may be able to summarize Check-In conversations using AI capabilities within Cornerstone. Any summary generated by AI should be reviewed by the manager for accuracy prior to providing it to the employee.

Grossly inefficient job performance exists when an employee fails to satisfactorily perform job requirements as specified in their job description, work plan, or as directed by the management of the work unit or agency, and that act or failure to act causes or results in:

1. Death or serious bodily injury or creates conditions that increase the chance for death or serious bodily injury to an employee(s) or to members of the public or to a person(s) for whom the employee has responsibility; or

2. The loss of or damage to State property or funds that results in a serious adverse impact on the State or work unit.

Immediate disciplinary action may be required. Supervisors must consult Human Resources and the Disciplinary Action Policy.

§ 11. Agency Test-and-Learn Initiative

Effective performance management is built through experience, not just policy. To shape future statewide improvements, OSHR will partner with a small cohort of agencies (both large and small) to pilot and learn about at least three new approaches to performance management which draw on best practice in both the private and the public sectors. OSHR will work with partner agencies to learn whether these new approaches lead to better agency performance for residents and better professional development for employees. The pilot will initially focus on three areas:

Quarterly Check-Ins: What a sustainable, agency-wide approach to required quarterly feedback conversations look like in practice, and what support do agencies need to make them meaningful.

In the pilot, quarterly feedback sessions will be not only recommended but required for all employees. OSHR will roll out and support the use of simple tools for providing feedback, will provide variants on those tools to encourage real-time improvement, and will interview managers and employees during the process in order to make in-course adjustments. The pilot will help test the best forms for creating a strong culture of developmental feedback across state agencies.

Upward Feedback: What processes and structures best support honest, constructive feedback from employees to supervisors while protecting confidentiality and encouraging participation.

In the pilot, employees will be encouraged to provide annual feedback on their supervisor's effectiveness as a manager. This feedback will be collected through the state's performance management system using a single narrative prompt: "What is working well in how your supervisor supports your work and your development, and what could be improved?"

To protect confidentiality and encourage candid responses, individual feedback will be anonymized before being distributed to indirect managers. Employees cannot face retaliation for providing honest feedback. As we test and pilot this novel approach, the feedback will not be used as a factor in the supervisor's annual performance rating or in personnel decisions such as promotion or compensation.

Ratings Calibration: How agencies most effectively facilitate calibration conversations to produce fair, consistent, and meaningful ratings across teams.

In the pilot, agencies will be expected to review and standardize the distribution of employee performance ratings to ensure the system is being administered fairly and consistently. Based on national best practices from government and industry standards, effective organizations typically

see a meaningful distribution; the majority of employees are rated as "successful" and a reasonable number are assessed as high performers or low performers.

Such calibration conversations have the potential to ensure more meaningful ratings that make for better employee development and better government performance. Any benchmark of ratings cannot be a quota, and agencies will have the ability to deviate from the baseline distribution for good reasons. The key to the process will be serious conversations about identifying performance challenges and improving employees' work, which the process will encourage.

Participating agencies will share lessons learned with OSHR to inform updates to this policy and guide broader implementation.

§ 10. Sources of Authority

This policy is issued under the following source of law: **N.C.G.S. § 126-4-7**