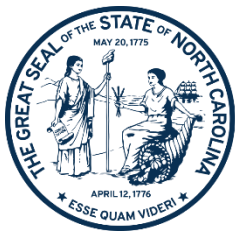


# 2021 Compensation and Benefits Report

## Compensation & Benefits



NORTH CAROLINA Office of  
*State Human Resources*

Report to the Joint Legislative Appropriations Committee

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Barbara Gibson | State Human Resources Director  
Andrea Clinkscales | Director, Total Rewards Division

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## **EXECUTIVE SUMMARY**

This report responds to the requirements expressed in NCGS 126-7.3 (State Human Resources Act) to guide the Governor and the General Assembly in making funding appropriations for State employees' salary increases and salary structure adjustments. The report is presented to the Appropriations Committee of the House and Senate no later than two weeks after the convening of the legislature in odd-numbered years, and May 1 of even-numbered years. The report identifies gaps between existing compensation specific programs and market best practices that may impact internal equity, market competitiveness and the retention/attraction of talent, and sets the stage for strategic planning to address current economic and labor market conditions.

Key to the discussion of state employee compensation is the Office of State Human Resources' ("OSHR") ongoing Statewide Compensation System Project. The NC General Assembly mandated OSHR to develop a modern streamlined Statewide Compensation System (Senate Bill 402, the Appropriations Act of 2013) to address the many challenges and inconsistencies of having two outdated systems. The project was expected to be implemented in June 2016 but was delayed by legislative action; the system was implemented effective June 1, 2018. The goal of the new statewide system is to provide market responsiveness and equitable and affordable compensation.

OSHR recognized the need to build upon this new system to ensure its external competitiveness and to gather richer market data. Thus, in fall 2018, OSHR issued an open market solicitation to seek consulting services to evaluate the external competitiveness of the State's Total Rewards programs, policies and practices, and provide turn-key implementation of the major components of the Statewide Compensation System.

The contract was awarded to Mercer (US), Inc. ("Mercer") based on the Best Value evaluation method. Mercer's major strength is their labor market data repository and data analytics capability, reinforced by their current and broad survey library and sister organizations of Marsh & McLennan and Oliver Wyman.

Mercer undertook this review as part of a more holistic compensation review and assessment project – gathering market pay data to update the State's salary structures and complement the salary administration policies based on industry best practices. Mercer leveraged their resources and the State's own MarketPay System and Survey library to significantly increase the number of benchmark jobs that the State will use moving forward with a broader and deeper analysis of our competitive posture throughout Agency job families and the University System.

The Compensation Project has been one of OSHR's key priorities, even with the delays and additional assessments to market data as a result of the COVID-19 pandemic, which affected all state operations.

The DOT Decentralization Pilot (SB 99 The Appropriations Act of 2018; SL 2018-5) and the Council of State Decentralization Pilot (SB 335 The Budget Technical Correction Act of 2018; SL 2018-97) set a new level of decentralized salary and classification authority expectation within the agencies. In keeping with the legislative direction, additional flexibility was granted to all agencies for consistency in agency operations, as state government is a single employer. This decentralization of decision making has been popular with agencies but added complexity to ensure a successful implementation as additional communications, training and effort by Mercer and OSHR have been necessary to ensure agencies are fully prepared for the next phase of the project.

The next steps are to continue collaborating closely with agencies, to maximize mutual understanding of the labor market data, as well as implementation in a decentralized setting. Communications and messaging to all stakeholders are also a significant part of this process. OSHR is working with Mercer to create a structure to make this next phase of collaboration as effective as possible both the in-person and virtual environments. OSHR is also committed to proactively solving any concerns that can be identified collaboratively with agencies before full implementation.

To facilitate this collaboration, during the last six months of 2021, OSHR hosted virtual training sessions with leadership and HR staff from each agency individually to provide "Compensation 101" foundational overview of the labor market study process. With this knowledge, each agency was invited to submit a list of their most critical jobs, which were examined when OSHR hosted a series of virtual data validation sessions. During these sessions, OSHR worked with Agency HR representatives to review the benchmarking process and explain how the specific classifications submitted by the agencies have been benchmarked and incorporated into the enhanced and revised pay plans. Based on feedback from the agencies, OSHR Classification and Compensation worked with Mercer to research further and make additional adjustments to improve the accuracy and precision of the job matches and pay plans.

#### **Summary of Funding Recommendations:**

1. As State revenues stabilize, a recurring source of funding will be required to sustain the State's competitive market position through regular salary structure adjustments. Resources will also be necessary to strategically identify and address competitive labor market pay and structural gaps to support the dynamic career pathing needs of the State's workforce from recruitment to development and retention.

2. Salary increases in the market have stabilized to around 3% annually over the last several years. However, with the increased inflation and the quit rates seen in the past year, salary budgets may need to increase in coming months as employers are deferring salary decisions until the latest point possible. Although the State was slightly behind the market with the 2.5% legislative increase in 2019, 2020 and 2021, regular and consistent legislative increases for state employees will help to narrow the gap in average market movement. However, the State's award of legislative increases (see Appendix A) has failed to keep pace with market salary increases.
3. Consider apportioning future legislative increases (as State revenues stabilize and the impacts of COVID-19 and the "Great Resignation" on the labor markets are better understood) using a multi-pronged approach to include an across-the-board increase, market-based increase, performance-based increase and/or lump sum payment.
4. Provide recurring resources to support the Salary Adjustment Fund which will ensure a fair, equitable and consistently funded mechanism that is needed to advance State employees within their pay grade. Employees need a "line of sight" for career growth and salary advancement.
5. To ensure market-related competitiveness, State leaders should continue to charge the Office of State Human Resources (in consultation with the Office of State Budget and Management) with establishing a process to set priorities and request funding for labor market increases and salary adjustment funds based on criticality, turnover, retention, recruitment difficulties and market position. OSHR and State agencies should evaluate job-specific turnover in order to identify critical needs.
6. Research coordination of post-tax supplemental benefits and consolidate all supplemental benefit plan offerings in a consumer-driven menu approach for portability and cost savings. A consolidation would allow employees to see all benefits offerings in one place and select plan products that meet their needs.
7. Support the ongoing funding of OSHR's Human Capital Management System, Learning Management System (LMS) and Performance Management components; and the Statewide Compensation System's Market Analysis and Modeling tool (MarketPay) and Position Description Writing and Workflow tool (PeopleAdmin).

# **INTRODUCTION**

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

## **North Carolina's Total Compensation Philosophy**

The following vision for State government was established in 2018 with the newly launched Statewide Compensation System:

*The State of North Carolina is committed to attracting and retaining a diverse workforce of high performing employees with the competencies, skills, knowledge, and dedication needed to consistently meet continually evolving strategic goals. The State's compensation system should be reflective of occupational trends and best practices. It should be meaningful and easily understood by employees and managers and administered by Human Resources professionals in a consistent manner.*

## **Market Responsiveness**

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

## **Equitable and Affordable Compensation**

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

Traditionally, statewide salary adjustments have come in the form of an across-the-board increase granted by the legislature. Until recently, the State Human Resources Act prohibited modern pay programs such as monetary incentive awards. Business critical areas within the State's workforce should be considered when determining pay increases. Organizations continue to look to flexible compensation systems that include broad classifications that are driven by market-related pay structures and variable pay plans as they struggle to afford and sustain compensation levels. Additional flexibility in this area will support the State's efforts to remain competitive.

It is recommended that a continuing allocation be provided to reward employees based on performance. Pay as a performance reward — even lump sum payments for milestone achievements — is widely utilized in the modern workplace and is considered more effective than across-the-board base pay increases. However, it is important to note that pay for performance is only effective for those being paid according to market.

# TOTAL COMPENSATION

Total compensation measures an employee’s base salary, benefits, and other perquisites that the employer provides. When comparing compensation with that of other employers, whether public or private, the focus is often on total compensation rather than just base pay. This report includes comparisons of base pay as well as fringe benefits. It is important for employees to be knowledgeable of the value of their employment in terms of base pay, benefits and other reward opportunities.

Employee benefits are key components of a total compensation package. In addition to salary, a competitive benefits package is a primary attractor in the recruitment of prospective employees, particularly in difficult-to-fill occupations.

Benefits are equally critical in the retention of high performing employees. The State communicates this important aspect of employees’ compensation to both current and prospective employees using a web-based total compensation calculator.

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

**Table 1: Benefits as a Percentage of AVERAGE SALARY & WAGES**  
(Calculated as of 12-31-2021)

Benefit Category	Percentage of Average Salary	Average Value
Holidays (12 days)	4.62%	\$2,511
Sick Leave (12 days)	4.62%	\$2,511
Vacation Leave (17 days)	7.70%	\$4,184
OASI – DI [Social Security]	7.65%	\$4,157
Retirement & Disability*	22.89%	\$12,439
Health Insurance	13.24%	\$7,019
Longevity Pay	1.50%	\$815
<b>Total Benefit Value</b>	<b>62.22%</b>	<b>\$33,637</b>
In determining the Percentage of Average Salary, the average State employee’s years of service are 12 years and average State employee salary is \$54,344. The total benefit value is added to employees' base pay to determine Total Compensation. NOTE: The budget bill passed late in the year but was retroactive to July 1, 2021. As a result, the Average Base Salary was calculated using data from December 2021 and applying the 2.5% LI since the December data did not reflect the LI.		
	Average Base Pay	\$54,344
	Average Benefit Value	\$33,637
	<b>Average Total Compensation</b>	<b>\$87,981</b>

Sources: Office of State Human Resources, State Health Plan, NC General Assembly, Session Law 2021-180, Senate Bill 105, Office of State Budget and Management, and the NC Retirement Systems Division

*\*It is important to note that approximately 7% of the 22.89% total State costs for Retirement & Disability are provided for retiree health insurance. Per recent legislation, retiree health insurance will not be provided for employees hired on or after January 1, 2021. Data from the UNC School of Government County Survey indicates that paying for retiree health insurance is a common practice among government employers and losing that benefit will adversely affect the competitiveness of the State's benefits package for new hires.*

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

This analysis indicates that North Carolina's salary and wages generally do not make up quite as large a portion of total compensation as is seen nationally, while North Carolina's paid time off and retirement benefits generally appear to be favorable compared to national averages when expressed as a percentage of total compensation.

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

**Table 2: Salary and Benefits as a Percentage of TOTAL COMPENSATION**

<b>Benefit Category</b>	<b>BLS Percentage of Total Compensation</b>	<b>N.C. Average Percentage of Total Compensation 2021</b>	<b>N.C. Change From 2020</b>
Salary & Wages	69.0%	62.4%	-0.90%
Paid Time Off	7.5%	10.7%	0%
Health Insurance	7.8%	8.1%	0.50%
Retirement	5.2%	14.2%	-0.60%
OASI-DI (Social Security)	5.6%	4.8%	-0.00%

*Sources: Office of State Human Resources, Office of State Budget and Management and the NC Retirement Systems Division, U.S. DOL Bureau of Labor Statistics "Employer Costs for Employee Compensation – December 2021."*



# **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. Figures include merit, across-the-board, and cost-of-living pay increases.

In recent years, projected and actual wage increases have been rising slightly each year. However, in 2020 the COVID-19 pandemic impacted actual salary budget increases, decreasing from 3.5% in 2019 to 2.3% in 2020 according to figures presented by Mercer. WorldatWork (WAW) also reported that the results of their surveys showed budgets for actual salary increases decreasing from 3.2% in 2019 to 2.9% in 2020. For 2021, Mercer and WAW both reported actual salary budget increases fell to 3.0% from their projections due to a larger number of organizations responding with \$0 increases.

According to an article published by Mercer, the 2021 actual salary budget increase and 2022 projected figures indicate budgets are likely to remain steady. However, “The majority of employers do not provide increases until March or April, and as we saw during earlier stages of the pandemic, employers are going to defer decisions until the latest point possible.” The salary budget increases could go up to a 4% according to surveyed figures, and still be behind.

A Salary Budget Quick Poll conducted by WAW, from 12/14/2021 through 01/03/2022, reported an average salary budget increase of 4%, which is still 1% below what companies say is necessary to retain and attract needed talent. The Quick Poll “confirms that organizations have evaluated the environment and are increasing their previously planned salary budgets to address the competitive labor market and inflation.”

“Retention of top talent is a top priority and addressing compression and internal equity with the higher attraction salaries adds to a challenging compensation landscape,” said Alicia Scott-Wears, compensation content director at WAW. “With the flood of resignations and the inflation reports released, it is not surprising that compensation professionals and organizations as a whole are having to reassess the salary budget spend in addressing the issues that have plagued the last six months.” Since 2011, salary increases in State government have cumulatively trailed average labor market increases by 15.3%. The amount by which the State trails dropped from 16.4% in 2020 to 15.3% in 2021, in part due to the 2.5% legislative increase approved by the General Assembly for 2021. Continued legislative increases will help reduce the gap and improve state employees’ salaries relative to market. A chart comparing legislative increases to market movement is included in Appendix B.

**Table 3: Actual and Projected Base Pay Increase Budgets**

National Firm	2019 Actual	2020 Actual	2021 Actual	2022 Projected
Mercer	3.5%	2.3%	3.0%	3.2%
WorldatWork	3.2%	2.9%	3.0%	3.3%

Sources: Mercer 2021 US Compensation Planning Survey, Monthly Pulse Report (November Edition), and 2021-22 United States WorldatWork Salary Budget Survey released in August 2021.

Note: The above sums represent base pay salary increases as a percentage of payroll.

### Consumer Price and Employment Cost Indices

In addition to general labor market movement, the increase in the Consumer Price Index-Urban (CPI-U) for the 12-month period ending in June 2021 is 5.4%. 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 (June 2021), the CPI-U includes all urban consumers that are roughly 93% of the population in the United States. It is based on the expenditures of almost all residents of urban or metropolitan areas, including professionals, the self-employed, the unemployed, and retired people, as well as urban wage earners and clerical workers.

Most pay increases for state employees have included a cost-of-living component, but these have never been reflective of CPI-U.

The cost-of-living portion of annual legislative increases from 2011 to 2021 trailed the CPI-U percentages for the same period, except for 2014, 2016, 2017, 2019, and 2020. This differential reflects that compensation for state employees have historically failed to keep pace with the CPI-U. Salary increases in State government have cumulatively trailed CPI-U by 5.8% over the last 10 years, effectively decreasing employee “buying power.” A chart<sup>1</sup> comparing legislative increases with CPI-U is included in Appendix B.

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<sup>1</sup> In odd-numbered years, this report is due to the Legislature in January. It is important to note, OSHR prepares this report months in advance and in the past 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 recalculate the information of the past 10 years using June’s CPI.

# BASE PAY AND LABOR MARKET ANALYSIS

## **Market Pricing Methodology**

Public and private sector organizations rely upon salary and benefits surveys to ensure that they are making informed, data-driven decisions about employee total compensation in terms of cost-effectiveness, recruitment, and retention. Sound total compensation practices ultimately result in a workforce comprised of competent, skilled employees across occupational areas. Their collective knowledge, skills, and abilities directly relate to the accomplishment of the organization's mission and vision. Salary surveys are therefore critical in pricing jobs, determining wage parity with market competitors, and monitoring internal pay equity. Survey data is also essential to organizations in terms of analyzing pay trends, identifying effective pay practices, and establishing a systematic method for setting competitive pay ranges for jobs. A list of surveys to which OSHR subscribes is found in Appendix D.

Professional survey methodology standards are used to collect and analyze available salary survey data or to conduct surveys to gather pertinent market information. Survey methodology recognizes the following concepts that have been defined for informational purposes:

- **Market Base Salary:** The 50th percentile is the overall composite rate of pay that competitors have reported through surveying a job similar to those found in State government. The State seeks to be competitive in pay at the 50th percentile as measured against peer public sector organizations (state, county and local governments) and private industry. The 50th percentile of an array of reported salaries paid is the point where there are equal numbers of observations above and below.
- **Compa Ratio** is the ratio of internal pay to competitive pay for an organization, group or individual, calculated by dividing the internal weighted average pay by the related market weighted average pay. State of North Carolina calculates compa ratio for the benchmarks by dividing average employee salary by the composite market median for the classification.
- **Relevant Labor Markets:** The State competes in the national labor market for executive/senior leadership and key management and professional positions. The State competes in a multi-state regional market for professional and supervisory positions. The multi-state regional market includes Florida, Georgia, Kentucky, North Carolina, South Carolina, Tennessee, West Virginia, and Virginia. The State competes with both government and business organizations at the local, regional and national levels.
- **Turnover Rate** is a percentage reflecting all separations from employment for both voluntary and involuntary reasons compared to the total number of employees over a span of one year.

## Market Pricing Findings

Market data was collected for 30 benchmark classes representing approximately 16% of the State’s workforce (agencies only, universities not included) with jobs from each of 19 major Job Families. The report indicates that nine out of the 30 classes resulted in a compa ratio below 90% represented as a percentage of 2021 average salary of the employees sitting in those classes. Table 4 lists the benchmark classes that have a compa ratio below 90%, as shown in the Compa Ratio column. Data regarding all benchmark classes can be found in Appendix E. Several classifications in business-critical areas such as Corrections, Engineering, and Information Technology were selected as benchmarks and are included in Appendix E but are not included in Table 4 because their compa ratios are above 90%.

Findings are based on actual market composite 50th percentile salary versus current State average base salary. The Statewide Compensation System uses market relativity as a major component of assigning jobs to salary grades. There is a defined market rate of pay for each benchmark job, which can be linked to the midpoint of a pay structure; the minimum and maximum of the pay structure act as the parameters within which that market rate is contained.

**Table 4: Selected Benchmark Classes**

Job Title	Number of Employees	Base Salary Average	Market Base Salary Median*	Compa ratio	FY2021-20 Turnover Rate**
<b>AGRICULTURAL, ENVIRONMENTAL AND SCIENTIFIC</b>					
Forester I	28	42,240	54,626	77.33%	3.70%
Geologist/Hydrogeologist	102	64,183	75,974	84.48%	9.17%
<b>EDUCATION AND TRAINING</b>					
Staff Development Specialist II	77	56,328	67,655	83.26%	7.59%
<b>LAW ENFORCEMENT AND PUBLIC SAFETY</b>					
Police Officer I	77	45,056	51,456	87.56%	22.78%
<b>LEGAL</b>					
Attorney I	5	71,095	81,953	86.75%	14.29%
Paralegal I	24	47,298	52,990	89.26%	0.00%
Paralegal II	45	51,395	59,094	86.97%	10.87%
					<i>Continued</i>

MEDICAL AND HEALTH					
Forensic Pathologist	5	197,441	255,045	77.41%	0.00%
OPERATIONS AND TRADES					
Maintenance/Construction Technician III	273	44,874	49,882	89.96%	11.95%

Sources: Integrated HR/Payroll System, MarketPay System analysis. Market Base Salary 50<sup>th</sup> percentile is aged as of 1/1/2020.

The Legislature awarded a 2.5% across-the-board increase for state employees in 2021. This amount lagged behind average market movement of 3.0% for 2021.

OSHR issued an open market solicitation in fall 2018 to seek consulting services to provide turn-key implementation of the major components, identified below, of the then-new Statewide Compensation System.

Proposals were submitted to the state and Mercer (US), Inc. (“Mercer”) was selected based on Best Value. The contractual partnership with Mercer runs from February 1, 2019, through December 31, 2022. This reflects an amended contract to include necessary communications and training related work.

Following are the key deliverables outlined in the RFP and amendment:

**a) Competitive Labor Market Report:**

**RFP:** Vendor will report on the competitiveness of the State’s compensation (salaries and wages) as viewed from local, regional and national perspectives. Vendor will partner with OSHR in the identification of benchmark job classifications that are most appropriate to use going forward for external market pricing and analysis. The State anticipates increasing the number of benchmark classifications used for market pricing from 30 to approximately 600 benchmarks.

**Current Status:** This is the largest and most complex set of tasks in this entire project, and it accounts for more than 50% of the project budget. The State has included 30 of those finalized benchmarks in this report, Mercer has validated more benchmark jobs with a coverage of approximately 70% of agency positions, which is aligned with industry best practices. Each job family has been studied holistically in order to ensure that job grade assignments facilitate meaningful career progressions. Following the conclusion of the Mercer labor market study, our plan is to continue to work with Agencies to further increase the number of benchmark jobs used in our data analytics.

The State formalized a segmented market pricing methodology to provide firm market scopes through which compensation data can be reliably sourced, ensuring Agencies are competitively positioned for recruiting and retaining top talent. The State will continue to review and market-price benchmark jobs with input from Agencies. Mercer recommends that management of the job architecture and creation of new job classifications, when warranted, rests with OSHR.

## **b) Pay Plan Analysis:**

**RFP:** Vendor will examine each of the State’s multiple pay plans (salary structures) and recommend adjustments that support the state’s Total Compensation Philosophy.

**Current Status:** Mercer is using three “levers” to design each of the salary structures: midpoint progression, salary range width, and number of grades.

- I. Historically, the State’s midpoint progressions in the general salary structure move from 9% at lower pay grades, to 7% at the highest pay grades. This is contrary to conventional pay plan design. Changes in midpoint progressions typically occur at natural breaks in job levels, e.g., shifts from support/paraprofessional, to professional/supervisory, and to management/executive levels.
- II. Mercer has taken a similar approach for the salary range widths of each pay grade. It is common to increase range widths at higher grades to account for the increased complexity at these levels. Wider ranges allow room for more differentiation based on experience and performance.
- III. The number of grades in each salary structure vary depending on which jobs are included in each structure.

The State’s plan for the short-term is to utilize market-driven salary structure increase amounts to ensure that ranges continue to be aligned with market structure movement. OSHR will complete an annual market pricing exercise and monitor salary structure budget survey results to ensure the State’s salary structures remain aligned to market.

## **c) Sworn Law Enforcement Pay Plan:**

**RFP:** Vendor will assess and develop a pay plan (salary structure), separate from the State Highway Patrol Pay Plan, that accounts for Agency sworn law enforcement classifications such as but not limited to: DMV Law Enforcement, Forestry Law Enforcement, Marine Fisheries Law Enforcement, Police Officers, and Wildlife Law Enforcement.

**Current Status:** The State identified a comprehensive list of sworn law enforcement classifications within Agencies and the University System. Mercer researched law enforcement in targeted public sector peers.

Those peers included the 10 largest North Carolina municipalities, as well as six large North Carolina county governments. Mercer successfully benchmarked 80% of the sworn law enforcement and public safety jobs included in the project benchmark list. A total of 95% of all sworn employees are included in these benchmarks.

Mercer and OSHR are continuing to analyze the Law Enforcement/Public Safety Job Family, and have created of a new, market-based sworn law enforcement salary structure.

**d) University System Classifications:**

**RFP:** Vendor will assess and recommend whether the competency-based Career Banding system should continue to be used, or if University System classifications should transition into the State's new classification system, or if a separate pay plan should be developed specific to the University System.

**Current Status:** The UNC System utilizes a banded class structure, called Career Banding, with three competency levels within each class: Contributing, Journey and Advanced.

These banded classes allow for multiple career levels for a given job series to be included in a single class, while agency jobs have separate levels (e.g., Accountant I, Accountant II, etc.).

Mercer noted that the primary challenge with the Career Banding structure is that the flexibility can lead to inequity. Many banded classes include a wide variety of unique positions, making it difficult to understand the true responsibilities and manage changes in the market for positions within a class.

In addition to being harder to stay aligned to the market, banding is also prone to a high degree of subjectivity and no guaranteed career progressions. The Agencies use classifications that adhere to typical job architecture principles.

Foundational elements for effective class specifications are in place, and the number of responsibilities is aligned to market (8-10 responsibilities per job). The State has class specifications for all existing job titles.

This type of job architecture aligns midpoints to market, provides a framework to acknowledge performance, and helps define meaningful career paths.

In Mercer's experience with clients in which parts of the organization (Agencies, UNC System) have autonomy to manage their human resources with a central governance (OSHR), it is best practice to have a consistent, central set of salary structures. When these salary structures are well-aligned to market, they provide parameters that maintain both internal consistency and competitiveness with the external market.

**e) Policies and Practices:**

**RFP:** Vendor will analyze the State's compensation and salary administration policies and practices with best practice recommendations, ensuring sound fiscal stewardship and adherence to legal and regulatory compliance audit and reporting requirements.

**Current Status:** Salary actions are currently determined by use of pay factors including experience and education, internal equity, specialized skills/training, budget/funding, performance, market relativity,

recruitment/ retention issues, and/or increase in responsibilities. Some or all actions may apply to each salary action across the employee life cycle. Agencies have significant accountability and flexibility in such decision-making.

The State has been limited in its ability to effect change in order to attract, motivate and retain talent given funding has been more reactive than proactive. According to Mercer, market leading organizations have an annual budget to make pay changes for updating the salary structure to market median or to ensure critical difficult-to-fill jobs are funded to be market competitive. OSHR is similar to corporate HR and the Agencies utilize an HR system managed by OSHR. Best in class organizations with a similar structure have a governance model for delegation of authority. It includes actions for decision-making collaboration, compensation administration and organizational alignment.

Adjustments are typically set as a percentage of payroll for each organization, with an annual adjustment of ~3% being most prevalent in recent years; this would be applied across all employees but at different levels. As an example, for more critical jobs or high performing employees, a larger percentage may be applied. It is not best practice to provide the same increase to all employees each year.

**f) Communications and Training:**

**Amendment:** Vendor will hold training sessions and validation meetings with agency staff regarding the comprehensive labor market study results and will continue to refine the findings of the study to reflect changes in the labor market. The vendor will also develop a comprehensive communication and change management roadmap and strategy to ensure key messages are clear and conveyed consistently.

**Current Status:** The vendor, in coordination with OSHR, facilitated Compensation 101 and agency specific data validations sessions. These sessions were designed to provide insight to the benchmarking process and a baseline understanding for agency leaders and agency human resources professionals. The vendor will support agencies by providing a communication toolkit including talking points and employee personas. These tools will ensure consistent messaging and an understanding around the process and methodology. OSHR provided agencies with the detailed results of the study and presenting the revised and enhanced pay plans to the State Human Resources Commission in April 2022.



## **ADDITIONAL ANALYSIS**

### **Use of Salary Adjustment Funding**

One tool, when available, that has helped keep salaries competitive in the past is the Salary Adjustment Fund (SAF). The SAF is used to increase salaries in certain occupational groups, such as those listed in Table 4, where some salaries are significantly below the market and turnover is trending up. Metrics such as compa ratio (salary related to market), median, turnover, vacancy rates and time-to-fill (how long it takes to fill a vacancy) are considered when making SAF distribution recommendations. Also used in this analysis is difficult-to-recruit positions. The primary funding mechanism, transferring legislative increase funds remaining after employees receive their legislative increase, is often inadequate to address occupational areas where salaries are below the market. The last SAF was provided in 2017, for FY2017-18 in which \$5,000,000 was allocated for salary increases in the University System and the Executive, Judicial and Legislative branches. With the implementation of revised and enhanced pay structures linked to thorough market research, it is particularly important to have the funding necessary to align salaries with the market data gathered.

Over the past two years, the impact of the COVID-19 pandemic has been experienced in every aspect of employment. Regarding compensation, high unemployment has resulted in a larger pool of available talent, however the societal shift known as the “Great Resignation,” or perhaps more aptly, the “Great Self-Evaluation,” has resulted in an increased emphasis on flexible work arrangements, health benefits, and other employee support systems. According to the Society for Human Resource Management (SHRM), “an average of more than 3.95 million workers quit their jobs each month, meaning 2021 holds the highest average on record.”

Employees within the State, like those around the country, are re-evaluating their priorities, contemplating work-life balance anew, and opting to transition into roles that better match their values. Even when the pandemic is over, there are widespread changes to the workforce globally that are expected to remain including increased flexibility to work remotely, reduced business office footprint and expense for many organizations, increased investment in technology, particularly associated with employee engagement and online connectivity, and creating pay structures that are more nimble, more responsive to employee performance and its direct impact on an organization’s financial success, and more reliant on skills assessments so that previous unemployment or underemployment does not cause gender pay inequities to widen.

For the State of North Carolina, the current environment provides a unique opportunity to implement competitive pay systems, flexible remote work policies, and benefits that will attract highly qualified candidates to meet the State’s operational needs. Over the past two years, the state has seen applications for posted vacancies drop by 35% and unique applications drop by 46%, while the number of posted job vacancies has increased by 6.5%.

## **Recruitment and Retention**

Many factors affect the capacity of an organization to recruit and retain a competent and high performing workforce. Given the organizational and occupational diversity of North Carolina's State government, there is no "one size fits all" solution to the myriad recruitment and retention issues facing its managers.

In 2021, we continued to see an increasing gap between the number of State job openings and the number of job seekers applying to fill those jobs. The pandemic also highlighted the need for the State to continue exploring 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. In 2021, as virtual gatherings replaced in-person gatherings, the State continued to use technology to hold virtual career fairs, conduct virtual interviews, and provide remote onboarding for new hires to support the hiring needs of the agencies. State agencies held "drive thru" job fairs allowing candidates to come to outdoor venues and without leaving their cars, meet with recruiters, apply for jobs and obtain answers to their questions. OSHR also added an option for agencies to identify positions that may be suited for teleworking, either fulltime or hybrid. Candidates with an interest in working remote can now filter job postings to quickly search for those with this flexibility.

## **New Hire Demographics/Recruitment Strategies**

It is critical that the State attract and retain a high quality, diverse workforce and talent pipeline that allows for organizational stability, career growth and succession planning. To ensure that all age groups are represented in the state workforce, recruitment of a new generation of workers into jobs at the entry to associate level has created a talent pipeline with 41% of new hires aged 30 or below in FY2020-21. The state employs individuals ranging in age from 16 to 84, with an average age of 46.

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

OSHR is using more innovative approaches to recruit and retain a strong state workforce. OSHR improved the vacancy descriptions to include the appearance of job postings to attract more diverse and qualified applicants. In 2021, OSHR introduced text messaging as a way that agencies can better communicate with job applicants in real time – and to track these engagements through NeoGov to provide useful metrics.

Through Higher Education to North Carolina Government Careers (Ed2NC), OSHR's joint initiative with the Office of Strategic Partnership, we continue to strengthen the higher-education-to-state-government pipeline to encourage more new and recent college graduates to view the State of North Carolina as an employer of choice. Ed2NC has introduced micro internships which connect current NC college students with paid, short-term projects (10-40 hours) to assist the host agency. These projects will allow students to explore different roles, perform specific skill-based assignments, gaining skills employers seek, and helping sponsoring agencies.

Micro internships provide motivated North Carolina college students with opportunities to complete short-term projects relevant to their career field. Recently, OSHR has hired one communications micro intern and DOA hired two to help with the State of North Carolina Internship Program. Additionally, Cultural Resources created one micro internship to work in NC Archives, and Public Safety created one marketing/communications micro internship to promote their internship program. Ed2NC is also busy building relationships between agencies and North Carolina higher education institutions to expand and enhance information sharing and communication among State government recruiters and higher education-based career advisors.

On April 6, Ed2NC in partnership with the Volcker Alliance held its first Entry-Level Career Expo to highlight entry level and internship opportunities with the state. State agencies talked with candidates, many who may be recent or soon-to-be graduates about the range of entry-level job types and current career opportunities available, as well as the benefits of a state government career.

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

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

Younger workers and recent graduates only comprise one part of the State's talent pipeline. It is also important to consider other demographics when evaluating if the State is meeting its goals of attracting and retaining talent. When it comes to hiring, innovative employers seek talented people, period. In a tight labor market, more employers proactively reach out to potential job candidates with decades of hard-wired knowledge. Recruiting experienced workers provides the State with a depth of knowledge

and experience, saving time and expense on training needs, bringing valued skills to the table and allowing employees to contribute at a high level immediately.

In addition to recruiting a diverse, multigenerational workforce, a key factor in the State's talent pipeline is retention, ensuring that employees progress through their careers in the State and continue to invest their knowledge and talent. Retaining current State employees is also fiscally prudent since it costs more to hire new staff than it does to retain and develop employees. Failure to retain, as demonstrated in the following section on turnover, costs the State and results in valuable knowledge and skills walking out of the door. The compensation and benefits recommendations outlined in this report will assist with recruitment, retention, and keeping the State's talent pipeline flowing.

Charts on new hires by age and recruitment of 18-25-year-olds are available in Appendix C.

### **Turnover Rates and Cost**

Turnover rates vary among industries, organizations, geographic locations, departments, occupations, and by employee characteristics such as 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 should be calculated for various categories of interest, as well as for the organization as a whole. Additionally, an organization may not have a severe organization-wide turnover rate but may have a severe departmental turnover rate or a high professional employee turnover rate, which requires appropriate action to alleviate (Source: Society for Human Resource Management).

The cost to an organization for each position turnover has been estimated by experts such as Gallup and Deloitte in March 2019 and January 2017 at anywhere from 50% to 200% of the departing employee's annual salary depending on the type of position being filled and the performance level of the departing employee. Deloitte stated that turnover can cost between 1.5 to 2 times (150% to 200%) of an employee's salary. Turnover of top performers may be valued at a higher rate.

There are many factors included in estimating the cost of turnover. Some obvious costs include advertising the vacancy; salaries of employment screening panels; and managers' time spent interviewing candidates and conducting reference checks. Other costs are not so easily quantified, such as lost productivity – particularly during the time that a position is left vacant during recruitment – or lost knowledge from the organization. Other factors include required onboarding, training, and potentially higher rates of mistakes made by new hires. The high cost of turnover presents a clear argument for Agencies to engage in rigorous workforce development and succession planning. Ensuring agencies can compete in a market-based pay world for critical business areas is needed to support employee recruitment and retention.

Turnover is a measure of employee separations from an Agency or University, most often expressed as 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 by the total number of employees at the beginning of a fiscal year. Voluntary turnover includes separations for reasons that the employee has control of, such as resigning to take a job with another employer. Voluntary turnover rate is calculated by dividing the number of voluntary separations by the total number of employees at the beginning of the fiscal year.

Statewide turnover is simply a marker by which to compare job-specific turnover. OSHR works with Agencies and Universities to evaluate job-specific turnover and the reasons behind it, which may or may not relate to pay.

In FY2020-21, agencies had a 8.74% voluntary turnover rate, and a 7.22% in FY2019-20. The increase reflects the broader global turnover trend. Using the Deloitte turnover value of 150% cost of turnover, the cost to the State would be more than \$571 million. The State experienced 7,006 voluntary separations in FY2020-21 (including retirements), multiplied by the average state salary \$54,344, multiplied by 150%.

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

Charts indicating turnover and workforce age trends are included in Appendix C.

### **Longevity**

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

About 53% of employees subject to the SHRA are eligible for longevity bonuses at a projected cost of approximately \$52 million per year. About 44% of State employees who are exempt from the SHRA are also eligible for longevity bonuses at a cost of approximately \$1.9million per year. North Carolina pays, on average, a \$1,671 longevity bonus. This is based on a graduated percentage-based schedule starting at 1.50% of annual salary for 10 years of service and increasing every five years to 4.5% for 25 years of service.

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

	<b>FY2017-16</b>	<b>FY2018-17</b>	<b>FY2019-18</b>	<b>FY2020-219</b>	<b>FY2021-20</b>
Voluntary T/O	8.0%	6.2%	7.97%	7.22%	8.74%
Retirement T/O	3.8%	4.1%	3.47%	3.21%	3.46%
Involuntary T/O	1.7%	1.0%	1.38%	1.33%	1.43%
Total T/O	13.5%	11.3%	12.82%	11.76%	13.64%

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

# **BENEFITS ANALYSIS**

## **State Benefits Offered During COVID-19 Pandemic**

On March 10, 2020, Governor Cooper issued Executive Order 116, Declaration of a State of Emergency to Coordinate Response and Protective Actions to Prevent the Spread of COVID-19. This activated the state's Communicable Disease Emergency (CDE) policy which provides a number of leave and compensation options including up to 80 hours of paid administrative leave to an employee who is required to quarantine during the state of emergency.

OSHR immediately begin working with agency/university HR Directors and leaders to establish work and leave provisions to support state employees and their families impacted by COVID-19. The first OSHR Work and Emergency Leave Provision introduced paid State of Emergency (SOE) leave (for sickness due to COVID-19 symptoms or caring for a dependent sick with COVID-19 symptoms), childcare/eldercare and mandatory compensation options. These SOE leave options were later replaced or supplemented by the U.S. Department of Labor's Families First Coronavirus Response Act (FFCRA). This temporary rule, which began on April 1 and ended December 31, 2020, implemented paid sick leave and expanded family and medical leave for eligible employees.

State employees were eligible for paid leave at various rates of compensation for the following reasons: the employee or someone the employee is caring for is subject to a government quarantine order or has been advised by a health care provider to self-quarantine; the employee is experiencing COVID-19 symptoms and is seeking medical attention; or the employee is caring for his or her son or daughter whose school or place of care is closed or whose child care provider is unavailable for reasons related to COVID-19. Although FFCRA expired on December 31, 2020, the state continued in 2021, many state leave options introduced during 2020 to help state employees avoid taking leave without pay.

Additionally, many state agencies transitioned from emergency teleworking arrangements to a Pilot Teleworking Program as part of the updated OSHR Teleworking Program Policy. This policy was updated in June 2021 and provides state agencies with the ability to designate employees to work at alternate work locations for all or part of the workweek to promote general work efficiencies, enhance competitive recruitment and retention advantages compared with other employers, improve utilization of state facilities, and meet environmental challenges. Employees proved they could carry out government operations efficiently during the pandemic, and agencies are incorporating lessons learned as they navigate a hybrid work environment in a post-pandemic era. The Teleworking Program Policy supports agencies in setting up flexible, hybrid teleworking opportunities as an incentive for recruiting and retaining high performing employees.

## Paid Parental Leave

On May 23, 2019, to support families and strengthen the economy, Governor Cooper issued an Executive Order to extend Paid Parental Leave to employees in Cabinet agencies. Several non-Cabinet agencies have opted in to provide the benefit to their employees as well. The Paid Parental Leave benefit helps state government attract and retain employees and help level the playing field between the State and private employers in terms of benefits. Paid Parental Leave is triggered for eligible employees by the qualifying event of becoming a parent by birth, adoption, foster care, or other legal placement of a child. Eligible State employees who give birth will receive eight weeks of paid leave to recover from the birth and to bond with and care for their newborn. Other eligible State employees will receive four weeks of paid leave to bond with and care for the child. Paid Parental Leave will be paid at 100% of the eligible employee's regular pay.

More than 3,600 state employees have used Paid Parental Leave since the benefit became available, including 2,160 state agency employees and 1,456 UNC System employees. In FY2020-21, 1,154 agency employees and 848 UNC System employees used Paid Parental Leave. The Paid Parental Leave usage is up 19% from FY2019-20 to FY2020-21 which also reflects the increase of 10 months of data for the first report and a full year for the second. 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
478 birth mothers	455 birth mothers
676 other eligible parents	393 other eligible parents
506 female employees	536 female employees
648 male employees	312 male employees

*\*Table shows the count of employees who used Paid Parental Leave in FY2020-21*

## Paid Time Off Analysis

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



## Vacation

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

**Table 7: Vacation Leave (in days)**

Years of State Service	North Carolina	SE States	Differential in Days
< 5	14.00	13.80	+0.20
5-10	17.00	16.80	+0.20
10-15	20.00	19.83	+0.17
15-20	23.00	22.15	+0.85
20-25	26.00	24.35	+1.65
25+	26.00	24.60	+1.40

Source: 2021 NCASG Benefits Survey

## Sick Leave

Southeastern states grant an average of 14.4 days per year sick leave for employees with up to three years of service. North Carolina's sick leave accrual is below the average for all Southeastern states at 12 days per year of employee sick leave.

**Table 8: Sick Leave (in days)**

Sick Leave	North Carolina	SE States	Differential in Days
Accrual	12.0	14.4	-2.4

Source: 2021 NCASG Benefits Survey

## Holidays

North Carolina is competitive with the other Southeastern states in recognized holidays. The total average for all Southeastern states in the survey is 12.1 holidays. North Carolina grants a consistent 12 paid holidays per year.

**Table 9: Holidays**

Holiday Leave	North Carolina	SE States
Days per year	12	12.1

Source: 2021 NCASG Benefits Survey

## Health Insurance

The information below is used to compare North Carolina's current most utilized PPO plan to other organizations.

**Table 10: Survey of Health Insurance Coverage for Dependent Care and Choice of Plan**

NC States Contribution for Family Coverage	SE States Contribution for Family Coverage
47.3%	77.6%

Source: 2021 NCASG Benefits Survey

### Comparison to Southeastern States

Most other states provide a higher percentage contribution for family coverage than for individual coverage. North Carolina's employer contribution for family coverage significantly lags behind the average for Southeastern states by 30.3%.

### Comparison to Local Government Practices

County governments report on choice of health plan, deductibles and employee and agency cost. Based on an analysis of the ten most populous North Carolina counties from the most recent County Salary Survey available, the comparative results suggest that the State compares favorably in normal copay, premium amounts and employer contribution, but unfavorably in deductible.

**Table 11: Survey of Local Government's Health Insurance Practices\***

Type of Agency	Normal Deductible*	Normal Co-pay*	Average Annual Amount Employee Pays*	Average Annual Amount Agency Pays*
10 Counties	\$1,070	\$28	\$725	\$7,467
NC	\$1,250	\$25	\$600	\$7,774

\*Source: County Salaries in North Carolina 2021, State Health Plan 2022.

Note: The above information applies to employee only coverage; North Carolina data applies to the standard 80/20 PPO plan with participation in both wellness activities.

### Statewide Flexible Benefits Program (NCFlex)

The NCFlex program, administered by OSHR, currently has more than 120,000 employees from the Agencies, University System, Community College System, and charter schools enrolled.

The State's Flexible Benefits Program includes the following pre-tax plans:

- Health Care Flexible Spending Account
- Dependent Day Care Flexible Spending Account
- Dental Plan offers three options: High Option, Classic Option and Low Option (for employees and family)
- Vision Care Plan offers three options: Core, Basic and Enhanced; the No-Cost Core Vision Plan provides employees an annual eye exam for \$20 co-payment and discounts for materials at no cost to the employee.
- Voluntary Accidental Death & Dismemberment Insurance (for employees and family)
- Core Voluntary Accidental Death & Dismemberment Insurance (employees only); provides \$10,000 of AD&D coverage at no cost to enrolled employees.
- Voluntary Group Term Life Insurance (for employee and family); provides new employees up to \$200,000 of guaranteed coverage and employees may be eligible for coverage up to \$500,000.
- TRICARE Supplemental Insurance provides a supplemental insurance plan to military retirees and qualified National Guard and Reserve Members
- Cancer Insurance offers three options: Premium, High and Low Option and includes either a \$25 or \$100 wellness benefit payable directly to employees
- Critical Illness Insurance with \$15,000 and \$25,000 Options
- Accident Insurance
- Combined Short-Term and Long-Term Disability Insurance

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

### **Retirement**

In North Carolina, the 2021 employer contribution on behalf of employees in the Teachers & State Employees Retirement System (TSERS) is 22.89%. This includes contributions to the retirement systems pension fund, death benefit trust fund, retiree health plan reserve and disability income plan. The state's contribution to the pension fund only is currently 16.38%

### **Supplemental Retirement Programs**

Besides the traditional retirement program, the State offers voluntary supplemental retirement programs: a 401(k) plan, a 457(b) plan and a 403(b) plan. North Carolina does not match employee contributions.

A review of the most recent three years available reveals that more than half of North Carolina's 100 counties have consistently made matching 401(k) contributions in addition to a defined contribution plan. According to the County Salaries in North Carolina 2021 survey, 81 counties reported offering a 401(k) program for non-Law Enforcement employees, and 54 counties contributed to the 401(k) for their non-Law Enforcement employees. By not offering a match, the State of North Carolina is not considered competitive in this area.

## **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. With 25% of our employees eligible to retire with full retirement benefits within five years, and the impact of resignations occurring during the pandemic and Great Resignation, the state is struggling to attract and retain talented employees.

The current workforce wants greater flexibility in their total rewards package (direct compensation, benefits, development and work-life programs). Legislative support for the updated market-driven compensation system; pay incentives, aligning benefits programs with the market; and attention to work-life balance issues will continue to foster an environment in which state employees can be successful and engaged.

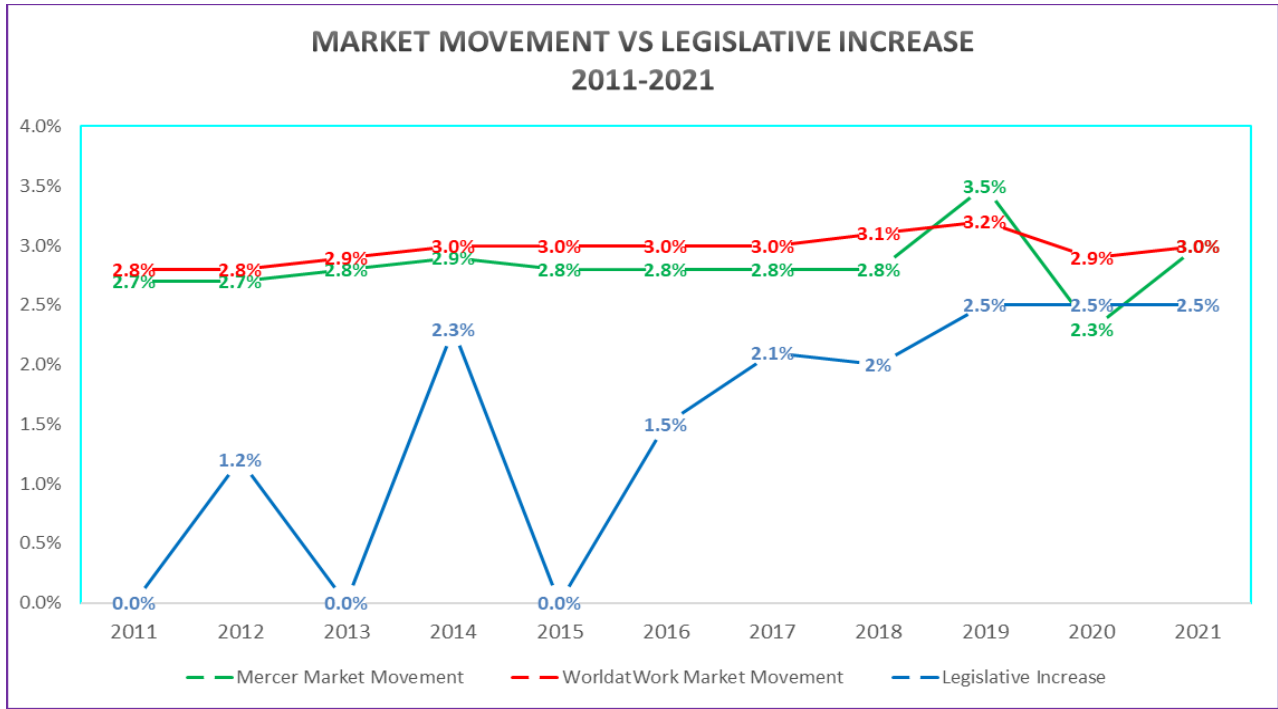
## APPENDIX

### A. History of Legislative Increases 1992-2021

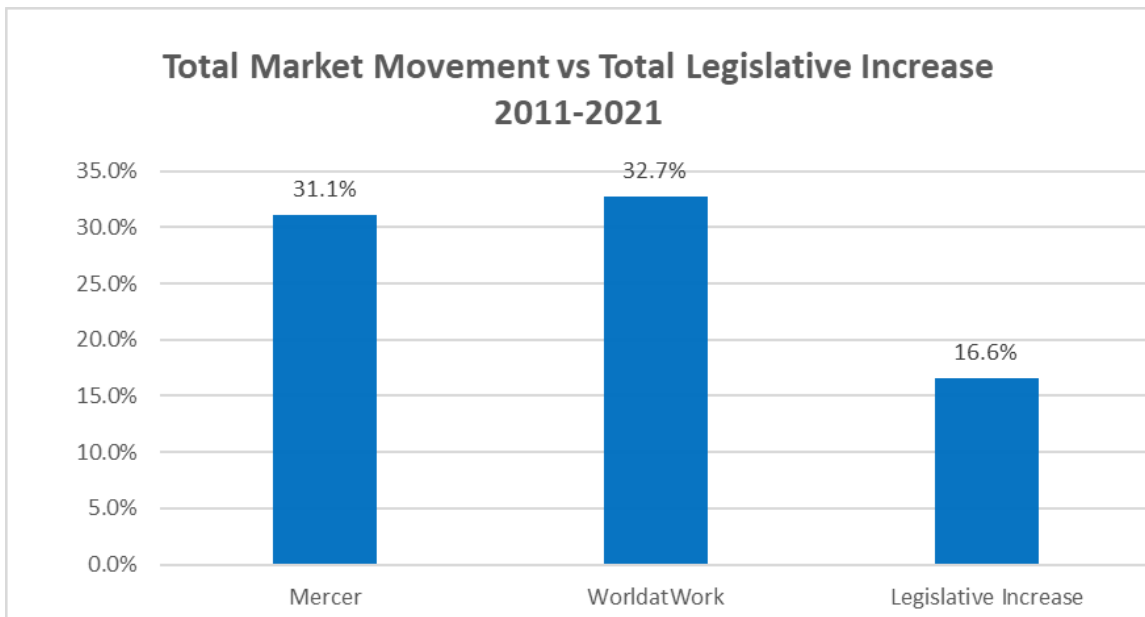
Year	Cost-of-Living	Career Growth	Bonus/Other
1992	\$522	0	0
1993	2%	0	1% bonus
1994	4%	0	1% bonus
1995	2%	0	0
1996	2.5%	2%	0
1997	2%	2%	0
1998	1%	2%	1% performance bonus
1999	1%	2%	\$125 performance bonus
2000	2.2%	2%	\$500 bonus
2001	\$625	0	0
2002	0	0	10 days bonus leave
2003	0	0	\$550 bonus plus 10 days bonus leave
2004	2.5% for salaries over \$40K; or \$1,000/yr. for salaries under \$40K	0	0
2005	the greater of \$850 or 2.0%	0	5 days bonus leave
2006	5.5%	0	0
2007	4.0%	0	0
2008	the greater of \$1,100 or 2.75%	0	0
2009	0	0	0
2010	0	0	0
2011	0	0	0
2012	1.2%	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%	0	0.5% bonus; variable merit bonus (\$475 for ME, \$700 for EE)
2017	\$1,000	0	3 days "special bonus" leave
2018	2% or increase to \$31,200	0	5 days "special bonus" leave; 4% increase/new minimum salaries for Correctional Officers or eligible Adult Corrections employees; 6% increase and step pay plan for eligible State Highway Patrol employees
2019	2.5%	0	5 days "special bonus" leave; 6.5% increase and step pay plan for eligible SHP, SBI & ALE employees
2020	2.5%	0	
2021	2.5%	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.

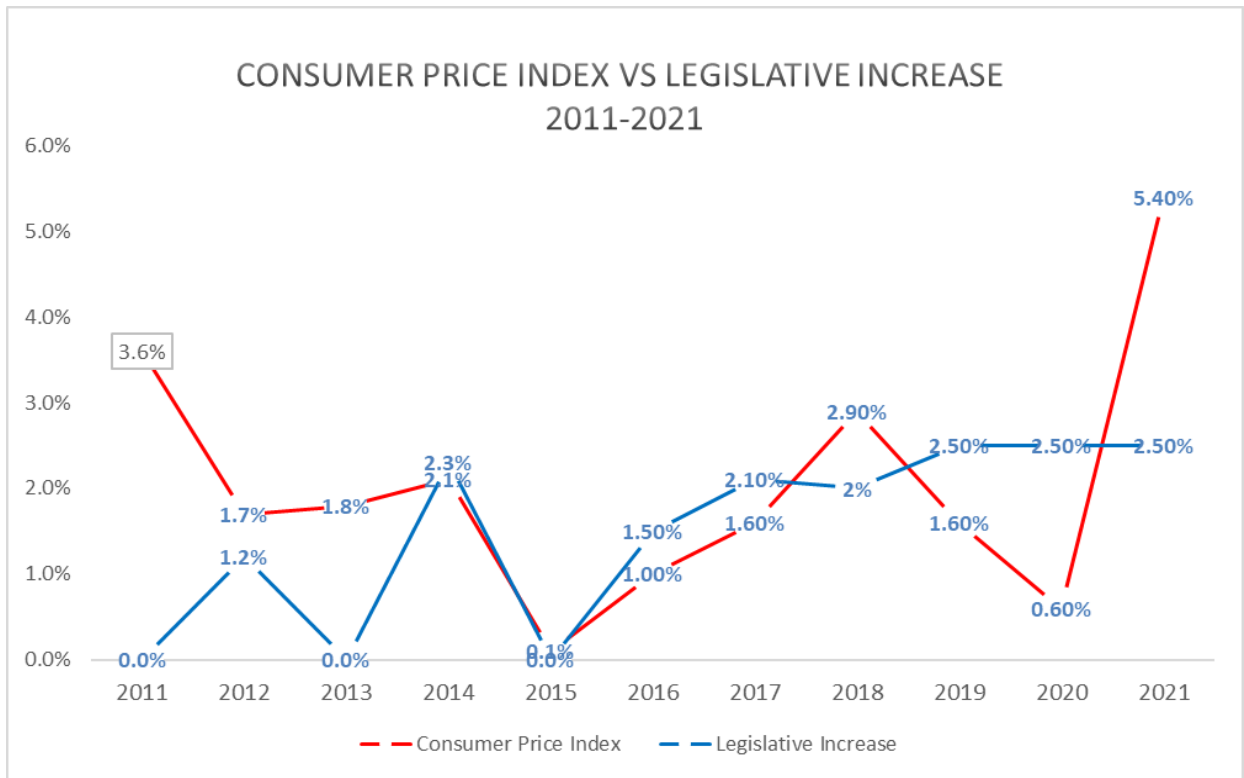
**APPENDIX**

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

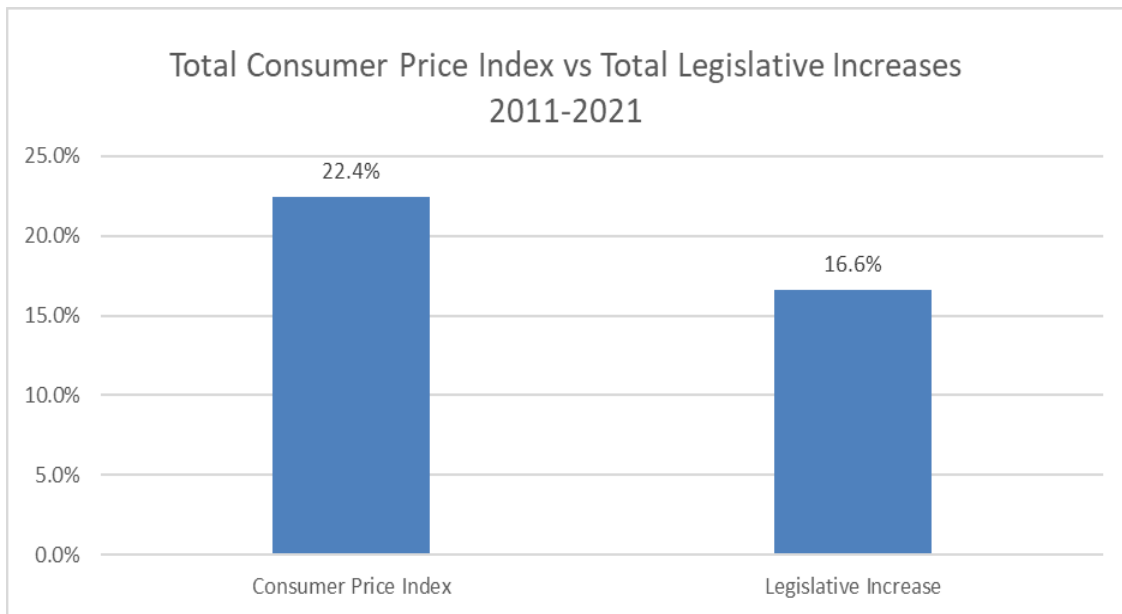


Source: Mercer 2021 US Compensation Planning Survey Monthly Pulse (November Edition), 2021-22 United States WorldatWork Salary Budget Survey. Notes: The greater of \$1,100 or 2.75% for 2008; \$1,000 flat increase for 2014 (2.3% average base pay); \$1,000 flat increase for 2017 (2.1% average base pay); the greater of increase to \$31,200 or 2% for 2018, with 4%/new minimum salaries for eligible employees in Adult Corrections and 6%/step pay plan for eligible State Highway Patrol employees.



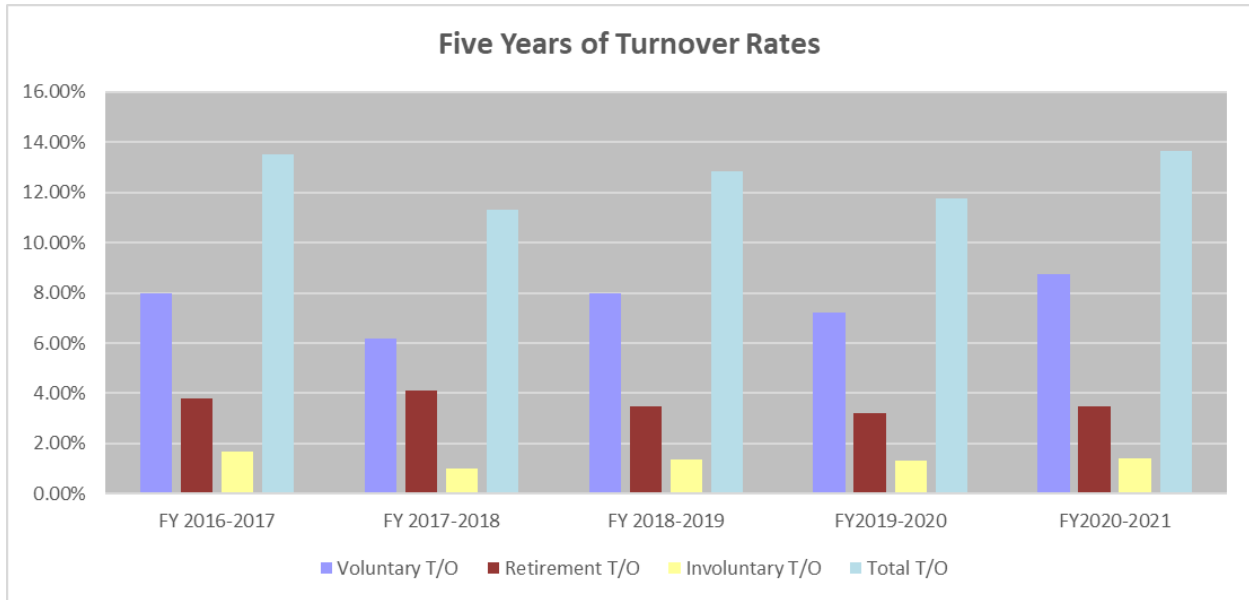


Sources: US Department of Labor/Bureau of Labor Statistics and the NC Office of State Human Resources  
 Notes: The greater of \$1,100 or 2.75% for 2008; CPI 2.2% as of end of October 2012; \$1,000 flat increase for 2014 (2.3% average base pay); \$1,000 flat increase for 2017 (2.1% average base pay); the greater of increase to \$31,200 or 2% for 2018, with 4%/new minimum salaries for eligible employees in Adult Corrections and 6%/step pay plan for eligible State Highway Patrol employees.

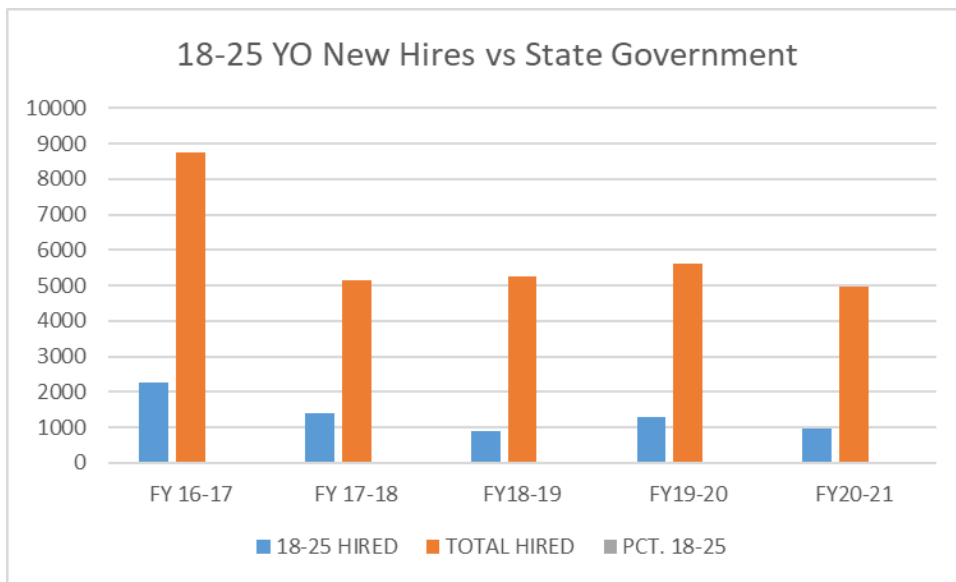


**APPENDIX**

**C. Workforce Turnover and Aging Trends**



Source: Integrated HR/Payroll System

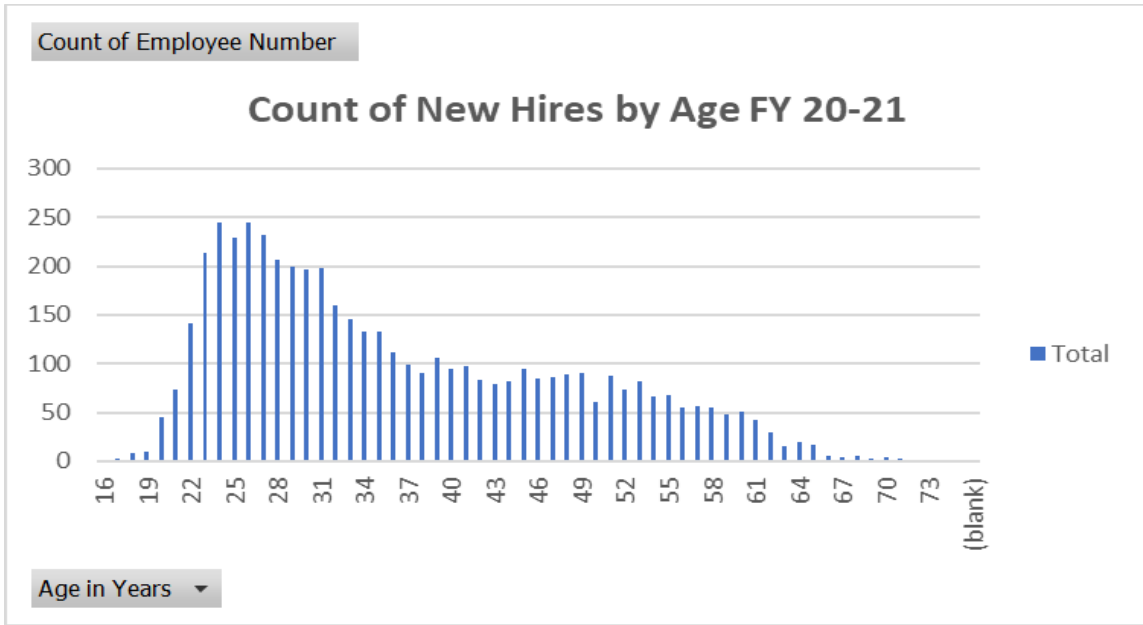


Source: Integrated HR/Payroll System

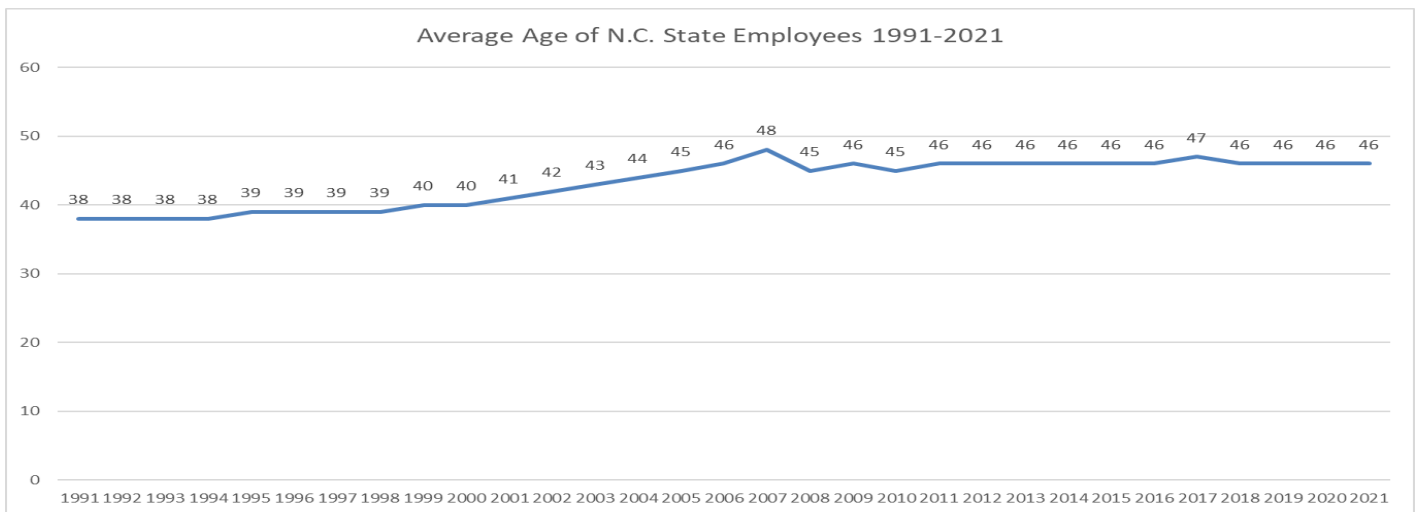


APPENDIX

C. Workforce Turnover and Aging Trends



Source: Integrated HR/Payroll System



Source: Integrated HR/Payroll System

**APPENDIX**  
**D. Market Survey Library**

<p><b>Catapult:</b></p> <ul style="list-style-type: none"> <li>• NC Wage and Salary Survey</li> <li>• 2021 NC Healthcare Benefits &amp; Cost Survey</li> <li>• 2021 National IT &amp; Engineering Compensation Survey</li> </ul>	<p><b>North Carolina County Salaries (State of North Carolina):</b></p> <ul style="list-style-type: none"> <li>• North Carolina County Salaries Survey</li> <li>• Information Technology Security Survey</li> </ul>
<p><b>Salary.com (previously CompData):</b></p> <ul style="list-style-type: none"> <li>• 2021-2022 US &amp; Canada Salary Budget Survey</li> <li>• US Physicians and Mid-Level Practitioners US Accounting and Financial Services Suite</li> <li>• US Engineering and Information Technology Suite</li> <li>• US Health Care Suite - Southeast</li> <li>• US Law Firms and Legal Services Suite</li> </ul>	<p><b>PayScale:</b></p> <ul style="list-style-type: none"> <li>• PayScale Company Sourced Education</li> <li>• PayScale Company Sourced Healthcare</li> <li>• PayScale Company Sourced National Survey</li> <li>• PayScale Company Sourced Public Administration</li> </ul>
<p><b>College and University Personnel Association:</b></p> <ul style="list-style-type: none"> <li>• CUPA Professionals in Higher Education - State of NC</li> <li>• CUPA Staff in Higher Education - State of NC</li> </ul>	<p><b>Wake County Government (State of North Carolina):</b></p> <ul style="list-style-type: none"> <li>• Wake County and Municipal Government Survey</li> </ul>
<p><b>Mercer:</b></p> <ul style="list-style-type: none"> <li>• FSS Insurance/ Financial Operations</li> <li>• Benchmark Database without Manufacturing Operations/Total Remuneration Survey</li> <li>• August Compensation Planning Pulse Survey</li> <li>• IHN – Healthcare System &amp; Hospital Survey</li> <li>• US Compensation Planning Survey – Monthly Pulse</li> </ul>	<p><b>Willis Towers Watson Data Services:</b></p> <ul style="list-style-type: none"> <li>• 2021 Salary Budget Planning Report (Global)</li> <li>• 2021 HR Policies and Practices Survey</li> <li>• 2021 Benefits Design Practices Survey</li> <li>• 2021 Healthcare HR Policies and Practices Survey</li> <li>• 2021 Health Care Executive Compensation Survey (US)</li> <li>• 2021 Health Care Middle Management, Professional and Support Compensation Survey (US)</li> </ul>
<p><b>National Compensation Assn. of State Governments:</b></p> <ul style="list-style-type: none"> <li>• NCASG Salary Survey</li> <li>• Numerous ad hoc surveys throughout the year by individual members</li> </ul>	<p><b>Western Management Group:</b></p> <ul style="list-style-type: none"> <li>• CompBase USA Compensation Survey</li> </ul>
<p><b>Culpepper:</b></p> <ul style="list-style-type: none"> <li>• 2021-2022 Culpepper Salary Budget Survey (free)</li> </ul>	<p><b>Gallagher:</b></p> <ul style="list-style-type: none"> <li>• Gallagher’s 2021/2022 Salary Planning Survey</li> </ul>

*\*The market update project started in pricing year 2018 and is ongoing, so OSHR is maintaining its current survey library.*

**APPENDIX**

**E. Benchmark Classes and Labor Market Analysis**

BENCHMARK CLASSES

Labor Market Data Summary (State Agencies Only, Does Not Include Universities)

Job Title	Number of Employees	Base Salary Average	Market Base Salary Median*	Comp ratio	FY2021-20 Turnover Rate**
<b>ADMINISTRATIVE SUPPORT</b>					
Administrative Associate I	106	34,665	31,038	111.69%	6.36%
<b>AGRICULTURAL, ENVIRONMENTAL AND SCIENTIFIC</b>					
Environmental Health Regional Specialist	25	59,855	65,094	91.95%	8.33%
Forester I	28	42,240	54,626	77.33%	3.70%
Geologist/Hydrogeologist	102	64,183	75,974	84.48%	9.17%
<b>CORRECTIONS</b>					
Correctional Officer II	2312	40,844	39,386	103.70%	35.98%
<b>EDUCATION AND TRAINING</b>					
Staff Development Specialist II	77	56,328	67,655	83.26%	7.59%
<b>ENGINEERING</b>					
Architect I	2	71,836	72,297	99.36%	0.00%
Engineering Technician III	267	62,935	56,104	112.18%	5.24%
<b>FINANCIAL &amp; BUSINESS MANAGEMENT</b>					
Accountant II	77	68,269	61,135	111.67%	7.14%
Auditor II	44	71,659	61,928	115.71%	0%
<b>HUMAN RESOURCES</b>					
Agency HR Consultant II	53	68,768	67,242	102.27%	1.75%
<b>HUMAN SERVICES</b>					
Social Worker	158	51,756	52,497	98.59%	10.23%
<b>INFORMATION, COMMUNICATION AND MEDIA</b>					
Information & Communications Spec II	70	54,157	59,978	90.30%	9.72%
<b>INFORMATION TECHNOLOGY</b>					
Applications Systems Analyst I	251	80,698	66,835	120.74%	8.46%
<b>INSTITUTIONAL SUPPORT</b>					
Cook	150	33,597	28,403	118.29%	13.21%
Housekeeper	456	33,074	26,157	126.44%	17.09%
<b>LAW ENFORCEMENT AND PUBLIC SAFETY</b>					
Police Officer I	77	45,056	51,456	87.56%	22.78%

<b>LEGAL</b>					
Attorney I	5	71,095	81,953	86.75%	14.29%
Paralegal I	24	47,298	52,990	89.26%	0.00%
Paralegal II	45	51,395	59,094	86.97%	10.87%
<b>MEDICAL AND HEALTH</b>					
Forensic Pathologist	5	197,441	255,045	77.41%	0.00%
Health Care Technician I	2805	33,275	31,569	105.40%	23.42%
Registered Nurse	730	65,846	67,064	98.19%	26.65%
<b>NATURAL, HISTORIC AND CULTURAL RESOURCES</b>					
Library Technician	18	39,256	37,655	104.25%	5.56%
<b>OPERATIONS AND TRADES</b>					
Maintenance/Construction Technician III	273	44,874	49,882	89.96%	11.95%
Vehicle/Equipment Repair Technician II	346	50,425	47,775	105.55%	7.95%
<b>PLANNING AND ECONOMIC DEVELOPMENT</b>					
Economist II	4	83,335	89,515	93.10%	0.00%
<b>PROGRAM MANAGEMENT</b>					
Driver License Examiner I	364	40,063	33,877	118.26%	18.35%
Volunteer Services Coordinator	13	41,700	42,358	98.45%	7.69%
<b>SAFETY AND INSPECTION</b>					
Safety Officer II	28	61,150	67,293	90.87%	8.00%

Source: Integrated HR/Payroll System, MarketPay analysis

\*Based on preliminary findings of the Market Update Study

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

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## NORTH CAROLINA Office of *State Human Resources*

1331 Mail Service Center, Raleigh, NC 27699-1331  
[www.oshr.nc.gov](http://www.oshr.nc.gov) | 984-236-0800

Barbara Gibson | State Human Resources Director  
Andrea Clinkscales | Director, Total Rewards Division

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