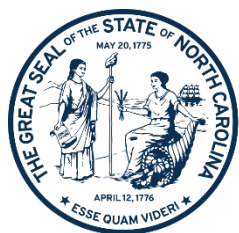


2022 Compensation and Benefits Report



NORTH CAROLINA Office of *State Human Resources*

Report to the Joint Legislative Appropriations Committee

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EXECUTIVE SUMMARY

N.C.G.S. 126-7.3 states, “To guide the Governor and the General Assembly in making decisions regarding the compensation of State employees, the Office of State Human Resources shall conduct annual compensation surveys.” The report is presented to the Appropriations 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 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”) Statewide Compensation System Project. The NC General Assembly appropriated funds to OSHR to develop a modern streamlined Statewide Compensation System (2013 Senate Bill 402, the Appropriations Act of 2013, § 2.1) to address the many challenges and inconsistencies of having two outdated systems.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 (2016 House Bill 1030, the Appropriations Act of 2016, § 36.19A); 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 (U.S.), 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 data to update the State’s pay plans 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 the State will use moving forward with a broader and deeper analysis of our competitive posture throughout the numerous job families.

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.

OSHR successfully implemented the Revised and Enhanced Pay Plans effective June 1, 2022, constructively aligning existing classifications with labor market data using best practice methodology and in accordance with guidance and collaboration with Mercer.

Prior to implementation, OSHR in collaboration with Mercer provided training sessions to agencies. These training sessions, called "Compensation 101," had the purpose of sharing a foundational overview of the labor market study process. In addition, agencies were given the opportunity to see details of the market data for specific classifications they requested in advance.

Following implementation of the Revised and Enhanced Pay Plans, OSHR has continued 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 were also significant parts of this process. Through ongoing collaboration with Mercer, OSHR has created a job placement study process to research, analyze and address any ongoing recruitment and retention challenges agencies have raised since implementation.

Key Highlights:

1. A recurring source of funding is required to sustain the State's competitive market position through regular pay plan adjustments. Resources will also be necessary to strategically identify and address competitive labor market pay and structural gaps to support the dynamic career pathing needs of the State's workforce from recruitment to development and retention.
2. Average salary increases in the market were 3.9% ¹in 2022, greater than the last several years. With the inflation and recruitment challenges seen in the past year, the average salary increase budget is projected at 3.7%² for all employers in 2023. Although the State was slightly behind the market with the 2.5% legislative increases in 2019-2021, the 3.5% legislative increase in 2022 combined with 1.0% LMAR funding in 2022 moves the State in a more competitive direction, even though turnover and vacancy rates remain high by historic norms. Regular and consistent legislative increases for state employees and labor market reserves for targeted classifications are needed to narrow the gap in average market movement. Labor market salary increases are outpacing legislative increases (see Appendix A).

¹ Sources: Mercer 2022 U.S. Compensation Planning Survey, Monthly Pulse Report (November Edition), and 2022-23 United States WorldatWork Salary Budget Survey released in August 2022. The percentage is calculated as an average of merit increases reported by both sources.

² Sources: Mercer 2022 U.S. Compensation Planning Survey, Monthly Pulse Report (November Edition), and 2022-23 United States WorldatWork Salary Budget Survey released in August 2022. The percentage is calculated as an average of merit increases reported by both sources.

INTRODUCTION

This report conveys economic and pay trends. Findings and data are derived from compensation and benefits surveys that OSHR regularly analyzes to determine whether the salary ranges and average salaries for State classifications and benefits for 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, which is still relevant today for State government, was established during the implementation of the Statewide Compensation System in 2018:

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.

The new Pay Administration policy coupled with the updated Sign-On and Retention Bonus policy was implemented simultaneously with the Revised and Enhanced Pay Plans to provide agencies with additional tools to address recruitment and retention challenges. These new policies and increased flexibility provided to agencies will support their efforts to be competitive in the ongoing tight labor market.

TOTAL COMPENSATION

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

Understanding how Total Compensation works and using it effectively benefits the State in not only attracting top talent but in retention. 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 9-30-2022)

Benefit Category	Percentage of Average Salary	Average Value
Holidays (12 days)	4.62%	\$2,680
Sick Leave (12 days)	4.62%	\$2,680
Vacation Leave (17 days)	7.70%	\$4,467
OASI – DI [Social Security]	7.65%	\$4,438
Retirement and Disability*	24.5%	\$14,080
Health Insurance	12.10%	\$7,019
Longevity Pay	1.50%	\$870
Total Benefit Value	62.69%	\$36,369
In determining the Percentage of Average Salary, the average State employee's years of service are 12 years and average State employee salary is \$58,017. The total benefit value is added to employees' base pay to determine Total Compensation.		
	Average Base Pay	\$58,017
	Average Benefit Value	\$36,369
	Average Total Compensation	\$94,387

Sources: Office of State Human Resources, State Health Plan, NC General Assembly, Session Law 2022-74, House Bill 103, Office of State Budget and Management, and the NC Retirement Systems Division.

**It is important to note that approximately 7% of the 24.5% total State costs for Retirement and Disability are provided for retiree health insurance. Per recent legislation, retiree health insurance will not be provided for employees hired on or after January 1, 2021. Data from the UNC School of Government County Survey indicates that paying for retiree health insurance is a common practice among government employers and losing that benefit will adversely affect the competitiveness of the State’s benefits package for new hires.*

Once Average Total Compensation is derived, Salary and Benefits can, 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 comprise a smaller portion of total compensation than is seen nationally, while North Carolina’s paid time off and retirement benefits generally appear to be favorable compared to national averages when expressed as a percentage of total compensation.

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

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

Benefit Category	U.S. BLS Percentage of Total Compensation	N.C. Average Percentage of Total Compensation 2022	N.C. Change From 2021
Salary and Wages	69.0%	62.2%	-0.20%
Paid Time Off	7.4%	10.5%	-0.1%
Health Insurance	7.8%	7.5%	-0.60%
Retirement	5.6%	14.6%	-0.70%
OASI-DI (Social Security)	7.2%	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 – September 2022.”

ECONOMIC REVIEW

General Salary Budget Trends

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

In 2022, the average merit increase budget was 3.9% according to Mercer’s U.S. Compensation Planning Survey (November Edition) and the 2022-23 United States WorldatWork Salary Budget Survey released in August 2022. The percentage is calculated as an average of merit increases reported by both sources. Compared to the legislative increase of 3.5% in July 2022, this puts the State of North Carolina off pace by 0.4% for this past year.

Sue Holloway, Director of Compensation Content at WorldatWork stated, “The rapid rise in salary increase budgets over the past couple of years, combined with today’s volatile economic environment present a challenge to HR pros. They must leverage data and think strategically as they formulate 2023 compensation budget recommendations and negotiate with CFOs.” A recurring labor market or salary adjustment funding source would enable OSHR and state agencies to strategically respond to changes in the market by deploying those funds to particular areas of need that appear over the course of the year in this rapidly changing market.

Since 2013, salary increases in State government have cumulatively trailed average labor market increases by 11.4%, as shown in Appendix B, chart “Total Market Movements vs Total Legislative Increase 2013-2022.” The chart includes the market movement according to Mercer and WorldatWork. Both sources average 30.3% and it is compared to the legislative increase of 18.9%. Although the lag for the past 10 years has decreased, the impact of three years (2009, 2010, 2011) with no legislative increases continues to impact current state salaries. In addition, the continued variances between market and legislative increases perpetuate the current lag. It is imperative that state employees continue to receive legislative increases regularly to help reduce the gap and improve state employees’ salaries relative to the market.

Table 3: Actual and Projected Base Pay Increase Budgets

National Firm	2020 Actual	2021 Actual	2022 Actual	2023 Projected
Mercer	2.3%	3.0%	4.3%	3.8%
WorldatWork	2.9%	3.0%	3.5%	3.6%
Average	2.6%	3.0%	3.9%	3.7%

Sources: Mercer 2022 U.S. Compensation Planning Survey, Monthly Pulse Report (November Edition), and 2022-23 United States WorldatWork Salary Budget Survey released in August 2022.

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

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 2022 is 9.1%. 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 2022), the CPI-U includes all urban consumers and comprises 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 typically not been reflective of CPI-U.

The cost-of-living portion of annual legislative increases from 2012 to 2022 trailed the CPI-U percentages for approximately half the time. This differential reflects that compensation for state employees has historically failed to keep pace with the CPI-U. Salary increases in State government have cumulatively trailed CPI-U by 7.3% over the last 10 years, effectively decreasing employee “buying power.” A chart³ comparing legislative increases with CPI-U is included in Appendix B.

³ In odd-numbered years, this report is due to the Legislature in January-February. It is important to note, OSHR prepares this report months in advance and in 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

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

Common Practices in Compensation

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

Employers also may utilize a recurring funding such as Labor Market Reserve or Salary Adjustment Fund, as a mechanism to advance employees within their pay grade. This allows employees to have a “line of sight” for career growth and salary advancement without changing classifications or pay grades. Having a recurring labor market or salary adjustment funding source would enable OSHR and state agencies to respond more quickly and effectively to changes in the market.

Employers can establish a process to set priorities for labor market increases and salary adjustment funds based on criticality, turnover, retention, recruitment difficulties and market position. It is often helpful for employers to evaluate job-specific turnover to identify critical needs.

Our North Carolina system includes broad classifications, market-related pay ranges, and variable pay within that range. Organizations continue to look to flexible compensation systems as they struggle to sustain staffing levels and afford compensation levels. Additional flexibility in this area can help employers. The new Pay Administration Policy adopted effective June 2022 provides agencies with additional flexibility for pay within the range, as long as funding is available.

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

For any systematic analysis of pay increases to take place, HR staff at the employer must have funding for a Market Analysis and Modeling tool (in North Carolina, MarketPay) and a Position Description Writing and Workflow tool (in North Carolina, PeopleAdmin).

In its 2022 U.S. Compensation Planning survey, Mercer recommended that employers consider monitoring the market for fast-moving market segments, then closing the gaps in competitiveness. Mercer also recommended considering the impact of inflation on low-wage workers. According to Mercer’s “Inside Employees’ Minds” research, the No. 1 concern of low-wage workers is “covering monthly expenses” such as gas prices and groceries. Since these increases in the cost of living may be temporary, some employers are using lump sum or stipend benefits to assist with gas or increasing telework flexibility where feasible.

Market Pricing Methodology

OSHR in collaboration with Mercer conducted a market pricing study to determine competitive pay levels and current market rates for specific jobs in the State of North Carolina/state government. As part of the collaboration, a compensation benchmarking process was developed to assess competitiveness. This benchmarking process consisted of identifying benchmark jobs to be market priced. The State also selected market surveys and matched benchmark jobs to survey jobs. Once matches were identified, OSHR refined the market data and conducted a competitive analysis to determine scopes for industry and job family, and to adjust and validate market data as needed.

To be competitive, it is necessary for the State to be well-informed of pay rates; maintaining current and accurate survey market data is key. In principle, the more survey sources utilized, the more robust is the data set. The State of North Carolina uses a wide variety of survey sources from public and private sector organizations.

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.

Key elements to explain the market pricing methodology and the process used to develop the Revised and Enhanced Pay Plans are explained in the following concepts:

- **Benchmark Job** is a “standard” job which has a definition and scope of work that is readily understood among several organizations (e.g., Accountant, Engineer), internally within the State of North Carolina/state government, and externally common in the market and should represent a cross-section of North Carolina.
- **Non-Benchmark Job** is any job where there is insufficient data to find the right match in survey sources.
- **Market Median Base Salary** 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 median as measured against peer public sector organizations (state, county and local governments) and private industry. The median of an array of reported salaries paid is the point where there are equal numbers of observations above and below.

- **Salary Range Midpoint** is the halfway point between the minimum and maximum rate of a salary range.
- **Compa-Ratio** measures an employee's pay position within the range of the pay grade. This metric provides insight into where the employee is in their job. Compa-Ratio is calculated by dividing the average employee base salary by the midpoint of the range for the job.
- **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** is the process of determining competitive pay levels or current market rates for specific jobs.
- **Pay Plans** are management tools that organize internal and/or external compensation data to support job values. A pay plan typically consists of a series of pay ranges that represent jobs of similar internal and/or external worth. A pay plan reflects the State desired market position and talent strategy at a certain point in time and it facilitates effective decisions through a clear and consistent management approach and use of the structure.

Design of Revised and Enhanced Pay Plans

The general process used to design the State's pay plans as part of the Statewide Compensation Project consisted of benchmarking jobs, determining the number of grades, establishing midpoint progressions and establishing salary range widths. Once the pay plan ranges were established, benchmark jobs were assigned to a grade based on the midpoint closest to market value. Non-benchmark jobs were slotted using internal equity comparisons to benchmarked jobs and the resulting grade assignments were calibrated within and across job families, considering job impact and requirements.

Informed by a Market Pricing and Benchmarking study ("Competitive Labor Market Analysis"), Mercer examined the State's multiple pay plans for market competitiveness. The pay plans are inclusive of their respective job families: General (NC), Information Technology (DT), Legal (LG), Medical (MH) and Sworn Law Enforcement (SW).

This process resulted in the revised pay plans being more closely aligned to benchmark job classifications' market data, incorporating market best practices and organizational fit.

Mercer Recommendations Going Forward and Key Deliverables

Mercer recommends annual updates to the pay plans, by a percentage that is aligned to reported market structure adjustments, the State's fiscal resources and unique conditions in which the State (and each agency) operates as a public sector entity. Mercer also recommends the State conduct a complete

review of the pay plans every three to four years to ensure that they remain aligned with market competitive compensation. Mercer recommends a continued effort to position the most critical jobs (and employees) for the State competitively to ensure top talent continues to consider working for and remain employed with the State; as such, additional annual reviews on a job-by-job basis are also recommended.

The jobs benchmarked by Mercer as part of the study reflect a cross-section of jobs and levels and represent 70% of the employee population and 46% of the jobs within state government (State of NC). In this report, we have included a sample of 64 benchmarks with jobs from each of the 19 major Job Families.

Table 4 lists 20 out of the 65 classes that resulted in a Compa-Ratio below 90% represented as a percentage of 2022 average salary of the employees sitting in those classes, as shown in the Compa-Ratio column. Data regarding the total sample of 65 benchmark classes can be found in Appendix E. Several classifications in business-critical areas such as Corrections and Engineering were selected as benchmarks and are included in Appendix E but are not included in Table 4 because their Compa-Ratio are above 90%.

Table 4: Sample Benchmark Classes with a Compa-Ratio Below 90%
 (This table shows only the classes of the sample that have a Compa-Ratio below 90%.
 See Appendix E for the full list.)

Job Title	Number of Employees	Base Salary Average	Salary Range Midpoint	Compa-Ratio	FY 2021-22 Turnover Rate**
ADMINISTRATIVE SUPPORT					
Administrative Specialist I	2,701	40,650	49,208	82.61%	16.09%
AGRICULTURAL, ENVIRONMENTAL AND SCIENTIFIC					
Chemist I	56	59,131	65,944	89.67%	10.53%
Chemist II	23	66,899	80,155	83.46%	8.70%
Environmental Specialist I	139	51,456	59,813	86.03%	17.02%
Geologist/Hydrogeologist	97	66,146	80,155	82.52%	7.14%
EDUCATION AND TRAINING					
Extension Educ & Training Spec I	26	50,944	62,803	81.12%	3.9%
Staff Development Specialist I	59	51,137	59,813	85.49%	17.0%
Staff Development Specialist II	83	59,441	69,241	85.85%	9.6%
FINANCIAL AND BUSINESS MANAGEMENT					
Real Property Agent I	33	58,432	69,241	84.39%	18.18%
HUMAN RESOURCES					
Agency HR Director III	10	127,607	149,364	85.43%	10.00%
INFORMATION TECHNOLOGY					
IT Project Manager II	37	115,848	131,444	88.13%	8.11%
User Support Technician I	92	53,935	64,401	83.75%	8.70%
User Support Technician II	85	62,210	69,231	89.86%	5.88%
INSTITUTIONAL SUPPORT					
Housekeeping Supervisor I	38	37,576	42,508	88.40%	7.89%

LAW ENFORCEMENT AND PUBLIC SAFETY					
Police Officer I	82	47,448	53,947	87.95%	14.63%
LEGAL					
Attorney Manager I	7	124,916	142,327	87.77%	0.00%
OPERATIONS AND TRADES					
Electrician II	65	46,182	51,668	89.38%	12.12%
Maintenance/Construction Supervisor II	50	57,776	65,944	87.61%	14.00%
PROGRAM MANAGEMENT					
Program Supervisor II	73	67,898	76,338	88.94%	12.16%
Insurance Regulatory Analyst II	19	65,662	84,162	78.02%	31.58%

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

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

The Compensation project resulted in the following key deliverables:

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.

Background: This was the largest and most complex set of tasks in this entire project, and it accounted for more than 50% of the project budget. Each job family has been studied holistically to ensure that job grade assignments facilitate meaningful career progressions. 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 has continued to review and market-price benchmark jobs with input from agencies. As Mercer recommended, management of the job architecture and creation of new job classifications, when warranted, rests with OSHR.

Conclusion: Through collaboration between OSHR and Mercer, labor market benchmarks were increased from 30 to approximately 655 over the course of this project, representing 46% of jobs in the State and 70% of the employee population.

b) Pay Plan Analysis:

RFP: Vendor will examine each of the State's multiple pay plans and recommend adjustments that support the State's Total Compensation Philosophy.

Background: Mercer used three "levers" to design each of the pay plans: midpoint progression, salary range width and the number of grades.

- I. Historically, the State's midpoint progressions in the general pay plan move from 9% at lower pay grades, to 7% at the highest pay grades. This is contrary to the 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 took 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 also allow room for more differentiation based on experience and performance.
- III. The number of grades in each pay plan varies depending on which jobs are included in each structure.

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

Conclusion: The State adopted Mercer's recommended pay plans, which were based on best practices for the number of grades, range widths and midpoint progressions. Five pay plans were established as a result of this analysis and 1,422 classifications were assigned to grades within these plans.

c) Sworn Law Enforcement Pay Plan:

RFP: Vendor will assess and develop a pay plan, 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.

Background: 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.

Conclusion: One of the key improvements as a result of the collaborative work with Mercer was the establishment of a new pay plan for sworn law enforcement job classifications that is aligned with the unique market for such hard-to-fill positions.

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.

Background: 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 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. Agencies use classifications that adhere to typical job architecture principles.

In Mercer's experience with clients in which parts of the organization (agencies, UNC System) have autonomy to manage their human resources with central governance (OSHR), it is best practice to have a consistent, central set of pay plans. When these pay plans are well-aligned to the 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.

Background: Traditionally, salary actions have been 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 pay plan to market median or to ensure critical difficult-to-fill jobs are funded to be market competitive. OSHR is similar to corporate HR and state 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.

Conclusion: OSHR implemented a new Pay Administration Policy which better positions state agencies to compete for talent in the current and tight recruitment market. The new policy provides state agencies with more flexibility, using key pay factors such as budget resources, internal pay equity, distinguishing specific experience and skills, specialized education, licensure and certifications and recruitment/retention issues specific to the market. In addition, the Sign-On and Retention Bonus Policy was updated to allow agencies to provide bonuses to recruit and retain employees in hard-to-fill occupations.

f) Communications and Training:

Amendment: The 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.

Background: The vendor, in coordination with OSHR, facilitated “Compensation 101” and agency-specific data validation 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 supported agencies by providing a communication toolkit including talking points and employee personas. These tools ensured consistent messaging and an understanding of the process and methodology. OSHR provided agencies with the detailed results of the study and presented the Revised and Enhanced Pay Plans to the State Human Resources Commission in April 2022.

Conclusion: The rollout of the Revised and Enhanced Pay Plans included training and resources to help agency human resources staff and managers communicate consistent messages throughout state government. To support this effort, Mercer and OSHR developed several communication tools, including a manager toolkit and employee guide to help managers and employees to prepare for the transition and to understand the key steps taken to improve the State’s compensation system.

ADDITIONAL ANALYSIS

Use of Salary Adjustment Funding/Labor Market Adjustment Reserve

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 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 are 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. Prior to 2022, 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 plans linked to thorough market research, it is particularly important to have the funding necessary to align salaries with the market data gathered.

The 2022 Appropriations Act (Session Law 2022-74, § 39.2) established a Labor Market Adjustment Reserve (LMAR) for most state agencies. The Appropriations Act provided funding equal to the cost of providing a one percent increase of the agency's appropriated salaries and associated benefits. In addition, the Appropriations Act authorized the State Budget Director to adjust an agency's budgeted receipts to provide an equivalent one percent LMAR.

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

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

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

Agencies were permitted to provide increases retroactively to July 1, 2022, and were required to report all uses of LMAR funds to date by September 30, 2022. LMAR funding was used by state agencies to

provide an average salary increase of \$2,238 for more than 7,000 employees across 371 different job classifications.

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

Over the past three years, the impact of the COVID-19 pandemic has been experienced in every aspect of employment. Regarding compensation, high unemployment in 2020 (7.16%) 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."

In 2022, the U.S. labor market experienced a phenomenon known as "Quiet Quitting," where employees remained employed but acted with purpose to restrict their hours and efforts to the defined expectations of the role, e.g., a 40-hour work week, meeting rather than exceeding expectations. According to SHRM, resignations leveled off at about 4 million per month during the last half of 2022. Labor shortages across all industries drove job openings over to 8 million for the first time ever in 2021, and they have remained at over 10 million per month since mid-2022.

Employees in North Carolina, like those around the country, continue to re-evaluate their priorities, contemplating work-life balance anew and opting to transition into roles that better match their values. There are widespread changes to the workforce globally including: increased flexibility to work remotely; reduced business office footprint and expense for many organizations; increased investment in technology, particularly associated with employee engagement and online connectivity; and creating pay structures that are more nimble, more responsive to employee performance and 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 plans, flexible remote and hybrid work policies, and benefits that will attract highly qualified candidates to meet the State's operational needs.

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 the past several years, all industries, including state governments have experienced radical changes in the recruitment market. The State of North Carolina has seen applications for its posted vacancies drop by 15%, while the number of posted job vacancies has increased by 35%.

In 2022, we continued to see the need for the State of North Carolina to explore enhancements in technology that will improve the candidate experience, streamline the hiring process, provide meaningful data analytics, and leverage the efficiencies of a Statewide e-recruiting system while providing recruiting flexibility at the Agency level. The candidate pool continues to decrease, and candidates are more interested in having the option for fully remote or hybrid jobs. In January 2022, agencies began utilizing a new feature in the State's applicant tracking system to emphasize job postings that have a remote work option as Flexible/Hybrid, Remote Only, or Remote Optional. With this feature, candidates have the ability to filter jobs on our career pages by remote employment options.

Agencies are embracing the opportunity to highlight jobs that have the flexibility to offer remote or hybrid work schedules. In 2022, career fairs continued to be hosted on virtual platforms – OSHR held two statewide career fairs on virtual platforms, the first ever Entry Level Career Expo in April and the 3rd Annual All Agency Career Expo in September. OSHR also participated in two national, virtual recruitment events – Career Fair for Individuals with Disabilities and Career Fair for Government/Non-Profit Organizations. OSHR also has participated in several in-person career fairs at universities and colleges across North Carolina.

New Hire Demographics and Recruitment Strategies

It is critical that the State of North Carolina attract and retain a high-quality, diverse workforce and talent pipeline that allows for organizational stability, career growth and succession planning.

Recruitment of workers into jobs at the entry to associate level has created a talent pipeline with 35% of new hires aged 30 or below in FY2021-22. The State employs individuals ranging in age from 17 to 89, with an average age of 47.5.

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, such as the #TriangleTuesdays campaign, 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 track these engagements through NEOGOV to provide useful metrics.

OSHR introduced two new coaching benefits to support state employees: 1) NCCARES and 2) NC Military Spouse Transition Network. NCCARES provides up to five hours of coaching for state employees who are diagnosed with autism spectrum disorder (ASD) and are looking for support as they grow in their career. NC Military Spouse Transition Network provides support for state employees whose spouse has been notified of a Permanent Change of Station.

OSHR is committed to helping connect students and recent graduates with careers in state government. The Higher Education to NC Government Careers initiative (Ed2NC) held a virtual Q&A session to talk about agency missions and recruitment efforts.

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

Micro internships provide motivated North Carolina college students with opportunities to complete short-term projects relevant to their career field. For example, DOA hired two micro interns to help with the State of North Carolina Internship Program, Cultural Resources created one micro internship to work in State 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.

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

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

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

In addition to recruiting a diverse, multigenerational workforce, a key factor in the State's talent pipeline is retention, ensuring that employees progress through their careers and continue to invest their knowledge and talent. Retaining current state employees is also fiscally prudent since it costs significantly more to hire new staff than it does to retain and develop 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.

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

Turnover Rates and Cost

Turnover rates vary among industries, organizations, geographic locations, departments and occupations as well as by employee characteristics including age, education, and organizational tenure. For example, younger, newer, unskilled, and blue-collar employees tend to be more mobile and have higher turnover rates. For this reason, turnover may be calculated for various categories of interest, as well as for the organization as a whole. Additionally, per the Society for Human Resource Management, an organization may not have a severe organization-wide turnover rate but may have a severe departmental turnover rate or a high professional employee turnover rate, which requires appropriate action to alleviate.

The cost to an organization for each position turnover has been estimated by experts such as Gallup and Deloitte in March 2019 and January 2017, respectively, 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.

With the recent changes in an employee mindset and the extended lead times to find qualified candidates, this cost is likely rising. Chally, an industry leader in talent assessment, reported in January 2022 that in the U.S. it takes an average of 42 days to fill an open position and six to eight months to reach full productivity. The average number of workdays that a position was vacant in state government in 2022 was 173 days.

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.

An additional cost of turnover that can be difficult to quantify is the impact on workplace culture and the morale of remaining employees. As work is redistributed during the interim, and the time to fill is extended, remaining employees suffer burn out which may lead to additional vacancies.

Turnover is a measure of employee separations from an agency or university, most often expressed as a turnover rate. Two types of turnover are tracked: total turnover and voluntary turnover. Total turnover includes all separations for any reason. The total turnover rate is calculated by dividing the number of separations 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 the 2022 calendar year, agencies had a voluntary turnover rate of 14.85%, a significant increase from 8.74% the previous year. The increase reflects the broader global turnover trend. The State of North Carolina experienced 8,245 voluntary separations in 2022 (including retirements).

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

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

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 40% of employees subject to the SHRA are eligible for longevity bonuses at a projected cost of approximately \$42 million per year. About 29% of State employees who are exempt from the SHRA are also eligible for longevity bonuses at a cost of approximately \$1.3 million per year. North Carolina pays, on average, a \$1,934 longevity bonus. This is based on a graduated percentage-based schedule starting at 1.5% of annual salary for 10 years of service and increasing every five years to 4.5% for 25 years of service.

It is important to note that retirements increased by 31% from FY2020-21 to FY2021-22, from 1,988 to 2,613. While this reduced the overall cost of longevity, it also resulted in the loss of the most experienced state employees. For more than a decade, OHSR has reported on the aging population of state employees and the risk of a knowledge drain as these employees near retirement age. Various social factors, such as increases in average life span, economic conditions requiring employees to work beyond full retirement eligibility, and flexible work arrangements such as teleworking have delayed the anticipated impact, but with the average age of state employees continuing to increase (from 46 to 47.5 over this period) we may see continued increases in retirements.

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

	FY2018-17	FY2019-18	FY2020-21	FY2021-20	FY2021-22
Voluntary	6.2%	7.97%	7.22%	8.74%	13.11%
Retirement	4.1%	3.47%	3.21%	3.46%	4.60%
Involuntary	1.0%	1.38%	1.33%	1.43%	1.57%
Total	11.3%	12.82%	11.76%	13.64%	19.29%

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

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

BENEFITS ANALYSIS

Teleworking

Many state agencies operate under the OSHR Teleworking Program Policy. This policy was last updated in March 2022 to charge state agencies with reporting to OSHR their pilot teleworking activities by September 30, 2022. OSHR is currently analyzing and assessing the findings of agency pilot teleworking activities. Based on the findings and lessons learned, OSHR will present any needed changes to the Teleworking Program Policy at a future State Human Resources Commission meeting. We understand that the Department of Administration will report teleworking statistics to the General Assembly by April 1, 2023, pursuant to Section 20.1(b) of the 2021 Appropriations Act.

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 5,600 state employees have used Paid Parental Leave since the benefit became available, including 3,407 state agency employees and 2,213 UNC System employees. In FY2021-22, 1,247 agency employees and 747 UNC System employees used Paid Parental Leave. The Paid Parental Leave usage is up 7% from FY2020-21 to FY2021-22. 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
531 birth mothers	442 birth mothers
716 other eligible parents	315 other eligible parents
556 female employees	480 female employees
691 male employees	277 male employees

**Table shows the count of employees who used Paid Parental Leave in FY2021-22.*

Personal Observance Leave

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

Personal Observance Leave may be used by eligible employees for any single shift or calendar day of personal significance, including but not limited to days of cultural or religious importance. This is another step to help ensure that North Carolina can continue to attract, retain and support top talent in its workforce.

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	13.67	+0.33
5-10	17.00	16.71	+.29
10-15	20.00	19.77	+.229
15-20	23.00	22.75	+.25
20-25	26.00	24.63	+1.38
25+	26.00	25.38	+0.63

Source: 2022 NCASG Benefits Survey

Sick Leave

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

Table 8: Sick Leave (in days)

Sick Leave	North Carolina	SE States	Differential in Days
Accrual	12.0	14.2	-2.2

Source: 2022 NCASG Benefits Survey

Holidays

The total average for all Southeastern states in the survey is 13.1 holidays. North Carolina grants a consistent 12 paid holidays per year.

Table 9: Holidays

Holiday Leave	North Carolina	SE States
Days per year	12	13.1

Source: 2022 NCASG Benefits Survey

Health Insurance

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

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

NC Contribution for Family Coverage	SE States Contribution for Family Coverage
46.6%	78.5%

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 on the 80/20 plan significantly lags behind the average employer contribution for family coverage among Southeastern states; North Carolina’s employer contribution is 31.2% less than the average.

Comparison to Local Government Practices

County governments report on the choice of health plan, deductibles and employee and agency cost. Based on an analysis of the 10 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	\$1,090	\$25	\$695	\$8,230
NC	\$1,250	\$25	\$600	\$7,774

**Source: County Salaries in North Carolina 2022, State Health Plan 2023.*

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

Statewide Flexible Benefits Program (NCFlex)

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

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

- Health Care Flexible Spending Account
- Dependent Day Care Flexible Spending Account
- Dental Plan offers three options: High Option, Classic Option and Low Option (for employees and family)
- Vision Care Plan offers three options: Core, Basic and Enhanced; the No-Cost Core Vision Plan provides employees an annual eye exam for \$20 co-payment and discounts for materials at no cost to the employee
- Voluntary Accidental Death and Dismemberment Insurance (for employees and family)
- Core Voluntary Accidental Death and Dismemberment Insurance (employees only); provides \$10,000 of AD&D coverage at no cost to enrolled employees
- Voluntary Group Term Life Insurance (for employee and family); provides new employees up to \$200,000 of guaranteed coverage and employees may be eligible for coverage up to \$500,000.
- TRICARE Supplemental Insurance provides a supplemental insurance plan to military retirees and qualified National Guard and Reserve Members
- Cancer Insurance offers three options: Premium, High and Low Option and includes either a \$25 or \$100 wellness benefit payable directly to employees
- Critical Illness Insurance with \$15,000, \$25,000, and \$40,000 Options
- Accident Insurance offers two plans, a base plan and a high-option plan
- Combined Short-Term and Long-Term Disability Insurance

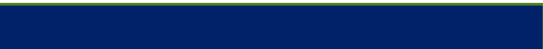
Diversity of benefits will continue to be a major factor in the State's ability to compete for talent. Benefits remain a priority for employers to recruit employees.

Retirement

In North Carolina, the 2021 employer contribution on behalf of employees in the Teachers and State Employees Retirement System (TSERS) was 24.5%. This includes contributions to the retirement systems pension fund, death benefit trust fund, retiree health plan reserve and disability income plan. The State's contribution to the pension fund only is currently 17.38%.

Supplemental Retirement Programs

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



A review of the 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 offering a defined contribution retirement plan. According to the County Salaries in North Carolina 2021-2022 survey, 86 counties reported offering a 401(k) program to non-Law Enforcement employees. Out of these, 26 counties offer both a 401k/457 plan to their elected officials.

CONCLUSION

North Carolina cannot function without a skilled workforce, and we must continue to pursue competitive and innovative ways of attracting, developing and retaining talented and high-performing employees to serve the people of North Carolina. 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 of North Carolina is struggling to attract and retain talented employees.

APPENDIX

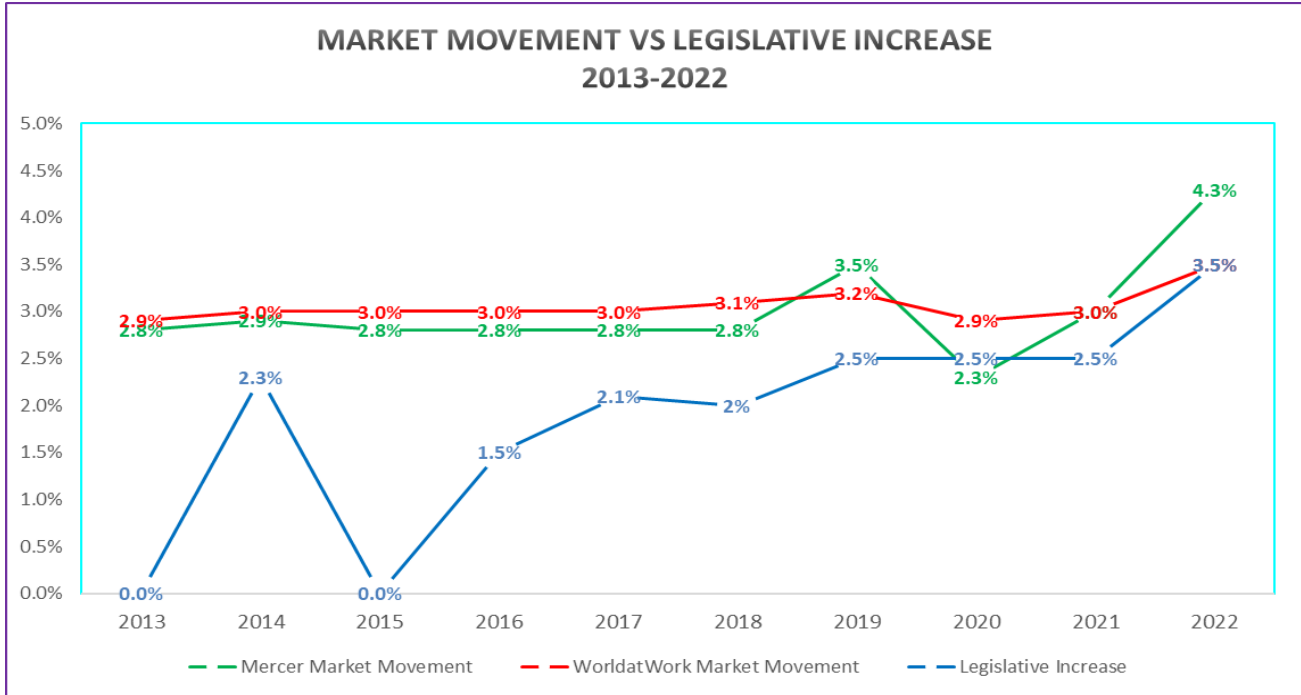
APPENDIX

A. History of Legislative Increases 1992-2022

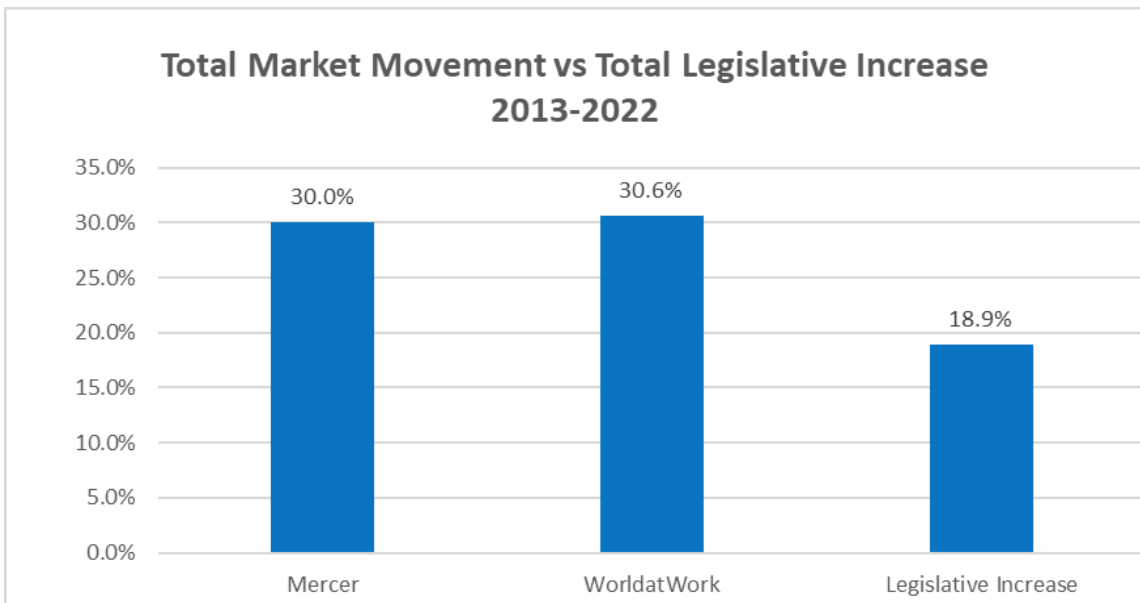
Year	Cost-of-Living	Career Growth	Bonus/Other
1992	\$522	0	0
1993	2%	0	1% bonus
1994	4%	0	1% bonus
1995	2%	0	0
1996	2.5%	2%	0
1997	2%	2%	0
1998	1%	2%	1% performance bonus
1999	1%	2%	\$125 performance bonus
2000	2.2%	2%	\$500 bonus
2001	\$625	0	0
2002	0	0	10 days bonus leave
2003	0	0	\$550 bonus plus 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.
2022	3.5%	0	Includes a 3.5% salary increase for most State employees except those paid on an experience-based salary schedule (such as Correctional Officers, State Highway Patrol Officers, Alcohol Law Enforcement Officers, State Bureau of Investigation Officers, or Probation and Parole Officers)

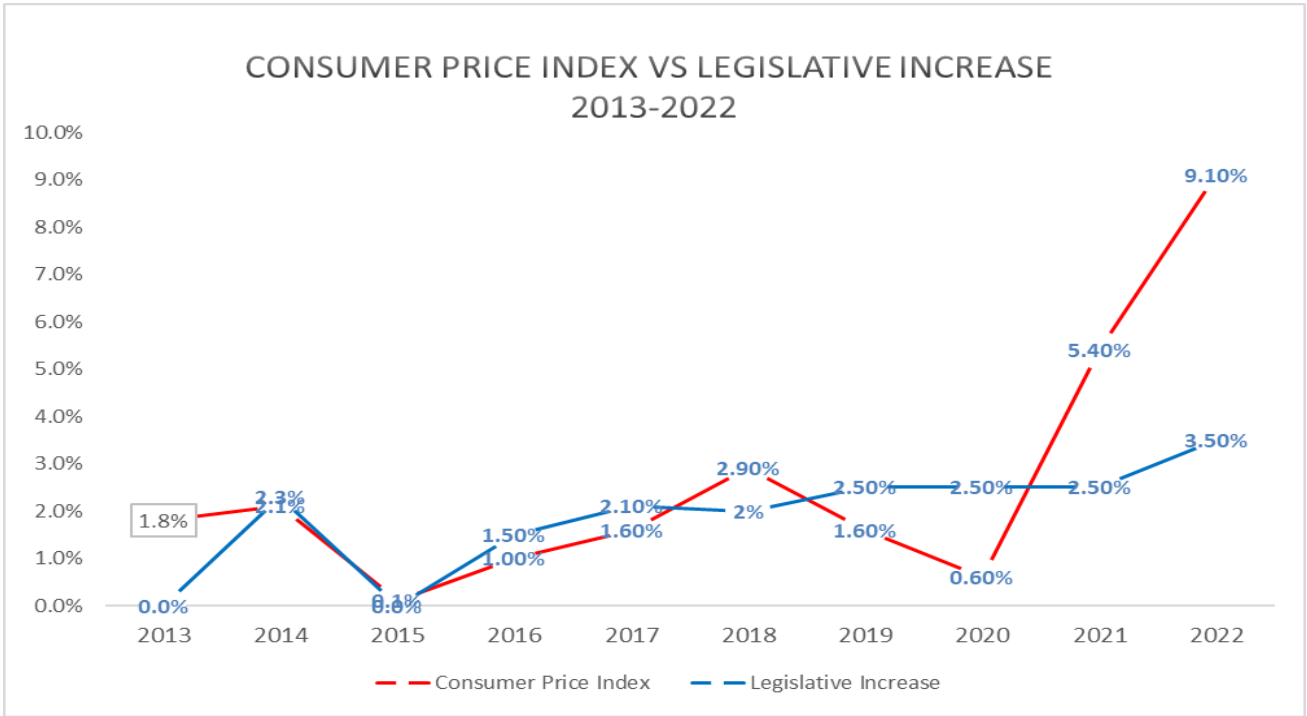
APPENDIX

B. NC Legislative Increase Comparison to Market Movement and CPI

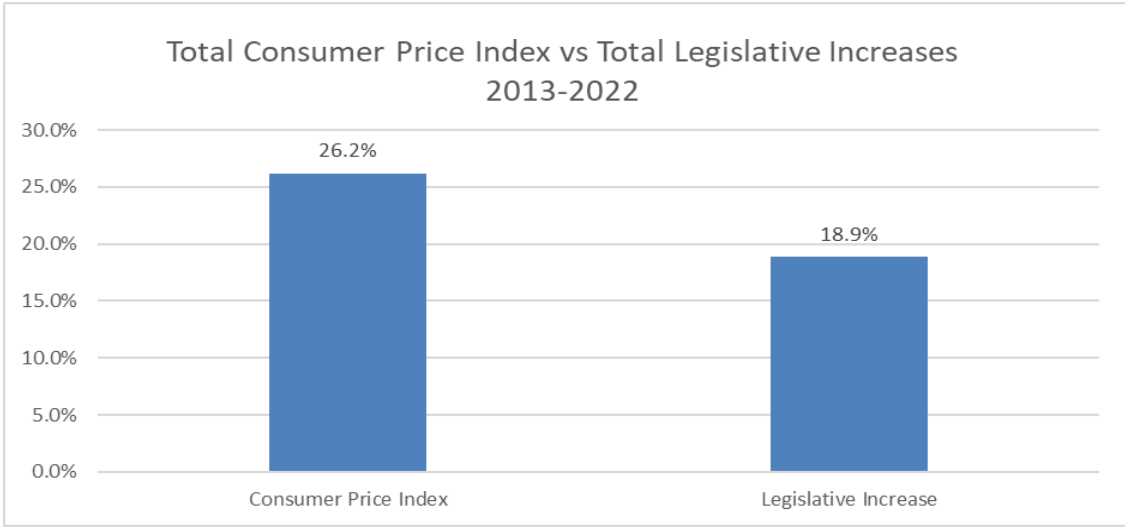


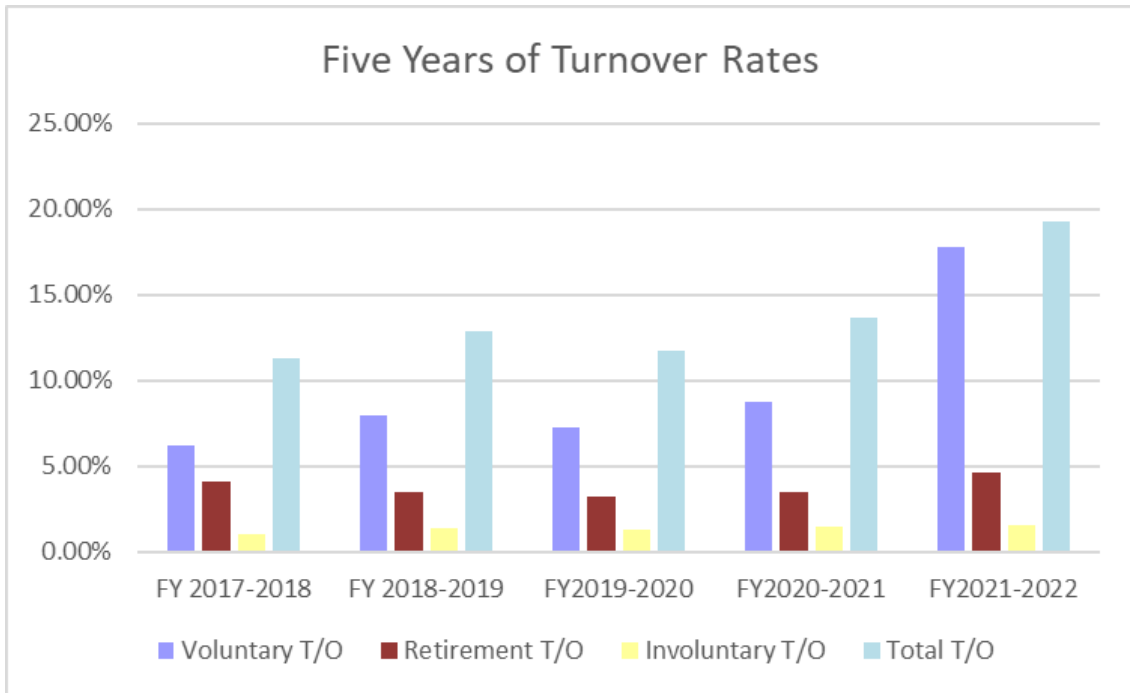
Sources: Mercer 2022 U.S. Compensation Planning Survey, Monthly Pulse (November Edition) and 2022-23 U.S. WorldatWork Salary Budget Survey (August 2022).





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

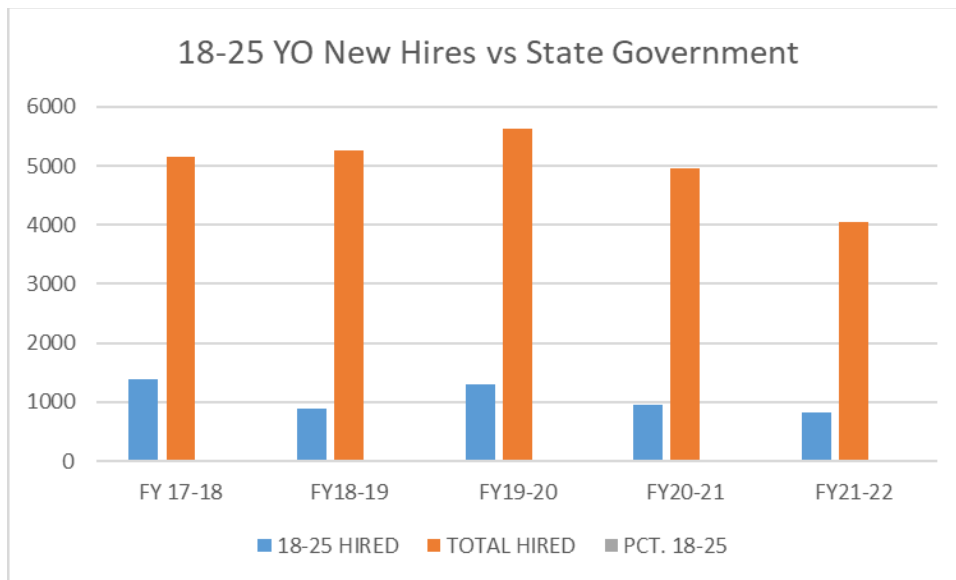




Source: Integrated HR/Payroll System

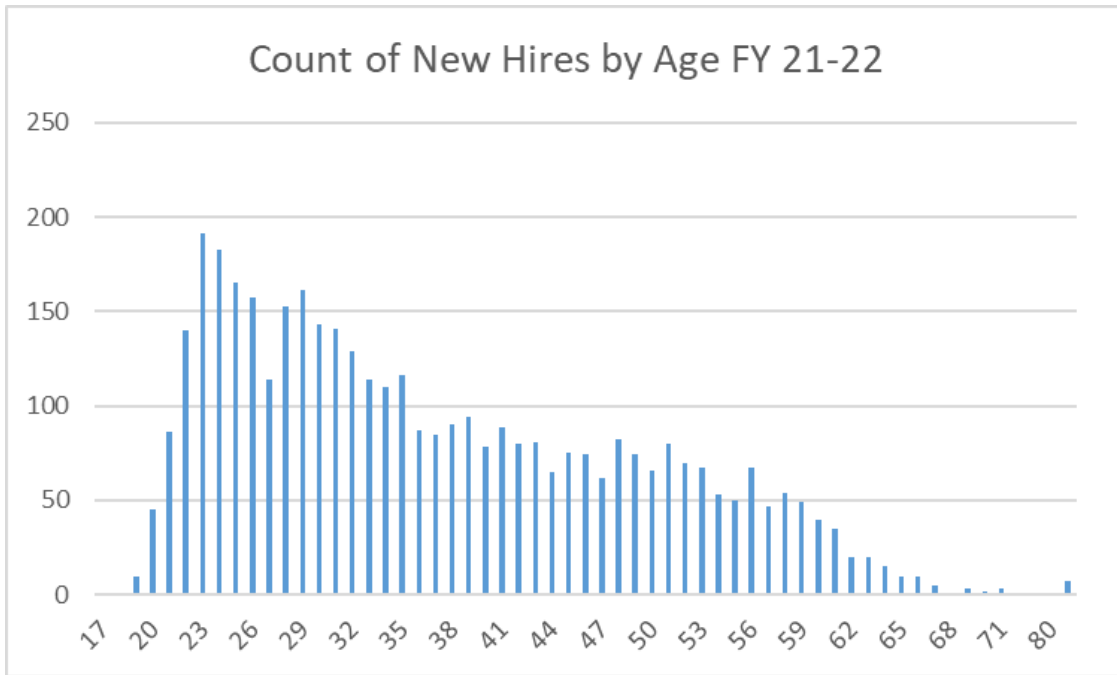
APPENDIX

C. Workforce Turnover and Aging Trends

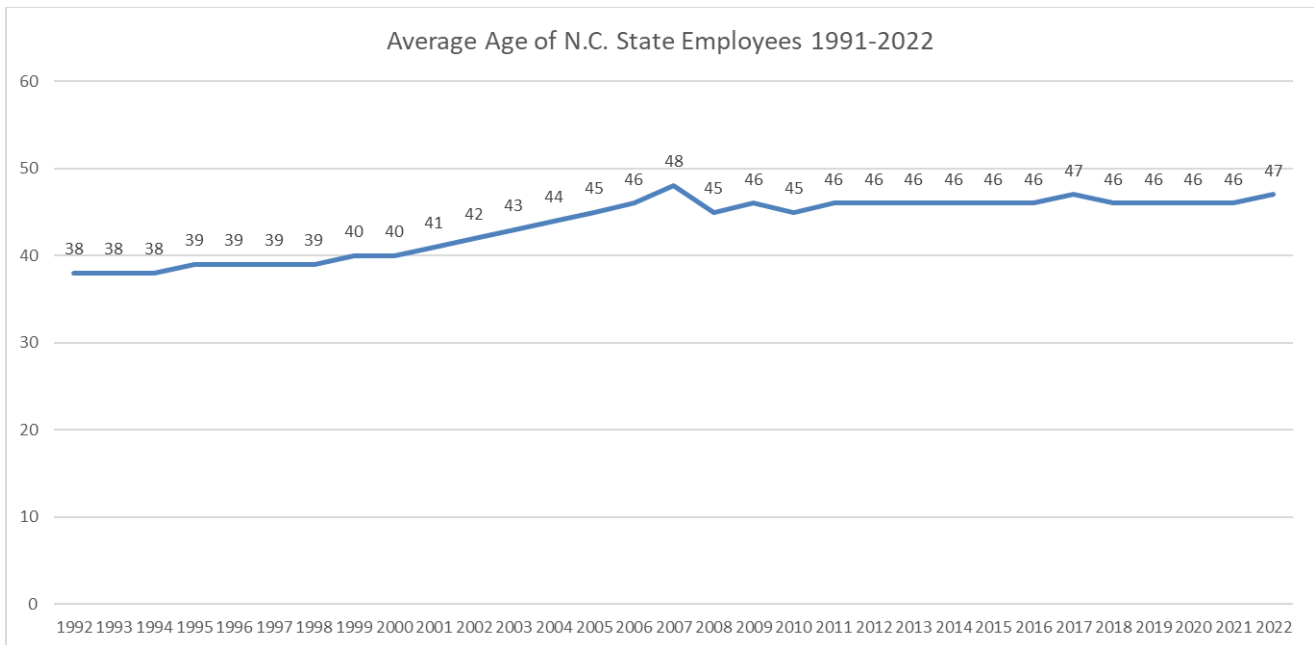


Source: Integrated HR/Payroll System

APPENDIX
C. Workforce Turnover and Aging Trends



Source: Integrated HR/Payroll System



Source: Integrated HR/Payroll System

APPENDIX
D. Market Survey Library
(OSHR Survey Library 2022*)

<p>Catapult (previously CAI):</p> <ul style="list-style-type: none"> • N.C. Wage and Salary Survey • National IT & Engineering Compensation Survey 	<p>North Carolina County Salaries (State of North Carolina):</p> <ul style="list-style-type: none"> • North Carolina County Salaries Survey • Information Technology Security Survey
<p>Salary.com (previously CompData):</p> <ul style="list-style-type: none"> • Accounting Service Suite • Engineering Service Suite • Health Care – Southeast • Legal Service Suite • Not-For-Profit – Southeast • Physicians & Mid-Level Practitioners 	<p>PayScale:</p> <ul style="list-style-type: none"> • PayScale Company Sourced Education • PayScale Company Sourced Healthcare • PayScale Company Sourced National Survey • PayScale Company Sourced Public Administration
	<p>Wake County Government (State of North Carolina):</p> <ul style="list-style-type: none"> • Wake County and Municipal Government Survey
<p>Mercer:</p> <ul style="list-style-type: none"> • FSS Insurance • Benchmark Database without Manufacturing Operations/Total Remuneration Survey • IHN – Healthcare System & Hospital Survey 	<p>Willis Towers Watson Data Services:</p> <ul style="list-style-type: none"> • General Industry Mid-Management, Prof & Support • General Industry Executive • Health Care Middle Management, Professional and Support • Health Care Executive & Management
<p>National Compensation Assn. of State Governments:</p> <ul style="list-style-type: none"> • NCASG State Governments • Numerous ad hoc surveys throughout the year by individual members 	<p>Western Management Group:</p> <ul style="list-style-type: none"> • Western Management Group CompBase - Winter

APPENDIX

E. Sample 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	Salary Range Midpoint*	Comp-Ratio	FY 2021-22 Turnover Rate**
ADMINISTRATIVE SUPPORT					
Administrative Specialist I	2,701	40,650	49,208	82.61%	16.09%
Executive Assistant I	115	55,920	56,964	98.17%	8.70%
Executive Assistant II	26	70,125	62,803	111.66 %	19.23%
AGRICULTURAL, ENVIRONMENTAL AND SCIENTIFIC					
Chemist I	56	59,131	65,944	89.67%	10.53%
Chemist II	23	66,899	80,155	83.46%	8.70%
Environmental Program Manager I	24	99,968	102,123	97.89%	25.00%
Environmental Specialist I	139	51,456	59,813	86.03%	17.02%
Environmental Specialist II	204	60,763	65,944	92.14%	12.68%
Geologist/Hydrogeologist	97	66,146	80,155	82.52%	7.14%
CORRECTIONS					
Correctional Administrator II	6	109,840	102,123	107.56 %	16.7%
Correctional Admissions Technician	29	38,416	36,720	104.62 %	24.1%
Correctional Training Coordinator I	17	64,900	54,252	119.63 %	16.7%
EDUCATION AND TRAINING					
Extension Educ & Training Spec I	26	50,944	62,803	81.12%	3.9%
Staff Development Specialist I	59	51,137	59,813	85.49%	17.0%
Staff Development Specialist II	83	59,441	69,241	85.85%	9.6%

ENGINEERING					
Architect II	18	96,298	84,162	114.42 %	11.11%
Engineer I	349	73,711	72,703	101.39 %	9.1%
Engineering Assistant	24	39,797	40,484	98.30%	4.00%
Engineering Supervisor I	160	98,389	94,998	103.57 %	8.70%
Engineering Supervisor III	136	126,479	109,783	115.21 %	5.84%
FINANCIAL AND BUSINESS MANAGEMENT					
Business Systems Analyst I	73	70,316	72,703	96.72%	13.70%
Business Systems Analyst II	79	87,022	84,162	103.40 %	6.33%
Inventory Associate II	24	41,771	36,720	113.76 %	8.33%
Procurement Specialist II	47	63,216	59,813	105.69 %	8.51%
Real Property Agent I	33	58,432	69,241	84.39%	18.18%
HUMAN RESOURCES					
Agency HR Consultant II	54	70,740	69,241	102.16 %	10.91%
Agency HR Director III	10	127,607	149,364	85.43%	10.00%
HR Technician I	109	45,080	42,508	106.05 %	12.84%
HUMAN SERVICES					
Rehabilitation Counselor	221	48,946	54,252	90.22%	29.41%
INFORMATION, COMMUNICATION AND MEDIA					
Information & Communications Spec II	69	56,747	62,803	90.36%	20.29%
Information & Communications Spec III	56	71,270	72,703	98.03%	14.29%
INFORMATION TECHNOLOGY					
Applications Systems Manager I	78	126,974	114,299	111.09 %	8.97%

Applications Systems Specialist	188	111,201	99,391	111.88 %	6.91%
IT Project Manager II	37	115,848	131,444	88.13%	8.11%
Network Engineer	40	107,674	114,299	94.20%	10.00%
Systems Administrator II	65	101,786	92,456	110.09 %	6.15%
User Support Technician I	92	53,935	64,401	83.75%	8.70%
User Support Technician II	85	62,210	69,231	89.86%	5.88%
INSTITUTIONAL SUPPORT					
Cook	145	34,747	34,971	99.36%	27.59%
Floor Maintenance Assistant	50	34,449	34,971	98.51%	16.00%
Housekeeper	452	34,142	34,971	97.63%	17.36%
Housekeeping Supervisor I	38	37,576	42,508	88.40%	7.89%
LAW ENFORCEMENT AND PUBLIC SAFETY					
Police Officer I	82	47,448	53,947	87.95%	14.63%
Security Guard	131	35,368	34,971	101.14 %	9.16%
LEGAL					
Agency General Counsel I	14	136,671	142,327	96.03%	7.14%
Assistant Agency General Counsel II	37	117,717	113,861	103.39 %	10.81%
Attorney Manager I	7	124,916	142,327	87.77%	0.00%
MEDICAL AND HEALTH					
Physician	62	204,937	201,371	101.77 %	7.81%
Registered Nurse	624	69,505	69,398	100.15 %	30.57%
NATURAL, HISTORIC AND CULTURAL RESOURCES					
Librarian II	12	58,438	59,813	97.70%	25.00%

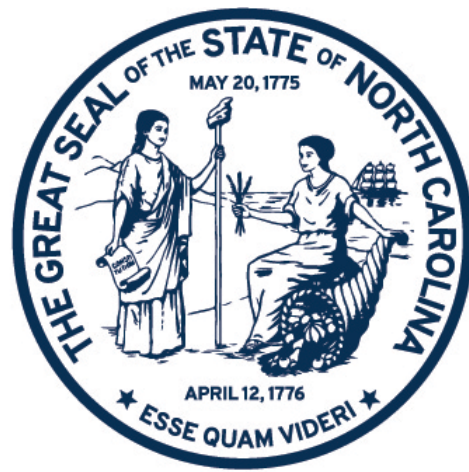
OPERATIONS AND TRADES					
Electrician II	65	46,182	51,668	89.38%	12.12%
HVAC Mechanic I	79	50,275	49,208	102.17%	15.19%
HVAC Mechanic II	41	51,988	54,252	95.83%	14.63%
Maintenance/Construction Supervisor II	50	57,776	65,944	87.61%	14.00%
Maintenance/Construction Technician I	129	38,305	38,556	99.35%	11.63%
Maintenance/Construction Technician III	262	47,179	51,668	91.31%	16.35%
Marine Painter	8	53,377	38,556	138.44%	12.50%
Vehicle/Equipment Repair Technician I	87	44,368	44,633	99.41%	11.36%
Vehicle/Equipment Repair Technician II	362	52,223	49,208	106.13%	5.75%
PLANNING AND ECONOMIC DEVELOPMENT					
Economist II	4	89,426	94,998	94.13%	0.00%
PROGRAM MANAGEMENT					
Program Coordinator I	142	46,147	49,208	93.78%	24.65%
Program Supervisor II	73	67,898	76,338	88.94%	12.16%
Program Supervisor II	19	65,662	84,162	78.02%	31.58%
SAFETY AND INSPECTION					
Safety Officer II	26	63,538	69,241	91.76%	0.00%

Sources: Integrated HR Payroll System and Market Pay System

*Based on New and Enhanced Pay Structures implemented on June 1, 2022

**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.

2022 Compensation and Benefits Report



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