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MODERNIZING & SIMPLIFYING HR IN NORTH CAROLINA

To The North Carolina General Assembly, Pursuant to S.L. 2025-34

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EXECUTIVE SUMMARY

North Carolina’s Office of State Human Resources (OSHR) recognizes that state government needs to transform in order to recruit, develop, and retain dedicated public servants who deliver high-quality services for North Carolinians. The state’s HR laws and systems have not adequately addressed challenges which make it difficult to hire quickly, provide employee feedback, adjust pay, or appropriately address employee performance – good or bad. At times, HR can seem like a compliance exercise that limits agency decision making, stifles employee advancement, and overrides managers’ decisions.

Yet, change is underway. Session Law 2025-34 created valuable new flexibilities, and OSHR has mobilized to meet urgent hiring needs and develop policies and practices that help agencies manage their workforces. However, **OSHR’s progress to date represents only the beginning of reform.** Recognizing the need for progress, the General Assembly directed OSHR to submit a report on recommendations to modernize the North Carolina Human Resources Act, simplify its provisions, and align it with contemporary best practices.

OSHR’s recommendations are grounded in lasting principles, including high performance, speed, flexibility, accountability and employee responsiveness. This report highlights some of OSHR’s early wins and current initiatives and provides legislative recommendations that will help the state to create a high-functioning system. The report additionally advances reforms in other areas including employee accountability and building state capacity in the state’s HR function. While no single change is revolutionary, combined, these changes will result in significant improvements to how our state attracts, recruits, manages, and retains employees.

LEGISLATIVE RECOMMENDATIONS

OSHR proposes statutory changes in three primary areas:

- **Fast, Flexible Recruiting & Hiring.** Examples include expanding early-career access, authorizing hiring preferences for military spouses, streamlining lateral transfers, simplifying classification authority, expanding temporary-to-permanent hiring flexibility, and strengthening Temporary Solutions to support targeted hiring surges.
- **Compensation & Retention.** Examples include enabling performance-based bonuses and salary adjustments, authorizing post-tax benefits through NC Flex, standardizing leave benefits, and requiring agencies to credit prior government experience appropriately.
- **OSHR Organizational Capacity.** Examples include enhancing HR-related training, integrating data systems, establishing clear metrics and feedback loops, and using pilot programs to test innovations before scaling for implementation.

Beyond these individual changes, North Carolina also has an opportunity to streamline its statutory framework, creating a statute that better reflects the state’s values and is easier for state employees to navigate. Through a full rewrite of Chapter 126, North Carolina has a rare opportunity to overhaul its public service system and position itself as a national leader with an HR system designed for the 21st-century workforce.

PRINCIPLES OF A HIGH-PERFORMING STATE SERVICE

Technology, labor markets, and service delivery models are changing all the time, but an effective public service system must be grounded in lasting, nonpartisan principles. Each of OSHR's specific policy proposals flows from one or more of the values below. In addition, the full statutory overhaul (see p. 6) will make these value-based commitments binding, while stripping away outdated specifics that get in the way of excellence.

High-performing and Merit-focused. Our state has a long-standing principle of merit-based hiring. Hiring, advancement, and accountability decisions should continue to be based on skills and performance. No person should be hired, promoted, retained, or compensated for reasons of political affiliation, personal relationship, or any characteristic unrelated to job requirements and outcomes. A high-performing workforce system honors and enables strong results.

Competitive. State government must offer pay, benefits, and career pathways sufficient to attract and keep talented people who want to improve the lives of North Carolinians.

Flexible. Agencies closest to the work should have the authority to act; a well-designed HR system sets clear standards for agencies and employees without prescribing every step in between.

Fast. The system seeks promptness in hiring, personnel decisions, and dispute resolution as a performance obligation, not an administrative detail.

Respectful and Employee-centered. Career employees deserve stability, due process, and protection from arbitrary action. Personnel processes treat employees as professionals and provide tools for employees to meet their own needs and better meet the needs of North Carolinians.

Accountable. The state must measure outcomes, publish results, and continuously act on what it learns. Laws, rules, and policies that fail to achieve their stated purposes should be reformed. The feedback loop between policy and implementation is not optional.

This approach expands the flexibility, tools, and support given to state agencies while maintaining a merit-based hiring system and protecting employee rights. When this transformation is implemented, the system will work for everyone as follows:



Applicants: Applicants will find a clear, welcoming path into public service with transparent timelines, honest communication, and agencies actively competing for their talent.



Employees: Employees will be treated with dignity — as professionals with clear expectations, meaningful feedback, and opportunities to grow. The system will be designed to help them succeed.



Managers: Managers will be empowered to hire the right people quickly, reward excellence, and invest in their teams rather than navigate bureaucratic hurdles.



HR Professionals: HR professionals will be architects of workforce excellence, spending less time managing processes and more time designing people-centered solutions with the tools and flexibility their agencies need.

EARLY WINS AND CURRENT INITIATIVES

OSHR has demonstrated that meaningful reform does not have to wait for a full statutory overhaul and that early wins and best practices build credibility for larger ones. The 2025 session produced a cluster of concrete, interconnected reforms that together represent the most significant modernization of the State’s HR system in over a decade. These wins matter not just for what they accomplish, but for what they make possible: they establish bipartisan consensus and demonstrate OSHR’s capacity to lead change. North Carolina is not starting from scratch. It is building from learning.

EARLY WIN: HIRING REFORM

The General Assembly’s passage of Session Law 2025-34 provided the first round of major hiring flexibility that agencies had been requesting for years. It is now easier for applicants to meet the minimum qualifications for positions across the state. By eliminating the requirement for rigid “Knowledge, Skills, and Abilities” (KSAs) from job postings, the law opened pathways for qualified candidates who would previously have been screened out by requirements that bore little relationship to actual job performance.

Temporary-to-permanent hiring gave agencies a “test and learn” mechanism: the ability to bring on candidates in a temporary capacity and convert them to permanent positions after a period of demonstrated performance, reducing the risk of a costly mis-hire.

Pooled hiring eliminated the need for every agency to run its own independent recruitment process for common positions, reducing duplication and accelerating time-to-fill. Previously, hiring from the prior most-qualified candidate list meant that when a first-choice candidate declined, agencies had to restart the entire recruitment process from scratch.

Based on its commitment to **plain language guidance**, OSHR is in the early phase of translating complex HR rules into accessible directions that agency leaders, managers, and employees can easily understand and use.

EARLY WIN: PERFORMANCE MANAGEMENT

OSHR has also taken a decisive step forward with the release of the new “Managing the Employee Work Cycle Policy” (March 5, 2026). This is one of the most significant redesigns of state performance management in North Carolina’s history. The new policy is approximately half the length of its predecessor and will be accompanied by a plain-language online companion accessible to the entire workforce. The new policy reflects a fundamental shift from compliance-focused evaluation to a culture of continuous feedback and development. Regular developmental check-ins are now structured around three specific questions: What should this employee continue doing? Start doing? Stop doing? For a simpler system, interim reviews have been eliminated. Additionally, the annual evaluation has been simplified to produce a single summation rating tied to concrete outcomes.

The policy also establishes a new test-and-learn pilot process with a small cohort of agencies pursuing additional changes, such as upward feedback processes and an intensive focus on calibration of ratings.

ONGOING INITIATIVE: PRE-POSTING ANTICIPATED VACANCIES

When retirements, transfers, and resignations are known in advance, OSHR recommends agencies to post anticipated vacancies before an outgoing employee formally departs. This single change can meaningfully reduce time-to-fill for planned separations across state government.

ONGOING INITIATIVE: EVERGREEN POSTINGS FOR HIGH-TURNOVER POSITIONS

For positions with consistently high turnover, such as correctional officers, social workers, and certain administrative roles, OSHR recommends agencies to maintain evergreen or continuous postings. By also maintaining a standing pool of screened candidates, this approach reduces administrative burdens and shortens time-to-hire for recurring vacancies.

ONGOING INITIATIVE: PLAIN-LANGUAGE JOB TITLES AND DESCRIPTIONS

Many state job titles and classifications are unclear to applicants. Requiring that job postings include plain-language titles and descriptions will cost nothing and will broaden applicant pools.

ONGOING INITIATIVE: RECRUITMENT SPRINTS FOR CRITICAL WORKFORCE NEEDS

Some agencies face especially acute recruiting needs, including around correctional officers, psychiatric care, and child welfare. In such instances, OSHR is building capacity to conduct targeted, time-limited sprints that bring together OSHR resources, streamlined processes, and dedicated support to fill roles, together with affected agencies. Sprints need not be limited solely to targeted hiring but rather can include targeted interventions to improve retention at agencies in need.

NEW INITIATIVE: ACCOUNTABILITY IN STATE SERVICE

As an additional step in its work related to performance management, OSHR will examine the policy and process regarding unsatisfactory work performance. While OSHR's goal is that every employee serves effectively, there will always be cases in which employees do not perform as expected. As a matter of respect and fairness, due process protections for tenured state employees remains critical. At the same time, there must be a reasonable way for the state to address poor performance. Unmotivated or ineffective staff can erode morale and the performance of the employees North Carolina most needs to retain. The state should streamline the process to eliminate redundant sequential steps and give supervisors clearer guidance. This will be coupled with additional training for managers to support staff who are struggling and to use the accountability process when necessary.

MOVING FORWARD

Despite these wins and initiatives, the current challenges and rapidly evolving needs of the public workforce illustrate why incremental reform is insufficient. North Carolina needs to replace Chapter 126 with a modern, flexible statutory foundation suited to the workforce challenges of the next generation.

The overall path forward has three parts, and they must work in concert:

- A full rewrite of Chapter 126, moving to a new Chapter 126A.
- Targeted policy reforms: Plain-language policies that translate statutory authority into practical guidance that HR professionals, managers, and employees can use.
- Sustained investment in OSHR's capacity: Data systems, analytics infrastructure, training, feedback mechanisms, and the organizational capability to deliver modern HR services.

LEGISLATIVE RECOMMENDATIONS

The following topics are OSHR's top priorities for the statutory rewrite.

Our approach to the statutory changes is to expand the flexibility, tools, and support given to state agencies to ensure that they can maintain a highly qualified workforce. OSHR is committed to balancing the need for a merit-based hiring system, protecting the rights of state employees and providing the necessary authority for agencies to make decisions to meet their business needs. When this transformation is implemented, the system will be easier to use for all in state government.

The recommendations are informed by numerous sources: the [2026 NAPA State Human Resources Benchmarking Study](#) of 44 states, the [2025 NASPE HR Architecture Survey](#), the Recoding America Fund's workforce principles, and the subject matter expertise of human resources professionals across state government.

FAST AND FLEXIBLE RECRUITING AND HIRING

Principles:

- Government can only deliver for citizens when it can hire the right people quickly.
- A modern system evaluates candidates on demonstrated competencies, not credentials.
- A well-designed system creates multiple pathways for hiring talented individuals, across agencies and across careers.

RECRUITMENT AND PATHWAYS TO SERVICE RECRUITMENT

North Carolina must compete for talent with private sector employers, the federal government, and other states. The NAPA benchmarking study found that leading states now treat recruitment as a strategic marketing challenge, investing in employer branding, building early-career pipelines, and designing entry points that meet candidates where they are. OSHR's recommendations build a statutory foundation for work-based learning, and early-career programs while establishing new talent pipelines.

SKILLS-BASED HIRING

OSHR recommends authorizing skills-based hiring that evaluates candidates on demonstrated competencies rather than formal credentials or years of experience relevant to the vacant position. More than half of states have already moved in this direction. The approach is particularly well-suited to information technology and other technical occupations.

WORK-BASED LEARNING AS A QUALIFYING PATHWAY

To enable talented younger workers and career changes to fill important roles, OSHR recommends allowing agencies to hire candidates who do not initially meet certain qualifications, provided they develop the necessary skills or obtain required certifications within at least four years, and also are meeting or exceeding expectations in ongoing performance reviews.

EARLY-CAREER TALENT PATHWAYS

Early career candidates are often excited about government service but are unable to find the right entry point. OSHR recommends building on existing programs such as the Governor's Internship Program and Ed2NC, expanding apprenticeship and other work-based learning programs, and exploring the options for a state employee fellowship program. Additionally, interns who successfully complete their work for a state agency should be eligible to convert into a permanent employee, if a relevant vacancy exists.

MILITARY SPOUSE HIRING PREFERENCE

Military spouses face a civilian unemployment rate of approximately 20%, driven largely by career disruptions from frequent relocations. Our state can better support military families by extending the existing veterans' hiring preferences to qualified spouses of active-duty military.

HIRING

Hiring in state government has historically taken too long. The following statutory recommendations focus on removing procedural barriers that slow the movement of talent into and within state government. Additionally, OSHR plans to revamp outdated and overly complex policies to further streamline the hiring process.

LATERAL TRANSFERS WITHIN AN AGENCY

Agency needs often shift rapidly. A division facing a critical shortage may be in the same agency as one with excess capacity in the same classification, but often moving an employee laterally requires a full competitive hiring process that can take months. OSHR recommends allowing current employees to transfer laterally to another classification within the same agency without posting, provided the transfer is at the same salary or higher. This gives agencies a fast, flexible tool for redistributing talent they already have.

AGENCY AUTHORITY OVER CLASSIFICATION DECISIONS

Where a job classification is unique to a single agency, OSHR approval to modify it adds delay without adding value. Individual agencies know what they need. OSHR recommends eliminating the approval requirement for agency-specific classification decisions within statutory guardrails, where OSHR functions as a resource rather than a gatekeeper.

TEMPORARY-TO-PERMANENT HIRING

The 2026 NAPA Benchmarking Study highlighted the temporary-to-permanent hiring authority established in S.L. 2025-34 as an innovative approach to accelerating hiring. OSHR supports further expanding this flexibility by reducing the eligibility period to from 6-months to 3-months, enabling agencies to convert high-performing temporary employees to permanent employees.

AUTHORIZE AND EXPAND TEMPORARY SOLUTIONS

Following Hurricane Helene and federal workforce disruptions, OSHR's Temporary Solutions and the JoinNC initiative mobilized rapidly to meet key needs. Those efforts expanded into implementing cross-functional teams to fill positions with high vacancy rates such as Driver's License Examiners at the Department of Motor Vehicles. OSHR recommends formally authorizing Temporary Solutions to support permanent agency recruitment; the program will need to undergo a reorganization and rebranding to best develop a capability to provide support for targeted hiring surges.

COMPENSATION AND RETENTION INITIATIVES

Retaining strong employees requires competitive compensation and meaningful career growth. In fact, 31 states already have pay-for-performance programs; North Carolina has the opportunity to design a system grounded in current best practices. The following recommendations will aim to reduce attrition and prioritize keeping the highest-performing public servants.

Principles:

- Retaining strong employees requires competitive compensation and meaningful career opportunities.
- Employees should have ways to earn increased pay and recognition based on demonstrating skills and outcomes, as well as through formal promotions.
- Agencies can and should compensate employees in varied ways that meet their needs.

PERFORMANCE-BASED RECOGNITION & COMPENSATION

Pay constraints are among the most frequently cited barriers to recruitment and retention in state government. Without the ability to allow compensation adjustments based on performance, agencies cannot retain their strongest contributors. The state regularly loses outstanding staff in critical domains because individuals cannot earn more without changing to a different role that may not be available or appropriate. OSHR recommends explicitly authorizing state agencies to award performance-based salary increases and bonuses for individuals who demonstrate outstanding skill or results, and authorizing project-based performance bonus leave.

NCFLEX POST-TAX BENEFIT PRODUCTS

State employees currently have inconsistent access to post-tax benefits that other large employers often offer at a lower cost than the individual market. To increase the competitiveness of state employment, OSHR recommends authorizing NCFlex to offer post-tax benefit products through group purchasing arrangements. Products could include pet insurance, legal assistance, and identity theft protection.

EXPANDED LEAVE BENEFITS

Bereavement leave is currently available only to some state employees through Executive Order 325. OSHR recommends extending bereavement leave to all state employees and codifying it in statute and considering expansions to bereavement leave such as end-of-life care. OSHR also recommends expanding paid parental leave to twelve weeks for all parents following the birth, adoption, or placement of a child. Further, OSHR recommends considering additional leave authorization for elder care. Research consistently demonstrates that robust leave policies are a significant factor in both retention and recruitment, particularly among early-career talent comparing benefits with private sector employers.

SIMILAR GOVERNMENT EXPERIENCE CREDIT

A law enforcement officer with 5 years of experience at a federal correctional facility can be a great asset to North Carolina – but does not consistently enter at a salary commensurate with their years of experience. OSHR recommends requiring all agencies to credit and appropriately compensate state employees based on relevant years of experience at other levels of government or in other states.

OSHR ORGANIZATIONAL CAPACITY

Policy reform is only as good as its implementation. Even the best statutory framework will fall short if agencies and managers do not know how to use the available tools and if OSHR lacks the organizational capacity to support them. OSHR will ensure agencies and managers are trained to make full and effective use of both existing and new HR flexibilities, including retention bonuses, sign-on bonuses, telework, and flexible scheduling. OSHR will also link currently separated data systems to enable better decision-making, establish clear metrics and regular reporting on workforce outcomes, and create structured feedback channels with front-line supervisors. Time-limited pilot programs will allow North Carolina to test new approaches before scaling them statewide. These investments in OSHR’s capacity are imperative to enable systematic HR reform.

OSHR will model the adaptive, data-informed culture it seeks to build across state government, creating an organization equipped to support agencies through continuous learning and improvement.

CONCLUSION

North Carolina's public service system was created in a different era. Chapter 126 can be transformed to help the state meet its current and future workforce needs. The reforms recommended in this report are not incremental adjustments; they represent a comprehensive reimagining of how North Carolina recruits, develops, retains, and manages its public servants.

Replacing Chapter 126 with a new Chapter 126A is the statutory foundation. Updated policies across the employee lifecycle provide the operational framework. Sustained investment in OSHR's capacity to support agencies, use data, and learn from experience is the implementation engine. All three must move forward together.

North Carolina now has a once-in-a-lifetime opportunity to build something better: a state service model grounded in current research, designed for the workforce challenges of the coming generation, and capable of continuing to deliver the excellent public services that North Carolinians deserve.

OSHR is ready to lead this transformation and respectfully requests the General Assembly's partnership to make it possible.