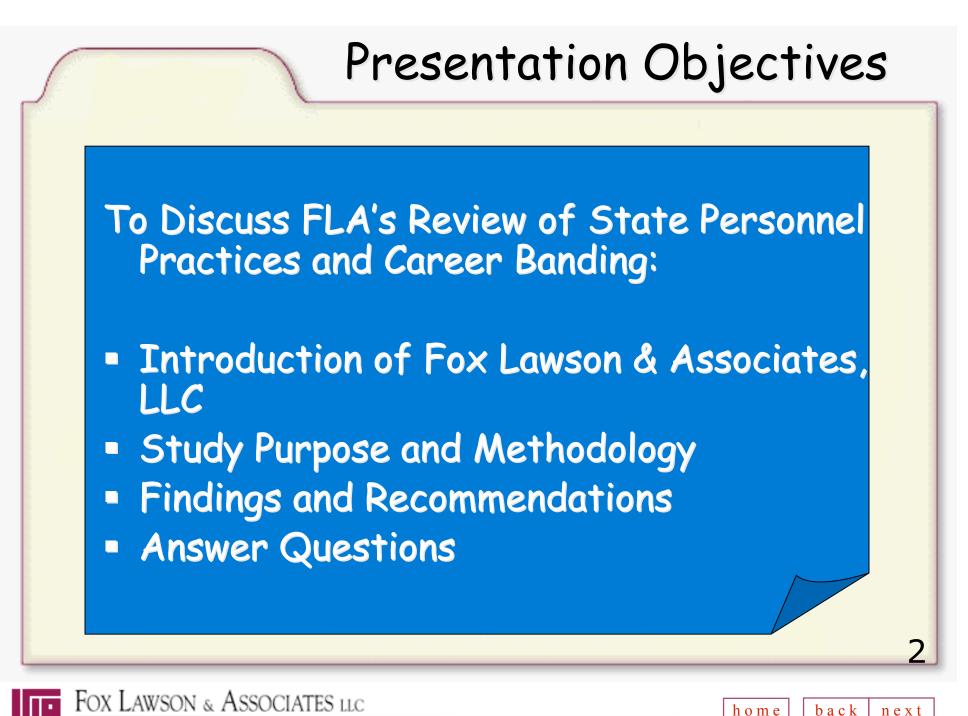
North Carolina GPAC

Review of State Personnel Practices and Career Banding January 2008







About Fox Lawson & Associates

- Bought Practice From Ernst & Young
- Classification, Compensation and Human Resource Management Specialists
- Nationwide Practice Public Sector-Devoted
- 25+ Years of Experience
- Strategically Focused
- Practical and Realistic Solutions





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Principal Investigators

James C. Fox, Ph.D.

Former National Public
 Sector Practice Leader for
 Ernst & Young

 25+ Years Compensation and HR Consulting Experience

 Teaches job evaluation for WorldatWork™ & IPMA-HR performance based pay

 300+ studies completed successfully

Bruce G. Lawson, CCP

 Former City Manger, County Assessor/Tax Collector, and County Administrative Officer

 25 Years Compensation and HR Consulting Experience

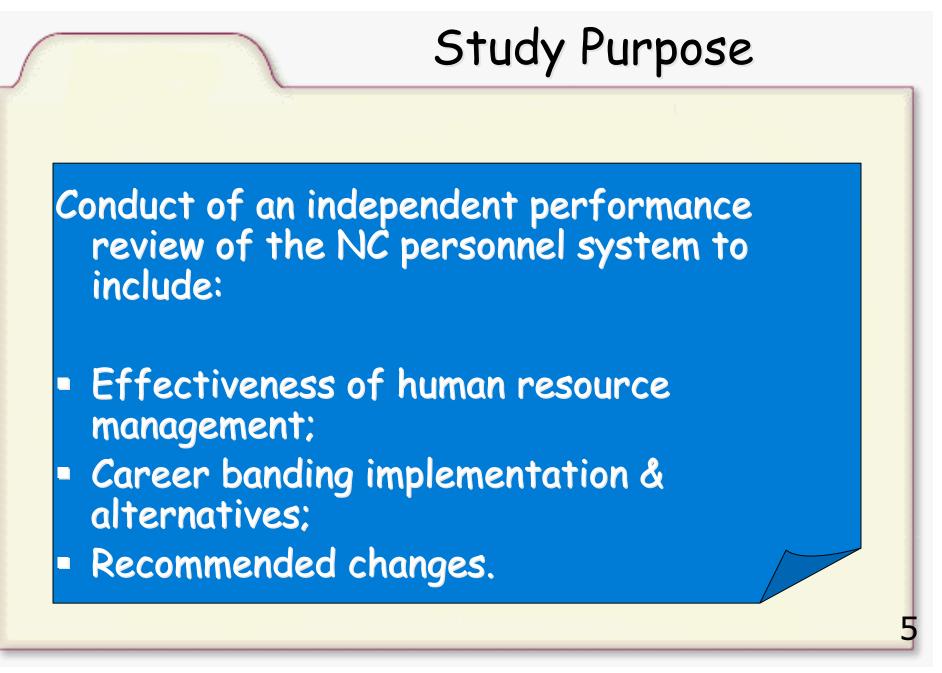
 Wrote and teaches the IPMA-HR Broadbanding course

 300+ studies completed successfully



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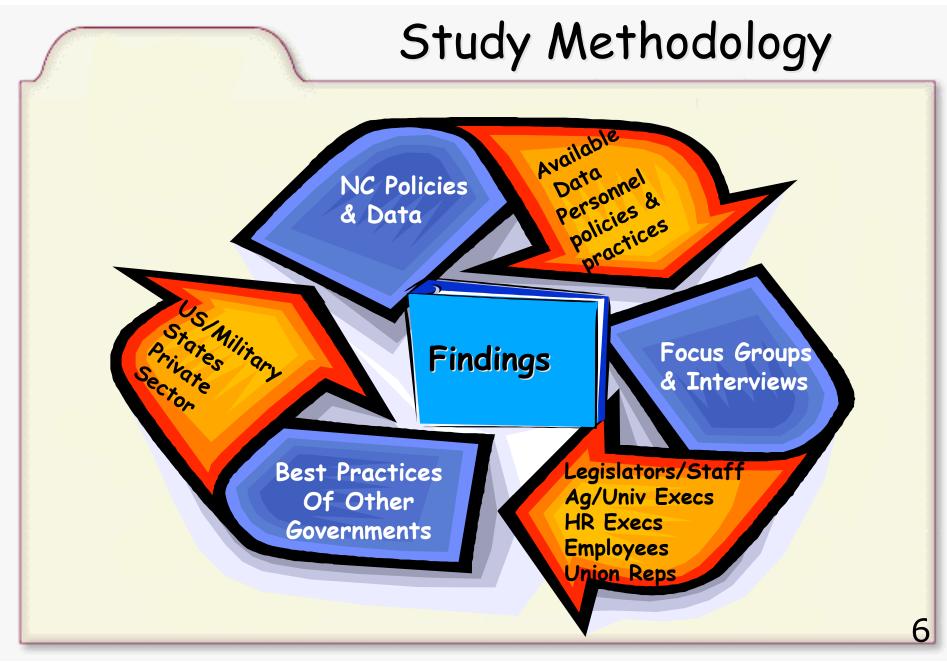
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State Personnel Org

<u>Situation</u>

OSP authority:

- Policy & rule making;
- Training;
- Info/data maintenance;
- Personnel action approval;
- Delegation to agencies;
- Non-compliance corrective actions.

Finding/Recommendation

- Personnel decentralization requires trained local HR, system to audit local decisions & appropriate MIS info.
- OSP should have stronger right to rescind delegation and enhanced audit function.
- OSP should have dotted-line relationship with agency/university HR directors.
- State/OSP should coordinate centralized:
 - Training programs;
 - Coordinated recruitment;

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Benefits administration.



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Chapter 126

<u>Situation</u>

Proposed changes to Chapter 126 to improve operations of the state personnel system have been reviewed/approved by OSP, SEANC, local government and agencies.

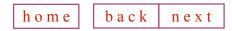
Finding/Recommendation

The proposed changes are thoughtful and represent compromises designed to enhance administration of Chapter 126. The proposals have not been acted upon by the NC General Assembly. Changes are consistent with our specific findings and recommendations

Recommended :

Adoption of the changes as proposed.





Employee Cost Forecasting

Situation

- Restrictions on lapsed funds
- In-range, range/other adjustments.
- Manipulated classification - lack of realistic market comps.

Finding/Recommendation

- Cost forecasting should be direct with decision to lead or lag the market.
- The General Assembly should receive recommendation of labor market movement/performance-based increases from OSP.
- OSP sources may include:
 - Private org projections
 - Year-to-year change in benchmarked classes
 - Projections from USDL Employment Cost Index



Employee Cost Forecasting

<u>Situation</u>

 Estimated that NC pays 7% below market.

 Career banding-clarified pay/market relationship and budget impact.

Finding/Recommendation

- Increases should apply to midpoints of current grades or middle salary for journey level for career-banded positions including any lapsed funds.
- Agency/university leadership should be held accountable for proper expenditure of funds up to limits and within occupational:

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- Guidelines;
- Polices & procedures;
- Restrictions & rules.



Salary/Comp Info Mgmt

<u>Situation</u>

BEACON - HR and financial mgmt system when implemented:

- Integrates/tracks HR & financial mgmt info;
- Replaces PMIS for agencies & 9 universities;
- Provides for faster, more accurate & accessible HR data, reports, and analyses.

Improves OSP
 oversight and audit
 ability of A/U practices.

Finding/Recommendation

- Universities not using BEACON HR should provide monthly data compatible for statewide data consolidation.
- BEACON automated recruitment module should be implemented ASAP to save approx \$15M.
- OSP should utilize BEACON reporting capacity to improve employment trend analyses.
- OSP should utilize enhanced timely statewide data availability to audit HR delegation to agencies/universities.

BEACON will improve HR and finance data tracking.

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Overall NC HR Improvement

<u>Situation</u>

 70-year old flawed classification system absent of contemporary hiring practices.

- Promotion rewards
 service, not competency.
- Training often considered luxury rather than necessity resulting in regulators less knowledgeable than orgs regulated.

Finding/Recommendation

- BEACON module associated with automated recruitment should be implemented ASAP to save approx \$15M.
- Training should be centralized with better utilization of university resources.

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 Mandatory mediation should be required to handle grievances.





Overall NC HR Improvement

<u>Situation</u>

To address issues, OSP initiated career banding to:

- Shift from reactive to proactive employee mgmt;
- Provide tools to change how State recruits, classifies, promotes & pays;
- Enable managers to critically examine ops as to emp numbers/cost necessary.

Finding/Recommendation

Require the implementation of career banding for all occupational groups to:

- Overcome cumbersome pay and personnel practices;
- Use the best HR approach envisioned at this time to proactively address HR;
- Integrate workforce planning, recruitment, selection, hiring, performance mgmt, talent mgmt, and compensation;
- Transform and improve overall mgmt of personnel in the State.





Strategic Workforce Planning

<u>Situation</u>

 Applicant pool insufficient due, in part, to hand-written apps & lack of ability to apply for multiple jobs with one app.

 Recruitment & promotion based on graded classes - years of service rather than competency.

Finding/Recommendation

- Enable on-line application using the BEACON module which automates the "one employer" approach.
- Use career banding, the best HR approach envisioned at this time to proactively address HR deficits.
- Revise recruitment/promotion to focus on demonstrated competencies rather than seniority.

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Strategic Workforce Planning

Situation

Salary rates
 advertised reflect
 ranges not fully
 available for hiring false expectations
 created.

 NC fails to promote itself as employer of choice - pays below market.

Finding/Recommendation

- Advertise only realistic market competitive hiring rates.
- Consider hiring incentives (often cheaper than vacancies) such as retention bonuses/moving allowances.
- Utilize on-line & national job postings for hard-to-recruit positions.

 Employ marketing approaches to raise awareness about significance & challenges of State service.

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Strategic Workforce Planning

<u>Situation</u>

 Workforce planning inhibited by the onerous effort required to alter class or pay.

 Only limited overlap in service for knowledge transfer permitted.

 Retirees represent significant "brain drain" of knowledge, skills and history.

Finding/Recommendation

 General Assembly should budget positions at market comp rate & provide more lapsed fund flexibility.

 Continue implementation of career banding - allows managers to conduct critical HR assessments.

- Permit longer overlapping terms of service to allow knowledge transfer.
- Remove retirement 6-month restriction--returning to State service.
- Permit phased retirement options.
 (There are no IRS restrictions to

changing the retirement programs as outlined)



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Training & Development

<u>Situation</u>

 Universities not fully utilized for NC training.

Agency mgmt does not always permit training or pay for certification.
Industry best practices - at least 2% of personnel budget for training.

Finding/Recommendation

- Require that at least 2% of each agency/university personnel budget be devoted to training.
- Mission-critical employees should be required to obtain 20-40 hrs training each year or 60-120 hrs every 3 years.
- Extend university on-line/other learning to meet State training needs.
- Resources should be made available for professional cert and personal safety for those involved with custodial populations training.
- OSP should facilitate with each agency ID of training solutions.



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Improving Basic Functions

<u>Situation</u>

- NC Class system obsolete.
- NC recruitment falls short of attracting needed talent.
- State has not funded comp as provided for in Chapter 126 resulting "gaming the system" comp practices.
- Discipline, termination, separation & appeals are costly, time consuming & adversarial.

Finding/Recommendation

- Replace obsolete class system rather than attempt repair.
- eRecruitment/other web-based solutions should be part of statewide system of recruiting, selecting, and hiring for all agencies.
- Fund authorized comp programs consistent with market & sound HR practices.
- Adopt a mandatory mediation policy used by progressive orgs for all grievances and potential separations.



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Career Banding History

<u>Situation</u>

 Career banding found in State government since 1996.

There is no other
 State program
 comparable to NC.

 Other States have simply modified salary ranges but have not incorporated competency assessment as in NC.

Finding/Recommendation

 Career banding as designed in NC may be the only process currently available to meet the State's need for ID'ing the right number of employees:

- Performing the right tasks;
- Receiving the right level of compensation.

 Since no other system integrates these aspects as well in one integrated system, the State would be wise to proceed with its career banding implementation ASAP.



OSP Career Banding Policies

<u>Situation</u>

NC has implemented a career banding system more complete & integrated than any other in the country. Adequate procedures are in place to handle personnel transactions with oversight & control.

Finding/Recommendation

Employees & managers must adjust to new rules and procedures which:

- Is a change management rather than a system challenge;
- Can be overcome given time, training and consistency in operations without dual HR systems.



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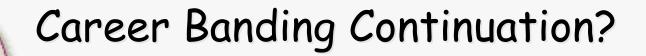
<u>Situation</u>

The current system of legislative authorization for salary increases does not work to contain salaries.

Finding/Recommendation

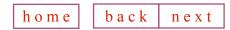
- Current classification and compensation system costs the State more in salary increases than career banding.
- Current career banding procedures control potential salary abuse whereas the current graded system has not.











Career Banding Changes

<u>Situation</u>

 NC has a market competitive pay policy for teachers different than that for State employees.

- The same job may be paid differently from agency to agency.
- There are multiple HR processes currently.

 Performance eval & competency tools have differing scales.

Finding/Recommendation

- The State should adopt a consistent pay policy and pay in accordance with the policy for all positions.
- The State should act as "one employer" with pay consistency among agencies within 10% of median pay.
- OSP should continue to provide oversight/approval of all actions until career banding is fully implemented.

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 OSP should link the scales and facilitate simplification.



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Career Banding Changes

<u>Situation</u>

 Although career banding has been in place for several years, experience base is minimal.

 Objective data to conduct evaluation is largely either not captured by the PMIS or is not accessible.
 BEACON should provide better more accessible evaluation data.

Finding/Recommendation

- General Assembly should audit career banding 2 years after the last occupational group has been banded.
- There should be a focus on comparison of career banded and graded system:
 - Effects;
 - Management resources required;

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- Consistency of application;
- Impact on workforce quality.
- Data on turnover, recruitment quality, grievances & comp should be collected in support of comparison efforts.



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Career Banding Alternatives

<u>Situation</u>

Career banding is at the peak of refinements of available progressive class & comp techniques.
No other practices are better for achieving cohesive, consistent hiring of the right employees doing the right things for the right comp.

Finding/Recommendation

- The State should require career banding be implemented.
- Pay levels to assure success should be funded.
- Estimated market parity cost is
 \$350M in additional salary/benefits 7% of the total salary/benefits budget
 for State Personnel Act employees.



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Career Banding Timetables

<u>Situation</u>

OSP believes that career banding can be implemented in all occupational groups within 3-5 years.

Finding/Recommendation

- OSP leadership, training, guidance and oversight will be required.
- Dedicated support and time from agency mgmt and agency HR professionals to manage implementation should be required.



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Questions? Fox Lawson & Associates enjoyed the opportunity to work with you to assess the North Carolina Human **Resource System.** We would be pleased to address your questions.



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