

Labor and Employment

See full summary documents for additional detail

Worker Safety Act of 2026.

SL 2026-13 (H258)

S.L. 2026-13 (House Bill 258) amends the Retaliatory Employment Discrimination Act (REDA) to do all of the following:

- Provide specific requirements for a complaint alleging a violation.
- Require written authorization for a third party to submit a complaint.
- Require the destruction of any extraneous materials submitted with a complaint.
- Allow a respondent to submit a position statement containing affirmative defenses within seven days of receipt of the complaint.
- Allow the Commissioner of Labor to open an investigation prior to receiving a response from the respondent.
- Provide that computation of time under REDA follows Rule 6 of the Rules of Civil Procedure.

This act became effective June 22, 2026.

Update Certain Workers' Compensation Benefits – Prohibit Litigation Investments/Amend Workers' Compensation Benefits.

SL 2026-14 (H315), Part II

Part II of S.L. 2026-14 (House Bill 315) increases benefits payable under the Workers' Compensation Act as follows:

- The minimum weekly rate of compensation payable for total disability is increased from \$30.00 to \$50.00.
- The maximum compensation of \$20,000 payable for serious facial or head disfigurement and for loss of, or permanent injury to, important organs or parts of the body, is increased to \$40,000.
- The maximum compensation of \$10,000 payable for serious bodily disfigurement not compensable under any other provision is increased to \$20,000.

This Part becomes effective July 1, 2027, and applies to claims arising on or after that date.

Unemployment Compensation – North Carolina Border Protection Act.

SL 2026-19 (S153), Part IV

Part IV of S.L. 2026-19 (Senate Bill 153), as amended by Section 5.9(b7) of S.L. 2026-41, requires the Department of Commerce, Division of Employment Security, to the extent permitted by

federal law, to adopt and implement a policy to verify that all applicants for unemployment benefits are legally authorized to reside in the United States before receiving the first unemployment benefit payment. The policy must be adopted by January 15, 2027.

This bill was vetoed by the Governor on June 20, 2025, and that veto was overridden by the General Assembly on June 24, 2026. This section became effective June 24, 2026.

Public Workforce Modernization Act.

SL 2026-40 (S1041)

S.L. 2026-40 (Senate Bill 1041) does the following:

Part I. State Human Resources System

Part I repeals the current State Human Resources Act (SHRA) statutes (Chapter 126) and reenacts the SHRA as Chapter 126A to reorganize and clarify the SHRA to improve organization and readability. In addition, the act makes the following substantive changes in Part I:

- Classifications of employees:
 - Codifies classifications of employee appointment types for permanent employees (career, probationary, and permanent experiential) and non-permanent employees (temporary, time-limited, and non-permanent experiential).
 - Extends the current 12 month probationary period for career appointment by 6 months if a supervisor determines additional assessment is needed.
- Fees: Allows the Office of State Human Resources (OSHR) to charge fees to cover costs for statutorily required services that are receipt supported, administrative costs for JoinNC, and training and consultation services requested by a unit of local government.
- Reports: Consolidates various reports by OSHR into a single annual State of the State Workforce report.
- Compensation:
 - Provides authority for policies on compensation that include salaries, longevity and performance pay, bonuses, and awards to make State employment competitive and attractive, award employee performance, and provide similar rates of pay to similar positions.
 - Codifies session law establishing the minimum salary for full-time employment with the State at \$31,000.
- Hiring:
 - Clarifies the posting process for State positions.
 - Allows use of employee search firms, subject to certain restrictions.
 - Allows flexible hiring approaches to find the most qualified candidates, including using
 - skills-based hiring or experiential learning programs.
 - Authorizes lateral transfers within agencies to fill vacant positions.
 - Clarifies the order of hiring priorities among various statutory hiring preferences.

- Authorizes the Commission to establish policies to provide for hiring preferences for veterans, National Guard members, and spouses of active-duty troops in place of existing statutory requirements related to experience credit.
- Benefits:
 - Authorizes policies for paid bereavement leave.
 - Authorizes up to 12 weeks of parental leave (was 8 weeks for the birth mother and 4 weeks for the parent who did not give birth).
 - Authorizes up to 13 paid holidays per year to account for the variability in the day of the week upon which New Year's Day falls.
 - Authorizes at least 120 hours of vacation leave per year for full-time employees.
 - Eliminates statutes related to paid leave for certain athletic competition, replacement of law enforcement officers on final sick leave, and sick leave for adverse reactions to vaccination.
 - Streamlines statutes related to voluntary sick leave to remove caps on leave.
 - Provides that vacation and sick leave is transferrable between all branches of State government.
- Just Cause, Disciplinary Actions, and Grievances:
 - Codifies five factors identified by State appellate courts that must be used in determining whether just cause exists for dismissal for unacceptable personal conduct.
 - Codifies standards to be used in assessing whether just cause exists for dismissal for unsatisfactory and grossly inefficient job performance.
 - Requires administrative law judges to use the preponderance of the evidence standard for appeals of final agency decisions from just cause disciplinary actions or dismissals.
 - Authorizes agencies to redeploy employees to a different position or set job duties without just cause or the employee's agreement.
 - Authorizes 120 days (instead of the current 90 days) for completion of the agency grievance procedure and OSHR review of filed grievances.
 - Authorizes the Office of Administrative Hearings to issue gatekeeping orders to prevent abuse of the grievance process.
- Reductions in Force: Allows reductions in force to be used to reorganize positions to better accomplish functions.
- Temporary employees:
 - Renames the Temporary Solutions Program for temporary employees as JoinNC.
 - Authorizes JoinNC to assist with recruiting employees (including permanent employees) for agencies using funds generated by the program.
- Personnel Records:
 - Removes age as a publicly available part of an employee's personnel record.
 - Allows personnel file information to be provided to a grievant during a grievance hearing to the extent necessary to adjudicate the grievance.

Part II. Legislative Human Resources System

Part II establishes an independent human resources program for legislative employees governed by the Legislative Services Commission (LSC). The LSC is responsible for establishing employment policies for legislative employees, including classification, compensation, benefits, leave, and hiring, including the use of E-verify. The LSC can also request OSHR assistance with programs, training, and benefits.

The General Assembly is required to be an equal opportunity employer and to maintain confidentiality of employee personnel records, subject to limited exceptions.

Part III. Judicial Human Resources System

Part III establishes an independent human resources program for judicial employees. The Director of the Administrative Office of the Courts is responsible for use of E-Verify to verify work authorization and establishment of leave policies for judicial employees. The Director can also request OSHR assistance with programs, training, and benefits.

The judicial branch is required to be an equal opportunity employer, provide protections against compelled speech, provide protections for whistleblowers, and maintain confidentiality of employee personnel records, subject to limited exceptions.

Part IV. Conforming Changes

Part IV makes the necessary conforming changes to reflect the repeal of Chapter 126 and the enactment of Chapter 126A.

Part V. Clarifying and Transition Provisions

Part V provides for the transition from governance of the State human resources system under Chapter 126 to governance under Chapter 126A and requires OSHR and the Commission to take certain actions to facilitate the transition.

Section 5.1 provides that the provisions of Chapter 126 as they existed immediately prior to repeal continue to govern the following:

- Contested cases pending before the Commission or the Office of Administrative Hearings, including any pending judicial review of those cases, on the effective date of the act.
- Unresolved grievances, disciplinary actions, or appeals initiated under Chapter 126 prior to the effective date.
- Claims for back pay, reinstatement, or other relief arising from employment actions that occurred prior to the effective date.
- Rights to career State employee status vested under G.S. 126-1.1 prior to the effective date.
- Any cause of action arising under Chapter 126 accrued prior to the effective date.

It further provides:

- The extension of the probationary period authorized in the act and certain provisions related to time-limited appointments only apply to employees hired on or after the effective date.
- Employees designated as a confidential assistant or confidential secretary are automatically redesignated as an employee of a policymaker, and employees designated as an exempt warden are automatically redesignated as an exempt warden.

Section 5.2 provides that the new Chapter 126A applies in conflicts with the existing human resources administrative rules and requires the Commission to review those administrative rules and repeal any unnecessary rules.

Section 5.3 provides that decentralization agreements, delegation agreements, and memoranda of understanding between OSHR and any agency, department, or institution in effect on the effective date of the act remain in effect until modified or terminated by their terms or superseded by future agreements. It also provides that no action or proceeding brought by or against the Commission, OSHR, or the State pending on the effective date of the act is affected by the enactment of the act.

Section 5.4 requires OSHR to assess the State's classification and compensation system, identify opportunities for improvement, and report findings to the chairs of the Senate Appropriations/Base Budget Committee, the chairs of the House Appropriations Committee, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division by October 1, 2027. After the initial report, OSHR is required to contemplate a pilot program on classification and compensation recommendations. OSHR is additionally required to incorporate trends and recommended findings from the assessment into the annual State of the State Workforce Report. The section further requires executive branch State agencies to annually report certain information pertaining to recruitment and retention challenges to OSHR upon request.

Section 5.5 requires OSHR to submit a revised disciplinary policy containing an improved process for managing State employee performance and conduct to the Commission by December 1, 2026. The Commission is required to adopt a revised Disciplinary Action Policy by April 1, 2027.

The act will become effective October 1, 2026.

Section 11.13 of S.L. 2026-41 (Senate Bill 257) exempted certain employees of the Utilities Commission from provisions of the State Human Resources Act. Subsequently, Section 4.8(a) of S.L. 2026-42 (House Bill 56) repealed those changes.

Section 6.1 of S.L. 2026-42 amends G.S. 126A-15 as enacted by S.L. 2026-40 so that the definition of "Specialized Treasurer's Office employees" also includes designated employees under G.S. 135-6(g1) or G.S. 128-28(h1). The section will become effective October 1, 2026.

Section 8.3 of S.L. 2026-42 amends G.S. 126A-15(8)g as enacted by S.L. 2026-40 to exempt from Chapter 126A, except as to Articles 6 (Equal Employment and Compensation Opportunity; Assisting in Obtaining State Employment) and 7 (The Privacy of State Employee Personnel

Records), University of North Carolina legal affairs professionals, health affairs professionals, and institutional development professionals. This section will become effective October 1, 2026.

Job Maintenance and Capital Development Fund Project – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 11.8

Section 11.8 of S.L. 2026-41 (Senate Bill 257), as amended by Section 4.4 of S.L. 2026-42 (House Bill 56), expands the type of business that is eligible for a grant under the Job Maintenance and Capital Development Fund (Fund) to include businesses that are pharmaceutical manufacturing employers.

A business is a pharmaceutical manufacturing employer eligible for a grant from the Fund if the business meets the following requirements:

- The business operates a manufacturing site within the same county and river basin as the project that is the subject of the agreement.
- The Department of Commerce (DOC) certifies that the business has invested or intends to invest at least \$2 billion of private funds in improvements to real property and additions to tangible personal property at the site of the project that is the subject of the agreement over a period of time spanning 24 months before entering the agreement through the term of the agreement.
- The business employed at least 2,000 full-time employees or equivalent full-time contract employees in the State at the time the application for the grant is made and the business agrees to:
 - Maintain at least 2,000 full-time employees or equivalent full-time contract employees in the State for the full term of the grant.
 - Create and maintain at least 500 new full-time jobs in the county in which the project is located over a period of time spanning 24 months before entering the agreement through the term of the agreement.
- The business ensures that the project will supply at least 60% of the total aggregate water and wastewater needs required by a manufacturing site, phase, facility, or expansion of the business that is located in the same county as the project.
- The agreement with a pharmaceutical manufacturing employer can provide that the grant paid out over the term of the agreement be in amounts lower than equal annual payments and in amounts deviating from the factors considered for other eligible businesses for any individual annual payment with the remaining balance paid in the final year of the agreement term.

This section makes further modifications generally to Fund requirements by allowing DOC to enter into nine agreements for grants from this Fund rather than just eight agreements. The total aggregate cost of all agreements for grants from this Fund cannot exceed \$209 million and the total annual cost of an individual agreement for grants under this Fund cannot exceed \$11 million

except for the variation allowed for an agreement with a business that is a pharmaceutical manufacturing employer.

This section became effective July 1, 2026.

Exempt Department of Labor from Certain Procurement, Contract, and Public Contract Requirements – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 13.2

Section 13.2 of S.L. 2026-41 (Senate Bill 257) provides that the Department of Labor can elect to be exempted from oversight by the Department of Administration under certain laws regarding purchasing, contracts, acquisition and maintenance of real property, and leasing of office space. The election allowed by this section must be made in writing by the Commissioner of Labor and must be sent to the Secretary of Administration. Any acquisition of real property made by the Department of Labor pursuant to this section is subject to approval by the Council of State.

This section became effective July 7, 2026, and applies to purchases made, contracts entered into, or other actions taken by the Department of Labor on or after that date.

Exempt Certain Department of Natural and Cultural Resources Divisions from Temporary Solutions Program – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 14.2

Section 14.2 of S.L. 2026-41 (Senate Bill 257) exempts the following divisions within the Department of Natural and Cultural Resources from the required use of the Temporary Solutions Program:

- Division of Parks and Recreation.
- Division of North Carolina Aquariums.
- Division of State Historic Sites.
- Division of State History Museums.
- North Carolina Museum of Art.
- North Carolina State Museum of Natural Sciences.
- North Carolina Zoological Park.
- Tryon Palace Commission.
- U.S.S. North Carolina Battleship Commission.

This section became effective July 1, 2026.

Workers' Compensation Fund for Certain Safety Workers – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 32A.2

Section 32A.2 of S.L. 2026-41 (Senate Bill 257) requires the Office of the State Marshal's annual actuarial study to calculate how much revenue from the State and member premiums would be required to meet the needs of the workers' compensation fund for certain safety workers under the following scenario: setting member premiums, by job classification, at the lowest amount needed to maintain the fund's cash balance at the optimal amount determined by the actuary.

This section became effective July 1, 2026.

Labor Organization Agreement Changes – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 39.7

Section 39.7 of S.L. 2026-41 (Senate Bill 257) makes changes to State labor laws as follows:

Labor Organization Agreements – This section makes it unlawful for any local government, local government agency, or political subdivision of a local government to do either of the following:

- Withhold any license, permit, or zoning approval or provision of financial incentives from a business because a business declines to sign an agreement with a labor organization except as required by State or federal law.
- Condition the issuance of any license, permit, or zoning approval or provision of financial incentives on a requirement that an employer waive its right to communicate with employees regarding matters related to their employment or agree to restrict these communications unless the communications are allowed by State or federal law.

Wage and Hour Act – This section amends the Wage and Hour Act. Under current law and subject to some exceptions, the provisions of the Wage and Hour Act preempt any ordinance, resolution, or policy adopted by a local government or other political subdivision of the State that imposes any requirement on employers pertaining to compensation of employees.

This subsection does all of the following:

- Provides that prohibited regulations may not be applied in any lease, contract, or other arrangement to set levels for wages, benefits, or other terms and conditions of work and makes such contracts between units of local government and businesses unenforceable.
- Makes it unlawful for a unit of local government or one of its political subdivisions to require a business to participate in any council, committee, or task force that has the purpose of setting levels for wages, benefits, or other terms and conditions of work.
- Excludes local governments holding legislative hearings or establishing advisory committees from these provisions.

The part of this section related to labor organization agreements becomes effective October 1, 2026, and applies to acts or omissions on or after that date. The part of this section related to the Wage and Hour Act becomes effective October 1, 2026, and applies to contracts entered into or modified on or after that date. The remainder of this section became effective July 7, 2026.

Department of Labor Positions – 2026 Budget Technical Corrections.

SL 2026-42 (H56), Sec. 4.3

Section 4.3 of S.L. 2026-42 (House Bill 56) provides that funds allocated to the Occupational Safety and Health Division (OSH) of the Department of Labor for OSH consultative services positions in the 2026 Appropriations Act, S.L. 2026-41, can be used by the Commissioner of Labor for the purpose of supporting additional positions to perform work considered by the Commissioner of Labor to be necessary and advisable to carry out the statutory duties conferred on the Department of Labor.

This section became effective July 1, 2026.

Amend Commercial Drivers License Laws to Conform with Federal Motor Carrier Safety Administration Regulations – Ferry Division Audit/Department of Transportation Omnibus.

SL 2026-46 (H1094), Sec. 10

Section 10 of S.L. 2026-46 (House Bill 1094) amends North Carolina commercial drivers license statutes to align with processes and regulations related to the Federal Motor Carrier Safety Administration Commercial Driver's License Drug and Alcohol Clearinghouse.

This section became effective July 1, 2026, and applies to commercial drivers license and commercial drivers permit disqualifications initiated on or after that date.

Voluntary Portable Benefits Act. – Regulatory Reform Act of 2026.

SL 2026-59 (S445), Sec. 17.6

Section 17.6 of S.L. 2026-59 (Senate Bill 445) authorizes a person or entity who hires an independent contractor (hiring party) to voluntarily contribute funds into a portable benefit account to be owned and used by the independent contractor to purchase a variety of benefits traditionally provided to employees, such as health insurance, life insurance, disability insurance, and retirement benefits. The provision creates a framework for the administration and use of portable benefit accounts, including defined terms, permitted uses of funds, and safeguards for the independent contractor while explicitly stating that the making of contributions is not evidence of an employer-employee relationship.

This section does the following as it relates to the tax implications of portable benefit accounts:

- Creates an income tax deduction for independent contractors for contributions they receive in a portable benefit account to the extent the amount is included in the independent contractor's adjusted gross income.
- Requires an add-back to an independent contractor's adjusted gross income if the independent contractor used money from the account for purposes other than permitted use.
- Exempts a hiring party from having to make any withholdings for contributions to a portable benefit account for an independent contractor who meets the definition of a payee. A payee is a nonresident contractor, an Individual Taxpayer Identification Number (ITIN) contractor, a person who fails to provide a taxpayer identification number, or a person who fails to provide a valid taxpayer identification number.
- Allows the Secretary of Revenue to request, no more than once per calendar year, information from a portable benefit provider, including a portable benefit account owner's name, tax identification number, records of contributions and distributions from any portable benefit account owned by an account owner, and other information as deemed necessary for compliance purposes.

This section is effective January 1, 2027, and applies to taxable years beginning on or after that date.