

Certain State Agencies/Classification and Salary Administration Flexibility /Pilot Program

S.L. 2018-97, Section 35.19A.(c)



Report to

**Joint Legislative Commission on Governmental Operations
and the Fiscal Research Division**

by

North Carolina

Department of Agriculture and Consumer Services

Human Resources Division

March 1, 2019

I. Background

Session Law 2018-97, Section 35.19A.(a) granted certain State Agencies Classification and Salary Administration Flexibility under a pilot program. The legislation stated the following:

“During the 2018-2019 fiscal year, notwithstanding G.S. 126.4(1), G.S. 126-4(2), or any other provision of law to the contrary, the Council of State agencies, the Office of State Controller, the Community College System Office, and the University of North Carolina are granted sole authority and discretion to take the following actions concerning classification and salary administration of their respective personnel:

- 1. Classify new positions or reclassify vacant positions within the classification system adopted by the State Human Resources Commission or as otherwise prescribed by law.*
- 2. Make hiring decisions based on the flexibility provided under this section.*
- 3. Determine the appropriate salary for their respective employees, provided that funding is available within the budgeted salary appropriated to the agency and the salary remains within the minimum and the maximum of the salary range associated with the position classification or as otherwise provided by law.*

The Human Resources Director for each State agency shall ensure that each new hire employed pursuant to the classification and salary administration flexibility granted by this section meets the minimum qualifications for the position. The Office of State Human Resources shall provide assistance to agencies upon request.”

Section 35.19A. (c) stated that by March 1, 2019, the State entities granted classification and salary administration flexibility under this section shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the information included in the report below.

II. Report

(1) The number of classification actions taken under this section.

Twelve classification actions divided up as follows:

- Seven – Reallocations Up
- Four – Creation of New Positions
- One – Reallocate Pay Plan Change (a position that didn’t get mapped to the new pay plan)

(2) The number of salary adjustments made under this section and total additional salary funds awarded.

Fifty-two salary adjustments with a total additional salary fund awarded of \$172,391. These are only adjustments in salaries that are beyond what would have been delegated to our agency.

- Sixteen – Promotion
- Two – Transfer
- Seven – New Hire
- One – Reassignment
- Four – Reinstatement
- Twenty two – In-Range

(3) A comparison of the number of agency employees recruited from and the number of agency employees hired by cabinet agencies.

The North Carolina Department of Agriculture and Consumer Services (NCDA&CS) recruited two employees from Cabinet agencies during this time: Department of Natural & Cultural Resources and Department of Transportation.

Fifteen NCDA&CS employees were lost to ten different Cabinet agencies during this time.

(4) Impact of the classification and salary administration flexibility on agency operations, including, but not limited to:

a. Hiring time line.

The flexibility granted under SB335 allowed the North Carolina Department of Agriculture and Consumer Services to extend offers of employment within 2-3 business days of receiving the hire recommendation from the hiring manager, as opposed to ten business days set by the Office of State Human Resources (OSHR). However, in calculating the average turnaround time for OSHR to approve a salary, it averaged 16 business days. The long timeframe increased the likelihood that the candidate would accept a position elsewhere.

b. Recruitment of candidates.

The salary flexibility allowed us to set salaries at the most equitable rate, allowing us to hire the most highly qualified and talented candidates. Prior to this salary flexibility, salaries set by OSHR were capped at a 20% increase – without considering employee equity, individual employment history, recruitment/retention issues or business needs, keeping salaries below Market Rate. This also created a decrease in morale in the workforce.

c. Retention of key personnel. *Key Position:*

We were able to conduct an equity study and give money to our Pilot and Pilot Supervisors as we were having a significant problem with recruitment and retention of employees in this class. Since we were able to quickly raise these salaries, it enabled us to pay higher salaries to new employees.

We were also able to conduct an equity study on our Agricultural Program Directors, which will help us with the equity picture when one of these positions become vacant. These positions are Division Directors over specific program areas holding key positions within our organization.

(5) Any remaining position classification disagreements with the Office of State Human Resources.

We are still in phase one of the post implementation of the new Classification and Compensation study and OSHR has only reviewed three of the ten job families: IT, Finance and Business Management, Agricultural/Environmental. Of the fifty-five classification requests submitted, only five were approved as submitted, three were approved with revisions. The positions that were submitted to OSHR were scaled back considerably as Human Resources and management worked together to come up with a final list of requests that were strong and defensible. Based on this review with Human Resources and management, there were some positions that Human Resources couldn't support, and these were not forwarded to OSHR. Even though our list was vetted thoroughly, our department still had a low rate of approved requests.

Our agency submitted a variety of requests to OSHR to be considered in the post implementation study such as; 4 new job classifications, 13 revised specs, 2 of which require a 1 salary grade increase, and 13 simple salary grade changes, all of which have not been considered yet by OSHR. OSHR has postponed a review of most of those requests until they receive new market data from, their recently contracted HR Consulting firm, Mercer.

(6) Whether the program should be extended and any recommended adjustments to the program.

NCDA&CS recommends the Classification & Salary Administration Flexibility/Pilot program be extended and expanded to include full classification authority on a permanent basis. This flexibility has improved efficiencies by considerably reduced unnecessary processing and follow-up time with OSHR on the hiring and classification process. This program has also improved morale as we are able to explain and demonstrate fair and equitable salary decisions.

NCDA&CS has demonstrated a proven record of following State policies for hiring, position classification and salary administration. Our agency has been entrusted with delegation of authority from OSHR for the majority of its positions for many years without issues. Our agency Lead Human Resources staff are seasoned, and they have the best understanding of the unique business needs of our agency which supports a wide variety of complex classifications and programs.

III. Conclusion

The figures reported above would have been significantly higher if the restrictions put in place by OSHR prior to the passing of SB335 had remained. However, when SB335 passed then OSHR relaxed restrictions on all agencies to level the playing field between the Cabinet and Council of State agencies. The relaxed restrictions came with an increase in salary administration delegation and an increase in job classification delegation for all agencies.

This Pilot program has been key to improving agency efficiency, improving our vacant to fill rate. This program allowed us to get a salary approval more than four times faster than when we had to get approval from OSHR. On many occasions, the salary requests that we had to send to OSHR for approval were on key positions and we had to make several attempts to get them approved so that the selected applicant would accept the offer.

Leading up to implementation of the new classification and compensation system OSHR could take up to two weeks for a classification action. After implementation, the staff were tied up in weekly post implementation meetings, so this would probably have taken longer.

This program has also improved morale of our staff as we are able to ensure that salaries are equitable and fair based on related education and experience. Prior to SB335, OSHR would decline salary increases based solely on the percentage increase being too high. Primarily, this was occurring when there was someone that had been in a position for many years becoming subject to a salary compression and when they were selected for the promotion, OSHR would deny an equitable increase, further penalizing this employee for the past salary compression. This would also result in an inequity with this employee and others in the same classification. This also created a liability for Equal Employee Opportunity claims.

While this has been a successful program, we have concerns about further salary inequities between our agency and the Department of Transportation. This is due to their authority given in S.L. 2018-5 to use two percent of the total Highway Funds and Highway Trust Fund appropriation for the salary adjustments, reallocations, and recruitment and retention of staff. This new authority given to the Department of Transportation has allowed them to give substantial increases to their employees. These increases were based on a market study done by an HR Consulting Firm so that they could pay employees closer to market. It would be useful if this market data could be shared with other agencies so that they could have a better understanding of their funding needs and the full magnitude of the salary inequities. There should also be a correlation between the data obtained in this study and the data obtained by the OSHR market study. If this correlation does not exist, then there should be a reasonable explanation as to the difference.