

LEGISLATIVE RESEARCH COMMISSION

STATE PERSONNEL



REPORT TO THE 1987 GENERAL ASSEMBLY OF NORTH CAROLINA

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LEGISLATIVE RESEARCH COMMISSION
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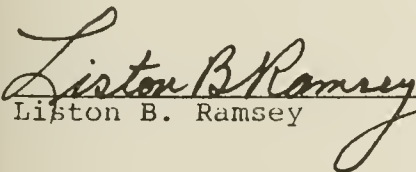
December 15, 1986

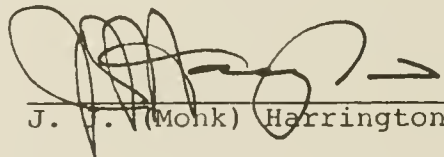
TO THE MEMBERS OF THE 1987 GENERAL ASSEMBLY:

The Legislative Research Commission herewith reports to the 1987 General Assembly on the matter of State Personnel. The report is made pursuant to Chapter 790 of the 1985 Session Laws.

This report was prepared by the Legislative Research Commission's Committee on State Personnel and is transmitted by the Legislative Research Commission for your consideration.

Respectfully submitted,


Liston B. Ramsey

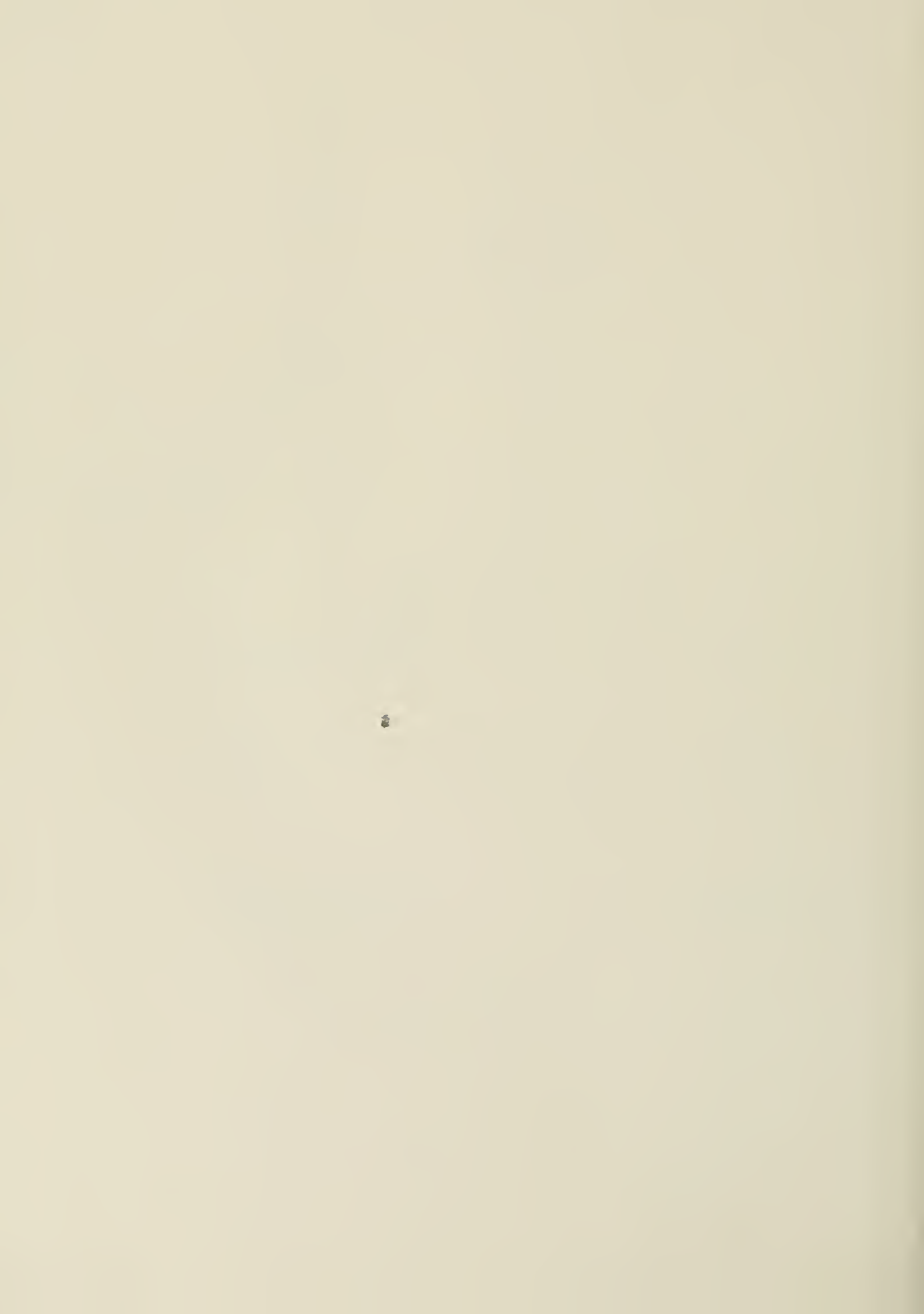

J. J. (Monk) Harrington

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Legislative Research Commission

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I N T R O D U C T I O N



The Legislative Research Commission, created by Article 6B of the General Assembly Statutes Chapter 120, is authorized pursuant to the direction of the General Assembly "to make or cause to be made such studies of and investigations into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most efficient and effective manner" and "to report to the General Assembly the results of the studies made," which reports "may be accompanied by the recommendations of the Commission and bills suggested to effectuate the recommendations." G.S. 120-30.17. The Commission is chaired by the Speaker of the House and the President Pro Tempore of the Senate, and consists of five representatives and five senators, who are appointed respectively by the Cochairmen." G.S. 120-30.10(a). (See Appendix A for a list of the Commission members.)

Pursuant to G.S. 120-30.10(b) and (c), the Commission Cochairmen appointed study committees consisting of legislators and public members to conduct the studies. Each member of the Legislative Research Commission was delegated the responsibility of overseeing one group of studies and causing the findings and recommendations of the various committees to be reported to the Commission. In addition, one senator and

one representative from each study committee were designated cochair.

By Senate Bill 636 (1985 Session Laws, Chapter 790) the Legislative Research Commission was authorized to study state personnel matters. In order to accomplish these tasks, Representative Christopher S. Barker, Jr. as a member of the Legislative Research Commission was appointed to coordinate the Study of the State Personnel System. Senator William W. Staton and Representative Margaret Stamey were appointed to cochair the Committee. The other members appointed were Senators Marc Basnight and William W. Redman, Jr.; Representatives James F. Hughes, James F. Richardson, Edward N. Warren and Betty H. Wiser; and public members Mr. Emmett Burden and Mr. Glenn Weingarth. The Legislative Services Office provided staff assistance to the Committee for this Study.

The minutes of the Committee meetings reflect the statements and discussions of each meeting. All of this information is included in the Committee files.

B A C K G R O U N D

The development of North Carolina State Government's personnel system is a fairly long process which can be traced back to the early 1900's. During this period of time, the State legislature began to assume a more active and direct role in addressing personnel management issues of the State. An increased awareness and concern about the lack of uniformity and consistency in the employment and treatment of State workers, especially in the area of compensation, led to a number of legislative actions aimed at reforming the personnel practices and procedures that prevailed.

At the turn of the century, existing State agencies were involved in very basic personnel management activities: workers were hired, compensated and fired, if need be, with little if any emphasis on employee growth, pay equity or employee rights. At this time, there was no specific or uniform system in place for selecting or hiring State workers. These activities were mainly the responsibilities of agency heads or supervisors acting on their own accord or in accordance with the particular policies of the employing agencies. Payment of State workers was also unsystematic since employees were paid on a "fee for service basis" with rates being set by individual agencies.

In 1907, the fee system of remuneration was abolished when the legislature elected to statutorily establish individual salaries. For the next thirteen years, the legislature set pay rates for many administrative, clerical and custodial employees. During this period of time any individual pay increase or adjustment had to be acted upon by the legislature.

Changing economic conditions in the early 1920's stimulated the demand for a more efficient way of setting salary rates. The inflationary prices brought about by World War I and the subsequent need to adjust salaries made it impossible for the legislature to continue to manage and administer salary allocations for State workers. Consequently, in 1921, the Governor and the Council of State, composed of elected agency officials, were authorized by the legislature to temporarily set salary rates for clerical and custodial employees. This resulted in the establishment of a "Salary Standardization Board" through which the Governor and the Council of State members exercised their salary administration responsibilities. Shortly thereafter, the Board was also charged with setting pay rates for chief clerks and assistants in the various State agencies. Thus, the year 1921 marked the end of the State legislature's sole salary setting powers.

In 1925 a new entity, the Salary and Wage Commission, was established by the legislature to assume the salary setting powers that had temporarily been assigned to the

Governor and the Council of State. The scope of the Commission's responsibilities were much broader than those of the old "Salary Standardization Board." In terms of actions taken to set up formal personnel procedures in State government, the Salary and Wage Commission led the way. During its first year in operation, the Commission, with the assistance of a Washington, D.C. based consulting agency, initiated a study of the personnel operating procedures of the various state agencies. The Commission's findings revealed "a lack of uniformity in hiring and paying employees, office hours, vacation leave and holidays." The Commission further found a "lack of standard entrance qualifications." In response to these findings, the Commission, again with the assistance of the Brookings Institute, undertook another major activity: the development of the State's first classification and pay plans. The plans adopted the use of minimum and maximum salary ranges for each job class which did away with the procedure of specifying exact salaries for each job title. Another significant feature of the new pay plan was that it added length of service to efficiency as a salary determinant. Rules for governing the installation and administration of the plan also were formulated.

The development of the State's first pay and classification plans was a milestone in strengthening personnel management in the State's system; but the lack of adequate administrative controls minimized their use and effectiveness. By 1930 the plans had become obsolete and generally ignored.

The Salary and Wage Commission by this time had also ceased to function.

A growing concern by the North Carolina General Assembly for the lack of proper administrative controls for the execution of the pay and classification plans precipitated another significant event in the history of personnel management in State government. In 1931, the legislature, acting on the recommendations of the study undertaken by the defunct Salary and Wage Commission, created a separate Department of State Personnel.

The new administrative arm for State personnel matters was located in the Governor's office and placed under the supervision and leadership of a Director of Personnel. To ensure the effectiveness of the Department, the Director was given significant power by statute to address pay and classification concerns. The Director of Personnel was authorized to "fix, determine, and classify the number of subordinates and employees in all the agencies." With the help of the Advisory Budget Commission, the Personnel Director was authorized to establish salary wage levels and classify employees. The act required that applications for State employment be made to the Director "who would judge and approve applicants, and fix their salaries." The new Director of Personnel was also responsible for approving the payroll of all departments of State government.

Two years later, further improvements in the area of personnel management and administration were sought. The

apparent linkage between personnel and budgeting convinced some elected officials that it would be far better for the personnel matters of the State to be placed under the auspices of the Budget Bureau. Moving on this assumption, the General Assembly acted favorably on a bill introduced by the Governor calling for this change. Unknown to all parties concerned, this new organizational structure and administrative arrangement would result in a sixteen year period (1933-1949) of decline in good personnel management procedures.

During this time, the Assistant Director of the Budget Bureau was named Personnel Director and was expected to carry out his new personnel function and his normal budgetary responsibilities concurrently. To further complicate matters, no staff was set aside to deal exclusively with the area of personnel; consequently, there were no studies made to keep job classification current or salary ranges uniform. The end result of the 1933 law was that personnel management became a secondary appendage to the Budget Bureau, causing the State to lose ground in its pursuit to strengthen personnel management and administration.

As noted so far, there were two major issues that recurred in the development of the State's personnel system: (1) the need for a uniform employee compensation plan, and (2) the need for a viable system of classifying State jobs. Between 1941 and 1948, however, there were no major efforts directed toward the maintenance of the State's pay and

classification plans. Consequently, this period was marked by a great deal of dissatisfaction with current pay rates among State workers. As employees' discontent grew, so did the concern among various entities including gubernatorial candidates and organized employee groups for the lack of efficiency in personnel administration. Hence, one of the most significant issues during the 1948 gubernatorial race was the growing discontentment among State employees over existing salary levels.

The State Personnel Act of 1949 (or General Statutes Chapter 126) created and established a State Personnel Department for the State of North Carolina. The law clearly stated that the Department would be separate and distinct from the Budget Bureau and would be under the administration and supervision of a director. Another major provision of the Act was the establishment of a State Personnel Council for the purpose of advising and assisting the State Personnel Director in executing his/her responsibilities. It was stated, too, that the director would be appointed by and serve at the pleasure of the Council. The Governor would have the responsibility of appointing members to the Council.

To further strengthen personnel administration in State government, the law required that each State department, agency or commission appoint or designate "from among its present employees," a personnel officer. The personnel officers would have the responsibility of representing the department, agency or commission or the head of same in

carrying out the provisions of the Act within their respective jurisdictions. All personnel officers were to serve in an advisory and consulting capacity to the State Personnel Director and the Council in both intra- and inter-department personnel policies and practices.

One of the primary objectives of the State Personnel Act of 1949 was to establish a system of personnel administration that would ensure adequate maintenance of the State's classification and pay plans. Therefore one of the immediate responsibilities of the State Personnel Director was to:

undertake a new survey and investigation of the needs for personnel service in all State departments, agencies, bureaus or commissions...for the purposes of establishing job specifications and minimum employment standards, job descriptions, job classifications and salary schedules, and...eliminate any existing inequalities between salaries and/or classification of employees of substantially equal qualifications rendering substantially similar service.

The law further provided that the State Personnel Director periodically initiate studies to keep abreast of needed changes in classification requirements and salary ranges. The emphasis on administration was also reflected in the provisions of the law for annual incremental pay raises for State employees.

The Director and the Council were also empowered to establish rules and regulations concerning holidays, sick leave, annual leave, and working hours. The Director was also charged with the duty of receiving and compiling a list of qualified applicants for State jobs and making every department aware of the list.

The 1949 law did not, however, apply to all State employees. Exemptions were clearly stated in the law and included persons employed solely on an hourly basis; public school superintendents, principals, teachers, and other public school employees; instructional and research staffs of the educational institutions of the State; professional staffs of hospitals, asylums, etc.; members of boards, bureaus, etc., who were compensated on a per diem basis; and officials and employees whose salaries were fixed by the Governor.

In 1963 the State Legislative Council was directed to study the State's pay and personnel procedures. A report detailing the Council's findings was published in 1965. It was this document that was instrumental in the passage of yet another significant piece of legislation in the history of personnel management and administration in North Carolina State Government.

Acting on the report of the Legislative Council, the North Carolina General Assembly passed the 1965 State Personnel Act -- an Act to establish a unified personnel system under the Office of the Governor. As a result of this legislation, the two existing personnel systems (Merit System Council and the State Personnel Council) were merged by creating a seven-member State Personnel Board and a consolidated Personnel Department. A Personnel Director, responsible to the Personnel Board, was placed in charge of the newly

consolidated department which included competitive and non-competitive service jobs.

The 1965 legislation gave the State Personnel Board its present responsibilities of establishing policies and rules concerning a position classification plan; position qualifications; a compensation plan; a recruitment program; hours and days of work, vacation, sick leave, and other matters concerning employment conditions, i.e., promotion, transfer, demotion, suspension, and separation of employees; the development of pre-service and in-service training programs; the evaluation of employee performance and the granting of salary and meritorious service awards; and the hearing of appeals by applicants, employees, and former employees.

The provisions of the 1965 legislation presently apply to all State employees not specified as exempt and to employees of local social service and public health departments, mental health clinics, and local civil defense agencies which receive federal funds. Employees specifically exempt from the legislation include: public school superintendents, principals, teachers, and other public school employees; instructional and research staff, physicians and dentists of the educational institutions of the State; business managers of the schools in the University of North Carolina System; members of boards, committees, etc. who are compensated on a per diem basis; constitutional officers of the State, and except for salaries, their chief administrative assistants; employees and auxiliary employees of the General Assembly and

its committees; and employees whose salaries are fixed by the Governor, Council of State, statute, or other specified methods.

A system of automatic and merit salary increases for State employees was also established by the 1965 legislation. All State employees are to receive a one-step automatic increment annually to the intermediate step nearest to, but not exceeding, the middle of salary range. Thereafter all increments, other than legislative ones, are merit increases given annually by the individual agencies, bureaus, etc., to the employee on the basis of longevity and merit. The amount of money allowed to each agency for the ensuing biennium for these increments was limited to two-thirds of the sum which would be required to grant increments to all the personnel in the agency. This two-thirds budget restriction did not apply to agencies employing fewer than twenty-five people.

Local government employees were also affected by the 1965 legislation. In regard to annual leave, sick leave, hours of work, holidays, and administration of the pay plan, county rules supersede the rules adopted by the State Personnel Board. In addition, if the plan is approved by the Personnel Board, salary ranges can be adjusted to conform to the local level of financial ability and fiscal policy.

In 1967, Article 5 was adopted as an amendment to the State Personnel Act. This Article prohibits political activity of State employees on State time.

The 1971 General Assembly enacted two prominent changes in the State Personnel Act. The first was the placement of the Office of State Personnel under the Department of Administration. The second, predating federal legislation by a year, was the prohibition of discrimination in State employment on the basis of race, creed, color, religion and national origin or sex. This is contained in Article 6, "Equal Employment Opportunity."

The 1975 Session of the General Assembly made significant changes in the authority of the State Personnel Commission (no longer designated as the Board), rights of State employees, and coverage by the State Personnel Act.

The 1975 General Assembly also added another Article to the State Personnel Act, Article 7 -- the privacy of State employees' personnel records. This article made personnel records confidential and subject to disclosure only under very limited circumstances.

In other 1975 changes, the Act granted State employees a "property interest" in their employment with the State by incorporating into Article 8 of the Act a requirement that agencies have "just cause" before dismissing, demoting, or suspending employees.

In 1975 the General Assembly incorporated an amendment into Section 5 of the State Personnel Act dealing with the concept of "policy making" which exempts persons in policy-making positions from portions of the State Personnel Act. This amendment also allowed incoming governors and

constitutional officers to designate certain positions exempt from provisions of the State Personnel Act relating to job or property rights.

In 1977, many of the changes brought about by the 1975 amendments were modified. The State Personnel Commission kept its binding authority in grievances, but the definition of a "permanent" State employee, who had access to the Commission to resolve grievances, was changed. Effective July 1, 1977, only State employees who had five (5) continuous years of service with the State could take a non-discrimination grievance to the State Personnel Commission. The State Personnel Act was revised to again modify the exempt status of policy-making personnel. Such positions were made essentially exempt only from dismissal policies of the State Personnel Commission and from Article 8, which required "just cause" for dismissal and granted a right to a hearing before the Commission.

Personnel administration in North Carolina has undergone major and dramatic changes since the turn of the century. It has improved as the State has actively sought to ensure a most productive and efficient work force to adequately meet the needs of the State and its citizens.

C O M M I T T E E P R O C E E D I N G S

The Committee on State Personnel (hereafter Committee) held four meetings in the course of its deliberations. The tasks set forth by the authorizing Resolution were monumental ones. To help it reach its goals the Committee received excellent cooperation from the Office of State Personnel, the State Employees Association of North Carolina, the Institute of Government, and other personnel administrators within State government. The Committee acknowledges that without the cooperation of the above mentioned groups, the study could not have been accomplished. Appendix B lists those persons providing information to the Committee.

November 14, 1985 Meeting

The initial meeting was structured to present an overview of the current operations and the divisional breakdown of the Office of State Personnel. Presentations were made by the Director, Mr. Richard V. Lee; the Assistant Director, Mr. G. C. Davis; and divisional directors. Personal observations and suggestions were also solicited by the Committee.

Mr. Lee in his presentation suggested that since the Director of State Personnel is appointed, the operation of the Office of State Personnel reflects to some degree the concepts of the Director and the Governor. Mr. Lee stated that his emphasis is on service and consultation.

Recruitment, employment, equal opportunity, upward mobility, career planning, training, health, security, safety, succession planning, employee retention, fringe benefits, employee grievances, pre-retirement planning and retirement are all stressed in the Personnel Act and must be emphasized. The pay plan was addressed by Mr. Lee. Originally the plan had six steps but now there are twenty half steps which have distorted the plan. Why should an entry level accountant need twenty steps? Mr. Lee stated that no person would make a career out of the entry level.

Mr. Lee made the comment that the system encourages mediocrity and rewards incompetence through general increases. All raises should be either merit or promotional, and there should be established a merit and promotional raise budget for each governmental entity based on a percentage of payroll. Management of the raises should be placed in the hands of the agency management. There was some discussion of this concept by the Committee.

It was brought to light by Committee discussion that the Office of State Personnel has very little input about the benefit package for State employees. There is no representative of State personnel on either the retirement board or insurance board. It was suggested by the Committee that since the Governor has appointive power to these boards, he may wish to appoint a representative from the Office of State Personnel.

Mr. Davis briefed the Committee on the role and function of the State Personnel Commission as structured by Chapter 126 of the General Statutes. There are seven members appointed by the Governor which include two state employees, two nominees from the Association of County Commissioners, two business representatives, and one public appointee at-large. The functions include setting and changing the pay ranges for employees along with the other powers listed in G.S. 126-4 and rendering decisions and binding directives to resolve employee grievances.

The Committee heard testimony concerning the functions of the various divisions of the Office of State Personnel which include:

1. Workforce Resources Division. This includes recruitment and selection, counseling and career support, public employment services, reduction-in-force, priority reemployment services, work options and interchange of governmental employees.
2. Administrative Services which has three major functions:
 - a. Policy administration and pre-auditing personnel transactions;
 - b. Personnel Management Information System; and
 - c. Providing central services and internal administration for the Office of State Personnel.
3. Position Management Division. A majority of this division's function is developing and administering the classification and pay plan for 72,000 state and 17,000 local employees.
4. Employee and Management Development Division. This Division has responsibility for providing training, staff support, and resources for personnel development activities aimed at helping all State

departments and agencies meet employee and management development needs.

5. Employee Relations Division. The programs currently in operation are:
 - a. Employee assistance;
 - b. Service awards;
 - c. Employee/management communications;
 - d. Pre-retirement;
 - e. Wellness;
 - f. Governor's awards for excellence;
 - g. Nonhearing complaint resolution; and
 - h. Appeals and hearings.

One of the interesting permutations in State personnel functions relates to personnel management within the Department of Human Resources which has ten divisions and controls nineteen institutions with approximately 35,500 State and local employees. Since 1973 the Department has operated under a letter of agreement between the State Personnel Director and the Secretary of Human Resources delegating authority to the Secretary for most personnel functions carried out in the divisions and local agencies. Through this delegation the Department is able to make decisions on approximately 90 percent of all classification requests. There is no delegation to establish new classes for new salary ranges or to classify positions located in the Personnel Division or the Secretary's Office.

Ms. Alice Miller, Human Resources Director for North Carolina State University, gave the Committee a University's

perspective. She suggested that the State pay and classification program continued to be the area of most critical concern. With a view towards decentralization in the university setting, Ms. Miller's remarks stressed the following points:

1. Service orientation requires flexibility;
2. State Pay Plan is inflexible;
3. University is agencies within agencies;
4. University must prioritize - allocate - defend - resources;
5. Position management is inherent in "University management" responsibility;
6. To be effective compensation must recognize the individual;
7. State Pay Plan aggregates positions from diverse operating environments forcing square pegs into round holes;
8. Office of State Personnel must learn/relearn operations duplicating research and analysis of University staff;
9. State Pay Plan is subject to analysts' discretion;
10. Revisions are done "across the board" monopolizing money that should be applied to individuals based on merit;
11. Revisions to the Pay Plan further distort the structure;
12. University should have the authority to apply the principles of State Pay Plan on a decentralized basis; and
13. Soliciting feedback and concerns is noteworthy, but only if it is genuine and results in responsive action.

December 6, 1985

The information presented to the Committee was wide ranging and included the following topics:

1. Equal Opportunities Services of the Office of State Personnel;
2. Safety and Health Program of the Office of State Personnel;
3. Concerns of the State Employees Association of North Carolina;
4. Benefits of State Employees; and
5. Other major personnel systems within State government.

Ms. Nellie Riley presented to the Committee highlights of the State's EEO efforts since 1971. Progress has been made towards increasing the representation of women and minorities in the State government workforce. It is clear that the State has affirmatively sought to increase the utilization of work groups that have historically and traditionally been underutilized in the work place. Much more remains to be accomplished, especially in the officials, administrators and professional jobs categories for both women and minorities. For instance, in 1984 the total workforce was comprised of 41.3% female and 25.7% minority workers but in the officials/administrators category, 19.2% were female and 8.1% were minority. Concern was expressed by the Committee in the following areas: the problem of losing well qualified employees to private industry due to low wages; the lack of enforcement power in EOS; and the continuation of interfacing with school counselors in the Cooperative Education Program under EOS.

One of the areas given new emphasis by State government through the Office of State Personnel is safety and health. Through the program on safety and health there has been a safety and health officer appointed at each agency. The reason for the program is fire prevention and safety, construction safety, and control of health hazards. It is hoped that the program will have some impact on workers' compensation statistics. Of positive benefit to all employees is the growing emphasis on remaining well. The Committee expressed concern that State government lacks any system of on-the-job medical aid for its employees.

The State Employees Association of North Carolina, through its Executive Director, was requested to address the Committee on matters of concern related to the charge of the Committee. The following points were suggested by the SEANC:

1. A legislative committee on the State personnel system should be established on an ongoing basis;
2. The development and implementation of a new state job evaluation and classification system that can be clearly communicated, readily understood by employees, and administered in a timely, objective, and equitable manner;
3. Morale problem caused by upward reclassification but no salary increase caused by lack of adequate legislative appropriation;
4. Grievance procedure;
5. Need clearer identification of "exempt" positions;
6. Differences in benefits among classes of State employees; and
7. The need for legislative review of trends in personnel and personnel management.

The Committee was briefed on the benefit package for employees subject to the State Personnel Act. (The materials related to this topic are on file with the Committee.) On the average for employees, the percentage of benefits granted is approximately 38%. This percentage will vary according to the employee's individual salary and length of service. Benefits used to arrive at this percent are vacation, holidays, sick leave, social security, retirement, health insurance, and disability insurance. For the Retirement System as of December 1984, there were 192,851 contributing members. December 1985 figures show that there were 55,152 retirees being paid monthly benefits of \$29,634,332.

The Committee reviewed the other major personnel systems excluded from the State Personnel Act. They include:

1. Judicial;
2. Public Schools;
3. Community Colleges; and
4. Consolidated University of North Carolina.

February 24, 1986

The third meeting of the Committee was primarily devoted to an analysis and summary of the pay system and classification system for State employees. Presentations on these very complex topics were made by the Office of State Personnel. Appendices C and D summarize changes in North Carolina State government salaries - 1960-1985. Mr. Davis, Assistant

Director, Office of State Personnel, suggested that the 1/2 step increase given in 1985 may have had a detrimental effect on merit pay. The Office of State Personnel has found that by-and-large supervisors and managers took advantage of the 1/2 step program to reward more employees with less money when the intent was to provide greater reward for those who were exceptional performers. In relation to pay scales Mr. Davis raised the following questions:

1. What is an appropriate range spread and should there be varying ranges set to coincide with market practice?
2. Should there be several pay schedules for groups of job families that reflect market practice thereby easing administration of the pay plan(s) and achieving the purposes of recruitment, development and retention?
3. Should the minimum and maximum rates be defined without specific intermediate steps?

Discussion was held by the Committee on the need for further study of the salary range, the pay system operation and benefits, authorization to hire at a higher rate in specialized fields, and the lack of merit pay funds.

The Committee moved into the subject of job evaluation. It was stated to the Committee that State employees are most often concerned with compensation and not classification and employees appear to believe that efficiency should be the reward criteria.

Job evaluation is the weighing of information to determine the ranking of a job in relation to other jobs in the organization. There are two types of job evaluation, non-quantitative and quantitative. Our State government and

most other public jurisdictions use the specific method called position classification which is a non-quantitative system. In this method, duties and responsibilities are analyzed and classes derived according to types of work and levels within each type. The analytical process involves an examination of the relative degree of the presence of common job characteristics called allocation factors. While job evaluation is basic to and supportive of other personnel functions, it is not a substitute for selection, recruitment, promotion, training, and organization or other personnel management activities.

One of the greatest misconceptions in any discussion of personnel matters is the translation of "classification and pay" to mean "classification is pay." Classification is not pay, but it is a basis for determining pay.

Mr. Howard Twiggs, a former member of the General Assembly and an attorney spoke on grievance procedures for State employees. Mr. Twiggs stated that in his opinion there is a need for the State to supply attorneys for meritorious cases in the grievance procedure. He further suggested the following:

1. That the State establish within the Department of Justice an advocacy section to screen and investigate and possibly represent State employees who are trying to retain their jobs; or
2. A separate public defender type system appointed by the Chief Justice to exercise the above functions.

December 2, 1986

The purpose of the fourth and final meeting was to discuss and approve a report to be recommended to the Legislative Research Commission for transmittal to the 1987 General Assembly. The recommendations of the Committee are contained herein.

FINDINGS AND RECOMMENDATIONS

1. CONTINUE THE WORK OF THE LEGISLATIVE RESEARCH COMMISSION COMMITTEE ON STATE PERSONNEL AS BEGUN UNDER CHAPTER 790 OF THE 1985 SESSION LAWS. (See Appendix E)

It is obvious to the Committee that State personnel matters are far too complex to begin to solve in four short meetings. These short range and long range issues are extremely important to the General Assembly and to State employees and therefore more legislative attention needs to be focused on them on an ongoing basis. There needs to be an increased base of knowledge in the General Assembly to deal with the range of personnel issues. Those areas of concern that need further study are:

- a. the structure and function of the Personnel Commission and of personnel operations;
 - b. the classification system of employees;
 - c. the salary and benefit system;
 - d. personnel policies, including those relating to hiring, training, promotion, and tenure; and
 - e. the procedure for grievances and appeals.
2. THE NORTH CAROLINA GENERAL ASSEMBLY SHOULD APPROPRIATE \$200,000 FOR EACH YEAR OF THE BIENNIUM TO INITIATE AN OCCUPATIONAL HEALTH CLINIC ON A PILOT BASIS TO BE LOCATED IN THE GOVERNMENTAL COMPLEX IN RALEIGH. (See Appendices F and G.)

As in business and industry, state governments have begun to develop health promotion and disease prevention programs. As related in this Report North Carolina has also begun to stress "wellness". And yet with this new emphasis on wellness and with the State employees' excellent health insurance coverage, there is one component missing - an occupational health clinic for State employees. Many businesses and industries have found that the establishment of a range of health programs for employees has had a positive impact on productivity, medical care utilization, and employee lifestyle. An occupational health clinic for State employees would help to close the gap in health needs of State employees.

As a practical matter, the Committee believes that such a health facility very quickly would be a cost saver and help to hold down spiraling medical costs for State employees. It is believed by industry that such programs improve employee morale and reduce absenteeism and employee disability. This very quickly shows up in the profit and loss statement. The Committee believes that similar benefits would accrue to State government.

The Committee suggests that such a program should be started on a pilot basis and could be placed within the State complex in Raleigh with a modest amount of allocated space with staff of an R.N. Employees would be able to walk in for short term illnesses, first aid,

and job injuries. Such a program should be developed by the Office of State Personnel in consultation with the Division of Health Services.

3. THE NORTH CAROLINA GENERAL ASSEMBLY SHOULD PROVIDE FOR A SPECIFIC REVIEW AND EVALUATION OF THE RATIONALE AND ADMINISTRATION OF THE CURRENT STATE PERSONNEL CLASSIFICATION SYSTEM FOR JOB EVALUATIONS BY SOMEONE OUTSIDE OF STATE GOVERNMENT. (See Appendix H)

Of the many issues brought to the Committee, the one item that was consistently at the top of almost everyone's list was the issue of the concern about the State Personnel Classification System. Many suggested that the current system may need revision. Suggested problems included:

- a. the lack of understanding of the classification system and the lack of regular communications to aid in explanation;
- b. the misapplication by many managers using it to get salary increases to top achievers;
- c. the lack of quick response;
- d. reliance on minute details which rewards creation of complex organizations rather than simplification and efficiency; and
- e. the lack of clear specifications and criteria that do not provide an objective, fair method for relating the relative value of one job to another.

The current system was adopted in 1949 and has been in place for over 35 years. The Committee believes that now is the time for a reevaluation of the system by an independent source from outside State government. The

objective of such an analysis of conduct and administration of the system would be to determine if the classification system can be clearly communicated, readily understood by employees and administered in a timely, objective, and equitable manner.

4. THE NORTH CAROLINA GENERAL ASSEMBLY SHOULD ADEQUATELY FUND THE SALARY ADJUSTMENT FUND RESERVE FOR THE 1987-89 BIENNIUM AT ONE PERCENT OF WAGES PAID TO ALL EMPLOYEES WHO ARE UNDER THE STATE PERSONNEL ACT.

Since the mid-1960's, a Salary Adjustment Fund Reserve line item has been considered in each year's budget. This Fund has usually been underfunded and occasionally not funded at all, as was the case for 1986-87. The Committee suggests that more adequate funding is needed. The General Assembly should give equal consideration to this Fund along with its consideration of across-the-board and performance pay increases, thereby appropriating a balanced salary funding system.

The purpose of the Fund is to provide funds for labor market related increases to allow the State to be competitive for occupations whose salaries are rising at rates exceeding the average in the marketplace. In the past these funds have been used to help State Government overcome employment crises for nurses, computer programmers, physical therapists, accountants and secretaries.

Use of funds in this special reserve has been in the past, and should be in the future, limited to raising current employees to new, competitive minimum salaries and to budgeting hiring new employees at the same rate. The General Assembly should require supporting information from the Office of State Personnel and the State Budget Office to substantiate the need for Salary Adjustment Funds. Finally, in administering expenditures from the Fund, regulations should also allow increases for employees whose salaries are within new, higher salary ranges; whose retention is desired; and whose increased value to the State is recognized.

A P P E N D I C E S

APPENDIX A

LEGISLATIVE RESEARCH COMMISSION

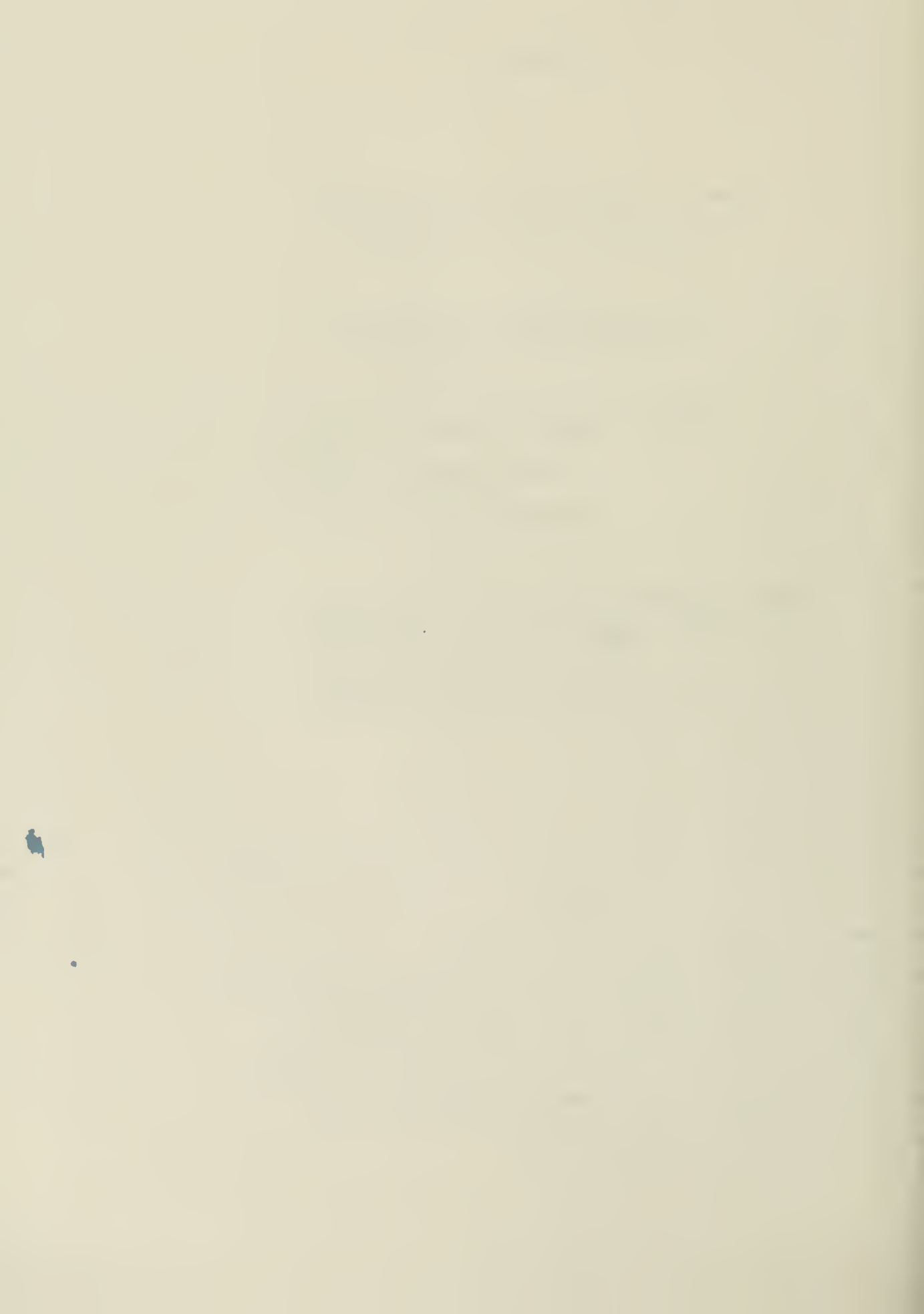
Senator J. J. Harrington, Cochairman
Senator Henson P. Barnes
Senator A. D. Guy
Senator Ollie Harris
Senator Lura Tally
Senator Robert D. Warren

Representative Liston B. Ramsey, Cochairman
Representative Christopher S. Barker, Jr.
Representative John T. Church
Representative Bruce Ethridge
Representative Aaron Fussell
Representative Barney Paul Woodard

APPENDIX B

LIST OF PERSONS APPEARING BEFORE THE
COMMITTEE ON STATE PERSONNEL

Mr. Troy Dodson - Office of State Personnel
Mr. Richard V. Lee - Office of State Personnel
Mr. G. C. Davis - Office of State Personnel
Mr. Dusty Wall - Office of State Personnel
Ms. Peggy Oliver - Office of State Personnel
Mr. Don Huffman - Office of State Personnel
Mr. Jim Savage - Office of State Personnel
Mr. Sam Badgett - Office of State Personnel
Mr. Don Cummings - Department of Human Resources
Mr. Ted Austin - Department of Transportation
Ms. Alice Miller - North Carolina State University
Dr. Donald Hayman - Institute of Government
Ms. Nellie Riley - Office of State Personnel
Ms. Kay Slaughter - Office of State Personnel
Mr. Durward Gunnels - State Employees Association of North
Carolina
Mr. Edwin T. Barnes - Retirement System
Mr. Claude Caldwell - Administrative Office of the Courts
Mr. James T. Burch - Department of Public Instruction
Mr. Anthony Bevacqua - Department of Community Colleges
Dr. Raymond Dawson - Consolidated University System
Mr. Howard Twiggs - Attorney-at-Law



Structural Changes in Salary Schedule Since 1960

1960-1976	1	2	3	4	5	6						
1977	1	2	3	4	5	6	7					
1978	HR 1	2	3	4	5	6	7					
1979	HR 1	2	3	4A	5A	6A	7A					
				4B	5B	6B	7B					
1980	HR 1	2	3	4A	5A	6A	7A	8A				
				4B	5B	6B	7B	8B				
1982	HR 1	2	3	4A	5A	6A	7A	8A	9A			
				4B	5B	6B	7B	8B	9B			
1985	1	2A	3A	4A	5A	6A	7A	8A	9A	10A		
		2B	3B	4B	5B	6B	7B	8B	9B	10B		

Basic Structure Established 7/1/60

Established by the State Personnel Commission

Established by the General Assembly

**Changes in North Carolina State
Government Salary Schedule
1960-1985**

Year	Legislative Increase	% Between Steps			Avg. Range Spread	Steps
		Min.	Max.	Avg.		
1960		4.7	5.2	5.0	27.6%	1-6
1961	5.0%	4.7	5.2	5.0	27.6%	1-6
1962	none	same as 1961 Salary Schedule				
1963	\$120 (avg. 3%)	4.5	5.1	4.9	26.9%	1-6
1964	none	same as 1963 Salary Schedule				
1965	10%	4.2	5.1	4.9	26.9%	1-6
1966	none	same as 1965 Salary Schedule				
1967	6.0%	4.5	5.2	4.9	26.9%	1-6
1968 (Sept. 1)	none	4.0*	5.3	4.9	27.0%	1-6
1969	7.5% to 13.9% (avg. 10%)	4.2	5.1	4.8	26.4%	1-6
1970	2.0%	4.2	5.1	4.8	26.4%	1-6
1971	5.0%	4.1	5.1	4.8	26.4%	1-6
1972	5.0%	4.2	5.1	4.8	26.4%	1-6
1973	5% + 5% for low paid employees (2.63/hour)	4.2	5.1	4.8	26.4%	1-6
1974	7.5%	4.2	5.1	4.8	26.4%	1-6
1975	none	4.2	5.1	4.8	26.5%	1-6
1976	4.0% + \$300 (avg. 6.5%)	3.9	5.0	4.7	25.8%	1-6
1977	6.5%	4.0	5.0	4.6	31.8%	1-7
1978	6.0%	3.9	5.0	4.7	37.9%	HR-7**

* This low rate is due to the fact that Step 1 of Salary Grade 49 was changed from \$3312 to \$3336 in order to equal \$1.60 per hour. This change was made in order to remain competitive at lower skill levels.

** HR - Hiring Rate

(Year	Legislative Increase	% Between Steps			Avg. Range Spread	Steps
		Min.	Max.	Avg.		
1979	5.0%	3.9	5.0	4.7	37.9%	HR-7 (Half-steps steps 4-7)
1980	10%	4.0	5.0	4.7	44.4%	HR-8 (Half-steps steps 4-8)
1981	none	same as 1980 Salary Schedule				
1982 (Jan 1)	5.0%	4.1	5.0	4.7	51.6%	HR-9 (Half-steps steps 4-9)
1983	5.0%	4.1	5.0	4.7	51.5%	HR-9 (Half-steps steps 4-9)
1984	10%	4.1	5.0	4.7	51.5%	HR-9 (Half-steps steps 4-9)
1985	5% for employees w/1 or more yrs.* continuous serv.	4.1	5.0	4.7	58.6%	HR-10 (Half-steps steps 2-10)
(1986)	SEANC proposal of \$2000	3.4	4.9	4.4	53.8%	

* As a result of this, the 1985-86 salary schedule consists of 2 schedules. Schedule A reflects no increase and is used for those employees hired on or after July 1, 1985 as well as those employees who did not have 1 year of continuous service as of July 1, 1985. Schedule B reflects the addition of a merit increment (a tenth step) and half-steps to steps 2 and 3 as well as a 5% increase. Schedule B is for those employees that had 1 year of continuous service on or before July 1, 1985. As employees hired before July 1, 1985 reach 1 year of service, they are moved to Schedule B.

Observations:

1. Increase values between steps and grades have been decreased over the years through irregular or special provisions to modify the basic schedule.
2. The percent spread of ranges has doubled since 1960, through addition of steps 7, 8, 9, 10, and the Hiring Rate.

Questions:

1. What is an appropriate range spread; or should there be varying ranges set to coincide with market practice?
2. Should there be several schedules for groups of job families, reflecting market practice, easing administration of the pay plan(s), and achieving the purposes of recruitment, development, and retention?
3. Should the minimum and maximum rates be defined, without specific intermediate steps?

INTRODUCED BY:

Referred to:

1 A JOINT RESOLUTION TO CONTINUE THE WORK OF THE LEGISLATIVE RESEARCH
2 COMMISSION'S COMMITTEE ON STATE PERSONNEL.

3 Whereas, the current State Personnel System was established in
4 1965; and

5 Whereas, there has not been a comprehensive study of the
6 personnel system since 1965; and

7 Whereas, it is the policy of North Carolina, as set forth in
8 G.S. 126-1, to provide a personnel system that applies the best methods that
9 have evolved in government and industry; and

10 Whereas, there have been significant changes in the area of
11 personnel since 1965; and

12 Whereas, the Legislative Research Commission's Committee on
13 State Personnel as begun under Chapter 790 of the 1985 Session should be
14 an ongoing study and should continue to examine the entire range of personnel
15 problems and needs of state employees; Now, therefore,

16 Be it resolved by the House of Representatives, the Senate concurring:

17 Section 1. The Legislative Research Commission as structured
18 by G.S. 120-30.10, et. seq., may continue the study of the State personnel
19 system, including but not limited to:

20 (1) the structure and function of the personnel commission
21 and of personnel operations;

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- 1 (2) the classification system of employees;
- 2 (3) the salary and benefit system;
- 3 (4) personnel policies, including those relating to the areas of
- 4 hiring, training, promotion, and tenure; and
- 5 (5) the procedure for grievances and appeals.

6 The Commission may report its findings and recommendations including
7 recommendations for needed legislation to the 1989 General Assembly.

8 Sec. 2. This resolution is effective upon ratification.

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87-LC-7
Public
ST: State employee health clinic.

A BILL TO BE ENTITLED
AN ACT TO ESTABLISH A STATE EMPLOYEE OCCUPATIONAL HEALTH CLINIC
PILOT PROGRAM.

Whereas, it is in the best interest of the State of North Carolina to have a safe and healthy environment for its employees; and

Whereas, the State spent \$10,695,621 in direct payment for Workers' Compensation benefits from 1982 to 1985; and

Whereas, most large private employers have health and medical facilities available to their employees for their immediate health and medical needs; and

Whereas, such facilities at a minimum reduce employee absenteeism and are invaluable when life-threatening emergencies arise; and

Whereas, the General Assembly has found the maintenance of such a facility during its legislative sessions to be of great benefit; Now, therefore,

The General Assembly of North Carolina enacts:

Section 1. The Office of State Personnel shall establish an experimental pilot program to set up an occupational health clinic for State employees on the State Government Complex in Raleigh. The clinic shall be designed to provide treatment for short-term illnesses on a walk-in basis and to provide first aid and other treatment for job-related injuries.

Sec. 2. The Office of State Personnel shall consult the Department of Human Resources, Division of Health Services, about necessary medical equipment for the clinic, personnel qualifications, and other technical matters. Before establishing the health clinic, the Office of State Personnel shall present its plan for the pilot program to the Joint Legislative Commission on Governmental Operations.

Sec. 3. There is appropriated from the General Fund to the Office of State Personnel the sum of two hundred thousand dollars (\$200,000) for fiscal year 1987-88 and the sum of two hundred thousand dollars (\$200,000) for fiscal year 1988-89 to implement the provisions of this act.

Sec. 4. This act shall become effective July 1, 1987.

STATES THAT HAVE OCCUPATIONAL HEALTH FACILITIES FOR STATE EMPLOYEES

State	Admin. Dept.	Date Started	Services, Employees & Costs	Enabling Legislation
Georgia	Dept. of Human Resources Div. of Public Health	1956	Employees walk in for short term illnesses, first aid, on the job injuries. Clinic staffed by 3 RN's, 1 lab/X-ray tech. Also does screening--Serves Atlanta complex. Costs - \$338,915.	Requirements for employee physical exams statutorily based but no expressed statutory foundation for Employee Health Service.
Indiana	Dept. of Adman.	At least since 1950	Serves 7,000 state employees in Gov. complex--200-300 per month. One treatment room plus 5 beds, LRN/EMT with back-up services of 2 EMT's on security force plus coordinated system of EMT's in state gov't. All security police have "first responder" training. Yearly costs of nurses salary \$18,500, replacement's salary \$3,000, supplies \$1,000, equipment \$10,000 plus donated space.	No specific legislation. Indiana law requires that employers of certain size have medical treatment available.
Iowa	State Dept. of Health Div. of Disease Prevention and Promotion	1968	Facility for state employees in downtown complex. Consists of a nurse who is available 8-4:30. Dr. is available 1 hour a day when legislature is not in session and 2 hours a day when legislature is in session. Facility is in Capitol Bldg. and also serves visitors. Emergency and first aid care. There is a first aid room in most of larger state bldgs. available to employee--Budget is \$36,000/year. Dr.'s service is gratis.	No specific statutory authority only budget authorization through departmental budget.
Maryland	Dept. of Personnel	Early 60's	1 nurse facility in downtown complex available to all state employees. First aid, place for employees to lie down. Nurse has other duties (pre-employment physicals for all employees and administrative duties). Cost is difficult to calculate. Supplies \$1,200 yearly.	No legislation--costs are incorporated into personnel budget.
Michigan	Dept. of Transportation	?	For downtown State Employees--serves 5,000/year--only first aid, minor illnesses--No wellness or diagnostic testing--They use old equipment. No rental. Direct costs are nurses salary of \$28,000 plus benefits.	No legislation--Dept. of Transportation picks up costs although other dept.'s use.
Nebraska	Dept. of Administrative Ser.	Late 40's	Nurses station--first aid, etc. Functions depend on Director of Admin. Services. \$40,000 included within Admin. Service's budget.	No legislative authorization.

STATES THAT HAVE OCCUPATIONAL HEALTH FACILITIES FOR STATE EMPLOYEES

State	Admin. Dept.	Date Started	Services, Employees & Costs	Enabling Legislation
New York	Dept. of Civil Service	Since 30's	30 facilities to serve employees 26 have nurses alone; 4 have Dr.'s also. For certain types of jobs, physicals are mandatory and these provide. Other employees get pre-employment physicals at employer's request. Facilities are established where there is concentration of more than 1,000 employees. In all 15-16 services are offered including first aid and place to lie down. Cost is difficult to figure. All are existing rather than freestanding buildings. For the 30+ RN's and physicians salaries are \$20,000/year up. Per facility, equipment is one-time expense of about \$13,000; supplies run \$5-6,000/year.	No specific statutory authority.
Ohio	Dept. of Health Div. of Employee Health	?	Seven centers in Ohio--one in each of the two state office towers in Columbus and the others in state office complexes in other cities. Centers work hand-in-glove with wellness program for state employees plus emergency and first aid care. The health centers cost an estimated \$500,000 to \$750,000/year but wellness program only an estimated \$10,000/year because it piggy-backs on health centers' staffs and equipment. 50,000-60,000 employees served.	Initiated by state employee compensation Board so statutory change was not necessary.
Tennessee	Dept. of Health and Environment	1972	Clinic for about 5,000 employees in Nashville--4 nurses and part-time physician. Service is emergency, acute care. Budget is about \$200,000/year.	No statutory authorization
West Virginia	Dept. of Finance and Budget	?	Essentially a dispensary with two LPN's. For employees in Capitol Bldg. and walking distance. Cost is \$35,000/year.	No statutory authorization. Run as part of Capitol Building.

Y-039

INTRODUCED BY:

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A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR A COMPREHENSIVE STUDY OF THE STATE
PERSONNEL CLASSIFICATION SYSTEM.

The General Assembly of North Carolina enacts:

Section 1. The Office of State Personnel shall study the State personnel job classification and evaluation system. The Office of State Personnel shall hire an impartial independent expert to conduct a comprehensive evaluation of the system to identify all problems with the system, in accordance with section 2 of this act. The Office of State Personnel shall make recommendations, based on the independent expert's report, for redesigning the classification system. The Office of State Personnel shall submit to the Joint Legislative Commission on Governmental Operations before December 1, 1988, its report which shall contain the study and proposal developed by the independent expert as well as the Office's recommendations, including any recommended legislation.

Sec. 2. (a) The study shall:

- (1) Examine all personnel policies related to recruitment, selection, classification, compensation, and promotion;

- 1 (2) Examine the extent to which the current job
2 evaluation system is externally unrelated to
3 relevant labor markets;
- 4 (3) Examine whether current classifications are
5 inappropriately influenced by out-of-date
6 policies, the size of the department's budget,
7 the number of people supervised, the status of
8 the employing agency, or other factors such that
9 the true relative labor market values of the
10 jobs are distorted;
- 11 (4) Examine whether there are unjustifiable differ-
12 ences in job classifications between different
13 State agencies; and
- 14 (5) determine where the current system is not
15 designed to:
- 16 a. Be as objective as possible;
- 17 b. Be flexible and responsive to change;
- 18 c. Be clearly understood by and communicated
19 to State employees; and
- 20 d. Appropriately reward top performance and
21 not reward employees whose job performance
22 is poor.

23 Sec. 3. This act shall become effective July 1,
24 1987.

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