

*North Carolina  
Department of Health and Human Services  
Workforce and Compensation Report*

*Data Effective Jan - Dec 2010  
Published March 2011*



This Report Highlights:

- Division Mission & Goals
- Workforce Demographics
- Turnover & Retention Data
- Market Salary Data
- Economic Conditions
- Future Commitments

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***2010 DHHS Workforce and Compensation Report  
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## *Introduction & Background*

### *Purpose*

The purpose of this report is to convey the current economic outlook, DHHS workforce demographics, and salary trends derived from surveys and reports that are used to determine if the salaries of DHHS employees are competitive in the labor market - both public and private.

### *History*

In the early 1990's, the State of North Carolina developed and implemented a Comprehensive Compensation System (CCS) to ensure a systematic approach for employees to move through the salary range for their particular job classification and to avoid pay stagnation. Such programs as Cost of Living Adjustments (COLA), Career Growth Recognition Awards (CGRA), and performance bonuses were the primary tools used to award pay increases to staff. More information about the CCS can be found on the NC Office of State Personnel's website at:

[http://www.osp.state.nc.us/CompWebSite/Compensation\\_Web\\_Site.html](http://www.osp.state.nc.us/CompWebSite/Compensation_Web_Site.html)

Since the mid 1990s, the state has not been able to actually implement many components of the CCS. For that reason, the salaries of state employees have fallen behind other employers. As we attempt to attract, motivate, and retain employees, DHHS pays close attention to the salaries of its employees. In many cases, DHHS competes for scarce talent, especially in the medical and technical categories; and it is critical to keep salaries competitive with the market in order to attract new talent and to retain existing talent.

In 2010 there were no flexible furlough programs. However, due to the continuing budgetary shortfalls, state employees did not receive a cost of living pay increase. Based on projected state revenues, this trend may continue through FY 11-12.

Career Banding: Due to the current budgetary constraints and to the moratorium put on the Career Banding program by the Office of State Personnel (OSP), there were no classes banded in 2010. OSP had indicated that it wants to review all of the state classification systems before any other classes are banded.

### *HR Commitment*

Even during the severe economic down-turn DHHS-HR continues to take a proactive approach to compensation by examining which classifications that are market vulnerable. A list of benchmark jobs, Appendix A, is maintained to track key

classifications where deficiencies in the market cause significant difficulties in the recruitment and retention of employees. By closely examining the market position of pay programs and trends, recommendations are made to the NC Office of State Personnel to increase the rates of critical classifications. Unfortunately, the current budget bill (SB 202 - Sixth Edition) does not allow for any labor market related pay improvements at this time.

The Department has recently launched operation DHHS Excels with a goal of being more customer focused, anticipatory, collaborative, transparent, and results oriented. HR had already started on a similar program called Operation New Day. The goal of this program is to streamline the processes for how employees' time is recorded and how pay is awarded.

The new BEACON HR/Payroll system is becoming a valuable tool in allowing information to be collected and analyzed. From this data, decisions are being made in how DHHS will position itself in the market with respect to its market position and how it competes for employees.

### **DHHS Excels Mission, Vision, and Values**

**Mission:** The North Carolina Department of Health and Human Services, in collaboration with its partners, protects the health and safety of all North Carolinians and provides essential human services.

**Vision:** All North Carolinians will enjoy optimal health and well-being.

**Values:** When all DHHS employees adhere to the following values, all North Carolinians will view DHHS as the best managed agency in state government:

- **Customer-focused.** North Carolinians are the center of our service design and delivery, and allocation of human and fiscal resources.
- **Anticipatory.** DHHS uses feedback from our customers and partners on all levels -national, state, and local- to guide our thinking, planning, policies, and practices.
- **Collaborative.** DHHS values internal and external partnerships.
- **Transparent.** DHHS shares information, planning, and decision-making processes and communicates openly with its customers and partners.
- **Results-oriented.** DHHS emphasizes accountability and measures its work by the highest standards.

### **Current Environment**

In support of its mission, the Division of Human Resources (DHR) maintains staff throughout the divisions that serve as management consultants and employee advocates. DHR services approximately 17,200 employees and managers of the 13 divisions/offices and 12 facilities/schools that comprise the Department of Health and Human Services through the broad functional areas of Classification and Pay, Employee and Management Development, Employee Relations, Employee Safety and Health, Recruitment Services, and Work/Life and Benefits Services.

DHR personnel are located within divisions or are shared by divisions and support offices, but formal reporting lines are centralized to individuals within the Division of Human Resources in the Secretary's Office. Department activities are controlled by the Teacher Tenure Act and the State Personnel Act and are overseen by the OSP for State Personnel Act matters. DHHS HR has autonomy for most day-to-day operations; but at certain times OSP approval is required before hiring, classification, or pay decisions can be completed.

### **Key Operational Issues**

The complexity of laws and regulations governing human resources makes it difficult to implement creative solutions to the myriad of HR issues. HR operates under an array of federal and state laws, regulations, and policies that are often contradictory or duplicative. Compliance often results in a high administrative burden and confusion within the workforce. For example, most changes to the State Personnel Act (SPA) have been incremental and without consideration of policy conflicts.

Demand and supply of certain occupational groups, such as nursing, and increasing licensing requirements for some professional jobs usually reduces the labor supply, increase wages, and makes recruitment difficult. Recruitment of key positions is further affected by the lack of funding for competitive compensation programs and department-wide recruitment.

Our new payroll system, BEACON, was implemented in 2008. The system continues to become intuitive to users and transactional time to conduct work is decreasing. We continue to meet with Best Shared Services (BSS) to resolve any remaining SAP functionalities, transactional, procedural, and policy issues affected by BEACON. As a result, we are now able to perform more consultative work than we were able to in the past.

### **Goals, Results, and Key Indicators**

1. Attract and retain high performers.
  - Results: In 2010 ongoing advertising and sustained recruitment efforts targeted hiring and retaining RNs. During CY 2010, 226 Professional Nurses (RNs) were hired in DHHS at a retention rate of approximately 91%. This number includes

18 RNs hired under a pilot Sign-On-bonus incentive program in 2009, 7 were retained, resulting in a retention rate of 39%.

2. Increase the number of qualified/highly qualified applicants by five percent per year for the next three years.

- Results: There has been an increase in the number of applications received as the qualified and highly qualified applications per postings has improved from 20.52 (2009) to 22.6 (2010), an increase of 2%.

3. Based on US Department of Labor projections, the reduced number of qualified and highly qualified applicants in the medical, allied health and direct care human services jobs will continue to be a problem in the foreseeable future.

- Results: Voluntary turnover from 2009 (7.4% for all HHS job classes) increased slightly with 8% voluntary separations in 2010.

#### **4. Maintain market competitiveness of jobs**

DHHS pay levels for benchmark allied health, medical and direct care human services job classifications used for salary surveys are within 5% of the market average based on industry survey. Of the 39 classes reviewed, for which we have sufficient labor market data and includes the allied health, medical and direct classes, 43% of them are at or above the market average.

(See measure number 5 in Performance Measure Table on page 5 and 6.)

#### **5. Enhance and maintain effective employee-employer relations and quality of work life**

DHHS encourages open and effective communication between an employee and supervisor. All employees are encouraged to resolve problems through informal discussion with appropriate staff members or management. Employee Relations works with employees and management to develop and maintain harmonious and effective working relationships throughout the department.

(See measure number 4 in Performance Measure Table on page 5 and 6.)

**6. Provide for a safe and healthy work environment** Workplace accidents for schools, Mental Retardation/Developmental Disabilities/Nuro Medical Treatment, and psychiatric hospitals were found to be within the standard deviation.

(See measure number 6 below)

Performance Measure	2009 Status	2010 Status	Warning Indicator		
1. 82% of new hires to HHS are still employed after one year of initial employment.	81%	82%	70%		Green
2. Vacant positions are filled within 45 days <b>from the closing date of the vacancy announcement</b> (Continuously recruited jobs are not included due to inability to efficiently access data). <i>HR ATS</i>	72 days	76 days	55 days		Red
3. HHS employment reflects or exceeds <u>US EEO Aggregate NC Statistical Data</u> for EEO Official-Administrator and Professional occupational categories.					
Females in Professional Jobs	76%	75%	44.3%		Green
Minorities in Professional Jobs	32%	33%	17.6%		Green
Females in Official and Administrator Jobs	58%	57%	33.4%		Green
Minorities in Official and Administrator Jobs	17%	16%	13.9%		Green
4. 95% of formal grievances filed at Step 3 are either found in HHS' favor or are mutually settled by the grievant and Department.	96%	96%	90%		Green
5. Benchmark allied health and medical direct care human services job classifications used for salary surveys (reference annual DHHS HR Compensation Report) are within 5% of the market average based on industry surveys. Results:					
a) Professional allied health, medical, and direct care human services occupations.	(4.71%)	2.79%	(10%)		Green
b) Technician and assistant medical, allied health, and human services occupations.	8.88%	2.19%			Green
6. Workplace accidents for schools, MR/DD/NMT centers and psychiatric hospitals are not more than one standard deviation from their prior six-year average.					
Schools	33	30			Green
15-45 <span style="background-color: green; color: black;">Green</span>					
46-60 <span style="background-color: yellow;">Yellow</span>					
MR/DD/NMT	336	323			Green
274-373 <span style="background-color: green; color: black;">Green</span>					
374-422 <span style="background-color: yellow;">Yellow</span>					
Psychiatric Hospitals	492	486			Green

375-598	Green					
599-709	Yellow					

The following tables reflect the department's performance in processing separations and time setting changes. The figures used are provided by the Office of the State Controller on a quarterly basis:

<b>Time to Process Separations Metrics</b>		<30 Days Retro	30 – 59 Days Retro	>59 Days Retro	Total Separations
Q3'09 and Q4'09	State of North Carolina	4,208	625	428	5,261
	% of Total Separations	<b>80%</b>	12%	8%	100.0%
	DHHS	938	77	32	1047
	% of Total Separations	<b>90%</b>	7%	3%	100%

<b>Time to Process Retroactive Time Setting Changes Metrics</b>		<30 Days Retro	30 – 59 Days Retro	>59 Days Retro	Total Separations
Q3'09 and Q4'09	State of North Carolina	1410	294	822	2526
	% of Total Position Changes	<b>56%</b>	12%	32%	100%
	DHHS	513	34	712	1259
	% of Total Position Changes	<b>41%</b>	3%	56%	100%

## ***DHHS Compensation Report Executive Summary***

### *Background*

- Information in this report is based on 2010 data, except for projections.
- This is the eighth consecutive annual compensation report produced by DHHS - Human Resources.
- Over the past eight years, DHHS-HR has placed an emphasis on gathering and tracking employee salary data in order to improve salaries and decrease turnover.
- DHHS has a diverse workforce in many lines of business, which requires continual tracking with the markets in which we compete for talent.

- A market approach to pay requires a regular analysis of market conditions related to recruitment and retention of staff.

Career banding, a market approach to classification and pay, has been implemented at DHHS. In 2010, no banded jobs experienced a labor market increase.

### Workforce Highlights

- The Department of Health and Human Services employs approximately 17,200 permanent full-time employees which represents approximately 19% of the state's overall workforce of 91,108. There are also 448 part-time employees at DHHS
- Approximately 18%, 3050 employees, of the DHHS workforce are within 5 years of retirement.
- Approximately 6%, 1013 employees, of the DHHS workforce are eligible to retire within 1.

### Turnover and Retention

- DHHS processes more than 91,820 applications per year.
- On average, DHHS takes 149 days to fill a vacated position (from the date position is vacated to the date filled). This represents a 6.04% decrease over 2009.
- There has been a decrease of 50.5% in the total number of exit interview surveys completed in 2010 (510 surveys) as compared to 2009 (339 surveys).
- The total number of positions filled has steadily declined over the years, from 911 in 2008 to 539 in 2009 and 503 in 2010 due to economic conditions, hiring freeze, and budgetary restrictions.
- DHHS employee total turnover for 2010 was 13%, up from 2009 (12%).
- Voluntary separations in DHHS, during the first five years of service are at 39% overall for the year of 2010.
- Turnover is continually analyzed along with market pay data, and recommendations are made to the Office of State Personnel. There were no classifications that received market adjustments in 2010.
- Approximately 23% of all applications received do not meet minimum qualifications

- The average recruitment period is 90 days (from the date position was posted to date filled)
- Average HR evaluation and screening time is 8 days
- The management selection process takes approximately 35 days (from the date applications are sent to the hiring manager to the date returned to HR with a selection recommendation).

### *Economic Outlook*

- Most economists agree that the recession ended in 2009.
- Like the nation, North Carolina experienced a modest recovery in the economy in 2010 compared to 2009.
- North Carolina's unemployment level was 9.5% at the end of 2010 down from the 12% rate of 2009.
- Inflation (Consumer Price Index) was recorded at 1.5% at the end of 2010 compared to 2.7% at the end of 2009.
- Market survey data indicates that employers will increase salaries by 2.8% in 2011, an increase of .1% over 2009.

### *Salary Data*

- Total 2010 payroll for DHHS was \$712,350,510 compared to \$726,999,327 for 2009.
- There were no employee increases in 2010.
- The average DHHS employee salary in 2010 was \$41,578, which is \$478.00 more than 2009 (\$41,100).
- Due to current state economic instability, no Salary Adjustment Fund moneys were allocated in 2010.
- No legislative increase was awarded for 2010. Cumulatively, over the past five years, the Consumer Price Index increased 16.4%; while North Carolina state employee pay has increased 16.75; effectively leveling average employee "buying power" over previous years.
- Due to current state economic conditions there are no market pay studies projected for 2011.

### *Human Resources' Commitment*

- The Division of Human Resources is committed to collecting and analyzing important information (e.g., market data, exit interview data) to proactively address human resource issues so that services in the agency promote the attraction and retention of applicants and staff.
- DHHS will continue to provide resources to special statewide initiatives such as the new HR/Payroll system (BEACON) and career banding.
- Operation New Day - Pay and Time related SOP's published.

## ***DHHS Workforce Highlights***

### *Workforce Demographics*

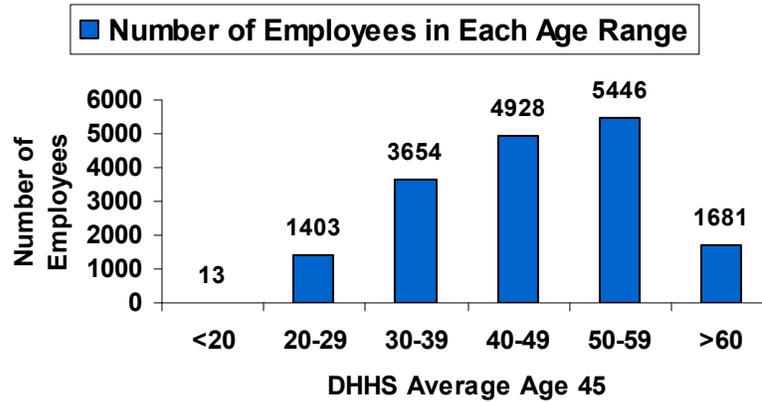
The Department of Health and Human Services employs approximately 17,200 permanent full-time employees which represents approximately 19% of the state's overall workforce of 91,108. DHHS is the second largest agency in state government (Department of Correction being the largest). The charts on the following pages show the breakdown of DHHS employees by age, total state service, average months of service, education level, race and sex, grade level, and salary. All charts exclude employees in the following categories: leave of absence, temporaries, retirees, and students. These charts are effective December 31, 2010 and are derived from BEACON data.

The data is summarized below:

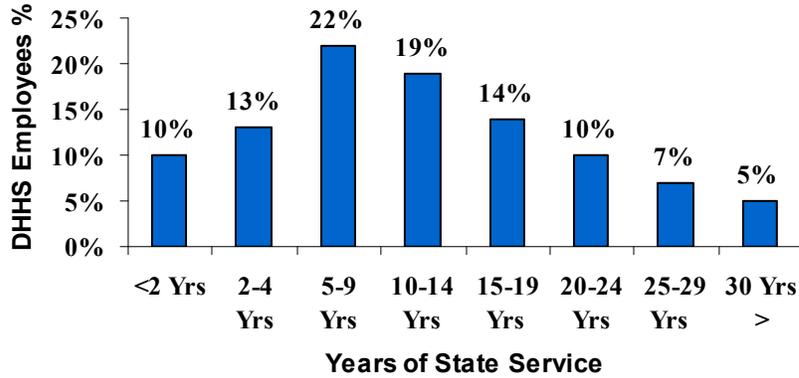
- 70% of the DHHS workforce is over the age of 40.
- Approximately 3060 employees (18%) are within five years of retirement (30 years).
- Approximately 614 employees (5%) are at or have over 30 years of service.
- The average employee has approximately 11.75 years of service.
- 38% of the workforce possesses a bachelor's degree or higher.
- 74% of the DHHS workforce is female and 26% is male.
- The DHHS workforce is 55% white; 42% black; and other 3%.
- The average salary of the DHHS employee is \$41,578.

See the following charts for visual representations of data.

### DHHS Employees by Age as of 12/31/10

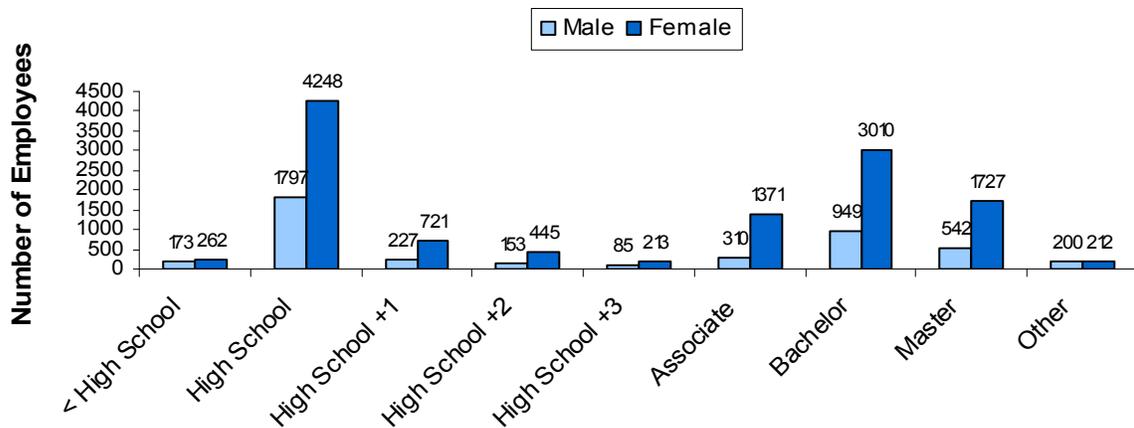


### DHHS Employees by State Service as of 12/31/10



Average Service 11 Years -Permanent Full-Time Employees Only- BEACON

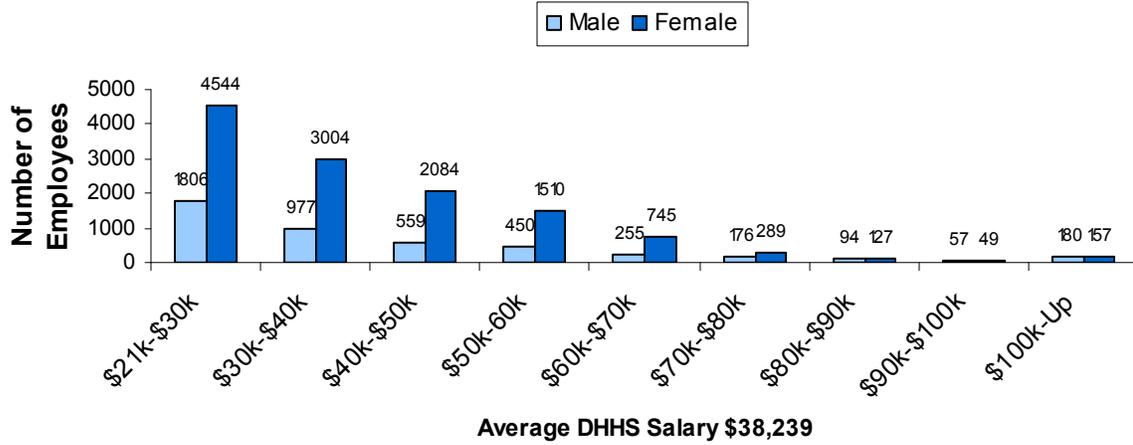
### DHHS Employees by Selected Education Levels as of 12/31/10



“Other” includes Phd, dentist, medical doctor, attorney, and miscellaneous

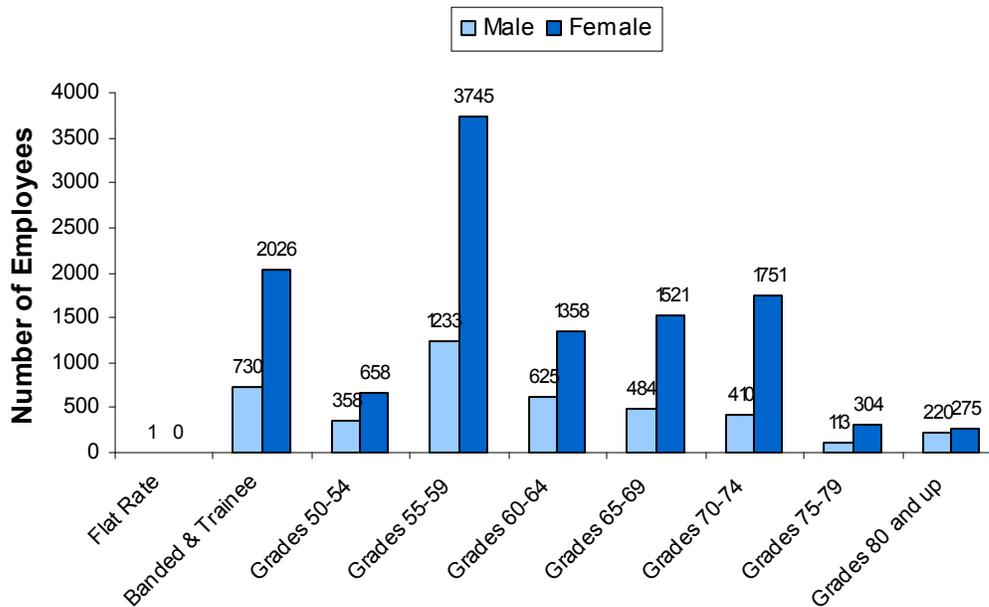
(Permanent Full-Time Employees Only -BEACON)

### DHHS Employees by Gender and Salary as of 12/31/10



(Permanent Full-Time Employees Only - BEACON)

### DHHS Employees by Grade as of 12/31/10



(Permanent Full Time Employees Only - BEACON)

## Turnover and Retention

One of the goals for Human Resources in 2010 was to improve retention throughout the department. The tools used to identify trends in attracting and retaining employees were the Applicant Tracking System, SAP, and the on-line Exit Interviewing Survey. While exit interview surveys can provide useful data for future retention, the optimal goal is to identify potential indicators of employee dissatisfaction and disengagement and address them before a separation occurs. Human Resources is researching best practices methods, and additional tools, such as improved on-boarding, employee recognition opportunities, and other resources which can be used to support management with employee retention. Retention will become increasingly important as the DHHS workforce ages and the number of retirements increase.

### *Applicant Tracking & Exit Interview Data:*

The Applicant Tracking System (ATS) was designed to efficiently manage applicant tracking for all DHHS positions. Data entered into the ATS database has provided the following information:

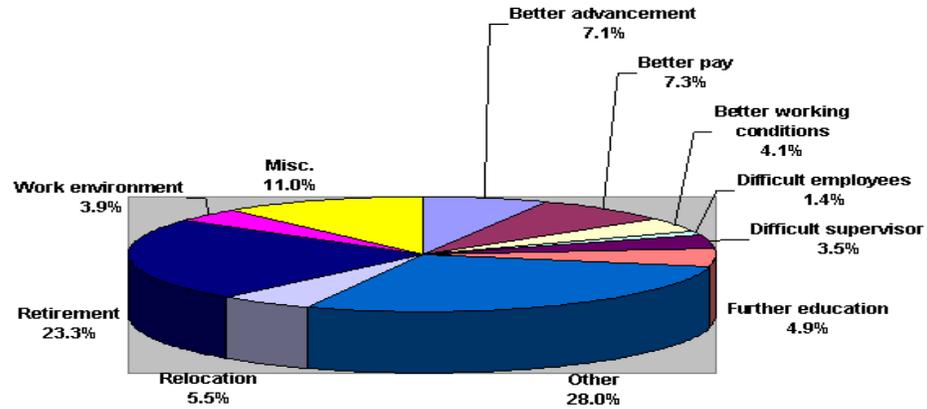
- DHHS processed approximately 91,820 applications in 2010
- Approximately 23% of all applications received do not meet minimum qualifications
- On average, DHHS takes 149 days to fill a vacant position (from the time position is vacated to date filled)
- The average recruitment period is 90 days (from the date position was posted to date filled)
- Average HR evaluation and screening time is 8 days
- The management selection process takes approximately 35 days (from the date applications are sent to the hiring manager to the date returned to HR with a selection recommendation)

Input into the Exit Interview Survey (EIS) Program reflects the following top reasons employees left DHHS in 2008:

- Retirement – 23%
- Other, not specified – 28%
- Relocation – 6%
- Better pay – 7%
- Better advancement opportunities – 7%

\*Upon reviewing the narrative section of the Exit Interview responses, the majority of the employees who selected “Other” as a reason for leaving identified themselves as being affected by a Reduction-in-Force (RIF). It should be noted that RIFs are not considered voluntary separations.

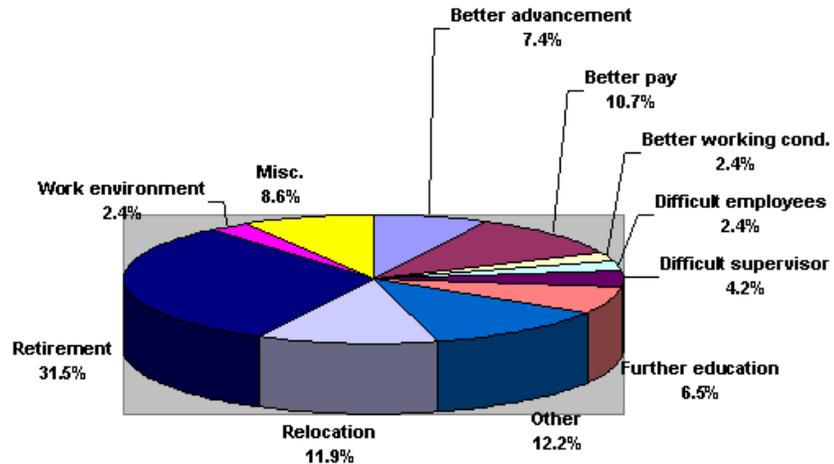
**Reasons for Leaving DHHS During 2010  
510 Exit Interviews Completed**



Miscellaneous category sub-factors include: 1) Dissatisfied with shift, 2) Insufficient training, 3) Marriage, 4) Pregnancy, 5) Private Sector employment, 6) Promotion/Transfer to another agency, 7) Unavailable child care

**For comparison purposes:**

**Reasons for Leaving DHHS During 2009  
339 Exit Interviews Completed**



Miscellaneous category sub-factors include: 1) Difficult to work with – clients, 2) Dissatisfied with shift, 3) Insufficient training, 4) Marriage, 5) Pregnancy, 6) Private Sector employment, 7) Promotion/Transfer to another agency, 8) Unavailable child care, 9) Unavailable elder care

## ATS and EIS Program Enhancements

In year 2010 , both positive and negative trends were noted using ATS & Exit Interview Program data:

- Overall recruitment processing timelines have increased. A possible contributing factor is the freeze release process which impacts the salary and offer phase.
- The average time to screen applications has stayed the same.
- The average time for hiring managers to make a selection decision has slightly decreased to 35 days.
- The number of voluntarily separating employees completing the Exit Interview Survey in 2010 as compared to 2009 remains the same.
- Retirement remains the top reason for voluntary separations, which is reflective of an aging workforce demographic in DHHS. "Other" is the top reason for all separations largely due to an increase in Reductions-in-Force separations in 2010.

### **Recommendations:**

- Focus on workforce planning in advance of retirement separations. Succession planning would help limit the impact of a long-term employee retiring and provide advancement opportunities for remaining staff (which mitigates another leading cause of turnover).
- Increase emphasis on the importance of Exit Interview program with the local division/facility management and HR offices. Provide best practices for encouraging completion of surveys by exiting employees, and collaboration between HR and management on reporting Exit Interview data, identify trends, and develop channels of communication to properly address issues.

## Benefits

### **BENEFITS CHANGES IN 2010**

- State Health Plan (Plan) Comprehensive Wellness Initiative - Tobacco Cessation. The tobacco cessation program of the Comprehensive Wellness Initiative (CWI) began for Plan subscribers and their covered dependents July 1, 2010. The CWI was legislated by Senate Bill 287 (Session Law 2009-16), to encourage Plan members to make healthier lifestyle choices. The CWI applies to active employees, retirees, COBRA participants and dependents whose primary health coverage is provided by the Plan. The CWI does not apply to members with Medicare as their primary coverage.

During Annual Enrollment, all members were enrolled in the 70/30 Basic plan for the 2010/2011 benefit year. In order for members to enroll in the

80/20 Standard plan, the subscriber had to declare on the Attestation\* that they and if applicable, their covered dependents:

- do not use tobacco, or
- that they qualified for exemption due to participation in a tobacco cessation program

*\*An Attestation is a legally binding document that subscribers must complete each year to enroll in the 80/20 Standard plan.*

- Rates- effective July 1, 2010, there was an 8.9% rate increase for dependent coverage on the State Health Plan.
- Nutrition Visits- on January 1, 2010, the Plan began providing coverage for four (4) nutritional visits, in-network at the primary care co-pay, for all members per benefit period as an additional support for the CWI. Coverage includes nutritional visits with a licensed dietitian or physician. Members with a diagnosis of diabetes will continue to have coverage for six (6) nutritional visits at 100% per benefit period.
- Bariatric Surgery- beginning July 1, 2010, bariatric surgery had to be performed at a Blue Distinction Center (BDC) to be a covered benefit.
- Dependent Eligibility Verification- the State Health Plan conducted an eligibility verification of all dependents covered on the Plan beginning July 2010. The Plan awarded the contract to Secova to perform the Dependent Eligibility Verification. Secova is an HR and Health Benefits Services company with extensive experience working with public sector entities.

### **UPCOMING BENEFITS CHANGES IN 2011**

- State Health Plan (SHP) Dependent Eligibility- effective July 1, 2011, the Health Care and Education Reconciliation Act provision will allow dependent children up to age 26 to be added to the State Health Plan regardless of student or marital status.
- State Health Plan (Plan) Comprehensive Wellness Initiative - Weight Management Component- members will continue to follow the tobacco cessation guidelines and as of July 1, 2011, will also enroll based on the weight management guidelines. Subscribers will be eligible to enroll in the 80/20 Standard Plan if they declare on the Attestation Form that the subscriber and their covered dependent(s) do not use tobacco products, AND
  - the subscriber and their covered dependent(s) have a Body Mass Index (BMI) less than 40 kg/m<sup>2</sup>; OR
  - the subscriber and their covered dependent(s) qualify for exemption due to participation in a weight management and/or tobacco cessation

program, or have a physician-certified medical condition that prevents the attainment of the required BMI.

#### Verification of Weight Management Status

1. Subscribers who attest that they and their covered dependents meet the weight and tobacco use requirements for the 80/20 Standard Plan will also be attesting that they understand they may be randomly selected to participate in a tobacco use/weight management verification test at their worksite. Height and weight measurements will be collected to determine BMI status. Members must have a BMI less than 40 kg/m<sup>2</sup> to pass the test.
2. The Physician Certification Form will permit members to claim an exemption for member participation in a weight management program and/or for a medical condition that prevents members from attaining the required BMI, in addition to the tobacco cessation program exemption. If applicable, both the weight management related exemptions and the tobacco cessation exemption information must be included for enrollment in the 80/20 Standard Plan.
3. Beginning on July 1, 2012, members must have a BMI of less than 35 kg/m<sup>2</sup> to enroll in the 80/20 Standard Plan. All other program requirements and processes will remain the same.

#### Exemptions

Subscribers who attest to qualifying for exemption at enrollment must obtain a Physician Certification Form. The completed form must include a dated physician, nurse practitioner or physician assistant's signature, as well as the tobacco cessation and/or weight management program start date(s). Members should keep the original, completed certification form for their records, as the Plan may request it at any time. Upon the Plan's request, the member will have fifteen (15) business days to submit the completed form to maintain their eligibility for enrollment in the 80/20 Standard Plan. If the form is not submitted within 15 business days, members will be notified of the consequences.

- NC Flex Dependent Eligibility- effective January 1, 2011, eligible dependents now include any unmarried child, including stepchild and foster child, who is dependent upon the employee for support and maintenance until the end of the month in which the child turns age 26 regardless of student status.
- NC Flex Health Care Flexible Spending Account (FSA)-
  - New Federal Regulation: Over-the-counter medications will not be eligible for HCFSA reimbursement unless prescribed by a physician effective January 1, 2011.
  - Cannot use the NCFlex Convenience Card for over-the-counter purchases.
  - Eligible expenses may be incurred January 1, 2011 (or the employee's plan effective date) through March 15, 2012.

- Have until April 30, 2012 to submit requests for reimbursement for prior plan year expenses.
  - Covers children under the age of 26, regardless of student, tax dependency, or marital status.
- NC Flex Dependent Day Care Flexible Spending Account (FSA)-
- Eligible expenses may be incurred January 1, 2011 (or the employee's plan effective date) through March 15, 2012.
  - Have until April 30, 2012 to submit requests for reimbursement for prior plan year expenses.
  - Dependent Care will no longer be offered through the NC Flex Convenience Card.
- NC Flex Cancer Policy Enhancements-  
Cancer Insurance through Allstate Workplace Division (AWD)
- LifeStrive, a comprehensive, wellness benefit available under the High & Premium Options. New Wellness Screening option with Premium and High Option Cancer coverage will give employees a choice to assign their wellness benefit to LifeStrive and participate in a comprehensive wellness blood screen (50 test panel) and online assessment tool.
  - Increase in High Option wellness screening benefit - from \$75 to \$100 - without increasing premiums.
  - New Portability feature allows Cancer coverage to be continued at the same rate by paying premiums directly to the insurance company, if an employee leaves employment with the State of North Carolina.
- NC 401K/457 Transfer Benefit- effective January 1, 2011, retiring members of TSERS and LGERS with an existing NC 401K or 457 (Deferred Compensation) account will have the opportunity to transfer all or a portion of their 401K and/or 457 funds to the NC Retirement System, and receive an additional separate monthly lifetime benefit based on the transferred funds. The NC 401K/NC 457 Transfer Benefit is designed to provide a lifetime benefit, also known as annuity. The NC 401K/457 transfer option allows retirees to convert one-time funds into recurring funds, i.e., monthly income. The monthly benefit is calculated so that if you lived exactly the expected number of years, you would receive the same payments with this benefit that you would have received by investing your NC 401K or 457 funds in safe US Treasury Bonds and taking regular monthly withdrawals equal to the monthly yield. On or after July 1, 2011, current retired members will also be eligible for this transfer option of their 401K/457 funds. Employees can learn about this new transfer option by contacting SECU, Prudential, or the Retirement System.

- Voluntary Shared Leave (VSL)- A non-family member of a State agency may donate sick leave to a nonfamily member of a State agency under the following provisions effective January 1, 2011:
  - The donor shall not donate more than five days of sick leave per year to any one nonfamily member;
  - The combined total of sick leave donated to a recipient from a nonfamily member donors shall not exceed 20 days per year;
  - Donated sick leave shall not be used for retirement purposes, and
  - Employees who donate sick leave shall be notified in writing of the State retirement credit consequences of donating sick leave.

Advisory Note: At retirement a member of the TSERS with an earned sick leave balance receives an additional month of service credit for each 20 days or portion thereof. The additional service credit increases the retirement benefit for the remainder of the life of the retiree.
  
- Vacation Leave-effective January 1, 2011, combines the 0-2 years with 2 but less than 5 years to create a less than 5 years category. Increases the annual accrual rate by 2 hours per year for each of the years of total state service category.

#### Vacation Leave Earnings

Years of Total State Service	Hours Granted Each Month	Hours Granted Each Year	Days Granted Each Year
Less than 5 years	9 hrs. 20 mins.	112	14
5 but less than 10 years	11 hrs. 20 mins	136	17
10 but less than 15 years	13 hrs. 20 mins.	160	20
15 but less than 20 years	15 hrs. 20 mins.	184	23
20 years or more	17 hrs. 20 mins.	208	26

- Incentive Leave- allows agency management the flexibility to award a one-time accrual up to 20 days (160 hours) of incentive leave to an eligible new employee upon hire. Incentive leave shall be maintained in a separate account from other accrued leave and can only be used as paid leave; therefore, the leave cannot be cashed out and will not be paid out upon separation if not used.

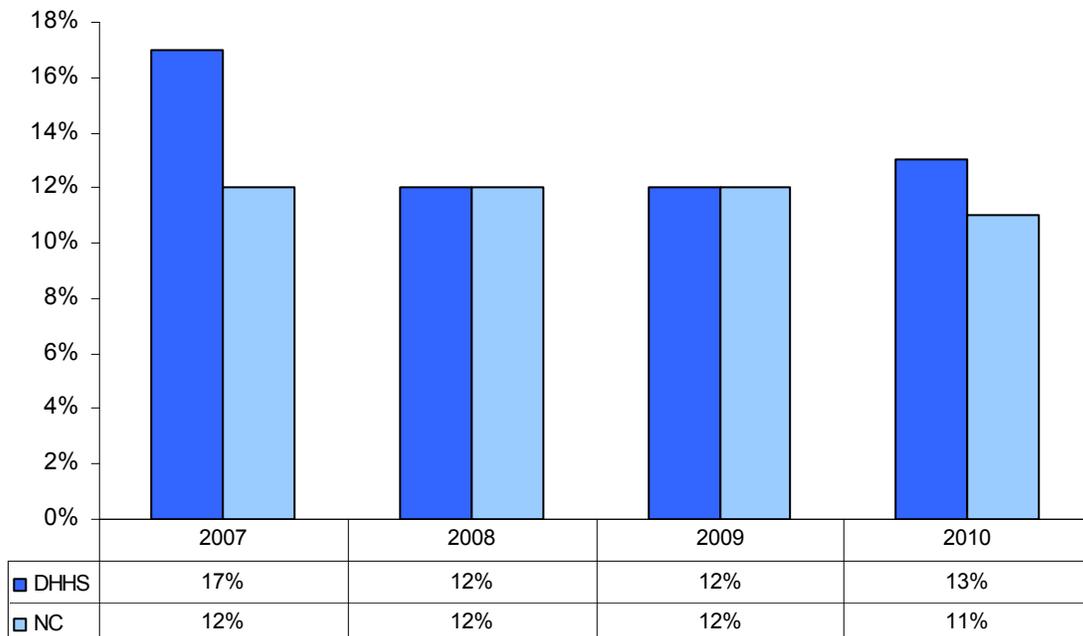
- DHHS Disability Plan Change- we have been notified by the Pierce Insurance Agency that the Professional Insurance Company (PIC) Disability Plan will no longer be offered to new DHHS employees as an Agency Specific Benefit as of March 31, 2011. Current DHHS employees with the PIC Disability Plan will be able to retain their coverage and continue to have it payroll deducted through Beacon, but we will no longer be able to offer it to new DHHS employees after March 31<sup>st</sup>. As a result of this change, DHHS will be sending out a Request for Information (RFI) and then a Request for Proposals (RFP) to secure a new Agency Specific Disability Plan that can be offered to new and existing DHHS employees.

**Turnover Analysis**

Turnover is tracked in a variety of ways and when supplemented with market pay data and actual recruitment scenarios, it can yield an overall picture of what a classification may be experiencing relative to the market. Analyzing turnover, both voluntary and involuntary within a classification, is a useful tool and can be an indicator of potential internal or external issues. Involuntary turnover occurs when employees vacate their position due to retirement, termination, etc. Voluntary turnover occurs when an employee chooses to leave state government altogether, usually to accept a position in the private sector or for personal reasons.

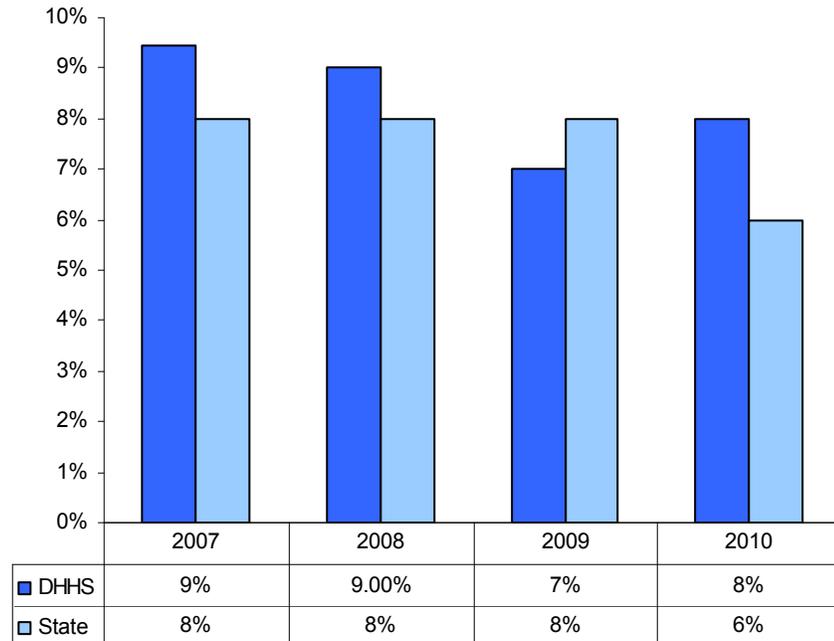
Turnover can sometimes indicate market problems, especially when a large number of staff in a particular job classification leave at an unusually high rate. The turnover chart below shows a four-year history of the overall DHHS total turnover rate as compared to the state total turnover rate.

**DHHS Annual Total Turnover Report**



This preceding data shows the DHHS total turnover rate has increased to 13% over the last year. DHHS total turnover is now above the state average. This increase is due in part to the Reduction in Force (RIF) of 296 employees. The total state average turnover decreased from 2009 (12%). These figures include employee separations for all categories (retirement, termination, etc.)

**DHHS Annual Voluntary Turnover Report 2010**

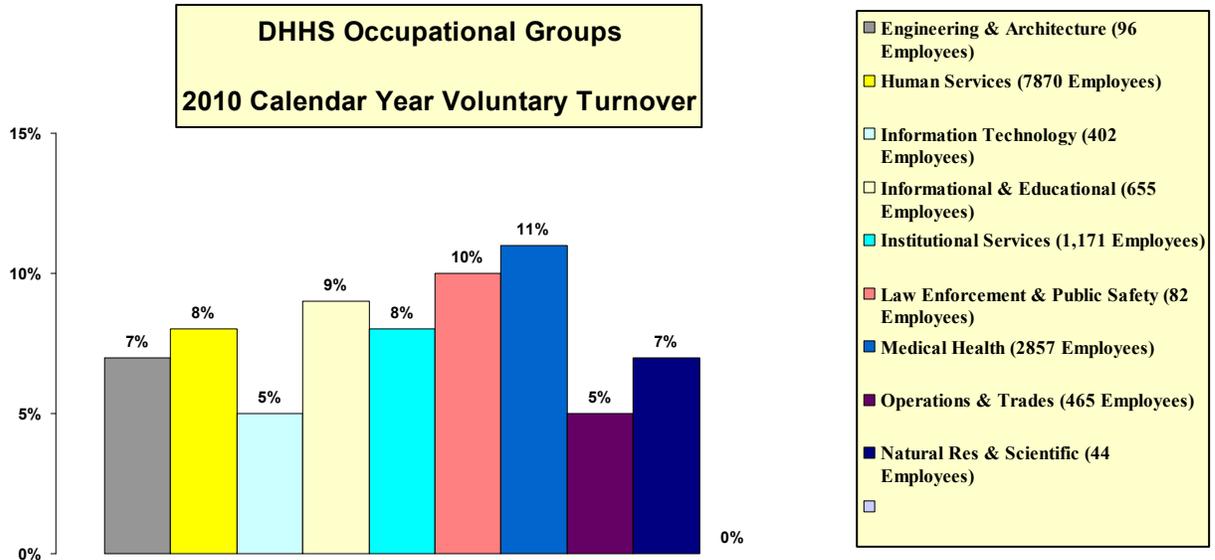


Source: BEACON

The voluntary (employees leaving state government willingly) turnover figures shown above for DHHS employees reflect a 1% increase in 2010 over the percentage experienced in 2009 (7% for DHHS employees). The percentage for State employees relating to voluntary turnover decreased by 2% from the previous year

When higher than average turnover rates begin to appear in a particular classification, other relevant data is also examined to determine what steps need to occur to reduce the turnover and stabilize that particular employee group. For example, turnover is reviewed by occupational group to help identify target areas for further analysis.

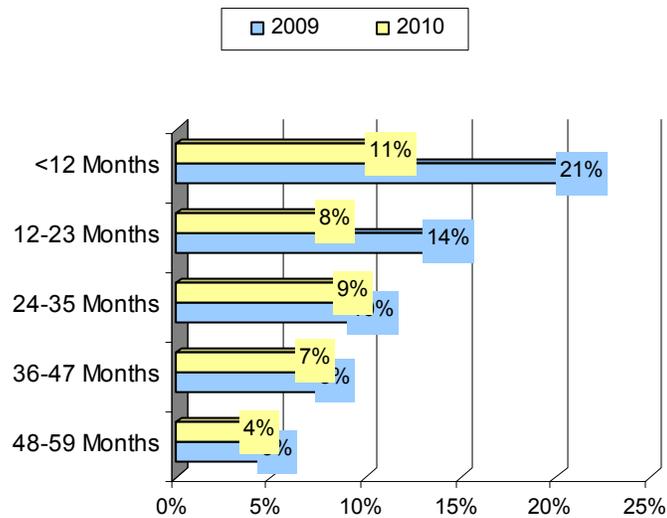
**Turnover Within Occupational Groups:**



Legend: Occupational Groups listed in descending turnover order  
Data Source: BEACON

**Turnover Attrition Data:**

**DHHS Employee Voluntary Attrition Data**  
**Aggregate Service Months At Time of Separation**



Source: BEACON

- 39% of voluntary separations for 2010 involved employees who had less than 5 years of service (down 19% from 2009).

- 11% of voluntary separations in 2010 involved employees that had accumulated eleven months or less of aggregate service (down 17% from 2009).

### Turnover Costs:

There were 1,404 DHHS voluntary separations in 2010. Based on the Department of Labor formula for costing out turnover (1/3 of the employees' salary), the DHHS turnover costs (e.g. separations costs, replacement costs, training costs, hidden costs) for 2010 were determined to be \$17,837, 723 (1/3 of \$59,457,454 equals \$17,837,723). With a focus on retention, the cost of turnover can be reduced. For example, if turnover is decreased by 1% next year, the cost savings would amount to approximately \$178,377.

The department also saw an additional cost in 2010 for those employees who were affected by a Reduction in Force. The severance payout for those 296 employees was \$3,797,129.

## ***Economic Outlook***

### National Economic Indicators

According to most economists, "The two year economic decline - called by some the "Great Recession" came to an end in 2009. Most forecasters expect annual economic growth (in real GDP) to be between 2% and 3% in both 2011 and 2012. Their views are based on the following indicators: Labor Market - the payroll non-farm survey and the household survey show a bottoming-out of the jobs lost at the end of 2009 and very modest improvement in 2010; Retail - increase in U.S. retail sales since last fall; Industrial production has moved higher since the summer of 2009; Inflation - there is no evidence of inflation either at the total level or core (excluding food and energy prices) levels; Housing - housing sales continue to be well below pre-recessionary levels and inventories are almost twice normal levels.

### North Carolina's Economy

According to the NC State Economist, North Carolina will see a modest economic recovery in 2011 and 2012. They also predict that between 55,000 and 70,000 net jobs will be generated in 2011, and in 2012 the totals will be between 65,000 and 75,000. Another prediction is that the state's unemployment rate will fall to 9.4% at the end of 2011 and 8.9% at the close of 2012. Professional and business services will be the fastest growing job section, and Ashville, Charlotte, the Triangle, and Wilmington will be the leading centers for growth in the state.

Survey of 2010 National Salary Increase Projection:

Each year several sources produce national salary surveys used to estimate employee pay raises for the following year. These salary projections can give an overall picture of how salary structures/budgets will move each year. Two of these sources are cited below.

SOURCE	PROJECTED INCREASE FOR 2011
Mercer	2.8%
Hewitt	2.8%
Average	2.8%

Overall, U.S. workers can expect a 2.8% pay raise in 2011. This figure is higher than the projected increases from last year.

As a result of the budget crisis, the State of North Carolina does not expect to provide any salary increases in 2011.

Salary Data

**DHHS Payroll Information**

The following section summarizes salary dollars spent within the agency and outlines how DHHS employee pay compares to the market in which it competes, whether at the local, state, or national level.

Each year, DHHS spends millions of dollars on employee salary actions. The total payroll for DHHS for 2010 was approximately \$712,350,510. The chart below shows how much money was spent in DHHS over the past four years by type of salary action.

Type of Action	2007	2008	2009	2010
Promotions	\$3,564,308	\$3,693,330	\$1,355,689	\$1,690,894
Promo Increase after Effective Date	\$46,755	\$37,504	\$23,068	\$96,849
Range Revision – Employee	\$37,290	0	0	0
Range Revision Increase after Effective Date	\$1,382,475	\$1,191,021	0	0
Reallocation Up-Employee	\$1,035,070	\$466,227	\$221,704	\$361,193
Reallocation Increase after Effective date	\$228,237	60,217	\$33,378	\$11,292
Special Entry Rate Incr.	\$6,869,340	0	0	0
In-Range Adjustments	\$1,335,120	\$711,567	\$376,904	\$345,779
Sal Adjustment – Retention	0	\$19,413	\$11,049*	0

Sal Adjustment – Trainee	\$219,151	\$65,629	\$202,130	\$129,328
Sal Adjustment – Other	\$93,263	\$51,471	\$68,855	\$164,948
Sal Adjustment – Equity	\$129,934	\$254,858	\$20,706*	0
Career Prog/Comp Level Chg	0	0	\$4,337	0
Career Prog/Comp Skill	0	0	\$32,369	\$160,722
Career Prog/Labor Market	0	0	\$21,321*	0
<b>Totals</b>	<b>\$11,292,590</b>	<b>\$6,551,246</b>	<b>\$2,371,510</b>	<b>\$2,961,005</b>

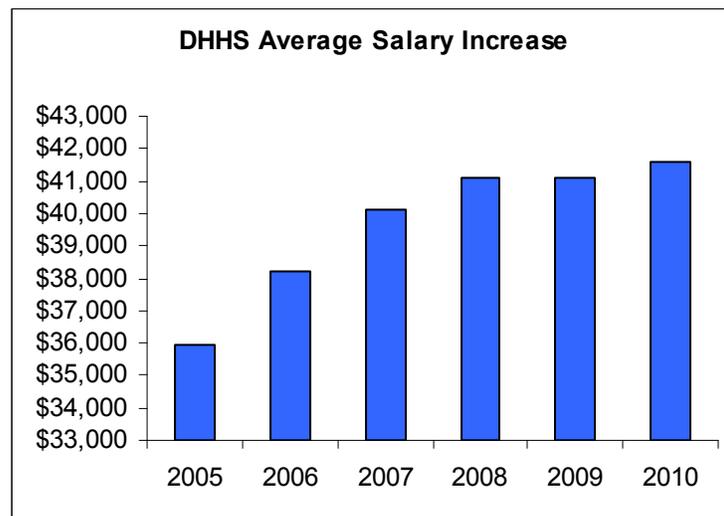
\*Jan - June - no longer allowed per Senate Bill 202  
BEACON

Source:

This data indicates that DHHS spent approximately .4% of its total payroll on salary actions in 2010. This is a point one percent increase over last year (.3%).

The Salary Adjustment Fund provides the opportunity for DHHS to solicit funds to provide salary increases to staff where regular budget funds are not available. Due to the reduction in state revenues in 2010, there was no salary adjustment fund.

The average salary in DHHS basically remained the same. The following chart shows a six-year history of the average salary in DHHS.



Source: BEACON

### **Benchmark Jobs**

The chart in Appendix A lists those jobs within DHHS that have been identified as “benchmarks.” Benchmark jobs are those that are easily tracked in the market based on the standard nature of the job; jobs that are heavily populated within DHHS; and those that are market sensitive.

The intent of the compensation program within DHHS - HR is to regularly track the market for these benchmark jobs in order to avoid loss of staff due to market

conditions. Paying employees a competitive wage can improve retention. According to the Department of Labor, employee turnover costs equal one third of the employee's salary; therefore, losing staff to other employers is costly to the agency. Implementing retention strategies (e.g., employee recognition, non-monetary rewards) should be a major focus for managers and a cost-effective goal for the agency. Many retention surveys list salary as a lower priority for staff, behind other factors such as relationship with supervisor and lack of challenge in the work. Building strong communication between the supervisor and employee can go a long way in retaining employees within the agency.

Market salary data is collected from a variety of sources and then analyzed to compare the average salaries of DHHS employees to the average salaries of employees in a particular market region. The salary surveys are combined to produce an average market rate which is then compared to DHHS salaries. The benchmark list that follows represents approximately 42% (7,261) of the total DHHS employee population. Each job classification listed on Appendix A shows the number of staff and other relevant market factors for that classification.

By analyzing this information, the compensation staff can consult with management on salary priorities for the coming year. If a particular classification is experiencing high turnover, difficulties recruiting, and a significant variance in pay relative to the market, that classification can be targeted for a detailed market analysis. That specific market analysis can yield a recommendation for pay increases to staff using a variety of methods. Short term relief for these types of problems can be addressed through In-Range Salary Adjustments and, a more long term approach (range revision) can be recommended to the Office of State Personnel.

Due to current economic conditions there were no market studies conducted in 2010.

### *History of Legislative Increases for NC State Employees 1993 - 2010*

<b>Year</b>	<b>Cost-of-Living Increase</b>	<b>Career Growth Increase</b>	<b>Bonus Increase</b>
<b>1993</b>	<b>2%</b>	<b>0</b>	<b>1% bonus</b>
<b>1994</b>	<b>4%</b>	<b>0</b>	<b>1% bonus</b>
<b>1995</b>	<b>2%</b>	<b>0</b>	<b>0</b>
<b>1996</b>	<b>2.5%</b>	<b>2%</b>	<b>0</b>
<b>1997</b>	<b>2%</b>	<b>2%</b>	<b>0</b>
<b>1998</b>	<b>1%</b>	<b>2%</b>	<b>1% performance bonus</b>
<b>1999</b>	<b>1%</b>	<b>2%</b>	<b>\$125 performance bonus</b>
<b>2000</b>	<b>2.2%</b>	<b>2%</b>	<b>\$500 bonus</b>

2001	\$625	0	0
2002	0	0	10 days leave
2003	0	0	\$500 bonus plus 10 days leave
2004	2.5% for salaries over \$40K; Or \$1,000/yr for salaries under 40K	0	0
2005	2% increase for salaries over \$42,500; Or \$850 year for salaries under \$42,500	0	5 days leave
2006	5.5%	0	0
2007	4%	0	0
2008	2.75	0	0
2009	0	0	0
2010	0	0	0

**2010 Pay Improvements:**

DHHS presents information to the Office of State Personnel when a pay improvement is justified in a particular area. Other state agencies may also benefit from improved pay approvals when they have employees in the approved class. There were no pay improvements approved in 2010.

- **Range Revisions**

There were no range revisions in 2010

- **Banded Classes**

No banded classes experienced range increases in 2010.

## ***Future Commitments***

Based on the information contained in this report, the Central Office of Human Resources commits to the following:

**Recruitment & Retention of Staff**

- Continue to track local economic conditions that may impact recruitment and retention of staff.
- Consult with management on how to improve recruitment and retention.
- Design and implement agency-wide recruitment strategies to address present and future staffing shortages.

- Implement improved recruitment tracking systems to gather recruitment and retention information.
- Analyze how the DHHS benefits package can be used to attract candidates.
- Encourage the use of exit interviews to assist in understanding employee turnover.
- Produce reports from the new BEACON system that will allow a more detailed and thorough review of employee turnover and other trends.

### Compensation

- Continue to gather and analyze market data so that, whenever the state budget will allow it, the salaries of those jobs most critical to the mission of this department and vulnerable to turnover such as Professional Nurses and Physical Therapists are increased to the appropriate market level.
- Continue to make recommendations to the Office of State Personnel in cases where DHHS is experiencing difficulty with retention of staff due to compensation issues.
- Analyze the impact of special salary increase programs to determine their affect on turnover.
- Use BEACON reporting tools and analyze additional information for which data are now available (e.g. amount of overtime spent per facility, impact of turnover by shift, etc.).
- Serve/Work on internal committees (i.e. OND, Excels, Workforce Planning) designed to improve the delivery of HR services.
- Health Care Technician - direct care study - monitor for impact on recruiting and retention.

# APPENDIX A

**DHHS LABOR MARKET DATA SUMMARY  
CALENDAR YEAR 2010**

<b>Benchmark Job</b>	<b>Job Object ID</b>	<b>Salary Grade</b>	<b>Number of Employees</b>	<b>Average Salary</b>	<b>Average Market</b>	<b>Labor Market Pay Gap</b>	<b>Voluntary TO Rate</b>	<b>Vacancy Rate 12/2010</b>
Accountant	31000025	CB	63	\$52,510	\$49,165	6%	2%	6%
Administrative Secretary III	30000277	61	24	\$39,230	\$35,063	11%	9%	8%
Architect	31000115	CB	16	\$75,782	\$58,699	23%	0%	0%
Audiologist	30002646	73	12	\$56,232	\$67,253	-20%	0%	0%
B & T Appls Tech	30005032	CB	17	\$55,671	\$64,932	-17%	6%	11%
Clinical Dietitian I	30002753	68	31	\$47,791	\$47,535	1%	4%	3%
Pharmacist	31000104	CB	72	\$102,974	\$107,510	-4%	4%	6%
Clinical Social Worker	30002019	72	146	\$49,736	\$47,802	4%	20%	11%
Cook II	30003427	55	81	\$26,279	\$23,596	10%	4%	7%
Cytotechnologist I	30002273	72	10	\$51,667	\$59,919	-16%	10%	9%
Dental Assistant	30002424	59	11	\$35,703	\$34,658	3%	0%	0%
Dental Hygienist II	30002441	72	53	\$55,914	\$56,706	-2%	2%	0%
Disability Determination Specialist I	30000172	67	264	\$36,456	\$36,568	0%	12%	15%
Food Service Assistant II	30003435	52	163	\$24,160	\$20,794	14%	8%	9%
Health Care Technician I	30002826	58	3,351	\$26,000	\$25,181	3%	9%	5%
Housekeeper	30003376	50	422	\$23,955	\$21,620	10%	8%	8%
Licensed Practical Nurse	30018654	CB	329	\$39,300	\$37,033	6%	11%	6%
Maintenance Mechanic III	30003620	63	59	\$36,594	\$38,346	-5%	2%	5%
Medical Laboratory Technologist II	30002321	70	46	\$46,347	\$49,969	-8%	2%	6%
Nurse Supervisor	30018658	CB	179	\$65,938	\$68,159	-3%	10%	13%
Occupational Therapist I	30002722	76	29	\$64,437	\$67,085	-4%	3%	17%
Occupational Therapy Assistant I	30002720	64	7	\$38,221	\$47,543	-24%	20%	33%
Office Assistant IV	30000252	59	300	\$32,393	\$34,020	-5%	7%	7%
Personnel Analyst I	30001000	70	12	\$51,713	\$43,977	15%	10%	0%
Pharmacy Technician	31000103	60	65	\$30,662	\$29,152	5%	5%	5%
Physical Therapist I	30002714	76	6	\$64,514	\$71,481	-11%	20%	44%
Physical Therapist Assistant I	30002712	64	7	\$39,468	\$46,743	-18%	0%	0%
Physician Extender II	30002453	81	31	\$81,617	\$87,989	-8%	6%	8%
Physician III – A	30002505	10	43	\$175,823	\$174,165	1%	8%	8%
Physician III – B	30002469	13	68	\$175,699	\$176,957	-1%	11%	15%
Professional Nurse	30018655	CB	800	\$53,825	\$61,352	-14%	15%	11%
Public Safety Officer	30005047	CB	29	\$36,115	\$39,569	-10%	3%	3%
Radiologic Technologist	30002300	68	14	\$43,390	\$49,248	-14%	0%	0%
Recreational Therapist	31000729	68	64	\$36,513	\$42,974	-18%	15%	17%
Rehabilitation Counselor I	30001972	68	181	\$39,088	\$41,391	-6%	15%	9%
Senior Psychologist I	30002221	78	51	\$74,615	\$67,828	9%	4%	17%
Social Worker III	30001888	69	106	\$42,595	\$45,213	-6%	8%	6%
Speech and Language Pathologist I	30002643	73	53	\$56,744	\$64,390	-13%	17%	14%
Vehicle Operator I	30003477	53	43	\$25,648	\$26,272	-2%	9%	9%
Youth Program Assistant I	30010847	61-T	178	\$29,853	\$27,120	9%	4%	3%
<b>Total Employees</b>			<b>7,436</b>					