

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

2008



This Report Highlights:

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

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Classification & Compensation*

***2008 DHHS Workforce and Compensation Report
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Introduction & Background

Purpose

The purpose of this report is to convey trends, key findings, and salary data 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

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 2008, the annual cost of living pay increase for state employees was 2.75% which was 1.25% less than from 2007's 4.0% increase. Pay increases prior to 2007 were typically below the national average, and were many times less than 2%. In past years, the pay for state employees did not keep pace with the local market. While certainly the boost of 5.5% in 2006 and 4% in 2007 were extremely helpful and appreciated, it still did not make up for the many years prior where increases were significantly behind other employers.

Career Banding: At the request of the state legislature, a study was conducted to determine if career banding should continue. As a result of the study, the legislature restricted the banding to the Fiscal (Business Officer, Accountants, etc.), Architects, Engineers, Nursing, and Pharmacy classes. The future implementation of career banding for other occupations is unknown at the preparation of this report.

HR Commitment

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.

The new BEACON system will be a valuable tool in allowing information to be collected and analyzed. From that data, decisions can be made in how DHHS will position itself in the market with respect to its market position and how it competes for employees.

Other report components include DHHS workforce highlights, the state's economic outlook, salary data, and HR's future commitment regarding workforce availability and compensation.

Division of HR Mission & Goals

Mission: The Division of Human Resources (DHR) aspires to deliver superior human resource services that enhance the ability of DHHS offices and divisions to meet programmatic and operational challenges.

Vision: In the arena of human services, DHHS will be the employer of choice for those who aspire to serve in state government.

Current Environment

In support of its mission, DHR maintains staff throughout the divisions that serve as management consultants and employee advocates. DHR services over 19,000 employees and managers of the 13 divisions/offices and 13 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 Office of State Personnel (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.

Human Resources constantly shifts emphasis from a centralized control authority, to a decentralized business partner, to an independent employee advocate. Balancing these roles is challenging but is essential to the success of the organization.

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 and it has resulted in increased transactional work (entering and modifying employee and position data). An increase in workload is also a result of the complexities of how position (SAP Organizational Management, or OM) and employee (SAP Personnel Administration, or PA) data/information is configured. In addition, the system is not intuitive to users and transactional time to conduct work has increased from 25% to 75%. Best Shared Services (BSS) continues to resolve "ticket" items related to payroll (e.g. shift premium, extended duty, work schedule rules, immediate payout of overtime, timekeeping, etc.). HR core users continue to learn the nuances of the system, and certain SAP functionalities are still being resolved by BSS. As a result, the ability of HR to move toward more consultative work continues to be hampered until all transactional, procedural, and policy issues affected by BEACON are resolved.

Goals, Results, and Key Indicators

1. Attract and retain high performers
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 applications per postings has improved from 11.89 to 17.07 (+43.57%) since 2006. However, the number of highly qualified applicants from 2006 to 2008 has decreased from 15,861 to 11,659 (-26.49%). The total qualified (highly qualified and qualified) is relatively consistent with a subtle decrease of -0.05% (from 56,952 in 2006 to 56,923 in 2008). This significant decrease in highly qualified applicants may be attributed to policy changes implemented in 2006 transferring responsibility for screening of highly qualified applications from the human resources representative to the hiring managers. 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 pattern in the foreseeable future.

Results: Voluntary turnover from 2007 (9.45% for all HHS job classes) to 2008 (9% for all HHS job classes) decreased by .45%. This can be attributed to the troubled North Carolina economy.

1. 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.

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















2. 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 6.)

3. Provide for a safe and healthy work environment While workplace accidents for schools and psychiatric hospitals were found to be within the standard deviation, the Mental Retardation/Developmental Disabilities/Neuro Medical Treatment C were found to need improvement in that area.

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

Performance Measure	2007 Status	2008 Status	Warning Indicator	2008 Score	
1. 80% of new hires to HHS are still employed after one year of initial employment.	75%	84%	70%		Green
2. Vacant positions are filled within 45 days from the closing date of the vacancy announcement (Continuously recruited jobs are not included due to inability to efficiently access data). <i>HR ATS</i>	72 days	73 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. <i>US EEOC and PMIS</i> Females in Professional Jobs Minorities in Professional Jobs Females in Official and Administrator Jobs Minorities in Official and Administrator Jobs	73.6% 28.0% 58.8% 13.2%	75.1% 29.1% 57.9% 14.0%	44.3% 17.6% 33.4% 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.	96.5%	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. <i>HR CC</i> Results: a) Professional allied health, medical, and direct care human services occupations. b) Technician and assistant medical, allied health, and human services occupations.	(4.71%) 8.88%	2.79% 2.19%	(10%)		Green
6. Workplace accidents for schools, MR/DD/NMT centers and psychiatric hospitals are not more than one standard deviation from their prior five-year average. Schools 135-197  198-260  MR/DD/NMT 1782-2012  2013-2242  Psychiatric Hospitals 2909-3278  3279-3647 	No data for 2007	150 2051 2115	197 2012 3278	  	Green Yellow Yellow

DHHS Compensation Report

Executive Summary

Background

- Information in this report is based on 2008 data, except for projections.
- This is the sixth consecutive annual compensation report produced by DHHS - Human Resources.
- Over the past six 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 widely 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 in four more areas - Nursing, Fiscal, Engineering, and Pharmacy. In 2008, no banded jobs experienced a labor market increase.

Workforce Highlights

- The Department of Health and Human Services employs 18,117 permanent full-time employees which represents approximately 20% of the state's overall workforce of 91,108. There are also 455 part-time employees at DHHS
- Approximately 3%, 601 employees, of the DHHS workforce are within 5 years of retirement.

Turnover and Retention

- DHHS processes more than 95,400 applications per year.
- On average, DHHS takes 135 days to fill a vacated position (from the date position is vacated to the date filled). This represents a 2% decrease over 2007.
- There has been a decrease of 39.3% in the total number of exit interview surveys completed in 2008 compared to 2007.

- The total number of positions filled has steadily declined over the years, from 1766 in 2006 to 1256 in 2007 and 911 in 2008 due to both economic conditions and budgetary restrictions.
- DHHS employee total turnover for 2008 was 12%, a decrease of 2% from 2007 (14%).
- Voluntary separations in DHHS, during the first five years of service, showed a 6% reduction in 2008 (43% overall) when compared to 2007 (49% overall).
- Turnover is continually analyzed along with market pay data, and recommendations are made to the Office of State Personnel. Based on market analysis, the following classifications received salary adjustments in 2008:
 - Clinical Dietitian I
 - Clinical Dietitian Supervisor
 - Administrative Dietitian
 - Occupational Therapy Assistant I and II
 - Physical Therapist Assistant I and II
 - Senior Psychologist I and II
 - Audiologist
 - Psychological Program Coordinator I
 - Psychological Program Director I, II, and III
 - Psychological Program Manager
 - Speech and Hearing Clinic Manager
 - Speech and Hearing Program Director
 - Speech and Language Pathologist I and II

Economic Outlook

- Like the nation, North Carolina's economy posted a slower performance in 2008 compared to 2007.
- North Carolina's unemployment level was 7.2% at the end of 2008 up significantly from the 4.9% rate of 2007.
- Inflation (Consumer Price Index) was projected nationally at 3.5% at the end of 2008 compared to 3.2% at the end of 2007.
- Market survey data indicates that employers will be very reluctant to implement any salary increases for 2009.

Salary Data

- Total 2008 payroll for DHHS was \$745,403,454 compared to \$753,016,209 for 2007.
- Approximately 1% or \$6,551,246 was spent on employee increases in 2008 compared to \$11,292,590 in 2007.
- The average DHHS employee salary in 2008 was \$41,144, a 2.75% increase over 2007. This is a significant improvement since the cost of living adjustment pay increase was 4.1%, showing a gain of almost 1%.
- Due to current state economic instability, no Salary Adjustment Fund moneys were allocated in 2008.
- A 2.75% legislative increase was awarded for 2008/09 which was 1.25% less than 2007/08. Cumulatively, over the past five years, the Consumer Price Index has increased 16.4%; while North Carolina state employee pay has increased 16.75; effectively leveling average employee "buying power" over previous years.
- No new classes or pay ranges for positions subject to 115-C legislation were incorporated into the 2008 State of North Carolina School Educator Salary Schedule.
- Due to current state economic conditions there are no market pay studies projected for 2009.

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.

DHHS Workforce Highlights

Workforce Demographics

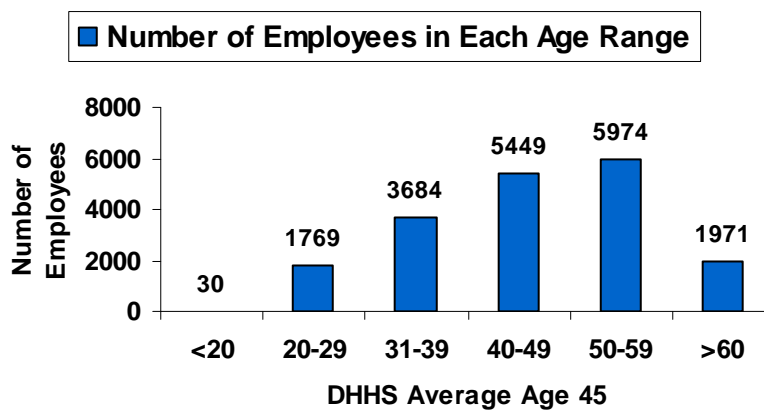
The Department of Health and Human Services employs 18,117 permanent full-time employees which represents approximately 20% of the state's overall workforce of 91,108. DHHS is the second largest agency in state government (Department of Correction being the largest). The charts on the following pages 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, 2008 and are derived from PMIS and BEACON data.

The data is summarized below:

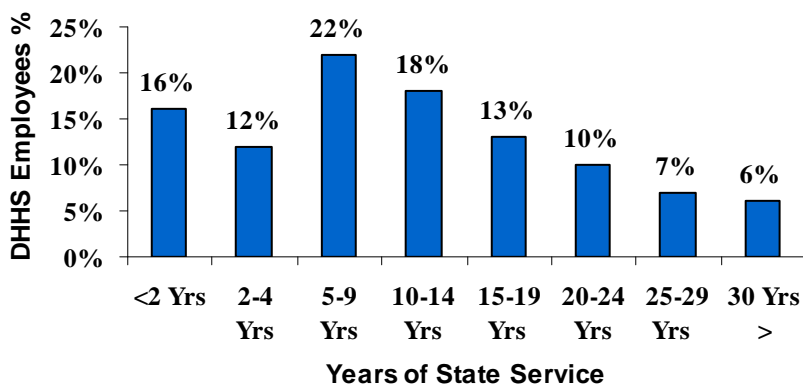
- 74% of the DHHS workforce is over the age of 40.
- Approximately 601 employees (3%) are within five years of retirement.
- The average employee has approximately 11 years of service.
- 38% of the workforce possesses a bachelor's degree or higher.
- 70% of the DHHS workforce is female and 30% is male.
- The DHHS workforce is 56% white; 40% black; and other 4%.
- The average salary of the DHHS employee is \$41,037, an approximate 2% increase over 2007 (Page 25).

See the following charts for visual representations of data.

**DHHS Employees by Age
as of 12/31/08**

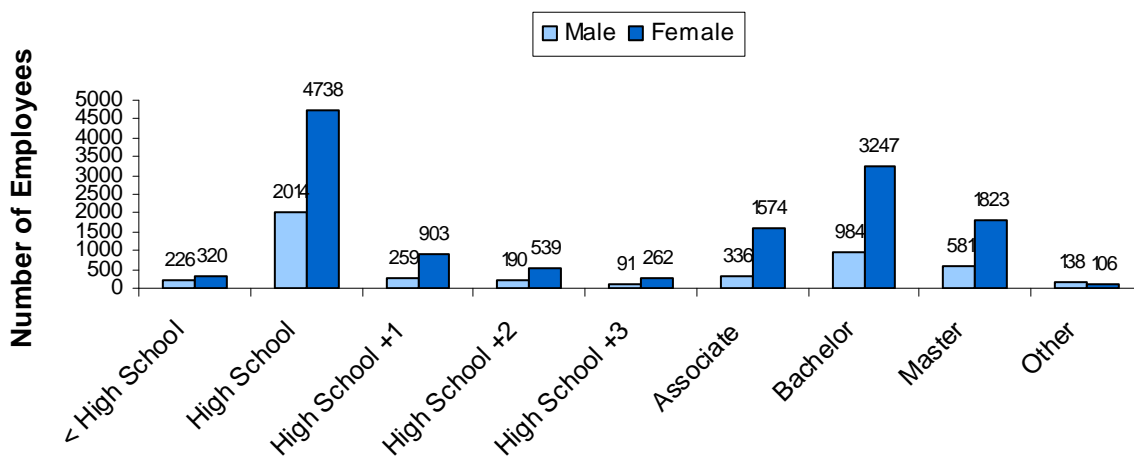


DHHS Employees by State Service as of 12/31/08



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

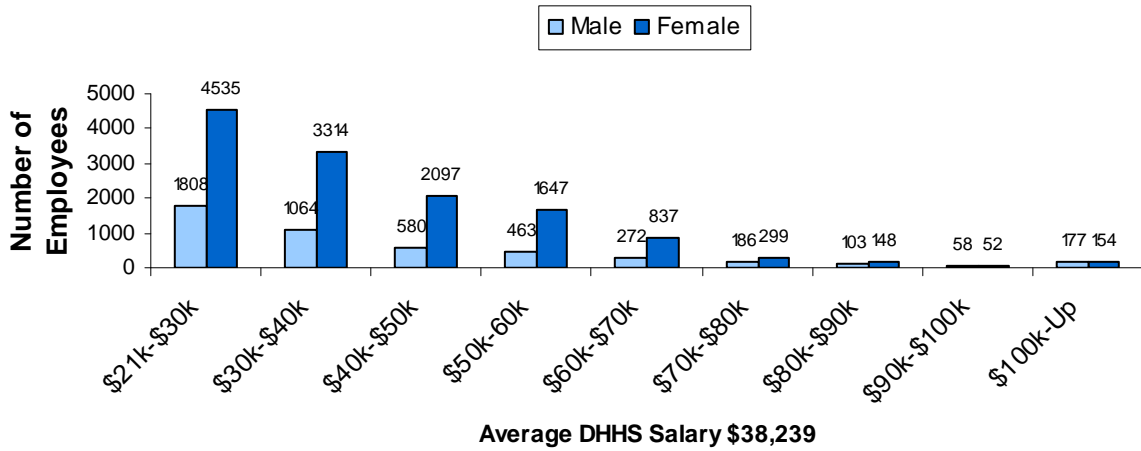
DHHS Employees by Selected Education Levels as of 12/31/08



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

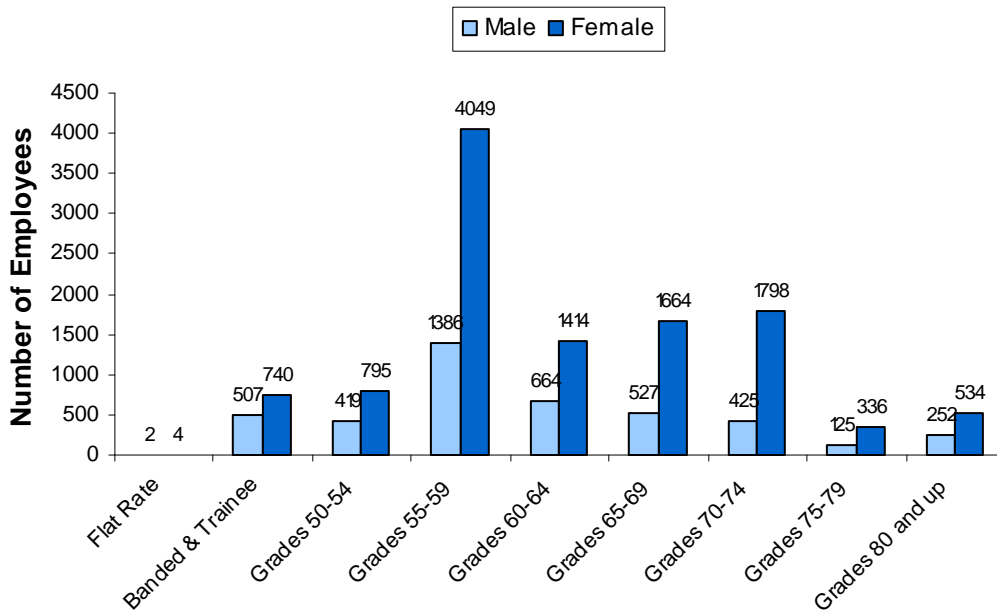
(Permanent Full-Time Employees Only-PMIS and BEACON)

DHHS Employees by Gender and Salary as of 12/31/08



(Permanent Full-Time Employees Only-PMIS and BEACON)

DHHS Employees by Grade as of 12/31/08



(Permanent Full Time Employees Only PMIS)

Turnover and Retention

One of the goals for Human Resources in 2008 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. The central Human Resources Office is exploring ways to improve our retention efforts. 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 additional tools, such as engagement and satisfaction surveys; 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:

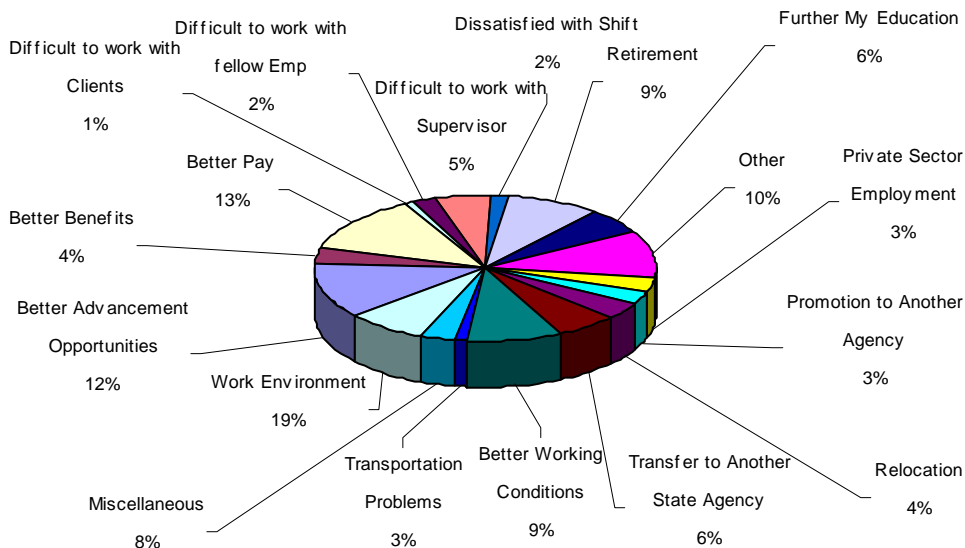
- DHHS processes approximately 95,400 applications per year.
- Approximately 25% of all applications received do not meet minimum qualifications.
- On average, DHHS takes 135 days to fill a vacated position (from the time position is vacated to date filled).
- The average recruitment period is 87 days (from the date position was posted to date filled.)
- Average HR evaluation and screening process is 3 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:

- 1) Better Pay (13%)
- 2) Better Advancement Opportunities (12%)
- 3) Other -Non-Specified (10%)
- 4) Retirement (9%)
- 5) Better Working Conditions (9%)

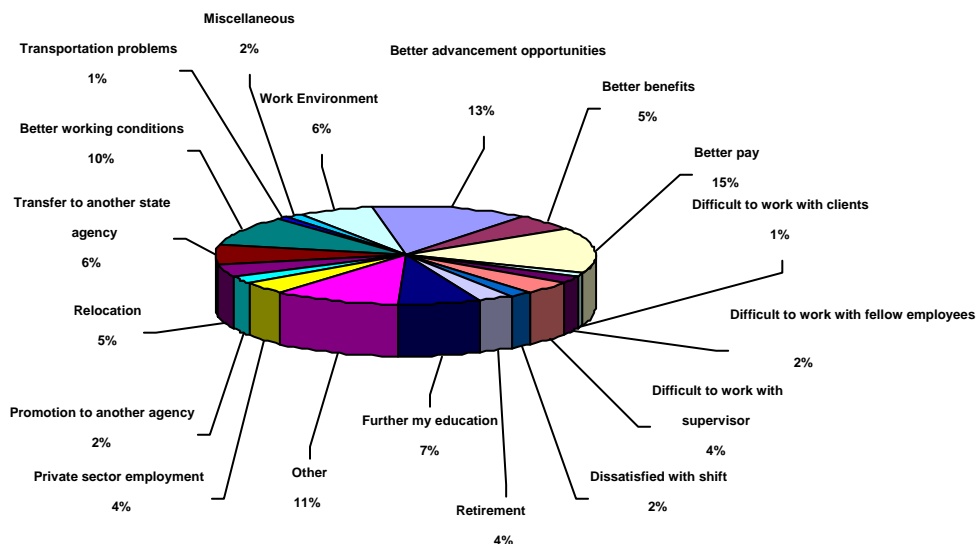
The following charts show the breakdown of specific responses.

**Reasons for Leaving DHHS During 2008
462 Exit Interview Surveys Completed**



Miscellaneous category sub-factors include: 1) Unavailable Child care, 2) Unavailable Elder Care, 3) Marriage, 4) Insufficient Training, 5) Long Term Disability, and 6) Pregnancy

**Reasons for Leaving DHHS During 2007
762 Exit Interview Surveys Completed**



Miscellaneous category sub-factors include: 1) Unavailable Child care, 2) Unavailable Elder Care, and 3) Marriage

In year 2008, both positive and negative trends were noted using ATS and Exit Interview program data:

- Overall recruitment processing timelines are decreasing and selection decisions are being made faster.
- The average time to screen applications has decreased by 50%, from 6 days in 2007 to 3 days in 2008.
- The average time for hiring managers to make a selection decision remains consistent, at 35 days.
- There has been a significant decline of 39.3% in the total number of Exit Interview Surveys completed in 2008 as compared to 2007.

ATS and EIS Program Enhancements:

The Recruitment Services Section, of the Division of Human Resources, continued efforts to improve ATS and Exit Interview data tracking methods and evaluation tools. ATS reports were expanded to include an “Aging Posting Report”. This report identifies positions which have been posted for more than one year and are not closed. In addition, conversion of the Applicant Tracking System to align with the SAP system is in progress.

Benefits

Effective January 1, 2009:

NCFlex

- NCFlex Vision Plan reduced rates and offered a new option of benefits for a total of three benefit options. Vision plan options are:
 1. Plan 1- Exam and Materials
 2. Plan 2- Materials Only
 3. Plan 3- Enhanced Exam and Materials (new option
- NCFlex critical illness insurance was offered to provide coverage for a number of serious illnesses to complement existing medical insurance and other insurance plans.
- NCFlex cancer plan added a new premium option. The premium option will give members more coverage than the two choices offered previously (Low and High Options).

- NCFlex group term life insurance rates were reduced rates by 8%.
- NCFlex Convenience Card for the Health Care Spending Account and Dependent Day Care Account was simplified. For certain convenience card transactions, documentation will no longer be needed.
- NCFlex Accidental Death & Dismemberment reduced their monthly rates by 27% and an additional enhancement has been offered.
- Protective Life was offered to provide coverage for universal life to DHHS employees. Universal life is one of the most versatile types of life insurance and provides many features such as flexible premiums, nontaxable death benefits, and interest on policy value, on a tax-deferred basis.

State Insurance Plan:

On the Horizon for July 1, 2009, there will be changes to the health insurance plan (State Health Plan) that has not been signed into law yet.

Turnover Analysis

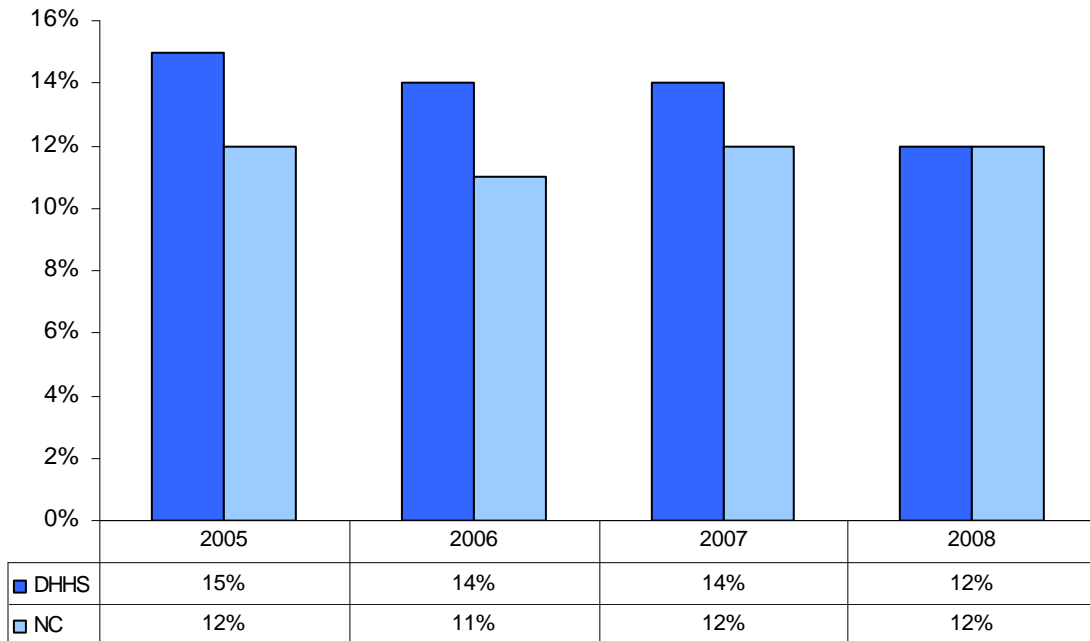
Turnover is tracked in a variety of ways and when supplemented with market pay data and actual recruitment scenarios, it can yield an overall picture of what a classification may be experiencing relative to the market. Analyzing turnover, both voluntary and involuntary within a classification, is a useful 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.

This data shows the DHHS total turnover rate has decreased to 12% over the last year. DHHS total turnover is now even with the state average. The total state average turnover remained the same from 2007 (12%). These figures include employee

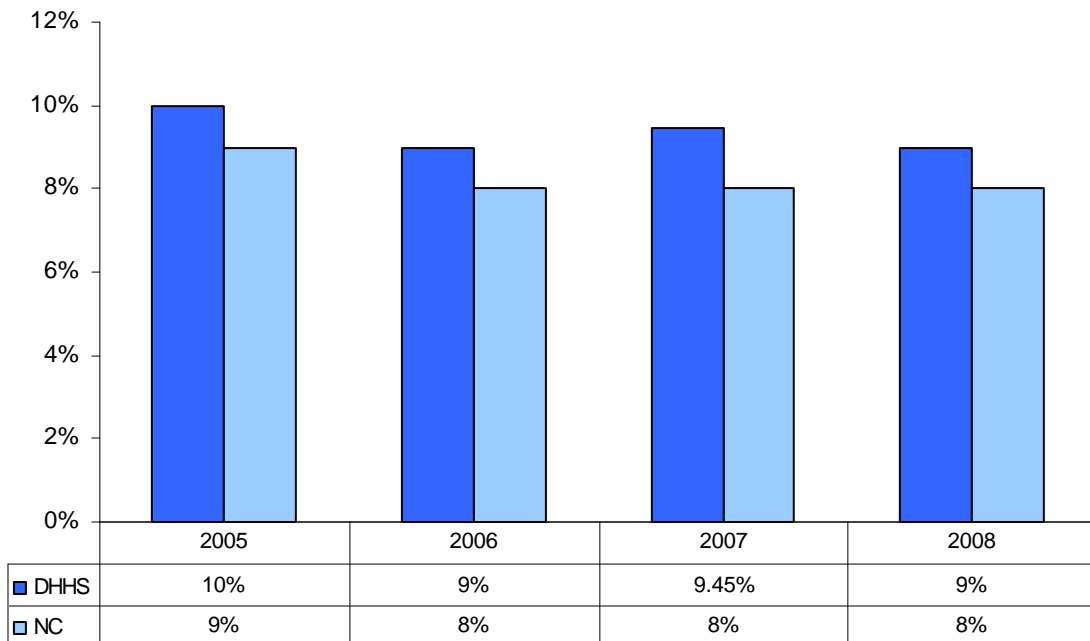
separations for all categories (retirement, termination, etc.)

DHHS Annual Total Turnover Report



Source: PMIS and BEACON

DHHS Annual Voluntary Turnover Report

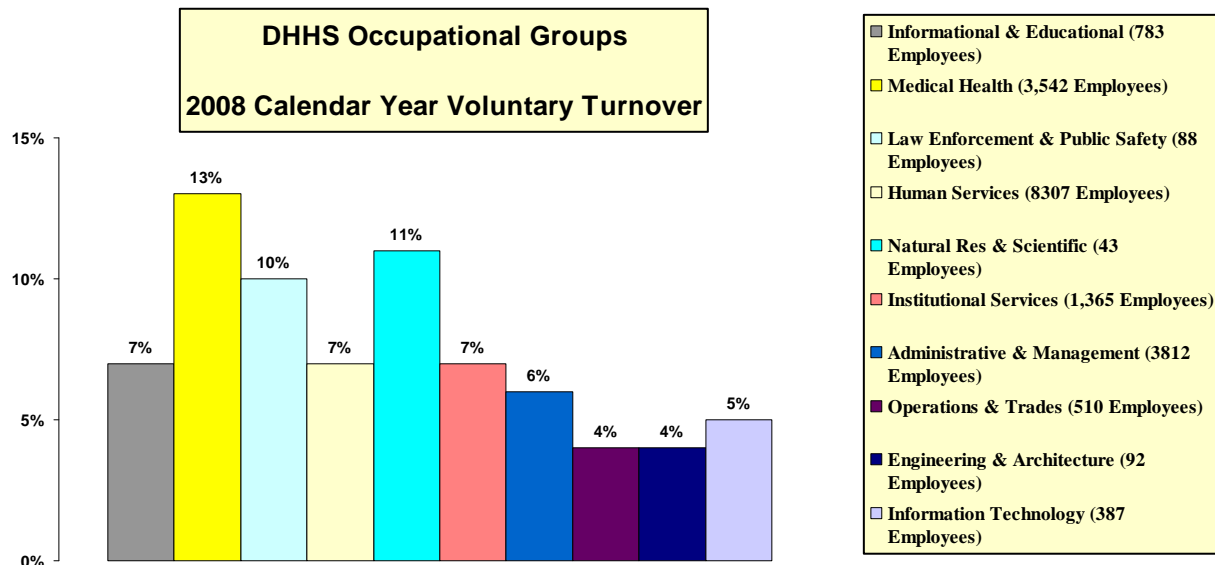


The voluntary (employees leaving state government willingly) turnover figures shown

above for DHHS employees reflect a .45% decrease in 2008 over the percentage experienced in 2007 (9.45% for DHHS employees). The percentage for State employees remained the same.

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.

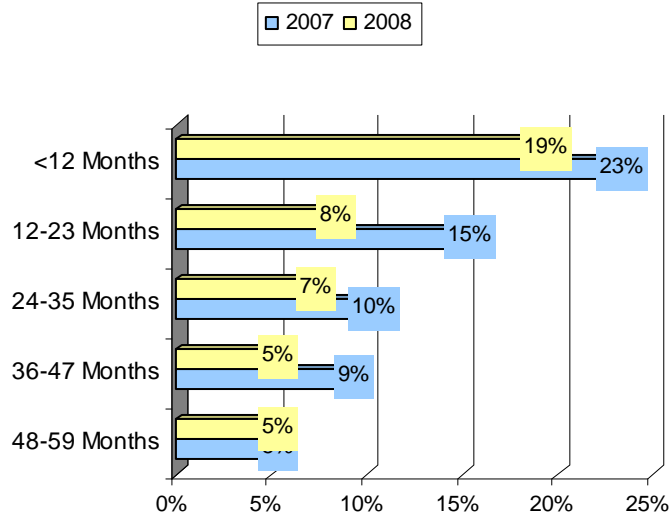
Turnover Within Occupational Groups:



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

Turnover Attrition Data:

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



Source: PMIS and BEACON

*43% of all 2008 voluntary separations displayed-Includes only permanent full-time and part-time SPA/EPA positions and/or employees - retirements, dismissals, deaths, and LWOP's are not included.

- Forty Four per cent of voluntary separations for 2008 involved employees that had less than 5 years of service (down 6% from 2007).
- The majority (19%) of voluntary separations in 2008 involved employees that had accumulated eleven months or less of aggregate service (down 4% from 2007).

These decreases can be attributed to an uncertain economic picture in North Carolina.

Turnover Costs:

There were 1,571 DHHS voluntary separations in 2008. Based on the Department of Labor formula for costing out turnover (1/3 of the employees' salary), the DHHS turnover costs for 2008 were determined to be \$22,345,023 (1/3 of \$67,035,069 equals \$22,345,023). 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 \$223,450.

Economic Outlook

According to the NC State Economist, the U.S. Economy is officially in a recession and has been in a recession for a year. The real gross domestic product (GDP) is expected to be negative for 2008 and 2009. Real personal income, retail sales, payroll, employment, and public (General Fund) revenue all declined during the year. Like the nation, North Carolina's economy posted a slower performance in 2008 compared to 2007. The reduction in manufacturing employment indicates the state's economic transformation, from an economy based on traditional industries like tobacco, textiles, and furniture, to a new economy centered on professional and financial services, technology, and health care, is not yet complete.

The state's unemployment rate stood at 7.2% (up 2.5% from 2007) at the end of 2008 and it is expected to increase to 8.6% or higher in 2009. The national unemployment rate at the end of 2008 stood at 6.7% compared to 5.0% in 2007.

National Economic Indicators:

The Consumer Price Index (CPI) measures change in the cost of goods and services, otherwise known as inflation. By the end of 2008, the CPI national average was 3.5% (up .3% from 2007), but is expected to decrease by 2% to 1.5% in 2009.

North Carolina's Economy:

Even with adequate water, (which has been replenished since the drought of 2007 and 2008) North Carolina's economy is on track to grow more modestly in 2009, with further losses in manufacturing employment and a rise in the unemployment rate.

Survey of 2009 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 2009
Mercer	3.1%
Hewitt	3.1%
Average	3.1%

Overall, U.S. workers can expect a 3.1% pay raise in 2009. This figure is lower than the projected increases from last year.

As a result of the recession, North Carolina does not expect to provide any salary increases in 2009. In addition, state employees will be furloughed which will result in a pay cut of one half of one percent of annual salary taken out of May and June 2009 paychecks. There may be more furloughs and pay cuts coming for fiscal year 09/10. The Legislature is considering further reductions for the fiscal year that begins July 1.

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 2008 was approximately \$745,403,454. The chart below shows how much money was spent in DHHS over the past four years by type of salary action.

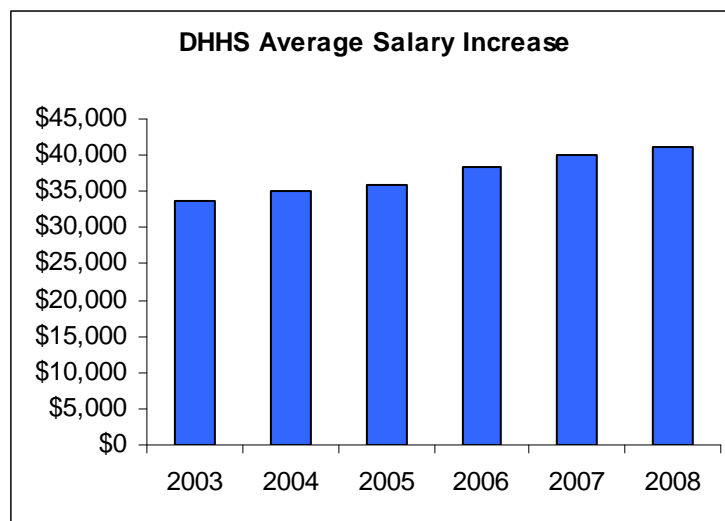
Type of Action	2005	2006	2007	2008
Promotions	\$3,663,417	\$3,385,917	\$3,564,308	\$3,693,330
Promo Increase after Effective Date	\$58,154	\$61,451	\$46,755	\$37,504
Range Revision – Employee	\$222,487	\$48,099	\$37,290	0
Range Revision Increase after Effective Date	\$202,935	\$244,751	\$1,382,475	\$1,191,021
Reallocation Up-Employee	\$1,355,546	\$1,007,664	\$1,035,070	\$466,227
Reallocation Increase	\$257,410	\$263,555	\$228,237	60,217
Special Entry Rate Incr.	\$1,813,995	\$1,734,279	\$6,869,340	0
In-Range Adjustments	\$1,196,010	\$1,668,315	\$1,335,120	\$711,567
Sal Adjustment – Retention	\$64,743	\$38,328	0	\$19,413
Sal Adjustment – Trainee	\$143,966	\$91,687	\$219,151	\$65,629
Sal Adjustment – Other	\$753,279	\$102,245	\$93,263	\$51,471
Sal Adjustment – Equity	\$152,000	\$155,017	\$129,934	\$254,858
Totals	\$8,689,128	\$8,801,308	\$11,292,590	\$6,551,246

Source: PMIS

This data indicates that DHHS spent approximately 1% of its total payroll on salary actions in 2008. This is the lowest increase in 4 years and is a 50% decrease over last year.

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 budget crisis, in 2008, DHHS did not receive any funds.

Because of the emphasis on a more competitive approach to pay, the average salary in DHHS increased 3% in 2008 which is 2% below the 5% growth seen in 2007. The following chart shows a six-year history of the average salary in DHHS.



Source: PMIS and 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 50% 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.

Sources of the published market salary data collected include:

- **AFT Public Employees 2007 Compensation Survey** – Survey of professional, scientific and related occupations in state government for 45 job titles;
- **CompAnalyst** – Web-based compensation tool from Salary.com with data representing over 3200 benchmark jobs in 243 geographic areas;
- Hospital and Healthcare Compensation Service – **Physician Salary Survey Report 2008** – Includes data from 334 facilities reporting on more than 24,202 physicians;
- Hospital and Healthcare Compensation Service – **Hospital Salary and Benefits Report 2007-2008** – Includes data from 381 hospitals;
- Mercer Human Resource Consulting – **2007 US Mercer Benchmark – Metropolitan Benchmark Positions** – Includes data on 350 positions reported by 2,354 organizations;
- **Southeastern States Salary Survey 2007** - salary data gathered from state government surveys from fourteen southeastern states (Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Virginia, and West Virginia);
- **Watson Wyatt 2007/08 Survey Report on Hospital and Healthcare Professionals, Nursing and Allied Services Personnel Compensation** – Includes 1,301 organizations reporting on 756,761 incumbents; and the
- **Watson Wyatt 2007/08 Survey Report of Hospital and Healthcare Management** Includes 936 organizations reporting data on 70,107 incumbents in hospital positions other than nursing and allied service

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 will be no market studies conducted in 2009.

History of Legislative Increases for NC State Employees 1992 - 2008

Year	Cost-of-Living Increase	Career Growth Increase	Bonus Increase
1992	\$522	0	0
1993	2%	0	1% bonus
1994	4%	0	1% bonus
1995	2%	0	0
1996	2.5%	2%	0
1997	2%	2%	0
1998	1%	2%	1% performance bonus
1999	1%	2%	\$125 performance bonus
2000	2.2%	2%	\$500 bonus
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

2008 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. Classes populated by DHHS employees that were approved by OSP for a pay improvement in 2008 are listed below:

- **Range Revisions**

CLASSIFICATION	#DHHS EMPS	DHHS VOLUNTARY TURNOVER RATE 12/31/08	OSP ACTION TAKEN IN 2008
Administrative Dietician	5	0%	One Grade Range Revision 12/1/08
Audiologist	12	0%	Two-Grade Range Revision 12/1/08
Clinical Dietitian I	31	19%	One Grade Range Revision 12/1/08
Clinical Dietitian Supervisor	4	50%	One Grade Range Revision 12/1/08
Occupational Therapy Assistant I and II	19	5%	Two-Grade Range Revision 12/1/08
Physical Therapist Assistant I and II	12	8%	One Grade Range Revision 12/1/08
Psychological Program Coordinator I	7	14%	Two-Grade Range Revision 12/1/08
Psychological Program Director I, II, and III	3	0%	One Grade Range Revision 12/1/08
Psychological Program Manager	4	25%	Two-Grade Range Revision 12/1/08
Senior Psychologist I and II	59	12%	Two-Grade Range Revision 12/1/08
Speech and Hearing Clinic Manager	7	14%	One Grade Range Revision 12/1/08
Speech and Hearing Program Director	4	0%	One Grade Range Revision 12/1/08
Speech and Language Pathologist I and II	68	19%	One Grade Range Revision 12/1/08

Psychiatrists received range revision funding effective 1/1/08.

- *Banded Classes*

No banded classes experienced range increases in 2008.

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.

Compensation

- Continue to gather and analyze market data to determine which job classifications are market vulnerable.
- 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.).

APPENDIX A

**DHHS LABOR MARKET DATA SUMMARY
CALENDAR YEAR 2008 UPDATE**

Benchmark Job	Schematic	Salary Grade	No. of Employees	Average Salary	Average Market	Labor Market Pay Gap	Vol TO Rate 12/08	Vacancy Rate12/08
Accountant II	00702	75	65	\$56,109	\$47,699	-15%	6%	3%
Administrative Secretary III	00429	62	24	\$37,657	\$38,420	2%	8%	4%
Audiologist	05106	73	12	\$54,609	\$62,244	14%	0%	0%
B & T Appls Tech (Banded)	12233	CB	18	\$55,758	\$59,629	7%	6%	22%
Child Day Care Program Specialist*	04020	70	144	\$43,142	*	*	5%	3%
Child Support Agent II	04087	65	170	\$33,789	\$29,860	-12%	6%	9%
Clinical Dietitian I	05254	68	32	\$45,337	\$48,291	7%	19%	19%
Clinical Pharmacist	04928	84	70	\$98,412	\$100,824	2%	19%	11%
Clinical Social Worker	04164	72	157	\$49,546	\$53,342	8%	17%	11%
Cook II	06804	55	78	\$25,914	\$25,445	-2%	9%	13%
Cytotechnologist I	04630	72	11	\$49,206	\$57,835	18%	9%	0%
Dental Assistant	04849	59	17	\$35,714	\$33,810	-5%	0%	0%
Dental Hygienist II	04874	70	58	\$55,908	\$53,778	-4%	2%	0%
Dentist II	04952	87	2	\$118,582	\$126,884	7%	0%	0%
Developmental Disabilities Specialist*	04044	66	0		*	*		
Disability Determination Specialist I	00271	67	166	\$37,772	\$36,827	-3%	14%	27%
Facility Architect II	08748	77	13	\$76,838	\$53,525	-30%	8%	23%
Facility Survey Consultant I*	05691	73	210	\$54,336	*	*	13%	8%
Food Service Assistant II	06832	52	230	\$24,708	\$19,725	-20%	6%	13%
Health Care Technician I	05391	58	3,444	\$25,776	\$26,654	3%	10%	8%
Housekeeper	06622	50	433	\$23,800	\$20,913	-12%	7%	3%
Infection Control Nurse	05004	72	3	\$59,398	\$62,727	6%	0%	0%
Licensed Practical Nurse	34921	66-T	312	\$39,657	\$37,114	-6%	11%	7%
Maintenance Mechanic III	07304	63	61	\$36,648	\$37,983	4%	2%	2%
Medical Laboratory Technician I	04685	62	5	\$31,183	\$35,981	15%	20%	40%
Medical Laboratory Technologist II	04678	70	47	\$45,729	\$47,529	4%	4%	4%
Mental Retardation Hab Coord II	04073	72	0		*	*		
Nurse B	34899	74-T	538	\$53,653	\$56,386	5%	13%	12%
Nurse (RN) Lead	34898	73-T	268	\$52,056	\$52,976	2%	15%	4%
Occupational Therapist I	05193	76	36	\$61,582	\$67,831	10%	19%	22%
Occupational Therapy Assistant I	05191	64	8	\$38,015	\$45,527	20%	0%	0%
Office Assistant IV	00404	59	308	\$32,294	\$33,833	5%	3%	11%
Personnel Analyst I	01821	70	11	\$51,488	\$43,978	-15%	8%	8%
Pharmacist	04920	82	4	\$76,077	\$96,236	26%	0%	0%
Pharmacy Technician	04829	60	56	\$30,521	\$26,569	-13%	8%	2%
Physical Therapist I	05184	78	8	\$63,352	\$72,850	15%	0%	0%
Physical Therapy Assistant I	05181	64	8	\$38,797	\$43,123	11%	0%	0%
Physician Extender II	04890	81	33	\$80,272	\$76,899	-4%	0%	0%
Physician III - A	04906	NG	54	\$145,338	\$155,139	7%	7%	5%
Physician III - B	04907	NG	70	\$167,763	\$172,505	3%	13%	28%
Public Health Disease Control Spec I	05627	65	28	\$33,646	\$35,649	6%	32%	11%
Public Health Physician II	04936	NG	4	\$133,912	\$127,415	-5%	33%	0%
Public Health Program Consultant I*	01632	70	38	\$45,635	*	*	8%	19%
Public Safety Officer (Banded)	15830	CB	31	\$36,029	\$40,316	12%	25%	13%
Rehabilitation Counselor I	04117	68	201	\$39,023	\$47,118	21%	7%	0%
Rehab Engineer	08536	73	21	\$55,437	\$46,572	-16%	5%	0%
Rehabilitation Therapist	05163	63	91	\$32,824	\$32,341	-1%	14%	22%

**DHHS LABOR MARKET DATA SUMMARY
CALENDAR YEAR 2008 UPDATE**

Benchmark Job	Schematic	Salary Grade	No. of Employees	Average Salary	Average Market	Labor Market Pay Gap	Vol TO Rate 12/08	Vacancy Rate12/08
Rehabilitation Therapy Technician	05153	58	63	\$27,606	\$24,197	-12%	5%	9%
Senior Psychologist I	04555	78	50	\$71,073	\$67,708	-5%	27%	16%
Social Services Pgm Consultant II*	04036	71	48	\$46,903	*	*	20%	32%
Social Worker III	04033	69	100	\$42,773	\$46,940	10%	12%	8%
Speech and Language Pathologist I	05103	73	57	\$55,062	\$59,880	9%	16%	21%
Staff Psychologist II*	04553	73	100	\$51,988	*	*	8%	8%
Substance Abuse Counselor II	04058	66	20	\$36,792	\$39,315	7%	8%	8%
Therapeutic Recreation Specialist I	05156	68	70	\$35,754	\$36,889	3%	16%	17%
Vehicle Operator I	07102	53	47	\$25,323	\$21,056	-17%	11%	15%
Youth Program Assistant I	33628	61-T	185	\$29,531	\$24,043	-19%	3%	0%
							-	
* Insufficient market data								