THE UNIVERSITY OF NORTH CAROLINA

A Report on the Recommendations of the

President’s Task Force on Human Resources

President’s Task Force on Human Resources

January 15, 2008
Executive Summary

The University of North Carolina is dedicated to the service of North Carolina and its people, with a three-pronged mission of education, research and scholarship, and public service. The University’s mission statement states: “In the fulfillment of this mission, the University shall seek an efficient use of available resources to ensure the highest quality in its service to the citizens of the State.” The UNC Tomorrow Commission, whose purpose is to determine how the University of North Carolina can respond more directly and proactively to the challenges facing North Carolina, states as one of its findings: UNC should increase efforts to attract and retain high-quality staff at all levels [5.5].

To ensure the highest quality of service to the citizens of the State and respond to myriad challenges facing North Carolina, the University must have a well-trained, well-managed work force, whose jobs and goals link to its mission. This will require that the University have greater flexibility to develop and manage human resources programs specific to the University. During 2006-2007, the University conducted an internal study to determine the feasibility of the University creating a separate University-wide personnel system. However, this idea was rejected, and a decision was made to seek greater flexibility under the State Personnel Act.

It was in pursuit of seeking greater flexibility and in accordance with Senate Bill 1353, that President Bowles appointed a University-wide Task Force “…to examine the application of the State Personnel Act to the University of North Carolina with a goal of making recommendations that will:

(1) Improve the ability of the University to attract, reward, and retain high quality employees;
(2) Enable the University to better meet the needs of its employees; and
(3) Improve the efficiency of UNC personnel operations.”

The Task Force was composed of representatives from each of the constituent institutions of the University, and included chancellors, chief academic officers, chief financial officers, human resource officers, as well as faculty and staff representatives. Five Task Force members were appointed by the UNC Staff Assembly to represent the views of staff, including both SPA (Subject to the State Personnel Act) and EPA Non-faculty (Exempt from the State Personnel Act) employees. The Task Force met over a period of four months and divided into five subcommittees to conduct detailed reviews of the areas of compensation, performance management and employee relations, position management, recruiting, and rewards. The Task Force also reviewed recommendations made by study committees that had previously been appointed to address changes in the State Personnel System, spanning a period of 10 years.

After careful study and review, the Task Force recommends that the University seek legislation granting it the authority to create “substantially equivalent” human resources programs, subject to the approval of the Office of State Personnel and the State Personnel Commission. This same authority was granted previously to county and local governments under Article 3 of Chapter 126 of the State Personnel Act. The UNC Board of Governors should assess the readiness of the constituent institutions to assume this authority, and require ongoing evaluation reports no less than annually. Upon enactment of this legislation, the Task Force proposes that the University use this authority to develop compensation and performance management programs to address the specific challenges the University faces in attracting, retaining, and rewarding its staff.
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INTRODUCTION

UNC Employee Cohort

The employees of the University of North Carolina (the University) can be grouped into major employee categories as defined under North Carolina General Statute Chapter 126, (N.C.G.S.). SPA employees are subject to the rules and regulations promulgated under the State Personnel Act and policies of the State Personnel Commission. EPA employees are exempt from the State Personnel Act, and include instructional and research staff, physicians and dentists, and faculty of the North Carolina School of Science and Mathematics, and those whose salaries are fixed under the authority vested in the UNC Board of Governors as provided in N.C.G.S. Chapter 116, including faculty positions subject to institutional tenure regulations and administrative positions.

Certain EPA administrative categories are expressly identified under Chapter 116 and by action of the Board of Governors and include the president, vice presidents, chancellors, the president’s professional staff, and “senior academic and administrative officers” (SAAO). Senior academic and administrative officers include: (1) vice chancellors, provosts, deans and directors of major educational and public service activities; (2) associate and assistant vice chancellors and associate and assistant deans; and (3) specific other officers of the University having significant administrative responsibilities and duties as may be designated by the President, subject to confirmation by the Board.

EPA positions are considered unique to the University environment in that they provide direct support to the University’s mission of education, research and scholarship, and public service. Employees in SPA positions provide staff support in the fulfillment of the University’s mission, and comprise both “white collar” and “blue collar” positions. Although all University employees are considered to be employees of the State of North Carolina, EPA employees in the University are managed under personnel programs that more closely resemble those found in other universities. For example, other universities
typically allow employees an option of participating in a defined contribution plan like the University’s Optional Retirement Program; salary increases are merit-based; and non-tenured employees are covered under contract or are considered “at will” employees. These types of university-specific programs are more customized to the needs of higher education; and having similar programs better positions the University to compete with other universities on a national basis.

SPA employees are governed by policies and rules in accordance with the State Personnel Act, and managed through the Office of State Personnel. These same policies and rules govern State agency employees such as the Department of Transportation, the Department of Health and Human Services, and other state entities that, except for the most senior positions, recruit largely within North Carolina. SPA policies and rules may be promulgated in legislation or established by the State Personnel Commission, the State’s policy and rule-making body, but generally are “one size fits all.” However, the University’s personnel needs are quite different, as evidenced by the fact that the University has aggressively pursued the transition of its employees from the traditional State job classification system, to a newly created career-banded system that provides market-based pay levels and greater flexibility for employee career growth.

This bifurcated human resources system has created additional complexity and inefficiency that has been documented in various University studies, most recently the President’s Advisory Committee on Efficiency and Effectiveness (PACE) study in 2005. This study, coupled with the findings of the UNC Tomorrow Commission (that the University needs to improve its ability to “…attract, reward, and retain high quality employees;” in order to better meet the needs of the State), has once again led the University to conduct a review of its human resources needs and practices.

**Past Human Resource Studies**

The human resources issues addressed by this Task Force have been long-standing, highly complex and political. With numerous discussions, studies, reviews, and proposed
legislation extending back at least a decade, many of the same issues remain today as they were a decade or more ago. (Appendix A) There have been some changes in human resource management over the years, but comprehensive reform has been unsuccessful.

In 1997, the Committee to Study Persistent Personnel Issues was charged with addressing continuing issues associated with the University human resources system. A sub-committee of the Special Committee met through the spring and summer of 1997 and identified significant issues related to personnel. Several recommendations were made by the committee including:

- the need for a merit pay system for employees subject to the State Personnel Act (SPA), since no strategic plan for pay and compensation existed;

- the need to develop more effective and efficient methods of handling personnel matters, including the need for a quick method of responding to issues that primarily occur within the university;

- a proposed Partnership Agreement between the President of the UNC system and the State Personnel Director that outlines the delegation of responsibility for day-to-day management of SPA personnel functions to the UNC President;

- the need for broadening the definition of SAAO in order to attract highly trained and experienced professionals at the middle management level; and

- the need to broaden eligibility for the Optional Retirement Program.

The Committee also expressed concerns about the multiplicity of databases maintained by campuses, General Administration and the Office of State Personnel.

The following actions were taken in response to these recommendations:

- A resolution concerning the need for merit pay was approved by the Special Committee and prepared for the Board of Governors;
- An expanded SAAO definition was approved by the Board of Governors in 1998;

- The sub-committee suggested changes to an existing Partnership Agreement and this led to the signing of such an agreement by President Molly Broad and Mr. Ron Penny, State Personnel Director, in August 1997.

The Partnership Agreement extended authority and established responsibility for the President of the University to act on behalf of the State Personnel Director and staff of the Office of State Personnel in accordance with the terms and conditions of the Agreement. Both the responsibility and the authority for the day-to-day management of all human resource functions affecting SPA employees of the University were delegated to the President. The President also was permitted to delegate some or all of the functions to those constituent institutions that could show their readiness to assume such responsibility, and was charged with assuring that each constituent institution carry out appropriate reporting and monitoring functions. The Partnership Agreement also called for a transition team to be established to set parameters for documentation, establish schedules and data for reporting, establish conditions for partial and complete delegation to the campuses, and define management practices.

Once this transition team completed its work, a permanent standing Advisory Board was established to address areas of concern and continue to develop processes and procedures to promote effective human resources practices within the university. Delegation of authority for classification and compensation to the campuses, under the new terms of agreement set forth in the Partnership Agreement, was completed in July 1998.

In 2002, the University engaged Watson Wyatt & Company, a global human resources consulting firm, to conduct best practices research among a select group of University peer institutions. The primary research focus was on governance and human resources practices including compensation, job evaluation/classification, and performance management. The primary external data source used was provided through a custom
survey of peer university systems/universities, while internal data was collected through interviews with key University personnel.

Based on the findings from the survey and gaps identified during the interviews, Watson Wyatt recommended the following:

- make UNC the governing authority covering all employees using a shared governance model between the system office and the campuses;

- develop and maintain a human resources system which governs and manages both SPA and EPA employees;

- develop a unified overarching strategy that would enable campuses to have the flexibility to attract, motivate, reward, and retain a high performing workforce committed to the success of the University, while management would have the responsibility and authority to manage the total rewards program;

- establish a market-based system for classification and pay;

- develop a performance management system with the flexibility for campuses to incorporate their missions that would allow for meaningful goals and rewards for achievement; and:

- move to a streamlined process for hiring, development of a true flexible benefits program, increased training/development skills, and bonuses for critical skills jobs and performance in order to attract and retain employees.

The University did not proceed with these recommendations.

In March 2003, a statewide Task Force representing Agencies and the University drafted a revision of Chapter 126 of the North Carolina General Statute that would establish a
North Carolina Human Resources System and replace the State Personnel System that was first enacted in 1965. After receiving reviews and responses to the document, in March 2004, there was a subsequent rewrite of this draft to address some concerns about the previous draft. However, the Office of State Personnel has not been successful in getting this rewrite of Chapter 126 enacted through the legislative process.

In 2006, human resources management was the subject of a portion of the UNC “PACE Working Group on Barriers to HR Efficiency and Effectiveness.” The PACE Working Group emphasized in their study that the University must be “anticipatory, nimble and innovative” and that the current personnel structure subverts this ability. The Working Group recommended that the University seek “broadened authority under its enabling legislation, N.C.G.S. 116 (Higher Education) to manage the University’s human resources.” This led to the 2006-07 University internal study to determine the feasibility of the University creating a separate University-wide personnel system. However, this idea was rejected, and a decision was made to seek greater flexibility under the State Personnel Act.

Most recently, the UNC Tomorrow Commission has stated that changes should be made within the University of North Carolina to respond to the needs of the State of North Carolina. The Commission notes that the UNC system must improve productivity and responsiveness to meet its enhanced role, and that the UNC system must be able to compete for well-trained highly skilled and highly productive employees. There are three recommended changes included in the Commission’s report which address, either directly or indirectly, human resources development and management: (1) UNC should increase efforts to attract and retain high-quality staff at all levels [5.5]; (2) UNC should continue to seek an efficient use of available resources in the fulfillment of its mission [5.6]; and (3) UNC should continue efforts to establish accountability and performance measures that ensure and demonstrate transparently its success in carrying out its mission [5.8].
Authorizing Legislation

Senate Bill 1353 was enacted on July 28, 2007 and called for the President of the University of North Carolina to appoint a Task Force to examine the application of the State Personnel Act to the University of North Carolina with a goal of making recommendations that will:

1. improve the ability of the university to attract, reward, and retain high quality employees;
2. enable the university to better meet the needs of its employees; and
3. improve the efficiency of UNC personnel operations.

The Task Force membership was directed to include chancellors, representatives of the UNC Staff Assembly who are subject to the State Personnel Act, human resources professionals and other UNC employees exempt from the State Personnel Act, and a representative of the Office of State Personnel.

The Task Force was directed to report to the President of the University of North Carolina and to the UNC Board of Governors by January 15, 2008. Senate Bill 1353 directed the UNC Board of Governors to forward the recommendations that it approves, as presented or as modified, to the Joint Legislative Education Oversight Committee of the General Assembly by March 24, 2008 for consideration of a legislative proposal during the 2008 Regular Session. (Appendix B)

Charge to the Task Force

In his charge to the Task Force, President Bowles emphasized the need to recruit, retain, and reward University employees, and stressed the importance of increasing the efficiency and effectiveness of the University’s human resources in light of the many studies that have preceded this Task Force review. However, President Bowles cautioned that a recommendation by the Task Force that would call for the UNC System to
withdraw from the State Personnel System would be unwise and unwelcome. He indicated that he would be supportive of reasonable recommendations with accountability measures, which would make constructive headway on historic issues in University human resources management.

**STUDY METHODOLOGY**

**Task Force Meetings**

The Task Force assembled for its first meeting on September 24, 2007. Because of the short time frame for making recommendations to the President, the Task Force members determined that extensive independent research would not be a committee focus. The Task Force agreed to take advantage of the existing body of documents and reports already compiled (see Reference section). These documents were placed on-line for all committee members to view using Blackboard, hosted by East Carolina University. The Task Force also took advantage of the experiences of the individuals on the committee to bring forward additional observations concerning management of human resources on UNC campuses.

Following an overview of the provisions of the State Personnel Act by Patrick McCoy (at that time an employee of the Office of State Personnel) and a general discussion of still unresolved human resources issues by the members of the Task Force, it was clear to the members that two sets of issues had surfaced in the meeting: (1) issues where campuses are generating additional requirements, policies, and work products not specifically required by the State Personnel Act and (2) issues where the provisions of the State Personnel Act do not align with the mission of the University, thereby creating barriers to anticipatory, nimble and innovative human resources programs.

Dual EEO reporting requirements, excessive paperwork generated by campus recruiting processes, and the lack of a phased retirement plan for non-faculty employees were examples cited by committee members of campuses as University issues not specifically
related to the State Personnel Act. The inability of managers to provide recruitment or retention bonus pay, to provide a recognition bonus for exceptional service, to provide newly hired employees with vacation leave commensurate with their experience, and to plan for succession in positions were cited by committee members as examples of misalignment of SPA policies with campus missions.

The second meeting of the Task Force was held on October 18, 2007. Task Force members engaged in an open dialog concerning barriers to effective and efficient human resources policies and practices. The issues introduced and discussed at the meeting included the need for full funding of career banding, the need for an improved employee evaluation program, the need for a position management system that supports the University mission, and the perception that the time it takes to create and fill a position is too long to allow the UNC System to be flexible and responsive to University management and employee needs.

The issues identified by the Task Force at this and the previous meeting were grouped into five categories, and five subcommittees were formed to address each category: (1) position management (2) recruitment (3) compensation (4) rewards and (5) performance management/employee relations. Each subcommittee was tasked with reviewing and analyzing the barriers to efficiency and effectiveness specific to their study areas, which were either new or previously identified in documents dating between 1997 and 2007. The subcommittees used Blackboard, hosted by ECU, to facilitate their communications.

**Charge to the Subcommittees**

Each subcommittee agreed to identify “best practices” concerning their topic and determine if certain best practices could be applied to the State Personnel Act policies to make the current EPA/SPA systems more efficient and effective. Subcommittee members also were asked to consider how the University and the constituent institutions could be more responsive to the needs of UNC Tomorrow and PACE within the current systems.
Subcommittee members were asked to review N.C.G.S. Chapter 126 (State Personnel Act) for rules or guidance provided for the campuses and were asked to avoid considering human resources policies currently in place at local institutions that were more restrictive than required under Chapter 126. Each subcommittee also was asked to keep in mind how the implementation of career banding might affect their study areas.

In addition, the subcommittees agreed not to recommend seeking a human resources program that is wholly separate from the existing system. Subcommittees were free to comment on the type, level, and adequacy of employee benefits (e.g., health insurance) in the State system, but were asked not to have benefits as a primary focus of their subcommittee report.

The option for creating a separate University article under Chapter 126 was acknowledged. The subcommittees were encouraged to address what they consider important issues, topics or items to include in any potential University article added under Chapter 126.

**Subcommittee Reports**

On December 10, 2007, the final subcommittee reports were presented to the full Task Force and carefully reviewed by the members. Draft language for an article that would allow the University to create “substantially equivalent” (or alternative) personnel programs was introduced to the Task Force, and the issues subcommittees had identified were aligned either as (1) possibly addressed under the “substantially equivalent” article or (2) addressed by other means. (Appendix C)
TASK FORCE RECOMMENDATION AND PROPOSALS

New Article under N.C.G.S. 126

The Task Force recommends that the University seek legislation that will provide the University discretion in certain areas of human resources management and performance. This discretion will be provided through the addition of a new article under Chapter 126 of the North Carolina General Statutes. For discussion and consideration purposes, this article is entitled Article 16, University Discretion as to University Employees. (Appendix D) In recommending this proposed legislation, the Task Force did not ask for exemption from all articles of Chapter 126, but stated its commitment to remaining under specific articles covering, among other items, privacy of employee records, employee appeals of grievances and disciplinary action, and veteran’s preference. (Appendix E)

Proposals Related to Implementation of N. C. G. S. 126, Article 16

In determining the areas where greater flexibility is needed and in identifying specific areas where additional flexibility first should be implemented, Task Force members referred back to President Bowles’ charge to seek solutions that tied to recruiting, retaining, and rewarding University employees. In seeking greater flexibility, the Task Force recognized that in some areas immediate relief is needed, while other areas either require further study or have not yet been anticipated and would require more long-term solutions.

Therefore, the Task Force has identified two major programmatic areas for action by the University: (1) Competitive Compensation Programs, which includes initiatives that can be implemented fairly quickly following passage of the enabling legislation, and (2) Employee Recruitment and Retention Programs, which will require the development of integrated, University-wide policies to address employee career development and management.
Competitive Compensation Programs

The Task Force identified the following competitive compensation programs that could be developed and implemented quickly if a new Article is enacted that would allow the University to establish substantially equivalent programs.

Vacation Leave for Experienced Hires

Under current SPA policies, employees earn vacation leave based on a graduated scale of State service established by the State Personnel Commission. There is no vacation leave credit provided for a new hire who has prior directly related career or occupation experience external to the State or University. As a result, mid-career employees recruited into positions requiring extensive experience must start at the University with two weeks of vacation, where in their previous positions they typically would have been eligible for three or four weeks of vacation. This makes it difficult for the University to compete with other academic institutions or private sector employers for highly sought after candidates.

The HR Task Force proposes that the amount of vacation leave credited to a newly hired employee be based on the length of directly related career or occupation service when hired into the UNC System combined with total State service.

Recognition Bonus Program

In recent years when the General Assembly has provided for SPA employee pay increases, these increases have been across-the-board and have not provided the University an opportunity to reward employees who have provided meritorious service above and beyond day-to-day expectations. However, the University recognizes that there are circumstances where employee performance should be rewarded with more than a thank you or a pat on the back. In addition, given the constantly changing University
environment, employees deserving recognition rewards in a given year may not be the same employees who will be required to provide extraordinary effort in another year.

_The Task Force proposes the creation of a Recognition Bonus program to provide lump-sum monetary awards to employees in recognition of extraordinary contributions to the goals and objectives of the University or work unit of the University or to acknowledge individual or team accomplishments._

Once the program guidelines are established and approved by the Board of Governors and the State Personnel Commission, each campus would be responsible for developing a policy governing eligibility criteria and selection process for consideration and approval by UNC General Administration. Each campus wishing to offer the program would be accountable for monitoring the program.

**Recruitment/Retention Bonus Program**

In today’s employment market there are certain types of jobs for which qualified applicants are more difficult to identify, recruit, and retain. These jobs may not have been difficult to fill in previous years and they may not be the same jobs that will be difficult to fill in future years. While competitive market adjustments to salary ranges can address some recruiting needs, since other employers also offer competitive salaries, it often is necessary for employers to offer a “sweetener” in recruiting. Private sector employers have long offered recruitment bonuses to address these needs, and the inability to make similar offers can make the University less competitive in these critical areas, especially in exceptional labor market situations.

Additionally, there may be certain employees who are targeted by other employers, and the ability to provide a retention bonus can save the University the greater cost of having to recruit for a replacement. Currently, the University has a retention program in place for faculty.
The Task Force proposes the creation of a Recruitment/Retention Bonus Program to aid in the recruitment and retention of critical talent and high-performing employees in exceptional labor market situations. The University should develop a program to be approved by the UNC Board of Governors and the State Personnel Commission, and adopted and administered by each campus. The program shall contain criteria for identifying critical positions and the process for submitting requests, and will include an annual report to General Administration.

Targeted University Labor Market Rates

Currently, market rates for SPA positions are determined by the Office of State Personnel (OSP). Depending on the position, OSP may determine that the market is regional (Triangle, Triad, etc.) or statewide. However, with constituent institutions located across the state and in a wide range of markets, there are positions for which a campus may need a targeted, city-specific rate based on housing and other local factors. Additionally, there are positions for which a campus recruits where the market rate is not geographic, but rather is based on an institution’s national peer group.

The Task Force proposes that the University develop appropriate market rates for positions where salary ranges provided by OSP are insufficient to the actual market. Each campus should develop a plan to identify positions requiring a University market rate, and identify the means for establishing and monitoring that rate. Information on the development and implementation of University market rates will be provided in the University’s annual report to the Office of State Personnel.

Employee Recruitment and Retention Programs

The ability to attract and retain highly competent staff is critical to the University’s success in achieving its mission. An integrated approach to recruitment and retention requires the review of many sub-programs which must be conducted over a longer period
of time. Therefore, the Task Force identified areas for the development of long-term solutions.

**Career Paths and Development/Internal Promotion**

The University is in the process of implementing career-banding for all SPA positions. This process will eliminate the current structured classification program that provided clear steps for promotions (Accountant II to Accountant III, for example) and replace it with a structure of job families where career progression is achieved through the acquisition of competencies. It is in the best interest of both the University employees and the University for employees to gain additional competencies and progress in their careers, as it increases retention, thus reducing turnover and recruiting costs.

_The Task Force proposes that the campuses build a career development framework that identifies the competencies required to progress in a job family and identifies resources that employees can access in their development of those competencies._

**Succession Management Planning**

With the imminent retirement of the baby boomers, workforce planning and succession management take on an increased urgency. Succession planning requires that all of the elements of an employee recruitment and retention program (performance management, career development, etc.) be in place so that skilled employees can be identified and developed in a timely fashion. Moreover, succession planning should not be limited to senior management positions, but should be implemented for critical positions regardless of level.

_The Task Force proposes that the University undertake the development of a staff succession management program._
Human Resources Areas of Concern

The Task Force discussed a number of other human resources issues that have been, in the view of the members, long-standing concerns. The Task Force continues to recognize these issues as significant barriers to an efficient and effective human resources system and recommends that each be addressed as appropriate.

Performance Management and Accountability

Currently, the State mandates a performance review process for SPA employees. Campuses are expected to have performance management programs for faculty and other EPA employees. However, there is not a standard, nor does there appear to be uniform application for EPA non-faculty employees, who hold the majority of management positions.

The Task Force proposes that the University implement a policy requiring that all employees receive an annual performance evaluation, based on agreed upon measures for determining success. Evaluating one's ability to supervise employees properly should be a component of the evaluation for those in management positions.

Competitive Employee Benefits

In 2006, UNC conducted a study of the competitiveness of its benefits programs compared to the peer institutions for 15 of the constituent institutions (excluding the North Carolina School of the Arts), looking at health care, retirement and selected other benefit programs. Although the competitiveness varied by campus and benefit program, the conclusion of the study was that, taken as a whole, UNC’s benefit package is not competitive with its peers.

The Task Force proposes that the University develop a plan to address benefits competitiveness.
Retirement Plan Contribution Rates

Faculty and EPA non-faculty employees have the option of participating in either the North Carolina Teachers’ and State Employees’ Retirement System (TSERS) or the UNC Optional Retirement Program (ORP.) Under both retirement plans, the employee and the University make a contribution to the plan. The University benefits study confirmed that the combined contribution rate is slightly above average when compared to UNC peers, but the employer contribution is significantly lower and the employee contribution rate is higher. This puts the University at a competitive disadvantage when recruiting.

*The Task Force proposes that the University develop a plan to address benefits competitiveness.*

Cost of Health Plan

In 2004, the University conducted a review of the health benefits plan. Both this study, and the benefits study conducted in 2006, confirmed that the costs incurred by health care plan participants, both in terms of plan costs (copayments, deductibles, etc.) and the costs to cover dependents, are higher than those of peer universities. Although the reintroduction of PPOs has helped to address the out-of-pocket health care costs for employees, the cost to cover dependents remains high when compared to UNC’s peers.

*The Task Force proposes that the University continue to evaluate improvements in health care benefits, particularly related to employee costs and contributions.*

Flexibility in Using Local Resources to Offset Benefit Costs

Recognizing that improvements in health and retirement plan benefits carry a price tag, and that it would be difficult for the State to implement these improvements for the
University and not implement similar improvements for all State employees, it is important for the University to consider other ways to address benefit competitiveness.

_The Task Force proposes that the University evaluate the possibility of allowing the University to use local resources to offset benefit costs._

Viewed as a component of total compensation, a campus could, for example, choose to supplement the cost of health care plan dependent coverage for its employees, or redirect a portion of any legislative salary increase for faculty toward increasing the ORP employer contribution. Any use of resources in this manner may require approval by the General Assembly and the UNC Board of Governors.

**Compensation Philosophy**

The University’s mission is to discover, create, transmit, and apply knowledge to address the needs of individuals and society. The employees of the constituent institutions of the UNC System are integral to the fulfillment of this mission because it is they who maintain the infrastructure that supports the student educational experience. The compensation system envisioned in support of the UNC System mission requires flexibility in rewarding contributions, recognizing quality performance and encouraging personal development of employees.

_The Task Force proposes the development and implementation of UNC System and campus-specific compensation philosophy statements. The UNC System and constituent institutions must articulate a compensation philosophy that supports this university mission and provides for a strategic advantage in attracting, retaining and rewarding the best employees. Additionally, as part of this compensation philosophy, the University should identify a target market position for staff salaries, in the same manner that the University established a target of 80% of peers for faculty salaries, based on the staff peers as defined by each campus._
Review of EPA Categories

The Office of State Personnel and the University have agreed to guidelines that govern the interpretation and application of those employees who are designated as Instructional and Research non-faculty employees, while the UNC Board of Governors has defined those positions that are considered to be SAAO. In the University, many of the newly created positions are specific to the University and do not fit either of these categories, nor do they appropriately fit into the SPA classification system. (Specific examples are programs that have both an educational and public service role, such as those found in clinical departments within the medical, dental, or veterinary medicine programs.)

*The Task Force proposes that the University and the Office of State Personnel review their agreement to determine if a third category of EPA positions should be created to reflect the changing nature of University administration and operations.*

Elimination of Dual Reporting

The campuses currently must provide reports to a number of entities including the State, the Board of Governors, and the Federal government. Often this results in dual reporting where the same information is reported, but the required format is different. One example is EEO/Affirmative Action Plan reports, where campuses must file with both the state and the federal government.

*The Task Force proposes that the University review reporting that is required by multiple entities to determine if a common format can be developed to increase efficiencies and reduce duplication of effort.*

Reduction of Paperwork in Campus Recruiting Process

In discussions by the Task Force of areas of inefficiency and frustration, recruiting was an area that was mentioned frequently. It became clear in these discussions that often the
barrier to efficient recruiting was not the requirements of the State Personnel Act, but campus practice, including lack of automation. Many campuses have implemented or will be implementing a web-based recruiting tool called PeopleAdmin.

*The Task Force proposes that the University conduct a recruitment study and develop a “best practice” model that could be adopted by the campuses.*

**Reemployment of Retirees**

Currently, the State requires that a retiree who is in receipt of a N.C. TSERS retirement benefit have a six-month break in service before returning to employment with the State on a temporary, part-time or contractual basis. This restriction has had a detrimental effect on the University’s ability to respond to short-term or unanticipated needs for specific expertise.

*The University should review particular instances where this provision has hampered its ability to deliver critical services in order to make a case to the General Assembly to amend this provision.*

**Phased Retirement for Non-Faculty Employees**

With the impending retirement of the baby boomers, the University is facing an exodus of highly skilled employees. The University has responded by creating a phased retirement program for tenured faculty that allows for advance planning by the University and a gradual transition into retirement for the faculty member. It also allows new faculty to be recruited into existing positions while retaining the knowledge and expertise of tenured faculty members on a part-time basis.

*The University should evaluate the feasibility of a similar program for certain critical staff positions.*
SUMMARY AND CONCLUSIONS

To ensure the highest quality of service to the citizens of the State and respond to myriad challenges facing North Carolina, the University must have a well-trained, well-managed work force, whose jobs and goals link to its mission. This requires that the University have greater flexibility to develop and manage human resources programs specific to the University.

After careful study and review of the programs and issues surrounding recruiting, rewarding and retaining its workforce, the Task Force recommends that the University request legislation granting it the authority to create “substantially equivalent” human resources programs, subject to the approval of the Office of State Personnel and the State Personnel Commission. This same authority was granted previously to county and local governments under Article 3 of Chapter 126 of the State Personnel Act. Upon enactment of this legislation, the Task Force recommends that the University use this authority to develop compensation and performance management programs to address the specific challenges the University faces in attracting, retaining and rewarding its staff.

REFERENCES

*Executive Summary and recommendations of the sub-committee to study persistent personnel issues in the University of North Carolina*, August 19, 1997.

*UNC HR Task Force Issue Analysis*, Undated, 8 pages.


*UNC PACE Workgroup on Barriers to HR Efficiency and Effectiveness. October, 2006.*
HR TASK FORCE COMMITTEE MEMBERSHIP

Committee Membership

- Paul Hosier, Provost, UNC Wilmington, Chair
- Elizabeth “Buffy” Bagwell, Director of Human Resources, UNC Asheville
- Pam Barkett, Director of Human Resources, UNC Pembroke
- Alan Boyette, Senior Associate Provost, UNC Greensboro
- Chuck Brink, Staff Assembly Representative, UNC Chapel Hill
- Dennis Daley, Professor, Political Science and Public Administration, North Carolina State University
- Debbie Frezell, Staff Assembly Representative, NC School of the Arts
- Hannah Gage, Chair, Personnel & Tenure Committee, UNC Board of Governors
- George Jackson, Professor, Management & Marketing, Elizabeth City State University
- Joan Lorden, Provost and Vice Chancellor, UNC Charlotte
- Harold McKeithan, Staff Assembly Representative, Fayetteville State University
- Richard Mann, Vice Chancellor, Finance and Administration, UNC Chapel Hill
- Natasha Nazareth-Phelps, General Counsel, North Carolina School of Science and Mathematics
- Charlie Nelms, Chancellor, North Carolina Central University
- Ken Peacock, Chancellor, Appalachian State University
- La Monica Singleton-Sloan, Staff Assembly Representative, Winston-Salem State University
- John Toller, Associate Vice Chancellor Human Resources, East Carolina University
- V.J. Verma, Vice Chancellor for Information Technology, North Carolina A&T State University
- Gail Willis, Staff Assembly Representative, North Carolina State University
• Chuck Wooten, Vice Chancellor for Administration and Finance, Western Carolina University
• Thom Wright, Director, Office of State Personnel
### HR Task Force Subcommittees and Membership

#### Position Management
- Elizabeth “Buffy” Bagwell
- Chuck Brink
- Dennis Daley
- Chuck Wooten

#### Recruitment
- **Alan Boyette**
- Hannah Gage
- Joan Lorden
- Harold McKeithan

#### Compensation
- **John Toller**
- Debbie Frezell
- Charlie Nelms
- Natasha Nazareth-Phelps

### Rewards
- **Thom Wright**
- Richard Mann
- V.J. Verma
- Gail Willis

#### Employee Relations/Performance management
- **Pam Barkett**
- George Jackson
- Ken Peacock
- LaMonica Singleton-Sloan

**Subcommittee Chair**

### Consultants and Administrative Support Staff

#### Consultants
- Patrick McCoy, Director, Human Resources, Appalachian State University
- Drake Maynard, Human Resources Managing Partner, Office of State Personnel

#### Support Staff from UNC General Administration
- Beth Alsobrook, Employee Services Manager, Human Resources Division
Ruth Brill, Human Resources Division Administrator
Ann Lemmon, Associate Vice President for Human Resources
Kitty McCollum, Interim Vice President for Human Resources
Erin Schuettpelz, Director of State Government Relations
J. Charles Waldrup, Associate Vice President for Legal Affairs
Andy Willis, Vice President for Government Relations
Leslie Winner, Vice President and General Counsel (September - October 2007)

Special thanks to East Carolina University for providing the Blackboard website to facilitate communications among the conferees.
### Appendix A.
UNC HR Task Force
Issue Analysis

<table>
<thead>
<tr>
<th>Date</th>
<th>Source</th>
<th>Category</th>
<th>Issue</th>
<th>Findings</th>
<th>Recommendation</th>
<th>Action Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>UNC Persistent Personnel Issues Sub-Committee (Special Committee on EPA/SPA Personnel Issues)</td>
<td></td>
<td>Continuing problems with day-to-day management of SPA personnel function.</td>
<td></td>
<td>Develop Partnership Agreement with the Director of the Office of State Personnel to delegate responsibility for day-to-day management of SPA personnel functions to the President of the University of North Carolina. The President, in turn, delegates some or all of the functions to those constituent institutions who demonstrate their readiness to assume such responsibility.</td>
<td>The Director and the President enter into the Partnership Agreement and appoint a Transition Team consisting of staff from General Administration, the Office of State Personnel and appropriate representatives from the constituent institutions to work out the details of the delegated responsibilities and the processes for assuring accountability at the system level and at the constituent institutions.</td>
</tr>
<tr>
<td>Year</td>
<td>Committee</td>
<td>Issue</td>
<td>Description</td>
<td></td>
<td></td>
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<td>-------</td>
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</tr>
<tr>
<td>1997</td>
<td>UNC Persistent Personnel Issues Sub-Committee (Special Committee on EPA/SPA Personnel Issues)</td>
<td>Recruitment</td>
<td>Difficulty in attracting highly trained and experienced professionals at the middle management level who have significant responsibility for the activities that support the teaching, research and outreach functions of the University.</td>
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<td></td>
<td></td>
<td></td>
<td>Expand the definition of senior academic and administrative officers to include these professionals. This would enhance the University's flexibility in recruitment of management staff and, also, enable the University to set performance expectations at an appropriate level through &quot;at will appointments.&quot;</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>In consultation with the Director of the Office of State Personnel, seek approval to expand this definition from the President and the Board of Governors.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>UNC Persistent Personnel Issues Sub-Committee (Special Committee on EPA/SPA Personnel Issues)</td>
<td>Lack of clarity in determining which positions are eligible to be exempt from the State Personnel Act. Also, some confusion at the institutional level concerning whether an EPA position is appropriately categorized under senior academic/administrative officer, research or instructional personnel.</td>
<td>Conduct a study of the current EPA senior academic and administrative officer positions to ensure that they are appropriately categorized. Complete the on-going study of EPA research and instructional personnel. Further clarify these categories for the institutions and begin capturing them on the EPA Personnel Data File.</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>The President designates the appropriate staff at General Administration to conduct a study of EPA categories in consultation with the Office of State Personnel.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1997  UNC  Persistent Personnel Issues Sub-Committee (Special Committee on EPA/SPA Personnel Issues)

Lack of a strategic SPA classification philosophy. Of immediate concern are certain "difficult to fill" SPA positions identified by each constituent institution.

Through the Partnership Agreement between the Office of State Personnel and the University, the Transition Team develops a strategic plan to address the process for initiating studies and pilot programs to provide some relief in the classification area. During the interim, present three test cases of "difficult to fill positions" to the Office of State Personnel.

The President approves submission of the three test cases to the Office of State Personnel.

1997  UNC  Persistent Personnel Issues Sub-Committee (Special Committee on EPA/SPA Personnel Issues)

No strategic plan for pay and compensation for SPA employees.

The President urges the State Personnel Director and the General Assembly to support re-establishment of a full merit-based system for the State for the 1998-99 biennium.
<table>
<thead>
<tr>
<th>Year</th>
<th>Review</th>
<th>Committee</th>
<th>Description</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>UNC Personnel Issues Sub-Committee (Special Committee on EPA/SPA Personnel Issues)</td>
<td>Deficiencies in the University benefits package for both EPA and SPA employees make it difficult for the University to compete in the marketplace.</td>
<td>To remain competitive in the employee benefits arena, several enhancements are recommended in Attachment 6.</td>
<td>As appropriate, the President seeks approval from the Board of Governors to enhance certain benefits; General Administration drafts specific legislation to improve certain benefits; and, the University supports the enactment of certain legislation to enhance the benefits package for all State employees.</td>
</tr>
<tr>
<td>2002</td>
<td>Watson Wyatt Review</td>
<td>Governance (State or University controlled Human Resource System)</td>
<td>UNC is part of the State System governed by the Office of State Personnel (OSP) for SPA employees.</td>
<td>Make UNC the governing authority covering all employees using a shared governance model between the office of the President and the campuses.</td>
</tr>
<tr>
<td>2002</td>
<td>Watson Wyatt Review</td>
<td>Governance (State or University controlled Human Resource System)</td>
<td>The Board of Governors has authority to govern all Human Resource functions for all EPA employees.</td>
<td>Make UNC the governing authority covering all employees using a shared governance model between the office of the President and the campuses.</td>
</tr>
<tr>
<td>2002</td>
<td>Watson Wyatt Review</td>
<td>Governance (State or University controlled Human Resource System)</td>
<td>The Board of Governors may establish rules for SPA employees also, but these rules cannot conflict with the OSP rules/</td>
<td>Make UNC the governing authority covering all employees using a shared governance model between the office of the President and the campuses.</td>
</tr>
</tbody>
</table>
2002 Watson Wyatt Review

Dual Management: SPA & EPA

State manages SPA employees; the University manages EPA employees. Results in different HR systems, including pay and benefits.

Develop and maintain a Human Resource System which governs and manages SPA and EPA employees.

- More efficient to manage
- More equitable to all employees

All vested property rights will be protected. Develop a unified Human Resource System which may have different applications for different levels of jobs/employees.

Develop a unified overarching UNC strategy which enables campuses to have flexibility to attract, motivate, reward and retain a high performing workforce committed to the success of UNC's goals.

2002 Watson Wyatt Review

Rewards Total Rewards Strategy

State policy states: "to compensate its employees at a level sufficient to encourage excellence of performance and to maintain the labor market competitiveness necessary to recruit and retain a competent workforce.

Develop a unified overarching UNC strategy which enables campuses to have flexibility to attract, motivate, reward and retain a high performing workforce committed to the success of UNC's goals.

Provide management with the responsibility and authority to manage the total rewards program.

Draft of a strategy for UNC included in Appendix E.

2002 Watson Wyatt Review

Rewards Total Rewards Strategy

Targets base salary at the 50th percentile for SPA employees, with no incentive bonus opportunity.

Provide management with the responsibility and authority to manage the total rewards program.

Draft of a strategy for UNC included in Appendix E.
<table>
<thead>
<tr>
<th>Year</th>
<th>Author</th>
<th>Section</th>
<th>Title</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>Watson Wyatt Review</td>
<td>Compensation Job Evaluation/Classification</td>
<td>A centrally controlled, statewide job evaluation/classification system for SPA.</td>
<td>Develop an approach of shared accountability between UNC and the individual campuses. The desired program would be UNC-specific, with campus level flexibility dependent upon demonstrated capacity at the local level.</td>
</tr>
<tr>
<td>2002</td>
<td>Watson Wyatt Review</td>
<td>Compensation Job Evaluation/Classification</td>
<td>No system-wide job evaluation/classification system for EPA.</td>
<td>Establish a primarily market-based system for classification and pay with attention to internal equity as necessary.</td>
</tr>
<tr>
<td>2002</td>
<td>Watson Wyatt Review</td>
<td>Compensation Compensation and Pay Structures</td>
<td>A single statewide salary structure, with limited local control for most SPA jobs. Broadband structure is used for a select group of SPA jobs.</td>
<td>Create UNC market sensitive and competitive salary structures or bands that reflect the relevant labor markets. Enable campuses to respond to the local labor market and the requirements of unique and/or critical skills jobs.</td>
</tr>
<tr>
<td>2002</td>
<td>Watson Wyatt Review</td>
<td>Performance Performance Management</td>
<td>OSP established guidelines for the Performance Management System for SPA employees. The rules are centralized but application of the program is decentralized.</td>
<td>Develop common framework for the Human Resource System with flexibility to incorporate the individual missions of the campuses, allowing for meaningful goals and rewards for achievement.</td>
</tr>
<tr>
<td>Year</td>
<td>Watson Wyatt Review</td>
<td>Section</td>
<td>Activity</td>
<td>Notes</td>
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<tr>
<td>2002</td>
<td>Performance Management</td>
<td>There is linkage to pay for performance through the Career Growth Recognition Award (CGRA). However, it cannot be utilized because no funds have been appropriated.</td>
<td>Link pay to performance. Provide significant skills training for supervisors and managers regarding the performance management program. Commit to performance and employee development at all levels with consideration of career progressions, job rotation and job-related training. Utilize a consistent and constructive disciplinary process.</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>Performance Management</td>
<td>Slightly below market funding by the State for annual increases over the last five years.</td>
<td>Budget adequate funding to reward high performance.</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>Training and Development</td>
<td>Training and development programs are limited.</td>
<td>Identify the types of skills, abilities and knowledge required by UNC and the campuses. Develop and execute appropriate programs. Use the recommended performance management program to track the accomplishments of training and development objectives.</td>
<td></td>
</tr>
</tbody>
</table>
Workforce trends statewide reflect the national demographics and economic conditions. From 1997-2001 turnover, both voluntary and involuntary, had been increasing. This appears to have slowed in 2002 due to the economy. OSP has implemented some programs that have improved recruiting in some instances.

Move to improve in the types of programs that promote attraction and retention of employee, including streamlined processes for hiring, a true flexible benefits program, increased training/development opportunities, bonuses for critical skills jobs and performance, flexibility in setting hiring rates, varied work schedules, job sharing, etc.
Finally, to effectively design and implement new programs requires participation and input from the varied constituents throughout UNC and the campuses. OSP involvement may also be helpful in the transition from State-to University-governed Human Resources should this change be passed within the legislature. Chancellors and the campus Human Resource directors indicated a strong sentiment towards a participative process supporting the change from State to an independent University-based system for job evaluation/classification, compensation and performance management programs. This participative process should be orchestrated through the Office of the President and should include employee input and an oversight body or steering committee with campus representation for effective resource allocation, decision making and communications.
Administrative office is named the Office of State Personnel; the governing Commission is named the State Personnel Commission.

Renamed to Office of Human Resources Management and State Human Resources Commission to reflect contemporary naming conventions in the HR field.

The Act is very detailed. This detail restricts OSP in establishing competitive and contemporary human resources programs in a timely manner.

The Act specifies the types of human resources programs that the state needs, the structure of the system, system philosophy, and employee rights.

The Commission approves policy and serves as final administrative decision-maker on grievances.

The State Human Resources Commission approves policies and a new State Employee Appeals Board makes final administrative decisions on grievances. The members of the Commission must have HR experience. One of three appointments made by the Governor is based upon the recommendation of the State Employee Association. The State Appeals Board will be made up of Supervisory and non-supervisory employees, as well as attorneys.
<table>
<thead>
<tr>
<th>Year</th>
<th>Re-write of Chap 126</th>
<th>The Office of State Personnel can establish agreements to decentralize decision-making and monitor for compliance for compliance. Corrective actions for violations not clear.</th>
<th>Specifies that the Commission can revoke a decentralized agreement. Adds efficiency and effectiveness of agency and university programs as reviewable items in audits.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>Re-write of Chap 126</td>
<td>Career status and rights attained in two years.</td>
<td>Career status and rights attained in one year.</td>
</tr>
<tr>
<td>2003</td>
<td>Re-write of Chap 126</td>
<td>Demonstration projects not allowed.</td>
<td>Allow demonstration projects to test the costs and benefits of new systems prior to implementation statewide.</td>
</tr>
<tr>
<td>2003</td>
<td>Re-write of Chap 126</td>
<td>Rewards</td>
<td>Incentive programs not allowed.</td>
</tr>
<tr>
<td>2003</td>
<td>Re-write of Chap 126</td>
<td>Rewards</td>
<td>Authorizes approval of HR program necessary to remain competitive, including incentive programs.</td>
</tr>
<tr>
<td>2003</td>
<td>Re-write of Chap 126</td>
<td>Rewards</td>
<td>State Employee Incentive Bonus Program is a separate law. Includes the program in the Act and adds gain sharing and goal sharing components. The formula for distribution of savings changed to allow more savings to be retained.</td>
</tr>
<tr>
<td>2003</td>
<td>Re-write of Chap 126</td>
<td></td>
<td>There are several exempt employee categories used in agencies, a complex process for identifying exempt positions, and inequalities in the number of exempt positions between</td>
</tr>
<tr>
<td>2003</td>
<td>Re-write of Chap 126</td>
<td></td>
<td>Combines exempt employees into one category, simplifies the process for identifying exempt positions, and allows the same number of exempt positions for all agencies. A new, strict definition from exempt positions requires</td>
</tr>
<tr>
<td>Year</td>
<td>Event</td>
<td>Details</td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>-------</td>
<td>---------</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>Re-write of Chap 126 Compensation</td>
<td>Cabinet and Council of State agencies. that they be in the top tier of an organization structure. Comprehensive Compensation System with increases largely based on time-in-service. A new compensation system with an across-the-board increase based on average labor market movement; a performance-based increase that will be distributed considering performance, increases in knowledge, skills and abilities, and labor market; and a labor market adjustment fund to correct market inequities. Allows more flexibility to tailor compensation programs to meet unique circumstances.</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>Re-write of Chap 126 Rewards</td>
<td>Longevity Pay Program for employees with 10 or more years of service. A two-tier system where new employees are excluded from the longevity pay program. Current employees will not be impacted in any way. Future savings will remain with the agencies and universities for funding compensation programs.</td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>Re-write of Chap 126</td>
<td>Section</td>
<td>Text</td>
</tr>
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<td>------</td>
</tr>
<tr>
<td>2003</td>
<td>Re-write of Chap 126</td>
<td>New policies and policy revisions must go through the policy-making process.</td>
<td>A separate rule-making process involving a public notice and hearing, with the Commission serving as the hearing body for policies that are internal to State government only. New/revised policies can be completed in several months as opposed to more than a year under the current process.</td>
</tr>
<tr>
<td>2003</td>
<td>Re-write of Chap 126</td>
<td>Employees can appeal material placed in their personnel files, including written warnings.</td>
<td>Employees can place information that refutes material placed in their personnel files.</td>
</tr>
<tr>
<td>2003</td>
<td>Re-write of Chap 126</td>
<td>Provides alternate dispute resolution procedures for the resolution of non-contested cases.</td>
<td>Requires a dispute resolution process and requires employees to use it before appealing outside.</td>
</tr>
<tr>
<td>2003</td>
<td>Re-write of Chap 126</td>
<td>There is no overall limit on the amount of time an agency or university has to process an appeal internally.</td>
<td>A limit of 120 days is established for an agency to complete processing of an employee appeal.</td>
</tr>
<tr>
<td>2003</td>
<td>Re-write of Chap 126</td>
<td>Employees reduced in force have priority for jobs that meet certain requirements anywhere in State government.</td>
<td>Retains current provision and places more responsibility for reemployment on the agency that eliminates the position.</td>
</tr>
<tr>
<td>2003</td>
<td>Re-write of Chap 126</td>
<td>Once an employee has lost their job due to reduction-in-force, they lose their career status.</td>
<td>If an employee loses their job and is re-employed within one year, the employee retains career status.</td>
</tr>
</tbody>
</table>
The authority currently granted to UNC under its enabling legislation (NC General Statute Chapter 116: Higher Education) is insufficient to manage its human resource requirements efficiently and effectively. University personnel activity is currently subject to civil service requirements under NCGS Chapter 126 (State Personnel System), as well as other legislative actions applicable to "State employees."

For the University to accomplish its core missions, it must be able to operate and manage its resources more like other institutions of higher education nationwide, both public and private, rather than like other public agencies in the State. The University must be anticipatory, nimble, and innovative. The State's current personnel structure fundamentally subverts this ability. The UNC leadership--its boards of governors and trustees, President and Chancellors--are charged to lead a great University and entrusted with the higher education of its citizens, but are not empowered with full authority to manage the University's primary resource. Relief from State personnel oversight can result in significant efficiency gains and cost avoidance.

The working group recommends seeking broadened authority under its enabling legislation NCGS 116 (Higher Education), to manage the University's human resources.
<table>
<thead>
<tr>
<th>Year</th>
<th>Organization</th>
<th>Topic</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>PACE HR</td>
<td>Rewards</td>
<td>The University's benefit package is not competitive with other institutions of higher learning. Major employee benefit programs are under the direction of State and are not compatible with University needs.</td>
</tr>
</tbody>
</table>

(This item was tabled due to its presence in other PACE initiatives).
Appendix B. Senate Bill 1353

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

SENATE BILL 1353
RATIFIED BILL

AN ACT PROVIDING FOR A REVIEW OF THE APPLICATION OF THE STATE PERSONNEL ACT TO EMPLOYEES OF THE UNIVERSITY OF NORTH CAROLINA.

The General Assembly of North Carolina enacts:

SECTION 1.(a) The President of The University of North Carolina (UNC) shall appoint a Task Force to examine the application of the State Personnel Act to the University of North Carolina with a goal of making recommendations that will:
   (1) Improve the ability of the University to attract, reward, and retain high quality employees;
   (2) Enable the University to better meet the needs of its employees; and
   (3) Improve the efficiency of UNC personnel operations.

The Task Force membership shall include chancellors, representatives of the UNC Staff Assembly who are subject to the State Personnel Act, human resources professionals, other UNC employees exempt from the State Personnel Act, and a representative of the Office of State Personnel.

SECTION 1.(b) The Task Force shall report to the President of The University of North Carolina and to the UNC Board of Governors by January 15, 2008. By March 24, 2008, the UNC Board of Governors shall forward the recommendations that it approves, as presented or as modified, to the Joint Legislative Education Oversight Committee of the General Assembly for consideration of any legislative proposals during the 2008 Regular Session.

SECTION 2. This act is effective when it becomes law.

In the General Assembly read three times and ratified this the 28th day of July, 2007.

_____________________________________
Beverly E. Perdue
President of the Senate

_____________________________________
Joe Hackney
Speaker of the House of Representatives

_____________________________________
Michael F. Easley
Governor

Approved __________.m. this ____________ day of _________________, 2007
Appendix C. Individual Subcommittee Reports
HR Task Force
Position Management Subcommittee
Final Report
November 30, 2007

Introduction

The Position Management Subcommittee met on November 5 & 6, 2007, to discuss position management issues, develop recommendations, and prepare this Interim Report. Buffy Bagwell, Director of Human Resources at UNC Asheville, served as the Chair, and Carol Rovello facilitated the two work sessions.

The following individuals participated:
- Chuck Brink, Staff Assembly Representative, UNC Chapel Hill
- Dennis Daley, Professor, NC State University
- Patrick McCoy, Human Resources Director, Appalachian State University
- Kathy Wong, Human Resources Director, Western Carolina University
- Chuck Wooten, Vice Chancellor for Administration and Finance, Western Carolina University

The Subcommittee explored the underlying assumptions/current conditions related to University position management, identified the benefits of enhancing the current approach and structure, and clarified what enhancements would best support the President's objectives of a reasonable, cost efficient, accountable, and manageable process. The Subcommittee is confident that these recommendations will enable the University's position management system to become more efficient, effective, nimble, and responsive.

Recommendations

1. Place the UNC position management system under the Board of Governors.
   - Use the currently vacant Article 4 of Chapter 126 of the State Personnel Act.
   - The position management system will be developed with input from the Office of State Personnel, but the final decision regarding the operational framework will rest with the Board of Governors. Our suggested language for this section is as follows: “The University Board of Governors may create a University position management operational framework in consultation with the Office of State Personnel, which, once adopted, will supersede the State Personnel Commission’s oversight responsibility.”
2. Streamline the current position management function to achieve a more effective human resources system that enhances UNC’s capability to meet the demands of an increasingly competitive marketplace and effectively supports UNC Tomorrow.
   - Utilize existing federal standards, which are already used by the campuses through the University Personnel Data File Reports to GA, to eliminate the current dual reporting requirements.

Recognition of Valued Features to Be Continued

The Subcommittee values the partnership between the University and the Office of State Personnel and the benefit of being part of a larger system.

Initial integration of software systems like Banner, People Admin, and PMIS has increased efficiencies and accountability.

The University-specific career banding has allowed campuses to become more competitive and it has fostered the development of position management expertise at the campus level.

The Office of State Personnel’s use of the Federal occupational categories is helpful because they are universally used across industries.

These recommendations and the subsequent operational framework are not intended to take away SPA employee protections. The Subcommittee is recommending that efficiencies and effectiveness be instituted in a manner that does not negatively impact University employees. It was also not the intent of the Position Management Subcommittee to add protected employment rights (i.e. change the at-will employment relationship) for EPA employees. **We suggest that the recommendations be subjected to legal review prior to submission to be sure that there are no unintended consequences.**

Enhancements to Support the University’s Mission

Rationale for the Recommendations

The state has lost industries/jobs. As a global enterprise, higher education is the foundation of NC’s economic engine. Higher Education should be advancing the economy of the state, not just maintaining it. Efficient and effective HR systems can assist in that goal.

HR has grown in level of sophistication and there is a need for greater flexibility to keep pace.
There are key distinctions between the university and state agencies, i.e. different competitors for recruitment, different labor markets, and certain positions that are distinctly different. For example, a University housekeeper plays a key role in student success above and beyond routine housekeeping duties. Because of this, a “one size fits all” approach at the state level is not effective.

Job classification is a major workforce planning tool. Since the majority of the University budget is allocated to labor costs, a streamlined process that is reflective of University jobs will have a major positive impact.

Most campuses have benefited from having delegated responsibility in other important areas of responsibility and have already proven their capability to OSP/GA. This localized responsibility has increased transparency, which increases the confidence of employees.

**Operational Framework**

Develop a single process/common tools to achieve the establishment and classification of EPA and SPA positions.

Develop similar input and tools that allow for reporting to different places.

Correlate Federal occupational category codes of University jobs with FLSA. The University should apply FLSA eligibility rules to the occupational category administrative framework.

Use technology to establish common and reliable data and reporting mechanisms. Establish systems that interface across campuses.

Institutional Research should play a critical role in standardizing data and accountability; this becomes the driver for accurate information across the UNC system.

The revised system will be audit defensible.

Implementation of the recommendations should be cost neutral. The University would gain business efficiencies.

**Benefits of Implementing the Recommendations**

Position management is the foundation for other critical human resource functions, such as recruitment, selection, employee relations, performance management, and compensation. As such, an integrated position management system would enable
Campuses to collect and report reliable data and make sound, consistent position management decisions.

This approach directly aligns with the UNC Tomorrow initiative and supports leadership continuity for the University system.

A common reporting process and mechanism/tools that meet federal standards will be simpler, easier to understand, and reduce duplicative efforts. This would result in a streamlined process that is more efficient and effective.

Related efficiency outcomes include less time spent in training, fewer mistakes (single entry), better consistency across campuses, and a level playing field for smaller campuses that will benefit from having a structure to follow.

The EPA/SPA lines would be better defined and more consistent across campuses. There would be fewer and simplified titles and the data will be more easily reported.

The Federal AAP requirements are more comprehensive than those of the State. The State can be confident that the Federal AAP is fully acceptable, eliminating the time that the campuses would otherwise spend on developing a separate State AAP.

Improving the quality of data will improve accountability across human resource functions, including: position management, recruitment, selection, employee relations/EEO/AA, performance management, and compensation.

With common structure and integrated technology, the University will be able to run exception reports and better identify middle management positions in order to support workforce planning initiatives.

GA will be able to more easily access and use position data from the campuses because the campuses would have an agreed-upon set of standardized titles/descriptions and corresponding codes.

Placing the emphasis on occupational codes rather than EPA/SPA designation is a philosophical shift that will increase the University's efficiency and build University community.

**Deferred to other Subcommittees**

The Subcommittee recognizes that position management provides the infrastructure for all other HR functions. The following issues, identified during the work session, are being referred to the other Subcommittees for further discussion:
1. Compensation/Rewards – benefits equity, career banding

2. Employee Relations – EEO, due process

3. Recruitment – AAP that meets federal requirements should be accepted by the state

**Consideration for the Task Force**

Ask that the University be included in the OSP Director appointment process.

**The Subcommittee defined the key terms as follows:**

*Position Management* is defining, receiving permission for, and classifying positions to help the University achieve its mission. It is the umbrella/foundation/underpinning of the following HR activities: recruitment and selection, employee relations, performance management, compensation, and EEO/AAP reporting.

The Fair Labor Standards Act (*FLSA*) is a Federal law that defines which positions are subject to, or exempt from, Federal overtime requirements. *FLSA Subject* refers to positions that are non-exempt – overtime must be paid for all hours worked over 40 in a workweek.

*FLSA Non-Subject* refers to positions that are exempt from the FLSA overtime requirements – they are paid a salary.

*Occupational category* refers to the title and code assigned to each distinct group of positions. The US Department of Labor establishes these categories, which provides a commonality for reporting across industries.
DRAFT REPORT

RECRUITMENT SUBCOMMITTEE OF THE PRESIDENT’S HR TASK FORCE

November 26, 2007

Alan Boyette, Vice Provost, UNC Greensboro
Hannah Gage, Chair, Board of Governors Committee on Personnel and Tenure
Joan Lorden, Provost, UNC Charlotte
Harold McKeithan, Staff Assembly, Fayetteville State University

CHARGE TO THE SUBCOMMITTEE

A. Review and analyze the barriers to efficiency and effectiveness identified in previous documents. Offer recommendations to address barriers.

B. Identify “best practices,” and determine if certain practices can be applied to the State Personnel Act rules to make the EPA/SPA systems more effective.

Two questions subcommittees should keep in mind as they develop best practices:

1. How do we minimize current differences between the EPA and SPA systems so that they more closely resemble one Human Resources system for management purposes?

2. How can we best make the current systems more nimble and responsive to the needs of UNC Tomorrow?

A. Recommendations: Improving University Recruitment Efficiency & Effectiveness

Following an extensive review of relevant issues and guided by perceived best practices, the Recruitment Subcommittee offers the following six recommendations.

1. Expand EPA instructional/research definitions and EPA/Senior Academic and Administrative Officer/Tier II definitions.

Comments:
The most significant barriers to the recruitment of university staff members are imposed by provisions of the State Personnel Act, which cover all SPA employees. Such barriers include ineligibility for participation in the optional retirement program, rigidity in salary determination, and lack of promotion opportunities. Exempting more employees from the Act would therefore represent a significant step toward improving staff recruitment. This level of
exemption could be achieved by increasing the number of exemption categories or by interpreting the instructional, research, and senior academic and administrative exemption criteria more broadly than is currently the case. An alternative approach is to adopt a completely different basis for the exemption. For example, some individuals have suggested tying the exemption to a position's status with regard to the Fair Labor Standards Act (FLSA). If one's position were exempt from the overtime provisions of FLSA, then one's position would also be exempt from the State Personnel Act.

2. **Gain significantly greater flexibility in evaluating qualifications for salary offers.**

   *Comments:*
   Even with career-banding in place, the authorized salary ranges can be too limiting if the salary levels are not regularly updated (with region-specific market data taken into account). Institutions should have the authority to make salary offers that exceed the established salary range when the institution can provide relevant market data justifying the offer.

3. **Reduce the time and paperwork required for jobs to be properly evaluated, classified, and filled.**

   *Comments:*
   This issue is important for all campuses, but represents an especially significant source of frustration for campuses with relatively low levels of delegated position authority, where the campus is required to submit classification requests to the Office of State Personnel and await decisions. We recommend granting full authority to each campus for SPA position classification. Such work would be done in compliance with established OSP regulations.

   To the extent that this issue is problematic due to inefficiency in internal campus operations, each campus is urged to review and improve the efficiency and service orientation of its evaluation, classification, and posting functions. For example, campuses are encouraged to examine their self-imposed job posting requirements. OSP requires only a five-day posting period, but some campuses require more time. Hiring offices may wish to expand the posting period (in order to encourage the development of a diverse applicant pool, for example), but this decision should be left to the hiring office.

4. **Give campuses authority to offer job classifications that are justified on the basis of work requirements.**

   *Comments:*
   Job classifications on smaller campuses tend to be lower than those found on larger campuses, despite the fact that many small-campus positions are more demanding than their counterparts on large campuses due to the lack of staff specialists and other components of infrastructure common to larger campuses. As stated above, we recommend granting full authority to each campus for SPA position classification. Such work would be done in compliance with established OSP regulations.
5. **Revise Reduction-In-Force (RIF) policies that prevent institutions from recruiting qualified candidates.**

*Comments:*
The RIF policy needs to be revised to provide appropriate protection for career employees while also protecting the institution from being forced to employ unqualified or less qualified employees as a result of a RIF. For example, employees currently have re-employment rights based upon their position classifications, not their position qualifications.

6. **Create a vehicle that would, in special circumstances, allow for recruiting and promoting without a formal search.**

*Comments:*
While the clear majority of vacancies merit a wide and open search, there are a few positions of trust on every campus (i.e., executive assistant to a campus executive) where an existing or previous working relationship makes attractive the appointment of a specific, targeted individual. Likewise, employment circumstances sometimes create an obvious need to promote an outstanding employee (moving from a level III to a level IV post, for example) instead of having to create a new post and then encourage the individual to apply. In such rare cases, we recommend that hiring units have access to a mechanism allowing for a waiver of search requirements. Such a waiver could also be of critical importance in campus efforts to provide employment for the “trailing” spouse or partner of a recruited job candidate. (See “best practice” number 5, below).

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**II. Best Practices: Concepts Embraced by the Recruitment Subcommittee**

**Practice 1:**
**Flexibility in the application of rules**

While maintaining compliance with applicable affirmative action and equal opportunity laws and policies, recruitment practices for each job family (i.e., faculty and staff) should not be rigidly applied. An appropriate level of procedural flexibility is believed to improve recruitment effectiveness and efficiency.

**Practice 2:**
**Eliminate redundancies**

Procedural redundancies (reviews, check-offs, or other functions conducted at multiple levels or offices) should be eliminated.
Practice 3:

**Campus autonomy**

Campuses should be autonomous in regard to recruitment and hiring. If it is necessary for a central organization to exert oversight authority, this should be accomplished through an audit function. This would eliminate the need for advance approvals from the central organization before the campuses are allowed to take action. [This principle could, for example, be applied at General Administration with regard to the approval of positions as Senior Academic and Administrative Officer posts.]

Practice 4:

**Ownership by the hiring unit**

To the extent possible, the recruitment model should allow for ownership and control of the recruitment effort by the individual hiring unit, as long as the actions of that unit are in compliance with approved recruitment and appointment procedures. Any role designated for a central HR function on campus or at General Administration should be endorsed by campus hiring units as a service function.

Practice 5:

**Spousal/partner re-employment assistance**

Career services should be developed and offered to spouses and partners of relocating hires. These services can range from resume writing, community networking, identifying vacant positions, and placement into positions. When feasible, universities located within reasonable commuting distance should collaborate in efforts to place the trailing spouse/partner. [At present, these services are far more commonly provided for faculty than for staff hires.]
The Rewards Subcommittee had a conference call on November 6, 2007, and met on November 9, 2007 to discuss the concept of Rewards, any outstanding issues, recommendations and next steps. The challenge for this subcommittee was recommending a rewards program that may or may not be aligned with any recommended compensation and performance management programs. We made several assumptions regarding contemporary human resources for the University system that would support the recommended reward program. They are:

1. The performance management system would not be aligned with the comprehensive compensation system.
2. The performance management system would be aligned to the university mission and goals.
3. The performance management system would demonstrate “truth in ratings” and the rating distribution would be the metric.
4. Each employee would know how their work expectations would contribute to the universities mission and goals.
5. The performance management system would support base pay improvements and/or a performance bonus.
6. The performance management system would be results based and metric driven.
7. The performance management system would drive and improve performance.
8. The compensation would be market based and not be subject to the existing salary administration rules presently governing SPA employees.

**Primary Recommendation**
The University system should adopt a contemporary workforce-planning model.

**Over-arching recommendation**
All recommendations are supportive of the concepts surrounding talent management. The focus moves from control and transactions to HR talent acquisition and management
consulting. If existing HR is transaction oriented, and depending upon the capacity of the HR department, the talent management function and accountability may need to rest elsewhere within the organizational structure. Two important concepts surrounding Rewards are centered on employee development and employee engagement since both improve organizational productivity.

**Draft Recommendations**

1. Vacation Leave  
2. Cafeteria Style Benefits  
3. Referral Bonus Program  
4. Sign-on and Retention Bonus  
5. Recognition Bonus Program

The draft recommendations of the Rewards Subcommittee are attached for your review.

Respectfully submitted,

Thomas. H. Wright, Chair  
Rewards Subcommittee
University Vacation Leave Proposal

Draft 11-13-2007

Policy
Vacation leave is credited to employees who are in pay status (working, on paid leave or on workers’ compensation leave) for one-half or more of the regularly scheduled workdays and holidays in the pay period in accordance with the provisions outlined below. Employees are credited with directly related career or occupation experience external to the North Carolina University System on a year-for-year basis when hired into the system.

Purpose
The primary purpose of paid vacation is to allow employees to renew their physical and mental capabilities and to remain a fully productive employee. Employees are encouraged to request leave during each year in order to achieve this purpose.

<table>
<thead>
<tr>
<th>Covered Employees And Vacation Leave Credits</th>
<th>Type of Appointment</th>
<th>Amount Granted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full-time</td>
<td>Based on length of directly related career or occupation service when hired into the university system combined with total state service.</td>
</tr>
<tr>
<td></td>
<td>Permanent, probationary, trainee, or time-limited</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Part-time (half-time or more)</td>
<td>Based on length of directly related career or occupation service when hired into the university system combined with total state service. Prorated for part-time.</td>
</tr>
<tr>
<td></td>
<td>Permanent, probationary, trainee, or time-limited</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Temporary, intermittent, or part-time (less than half-time)</td>
<td>None</td>
</tr>
</tbody>
</table>

Uses of Vacation Leave
Vacation leave may be used for:
- Vacation,
- other periods of absence for personal reasons,
- absences due to adverse weather conditions,
- personal illness (in lieu of sick leave),
- illness in the immediate family, and
- time lost for late reporting; however, deductions should be made from the employee’s pay where excessive tardiness or absenteeism occurs.

- donations to an employee who is an approved voluntary shared leave recipient

Note: Although approval of the use of vacation leave is discretionary, requests by an employee to use vacation leave for cultural and/or ethnic-related events should be granted if the employee has accrued vacation leave and the granting of the leave will not result in undue hardship on the agency or its employees.

Table I - Leave Credits

<table>
<thead>
<tr>
<th>Years of Total State Service</th>
<th>Hours Granted Each Month</th>
<th>Hours Granted Each Year</th>
<th>Days Granted Each Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 5 years</td>
<td>9 hrs. 10 mins.</td>
<td>110</td>
<td>13 3/4</td>
</tr>
<tr>
<td>5 but less than 10 years</td>
<td>11 hrs. 10 mins</td>
<td>134</td>
<td>16 3/4</td>
</tr>
<tr>
<td>10 but less than 15 years</td>
<td>13 hrs. 10 mins</td>
<td>158</td>
<td>19 3/4</td>
</tr>
<tr>
<td>15 but less than 20 years</td>
<td>15 hrs. 10 mins</td>
<td>182</td>
<td>22 3/4</td>
</tr>
<tr>
<td>20 years or more</td>
<td>17 hrs. 10 mins</td>
<td>206</td>
<td>25 3/4</td>
</tr>
</tbody>
</table>
Recognition Bonus Program Policy
DRAFT 11-13-07

**Purpose**
The purpose of the Recognition Bonus Program is to provide lump-sum monetary awards to employees in recognition of extraordinary contributions to the goals and objectives of the university or work unit of the university or to acknowledge individual or team accomplishments.

**Eligibility**
Permanent or Full or Part-Time SPA employees who have completed their probationary period and who have an acceptable performance rating (the equivalent of “Above Good” or “Outstanding”) with no active disciplinary actions are eligible for Employee Recognition Bonuses.

**Payment Options**
Individual Recognition Bonus limits are set as part of the University Bonus Plan but in no case may exceed $5,000 in cash payments or 160 hours of vacation leave in any fiscal year. Universities set criteria and limits for Recognition Bonuses according to business need and available resources. The total awards of the university may not exceed 1% of the university’s salary base for SPA employees for a fiscal year.

All monetary awards are considered income for the employee and taxed accordingly. Universities may not increase award totals by the amount of payroll taxes normally deducted from the employees’ pay.

**Funding**
Funding for the Recognition Bonus Program shall come from existing university resources, such as lapsed salaries.

**Procedure**
Each university wishing to utilize Employee Recognition Bonuses should have a designated Rewards & Recognition Coordinator and approved Rewards & Recognition Plan in place. Program Guidelines should include: A description of the proposed Recognition Bonus program or programs (purpose, criteria, selection process, types of awards, award limitations, etc.); A plan for communicating the program(s) to its employees; Any limits on the program(s) beyond those provided by this policy. A description of the approval process or processes within the agency or university; A plan for reporting and monitoring Employee Recognition Bonuses to ensure compliance with internal guidelines and all applicable federal and state laws and regulations.

**OSP Responsibilities**
OSP will review university Recognition Plans and make recommendation to the State Personnel Commission regarding approval, denial, or revision. OSP will audit university records if more than a pre-
a determined percentage of employees receive employee recognition bonuses to assure that the program is being operated effectively.

Please also refer to the Rewards and Recognition Policy (State Personnel Manual, Section 6, Page 20.2) for additional program guidelines.
Referral Bonus Program  
DRAFT 11-13-07

Purpose  
The purpose of the Referral Program is to encourage current state employees to refer potential applicants for critical positions or occupational groups. The employee is directly responsible for the successful recruitment of an employee possessing those skills that are in high demand and hard to attract.

Universities must identify positions or occupational groups that are eligible for the Referral Program. Positions should be noted as “critical” or “hard-to-fill” when posted.

Eligibility  
Any permanent, probationary, trainee or time-limited full or part-time employee is eligible to participate in the referral program, if they have a performance rating of “Good” or above. The referring employee is eligible for the first of two cash payouts at six months following the date of hire for the referred candidate, or vacation leave.

The referring employee is eligible for the second of two cash payouts or vacation leave, not to exceed a total of $5,000 or 160 hours, if he/she has a performance rating of “Good” or above and the referred employee has a performance rating of “Above Good” or “Outstanding” at twelve months after the date of hire.

Referral must be an external applicant, hired into an eligible position in the pre-determined critical occupational group. (An external applicant is one not employed by any public university of the state North Carolina.)

Referred applicant must not have an active job application already on file with the agency.

Payment Options  
University has the option of giving the referring employee the choice of payment in cash or vacation leave. If a cash payout is chosen, it shall be on a two-payment schedule of six months and one year from date of hire for the referred applicant.

Individual award limits are set as part of the University Bonus Program Plan, but in no case may exceed $5,000 in cash payments or 160 hours of vacation leave in any fiscal year.

University has the option of accepting referrals from eligible employees of other universities within the University or North Carolina System.
To receive payment, the referring employee must be employed and working in a university at the time the referral payments are due.

A university has the option of either a cash payout or vacation leave, or it may choose a combination of cash and leave.

All monetary awards are considered income for the employee and taxed accordingly. Universities may not increase award totals by the amount of payroll taxes normally deducted from the employees’ pay.

Hiring managers/supervisors, University Chancellors and Vice Chancellors, recruiters and hiring university HR employees are not eligible to participate in the referral program.

**Funding**

Funding for a Referral Program will come from existing university resources, such as lapse salaries.

**Procedure**

Procedures for implementing a Referral Program shall include these guidelines.

The university will provide a form for completion by the referring employee to forward with the application and resume of the applicant to the university’s Human Resources office.

The Human Resources office confirms the referral in writing.

In the case of a referral made by an employee of another university, the hiring university should forward this information, along with the funds for the referral payment to the fiscal office of the referring employee’s university.

The University Chancellor or his designee has final approval of a referral bonus payout.

Referring employee is not eligible to receive vacation leave or first cash payment until job applicant has been employed for six (6) months and the new hire has a performance rating of “Above Good” or higher. The last installment of bonus leave or cash is not payable until job applicant has been employed for a period of one year, and referring employee is still in pay status, and the new hire employee has a performance rating of “Above Good” or higher. The referring employee must have a performance rating of “Good” or above.
Any dispute arising from the administration of the program will be the responsibility of the University Chancellor or his designee to resolve and cannot be grieved.

The University HR office will monitor and report annually to the Office of State Personnel on the use of the Referral Program.

The hiring process will be consistent with university policy and procedures, without bias for or against candidates whose selection might make an employee eligible for a referral bonus.

**OSP Responsibilities** OSP will review university Referral Plans and make recommendation to the State Personnel Commission regarding approval, denial, or revision. OSP will audit university records if more than a pre-determined percentage of employees receive referral bonuses to assure that the program is being operated effectively.
Sign-On and Retention Bonus Programs

DRAFT 11-13-07

Purpose

The purpose of these bonus programs is to aid in the recruitment and retention of critical talent and high-performing employees in exceptional labor market situations. Universities will maintain a listing of occupations meeting these exceptional labor market situations. Universities may use this program option individually or in combination and in conjunction with other salary administration policies of the State of North Carolina.

Eligibility

Sign-on bonuses are open to all applicants for the occupations on the critical listing. Former state employees must have been separated from state service for at least one year to be eligible on re-hire. An employee may receive one sign-on bonus in a four year-period.

Any permanent full or part-time employee is eligible to participate in the retention bonus program, based on high performance with a performance rating of “Above Good” or “Outstanding”.

Payment Options

Sign-on and retention bonuses are one-time cash payments payable in one or two installments or annual leave awards not covered by other pay administration policies that may be offered for critical and unusual labor market conditions affecting the business need of the university. Conditions are defined by high turnover, difficulty in recruitment, and fluctuating market conditions.

Recommended bonuses under this provision are subject to the availability of funds and are subject to approval of the State Personnel Director and the Director of State Budget and Management.

Sign-on and retention bonus limits are set as part of the University Bonus Plan, but in no case may exceed $5,000 in cash payments or 160 hours of annual leave in any fiscal year.

All monetary awards are considered income for the employee and taxed accordingly. Universities may not increase award totals by the amount of payroll taxes normally deducted from the employees’ pay.

The Office of State Personnel delegates the program administration to the University Chancellor, subject to monitoring and review by OSP. Occupations with critical market situations must be approved by OSP based on accepted compensation standards.
Procedures

Sign-On Bonus

Sign-on Bonuses are used in the recruitment of employees to fill positions in critical occupations as designated by the university and approved by OSP. Sign-on bonuses are offered within the parameters established for the Bonus program in general and as outlined in detail in the university plan. Specifically, the sign-on bonus requires employees receiving the bonus to work with the agency for one year. The bonus is agreed upon with the applicant prior to hiring and paid out in one or two increments. If the employee leaves State service prior to one year, the university will require payback of the bonus on a prorated basis. These parameters are identified to applicants in the recruitment process.

Retention Bonus

Retention Bonuses are awarded to current full-time, permanent employees in positions in critical occupations as designated by the university and approved by OSP. Retention bonuses are offered within the parameters established for the program in general and as outlined in detail in the university plan. The retention bonus requires the employee to remain with the university for one year. It may be paid out in one or two increments as agreed to with the employee. If the employee leaves State service prior to one year, the university will require payback of the bonus on a prorated basis.

OSP Responsibilities

OSP will review university Sign-on and Retention Bonus Plans and make recommendations to the State Personnel Commission regarding approval, denial, or revision. OSP will audit university records to ensure that new hires and employees receiving the bonuses are in critical occupations and that the program is being operated effectively.
# Cafeteria Style Benefits

**DRAFT 11-13-07**

<table>
<thead>
<tr>
<th>Purpose</th>
<th>The cafeteria-style benefit option allows employees the flexibility of selecting benefits that meet their specific needs. Employees have the choice of applying this benefit money to dependent health plan coverage cost, supplemental retirement, and pre-tax benefit options.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility</td>
<td>The cafeteria-style benefit option is open to all SPA employees in the university.</td>
</tr>
<tr>
<td>Funding and Payment Options</td>
<td>A designated amount (2%?) of the total salary dollar or current benefit cost amounts for the university’s employees to be distributed evenly among all SPA employees to fund the Cafeteria-style benefits.</td>
</tr>
</tbody>
</table>
| Procedures | Universities manage plan components and review and audit for competitiveness to allow benefit options to meet the needs of changing workforce demographics and cycles within the employee’s career. Offers new or revised options as needed.  
  
  University offers cafeteria-style benefits on pretax dollars basis for employees.  
  
  Universities establish and educate employees on the value/worth of benefits and the philosophy of ‘total compensation’ that includes salary, benefits and other forms of compensation as employee choice.  
  
  Universities emphasize the importance of individual choice to allow employees to manage their own plan. |
Introduction

The Performance Management/Employee Relations Subcommittee met on November 1, 6 and 15, 2007, to discuss performance management and employee relations issues, develop recommendations, and prepare the Interim Report. Pamela L.A. Barkett, Director of Human Resources at UNC Pembroke, served as the Chair and facilitated the work sessions.

The following individuals participated:

Patrick McCoy, Director of Human Resources, Appalachian State University for Chancellor Kenneth Peacock

LaMonica Singleton, Career Services, Winston Salem State University

The Subcommittee explored the underlying assumptions/current issues related to University performance management and employee relations, evaluated the current approach and structure of these HR program areas, and clarified what enhancements would best support the President’s objectives of a reasonable, cost efficient, accountable, and manageable procedural improvements. The Subcommittee is confident that these recommendations will enable the University’s performance management and employee relations system to become more efficient, effective, and responsive for the future of UNC Tomorrow.

Preliminary Recommendations

Modify an existing Article of 126, the State Personnel Act, which provides for the University of North Carolina to manage a substantial equivalent Human Resources systems that meet accepted best practices principles and practices.

Performance Management

1) Develop a University Performance Management program that will establish a more effective rating system for EPA Non-Faculty and SPA that meets constituent University needs. This program will be developed by a subcommittee of the Human Resources Council.

2) Performance Bonus – recommend seeking legislative authorization to fund performance bonuses through the use of lapsed salary dollars, awards based on level of accomplishment in review of predefined goals, one-time bonus may be awarded for year in which employee receives a rating of meets expectations or above, award is not added to base salary.
**Employee Relations**

1) Recommend the establishment of subcommittee to the HR Council to support At-Risk University Employee Relations Programs, provide consultation assistance when requested, and establish a core employee relations training program to leverage the strength of current employee relations staff and provides for career development for University Human Resources Professionals.

2) Due to the property interests and due process provisions conveyed to employees under the State Personnel Act, the Employee Relations Subcommittee of the Human Resources Council will evaluate best practices and develop program enhancements for future consideration of the Human Resources Council.

3) Recommend that Office of State Personnel follow through on implementation of the new administrative rules and procedures that govern the Employee Relations Program.

**Next Steps**

Performance Management/Employee Relations Subcommittee will request feedback on Interim Report from members of the HR Task Force and HR Council. Feedback will be evaluated and/or included in the Final Report.
Introduction

The Compensation Subcommittee of the HR Task Force is comprised of the following individuals:

Debbie Frezell, Staff Assembly Representative, NC School of the Arts
Natasha Nazareth-Phelps, General Counsel, NC School of Science and Mathematics
Charlie Nelms, Chancellor, North Carolina Central University
John Toller, Associate Vice Chancellor HR, East Carolina University (Chair)

The subcommittee met via teleconference on November 7th and 14th to identify, discuss, and prioritize the essential compensation issues pertaining to Chapter 126 of the NC General Statutes (The State Personnel Act). The group identified the most critical issues and arranged them in a matrix to facilitate analysis and reporting (see Attachment 1).

In the course of its discussions, the subcommittee reviewed the compensation items that had been raised in previous reviews and in earlier meetings of the full task force. In addition, the group considered the opportunities for developing best practices that would most closely meet the Task Force objective of creating reasonable, cost efficient, accountable, and manageable improvements.

The subcommittee is confident that implementing the strategies outlined in its summary matrix will enable the University's compensation system to become more efficient, effective, and responsive in attracting and retaining the talent required for UNC to meet the current and future needs of the citizens of North Carolina.

Compensation Themes and Recommended Strategies

Two major themes were identified:

1. Competitive Compensation
2. Effective Management of Compensation Resources

These themes are aligned with four primary values:

1) sustainable competitiveness
2) high performance workforce
3) collaborative oversight, flexibility, and equity
4) administrative efficiency, simplicity, and cohesiveness.
In addition to major themes and primary values, best practices and implementation strategies were identified for each item and priorities established to facilitate appropriate action:

A. Competitive Compensation (Sustainable Competitiveness)

1. Develop and maintain a comprehensive, competitive compensation program by adjusting salaries to competitive market levels. This can be accomplished through:
   a. Implementing labor market adjustments
   b. Rewarding high performance via both base salary increases and one-time salary adjustments
   c. Addressing internal inequities (using a competitive market index as the internal comparison standard)
   d. Integrating cash and non-cash elements (i.e. benefits and rewards) into a comprehensive compensation program.

2. Set staff salary goal to 80th percentile of peers. While this is a long-term objective, articulating this goal early will align SPA compensation philosophy and goals with currently established standards for faculty.

3. Fully fund Career Banding implementation at competitive market levels. This will require a multi-year plan for implementation. A 3 year plan is recommended.

B. Competitive Compensation (High Performance Workforce)

1. Create and sustain professional level standards for employees. Promote full utilization of talent through skill enhancement/development.
   a. Create a continuous improvement culture on each campus. Attract, motivate and reward high performing employees.
   b. Develop and reinforce 21st Century skills: Competency, Creativity and Innovation; Critical thinking and problem solving; Communication; Collaboration; Initiative; Self-direction; Adaptability; Productivity; Accountability; Leadership

2. Leverage compensation to support succession modeling. Build “bench strength” at levels of the organization to ensure sustainable success.
   a. Develop “grow your own” programs that enable locally controlled transition from one work level to another.

C. Effective Management (Collaborative Oversight; Flexibility; Equity)

1. Establish authority to adjust compensation programs to meet individual institutional needs.
a. Enable local level action to ensure relevance and responsiveness of actions. Enable transparency of actions via defined checkpoints and reporting standards.
b. Create shared authority/accountability standards for OSP/BOG. Delegate compensation authority to campuses based on demonstrated capacity of campuses to meet accountability requirements.

2. Maintain high level consistency while simultaneously avoiding a “one-size-fits-all” approach.
a. Develop and adhere to broad, high level standards and empower effective campus/unit level action.
b. Develop self-auditing reports and widely share results.
c. Create and prioritize uniformity expectations and standards.

D. Effective Management (Administrative Efficiency; Simplicity; Cohesiveness)

1. Assess campus capabilities for delegated Compensation Administration and allocate resources to ensure ongoing compliance with standards.
a. Anticipate and respond to functional needs.
b. Review infrastructure needs and allocate resources to support appropriate capacity in a decentralized model.

2. Create a “bright line” standard for defining/qualifying EPA and SPA employees.
a. Simplify administrative processes. Develop clear, effective communication strategies.
b. Utilize the current definition for the FLSA “exemption” status to define EPA and SPA categories.
c. Assess incentives and disincentives and work collaboratively with affected individuals to develop an appropriate implementation plan. (Allow current employees to remain in their present status to maximize individual choice and minimize impact. New or vacant positions would be assigned to EPA/SPA categories based on their “exemption” status).

Next Steps

The Compensation Subcommittee will request feedback on this Interim Report from members of the HR Task Force, the UNC HR Council, and others. Feedback will be evaluated and included in the Final Report as appropriate.

The subcommittee supports the approach of modifying an existing Article of Chapter 126 (e.g. Article 4) to enable the University of North Carolina to manage a substantially equivalent Human Resources system that meets accepted principles and best practices in Human Resource Management (consistent with Articles currently in place for other specialized functions/agencies).
Appendix D. Legislative Draft: Article 16, University Discretion as to University Employees

Article 16

University Discretion as to University Employees.

§ 126-100. Statement of Purpose

The purpose of this Article is to provide The University of North Carolina with flexibility to meet its missions of teaching, research and scholarship, and public service, and to implement the findings of The University of North Carolina Tomorrow Commission’s Final Report concerning meeting the 21st century challenges confronting this State, including the University being more actively engaged in enhancing economic transformation and community development. To achieve this purpose, The University of North Carolina must be able to attract, retain, and reward high quality employees, to meet the needs of its employees, and to improve the efficiency of the administration of its human resources programs, for all of which the University needs more flexibility in operating its human resources programs, so as to respond to needs and market conditions more rapidly. The University recognizes and values the work of the State Personnel Commission and the Office of State Personnel, and so seeks to remain a part of the state personnel system.

§ 126-101. University personnel programs may be established; programmatic requests; approval and monitoring; rules and policies.

(a) Subject to prior review and approval by the State Personnel Commission, the Board of Governors of The University of North Carolina may establish and maintain personnel programs for all employees of the University subject to the State Personnel Commission’s jurisdiction, which programs and any substantial changes to the programs, shall be approved by the State Personnel Commission as substantially equivalent to the standards established under this Chapter for State employees.

(b) These programs may include:
   (1) compensation and rewards, including a vacation leave program for experienced hires, performance recognition and recruitment/retention bonuses, and competitive benefits (but excluding coverage provided by Chapter 135 of the General Statutes);
   (2) administration of the pay plan for University employees, including target University labor market rates;
   (3) position classification plans;
   (4) recruitment and selection standards, including career paths and development, internal promotion, and succession management planning;
   (5) performance management and accountability;
(6) employee relations; and
(7) training.

(c) A designee of the Board of Governors may petition the State Personnel Commission to determine whether any portion of its personnel programs meets the requirements of this section. Upon such determination, University of North Carolina employees shall be subject to the rules and policies of the substantially equivalent personnel programs rather than the related provisions of this Chapter. However, University employees subject to this Chapter shall not be exempt from the provisions of Articles 5, 6, 7, 8, 13, 14, and 15 herein.

(d) No University employees otherwise subject to the provisions of this Chapter may be paid a salary less than the minimum nor more than the maximum of the applicable salary range adopted in accordance with this section without approval of the State Personnel Commission. Provided, however, that subject to the approval of the State Personnel Commission, the Board of Governors may adjust the salary ranges applicable to employees who are otherwise subject to the provisions of this Chapter, in order to cause the level of pay to conform to university market and pay practice. The State Personnel Commission shall adopt policies and regulations to ensure that significant relationships within the schedule of salary ranges are maintained.

(e) The General Assembly expects collaboration between the State Personnel Commission and The University of North Carolina to achieve needed personnel flexibility.

(f) No less than annually, The University of North Carolina’s constituent institutions shall report to the Board of Governors, and the Board of Governors shall report to the State Personnel Commission about University personnel programs approved under this section to ensure compliance.

(g) In order to define "substantially equivalent," the State Personnel Commission is authorized to promulgate rules and regulations to implement the federal merit system standards and these regulations at a minimum shall include: compensation and rewards; administration of the pay plan; position classification; recruitment and selection of employees; performance management and accountability; employee relations; training; and records and reports.
Appendix E. Articles of Chapter 126

Article 1 - State Personnel System Established.

Article 2 - Salaries, Promotions, and Leave of State Employees.

Article 3 - Local Discretion as to Local Government Employees.

Article 4 - Competitive Service.

Article 5 - Political Activity of Employees.

Article 6 - Equal Employment and Compensation Opportunity; Assisting in Obtaining State Employment.

Article 7 - The Privacy of State Employee Personnel Records.

Article 8 - Employee Appeals of Grievances and Disciplinary Action.

Article 9 - The Administrative Procedure Act and Modifications.

Article 10 - Interchange of Governmental Employees.

Article 11 - Governor's Commission on Governmental Productivity.

Article 12 - Work Options Program for State Employees.

Article 13 - Veteran's Preference.

Article 14 - Protection for Reporting Improper Government Activities.

Article 15 - Communications With Members of the General Assembly