

**2006 Rooney Award  
Nomination: Innovative State Human Resource Management**



**Program Title: Career-Banding**  
**State: North Carolina**  
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## **North Carolina State Government: Career-Banding**

In response to an increasingly cumbersome, bureaucratic process of position classification within a salary grade system, the North Carolina Office of State Personnel (NCOSP) embarked on an initiative to streamline and enhance the effectiveness of the State's classification and compensation system. Administering the existing classification system had become a complex and lengthy process that did little to contribute to the intended purpose of compensation systems: recruiting, rewarding, retaining, motivating and developing employees. Research and discussions with State employees and managers suggested that the system be redesigned to encourage optimal employee performance, development, and, ultimately, to enhance employee contribution to the goals of their organizations.

Beginning in the late 90s, NCOSP worked with the North Carolina Office of Information Technology (NCOITS) to create a new system of classification and compensation for Information Technology workers. The system incorporated features of broad-banding, competency development, and market-based pay. This system was implemented in NCOITS in 2000 and then expanded to UNC-Chapel Hill and North Carolina State University to further define components of the program. In 2004 this IT model began to move into statewide implementation.

From this project, the IT model has become the basis for the competency-based Career-Banding HR system that the State of North Carolina is phasing in statewide over the next few years. The system is beginning to receive notice as requests for information or presentations are coming from personnel offices and universities in other states.

## **1. Description of the program**

The Career-Banding IT model has several significant features. Classifications were broadened to simplify the classification process, removing barriers that impeded employee development. A reduction from approximately 100 classifications to 15 occurred for IT. The new classes provide the ability to compensate employees as they assume new duties without a lengthy administrative process. Eventually, Career-Banding will reduce class titles from 6000 to approximately 350 as it is implemented for all classes statewide.

The system identifies competencies required for employees to be successful on the job as well as opportunities for career development. Managers work with employees to prepare career development plans that benefit the employee and the organization.

Another feature is the restructuring of the traditional salary grades into broad bands of pay that coincide with the classification restructuring. Pay bands for the banded classifications are directly tied to labor markets. *Agencies and universities can set their own rates based on local labor markets conditions.* The pay bands allow agencies to pay employees competitively considering market rates and competencies that they exhibit on the job.

## **2. How long has the program been operational?**

The pilot projects for the IT model were completed in the fall of 2004. Statewide implementation began at that time and was completed in 2005. Law enforcement, legal, office support, trades, and institutional services are now being implemented (reduction of classes from 293 to 21).

### **3. Why was the program created?**

The classification and pay system in place since the 1950s was cumbersome and difficult to maintain with over 6000 classifications. The system rewarded employees for longevity, sending them the message that competency development and performance were not necessary for career advancement. With 6000 classifications it was difficult to identify career opportunities, and the classes set up barriers to recognize employee development. These issues led to the Career-Banding system with design features being simplification of administration, career development, market competitiveness, and cohesive HR programs.

### **4. Why is the program a new and creative method?**

At its core, the Career-Banding System is competency-based, linking compensation, competency assessment, performance management, recruitment, workforce planning, and training and development. Employee compensation is based on competency level and labor market information. Managers identify opportunities for career-development that meet their goals. Recruitment is based on applicant competencies as opposed to strict years of experience. Managers determine workforce and training needs by identifying gaps in competencies needed to accomplish their goals.

These aspects differ from traditional systems of broad-banding that widen pay ranges and broaden classifications without the system-wide impacts described above. Competencies become the basis of pay determination, workforce planning, recruitment, and staff development.

### **5. What were the program's start -up costs?**

Due to the lack of additional funding, the system is being developed in-house using NCOSP, agency and university staff.

Salary increases to recognize employee competencies and to pay them appropriately considering their peers in the labor market totaled approximately \$350,000 for 400 IT employees in the NCOITS. These funds came from existing salary budgets. Implementation has been cost neutral.

**6. What are the program's operational costs?**

Approximately \$350,000 covers the salaries of the team working on Career-Banding in NCOSP. System operational costs are based on what is spent for salary increases to recognize competency growth each year.

**7. How is this program funded?**

Funding is from state appropriations for staff salaries.

**8. Did this program originate in your state?**

To the best of our knowledge, no other state has a system with these specific characteristics. Research found that some states had banded their pay structure, but none had all aspects of HR programs as we have.

**9. Are you aware of similar programs in other states?**

Some states have broad-banded their salary structure by grouping grades into wider ranges of pay. Some have changed their classifications also. The competency-based system is unique in its changes to the primary HR functions of classification, compensation, competency assessment, recruitment, workforce planning, training and staff development, and performance management.

**10. How do you measure the success of this program?**

One measure of the success of the IT project is measured in turnover rates. For the NCOITS, turnover rates decreased from 14% to 9%. Subsequent implementation of law enforcement in the universities resulted in a 6% reduction in turnover rates.

Also, employees have been surveyed for satisfaction and understanding of the system in NCOITS. Findings from this survey indicate that 89% of survey participants favored the new systems over the old and that 75% felt they understood the new system.

We have seen a shift in the work of HR staffs in the agencies and universities as their roles become consultative and strategic.

#### **11. How has the program grown and/or changed since its inception?**

As Career-Banding has progressed to the recent statewide implementation of IT and into other occupations, managers are becoming more involved in decisions that have previously been made by HR. Career-Banding has enabled HR staffs to transition into more strategic planning with management. HR will provide more organizational, workforce planning, and talent development solutions for management.

In the beginning, resistance to any change in classification and compensation was apparent. The success stories with the IT model were promoted and discussed. As Career-Banding has progressed and changes to all HR functions are being implemented, the benefits built into the system are being recognized. NC OSP is continuing to monitor the system's success and identify improvements by directly asking participants of their experiences in moving to the new system.

In summary, changing the system and the culture of State's workforce is becoming a welcome initiative among state employees. The response of agency and university executives is encouraging as they begin to see the ability to develop their organizations and strategically manage the initiatives they face. Career-Banding is moving HR into the strategic partnership role in driving State government organizations forward.