



# Recruitment, Vacancy and Retention Metrics in North Carolina State Government

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Contact: Lockhart Taylor, Director, Governmental Affairs  
919-971-1959 | [Lockhart.Taylor@nc.gov](mailto:Lockhart.Taylor@nc.gov)



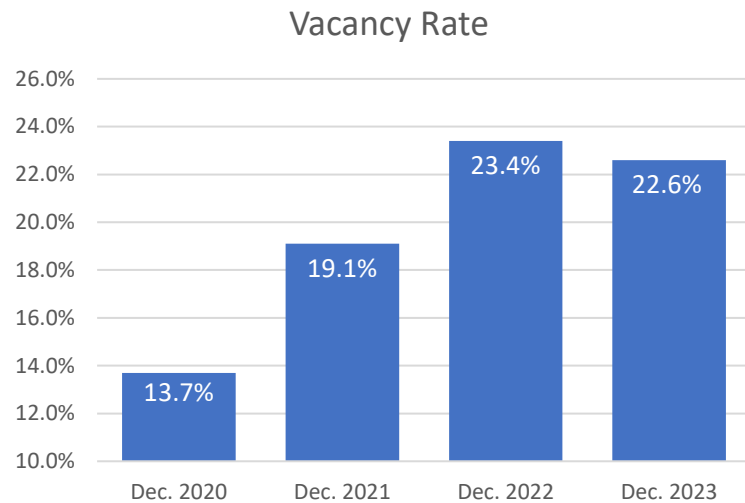
NORTH CAROLINA Office of  
*State Human Resources*

# Recruitment, Vacancy and Retention Metrics in North Carolina State Government

Challenges continue with **recruiting and retaining an effective workforce**. Agencies are **competing for applicants and employees** with private-sector and other public-sector employers. The vacancy rate has fallen slightly but remains high compared to before the Great Resignation.

## Problem 1: Unfilled Jobs

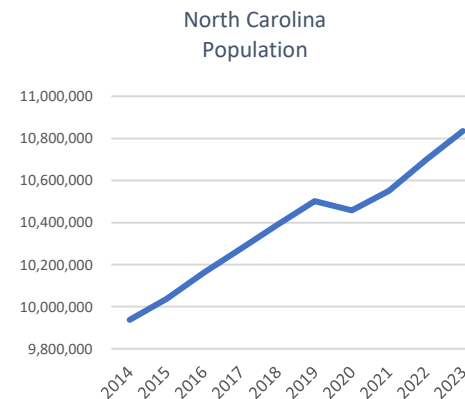
### High Vacancy Rates



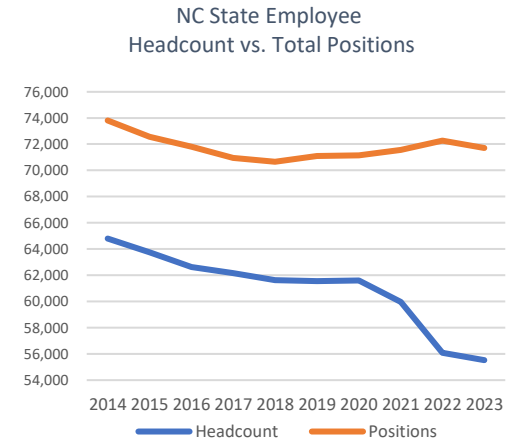
*"Workforce Development continues to be a pressing issue in both the public and private sector. Although we are doing better, I still view it as one of the most critical challenges in North Carolina."*

**-- Josh Dobson, Commissioner, N.C. Department of Labor.**

*While the number of North Carolinians is rising, the number of state employees is decreasing*



Source: U.S. Census Bureau



Source: HR-Payroll System, analyzed by OSHR

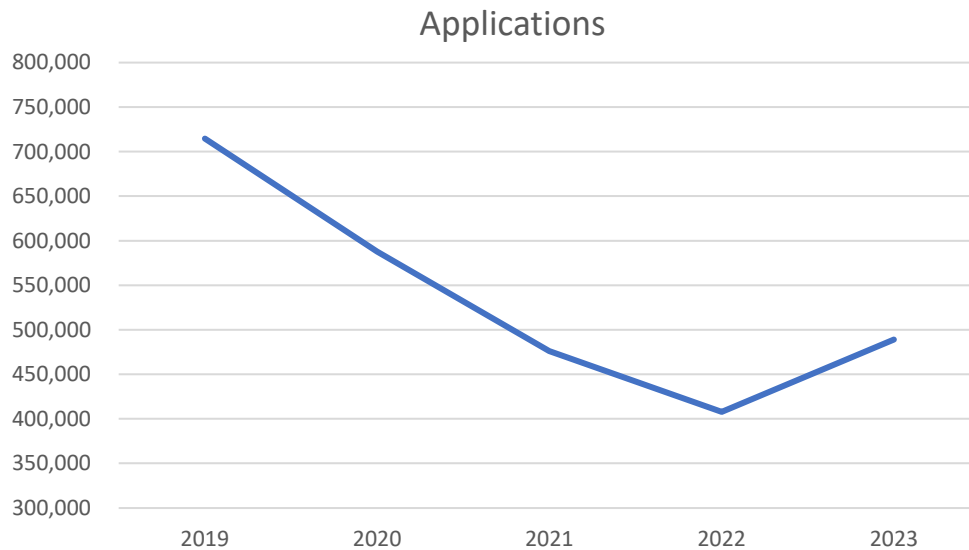
### Vacancy rates among the agencies most impacted in 2023:

- Adult Correction (27.1%)
- Health and Human Services (26.4%)
- Commerce (24.9%)
- Public Safety (22.4%)
- Transportation (20.7%)
- State Auditor (20.5%)
- Board of Elections (17.1%)
- Natural and Cultural Resources (16.6%)
- Public Instruction (15.4%)

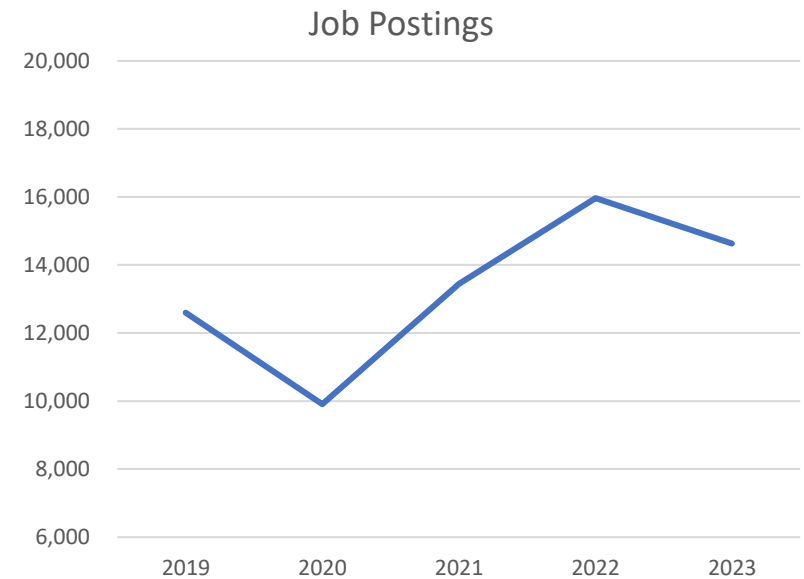
Note: Charts in the presentation compare current data to the historical figures reported by Office of State Human Resources (OSHR) in past years. Due to limitations of current State technology and data procedures when positions change over time, automated reports today show different historical numbers than the ones that those systems reported in the past. For example, the automated data currently report a vacancy rate number of 22.4% for December 2022, but the report from the system in 2022 showed a rate of 23.4%. This problem is one of the reasons why the state needs a modernized HR information technology system. This system (the Human Capital Management project) was partially funded in the 2023 Appropriations Act, and OSHR issued an RFP in January 2024.

## Applications Have Not Returned to Previous Levels

Applications to state agency jobs dropped more than 40% from 2019 to 2022. Applications were up in 2023, but only recovered one-third of the lost ground. The number of job postings remains elevated from past levels.



For all N.C. state government executive branch agencies. Source: State's NEOGOV recruitment and applicant tracking system.



For all N.C. state government executive branch agencies. Source: State's NEOGOV system.

### Major Factors Related to Hiring Difficulties:

- Low unemployment, which impacts availability of applicants.
- Reposting positions due to lack of qualified applicants.
- Delays by overworked hiring managers and overworked agency HR staff.

Note: Since the start of the Great Resignation, many agencies have increased their number of continuous postings. These jobs are posted once, then always remain open for recruitment. This good practice creates a slight, artificial reduction in the number of job postings shown above.

*"We have youth sleeping on cots on day room floors. Our staffing in our facilities right now is at a 45% vacancy rate. When you add those two factors together, it's a really tough and difficult environment."*

**-- William Lassiter, Deputy Director, Division of Juvenile Justice and Delinquency Prevention, Department of Public Safety.**

# Problem 1: Unfilled Jobs (Continued)

## Real World Consequences:

- While North Carolina continues to grow, the number of state employees is decreasing because of vacancies.

## When the number of state employees decreases, North Carolinians feel the strain:

- Higher vacancies make it hard to provide **vital state services** to the public.
- People feel the strain with **longer lines** at the DMV and **fewer available beds** in state hospitals.
- Personnel shortages in prisons and juvenile justice facilities put officers and other **employees at risk** of injury.

## Division of Motor Vehicles: December 2022 vs. December 2023

Job Title	Turnover Rate		Turnover Change	Vacancy Rate		Vacancy Change
	2022	2023		2022	2023	
Driver License Examiner I	18.3%	18.0%	↓ 0.3%	22.8%	11.2%	↓ 11.6%

*"All of those new residents need credentials. And while we have gained 3 million residents, we've only had a net gain of three new driver license offices since 2003."*

-- Wayne Goodwin, Commissioner, N.C. Department of Motor Vehicles.

## Adult Corrections: December 2022 vs. December 2023

Job Title	Turnover Rate		Turnover Change	Vacancy Rate		Vacancy Change
	2022	2023		2022	2023	
Correctional Officer I *	32.2%	24.4%	↓ 7.8%	36.2%	34.5%	↓ 1.7%
Correctional Officer II *	29.6%	23.5%	↓ 6.1%	48.5%	48.2%	↓ 0.3%
Correctional Officer III *	22.3%	17.0%	↓ 5.3%	39.3%	35.9%	↓ 3.4%

\*Historical data is affected by abolished positions that occurred during the transition from Department of Public Safety.

*"We have the bed space and we don't have the staff. That's an unusual position to be in. This is one of the highest vacancies we have seen in history."*

-- Brandeshawn Harris, Chief Deputy Secretary, Department of Adult Correction.

## Health Care: December 2022 vs. December 2023

Job Title	Turnover Rate		Turnover Change	Vacancy Rate		Vacancy Change
	2022	2023		2022	2023	
Registered Nurse	30.3%	26.9%	↓ 3.4%	48.3%	53.7%	↑ 5.4%
Health Care Technician I	35.3%	33.9%	↓ 1.4%	37.4%	42.0%	↑ 4.6%
Health Care Technician II	22.1%	15.1%	↓ 7.0%	26.3%	28.0%	↑ 1.7%
Licensed Practical Nurse	26.8%	25.1%	↓ 1.7%	42.5%	47.9%	↑ 5.4%

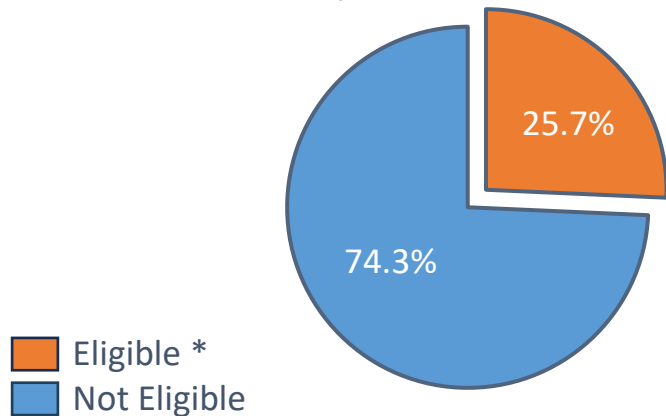
*"The state's Department of Health and Human Services is among the hardest hit government agencies, with a vacancy rate of 26 percent. It's like running a relay race and every fourth person isn't there."*

-- Kody Kinsley, Secretary, Department of Health and Human Services.

### *An Aging State Government*

- 8.3% of agency employees are eligible to retire with full, unreduced benefits now.
- 25.7% of agency employees will be eligible to retire with full, unreduced benefits in 5 years.
- The median age of a North Carolina state government employee is 47, compared to 42 for employees in the national workforce.

Retirement Eligibility in the Next 5 Years  
(Unreduced Benefits)



\* Eligible to retire with full, unreduced benefits. Source: HR-Payroll System, analyzed by Office of State Human Resources.

Retirement eligibility within 5 years (with unreduced benefits), among agencies most impacted in 2023:

- Labor (38%)
- State Human Resources (37%)
- Commerce (37%)
- Administrative Hearings (35%)
- Information Technology (33%)
- Secretary of State (33%)
- State Controller (32%)
- Insurance (32%)
- Administration (31%)
- Public Instruction (31%)

*"We have got to fix this vacancy crisis. It puts everybody at so much risk all day, every day. It's not 'if' something is going to happen. It's 'when.'"*

**-- Ardis Watkins, Executive Director, State Employees Association of North Carolina.**



## Turnover:

- Turnover **decreased by 3.1% in 2023.**
- This turnover drop came after consecutive years of Legislative Increases (LI) for all employees and targeted use of Labor Market Adjustment Reserve (LMAR) funds.

**Losing an employee can cost from tens of thousands of dollars to twice their annual salary.**

Source: Deloitte

## Segments where turnover is highest:

### First-Year Employees:

- People are **most likely to leave state employment** during their first year on the job.

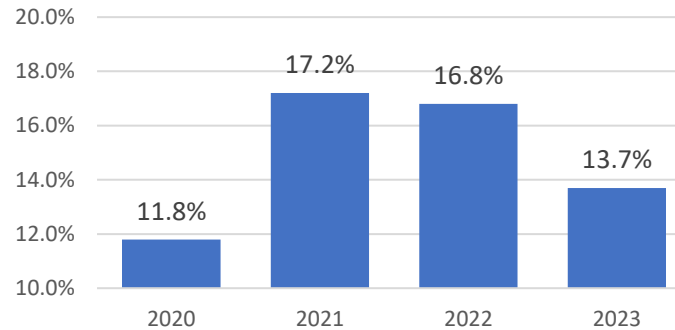
### Employees paid below the market midpoint:

- Employees are **much more likely to leave** if they are **below the midpoint** of the market-based salary range. There is a strong correlation.

#### What is the midpoint?

In state agencies' systems, each job classification is assigned a salary range based on compensation in the labor market. The **midpoint is the middle point of the salary range assigned to a job classification.** It is the salary level at which a fully experienced employee might be paid.

## Turnover Rate

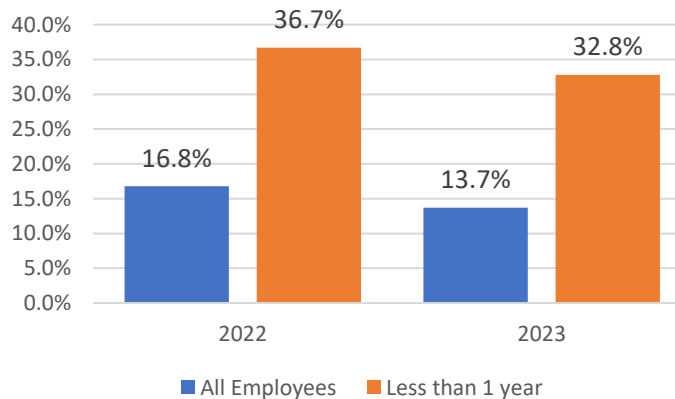


Annualized turnover, measured from January - December of each listed year. Source: HR-Payroll System, analyzed by Office of State Human Resources.

### Turnover Rates, among the agencies most impacted in 2023:

- Military and Veterans Affairs (20.6%)
- Health and Human Services (16.5%)
- Public Instruction (16.4%)
- Adult Corrections (15.5%)
- Insurance (13.6%)
- Public Safety (12.9%)
- Administration (12.4%)

## Turnover Is Much Higher in First Year



Annualized turnover, measured from January - December of each listed year. Source: HR-Payroll System, analyzed by Office of State Human Resources.

### First-Year Turnover, among the agencies most impacted in 2023:

- Health and Human Services (51.6%)
- Labor (43.2%)
- Controller (43.2%)
- Adult Corrections (39.9%)
- State Auditor (34.3%)
- Revenue (31.8%)
- Public Safety (28.4%)
- Agriculture (25.8%)
- Administration (23.2%)

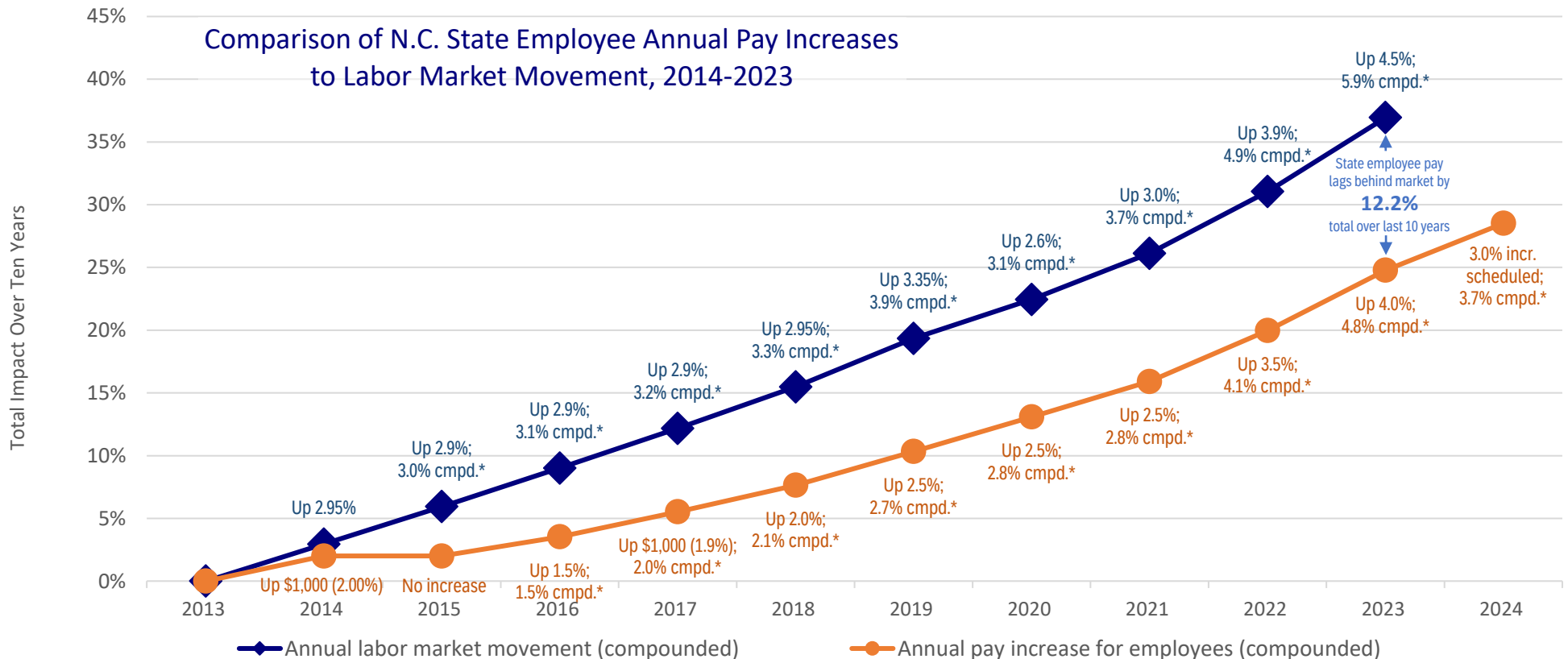
*"We're just at a crisis point, drowning in work that we have already. We continue to do more and more and more with little investment back in the agency's capacity to operate."*

-- Elaine Marshall, Secretary of State.

## Problem 3: Lagging Pay

### State Employee Pay Raises Compared to the Labor Market

- State employee pay lags behind the market by 12.2% over the last 10 years, taking into account the effect of compounding.
- The investment in overall pay raises narrowed this gap compared to last year, when it was 14.8%.
- Still, falling behind the labor market reduces the appeal of state jobs.



\*Note: "compd." means the compounded effect of this pay increase in addition to the increases shown earlier in the graph. This graph shows how the pay would grow over ten years of a hypothetical state agency employee who made \$50,000 a year on July 2, 2013, then received only legislative increases after that date. These comparisons assume that the hypothetical employee was not in a step plan, and that the hypothetical employee did not receive the Labor Market Adjustment Reserve (LMAR) in 2022 and 2023. If the employee received LMAR in both years, the orange line would read "Up 4.5% (5.2% compd.\*)" for 2022, "Up 5.5% (6.7% compd.\*)" for 2023, and "3.0% incr. scheduled; 3.8% compd.%" for 2024; the gap between pay and the market would be 9.1% total. See "Data Sources and Date" on page 9 for full information on sources and methodology for chart.

### State Employee Pay Compared to Inflation

- State employee pay lags behind inflation by 5.9% over the last 10 years, taking into account the effect of compounding.
- The investment in overall pay raises narrowed the gap between state employee pay and inflation compared to last year, when it was 9.1%.

# Solutions – Compensation

These items reflect Human Resources perspectives and long-term recommendations. Specific, immediate requests are in the Governor's Recommended Budget.

## Financial possibilities to meet the demands of this labor market:

- ✓ **Raises** for all employees
  - ✓ 2023-24 - 4.0%
  - ✓ 2024-25 - 3.0% scheduled
- ✓ **Labor Market Adjustment Reserve**
  - ✓ 2022-23 - 1.0%
  - ✓ 2023-24 - 1.5%

*LMAR is effective: 90% of LMAR recipients are still employed, compared to 76% of non-recipients.*

Source: OSBM based on analysis of HR-Payroll System data.

- Investment in **state HR information systems**
  - ✓ Immediate improvements: Phase I funded for the Human Capital Management RFP
  - Long-term improvements: Phase II not yet funded

## More compensation options for agencies:

- ✓ OSHR added **market-based pay factors**, allowing agencies to go beyond years of education and experience when setting pay
- ✓ Increased **salary flexibility** for agencies within each classification's range:
  - ✓ By May 2023, OSHR had delegated to agencies 95% of salary-related hiring actions.
  - ✓ Flexibility expanded by Section 39.3 of the 2023-24 budget.
- ✓ OSHR expanded policy for **sign-on and retention bonuses** in 2022.
- ✓ **Ended salary history questions** on state applications. These created a barrier to equal pay for equal work.

## Improved non-monetary programs to attract employees:

- ✓ More **telework/hybrid work** options
- ✓ **Paid Parental Leave** for State Employees in S.L. 2023-14
- ✓ **Personal Observance Leave** available at all cabinet and other participating state agencies. Matches federal & local gov't.

## Compensation Options (now and in the future):

- **Increase scheduled employee raise** for 2024-25
  - Governor proposes that 3.0% raise be increased to 5%
  - Governor proposes a retention bonus of \$1,000/\$1,500
- **Expand LMAR** and provide more flexibility for agencies
  - No LMAR scheduled for 2024-25; Governor proposes 2%
  - Expand flexibility for LMAR to make it available to 50% for agencies with fewer than 500 employees. Agencies with more than 500 employees remain at 25%.
  - "Enhanced LMAR": for receipt-supported positions, provide first-year funds to augment LMAR, since grants and receipts cannot always be adjusted

*"The two LMAR appropriations have been transformative in our ability to fill certain positions where we were simply not competitive with current market pay and where we have experienced chronic challenges with retention and hiring."*

-- David Smith, Chief Deputy Commissioner, Department of Agriculture.



# Solutions – Recruitment and Retention

These items reflect Human Resources perspectives and long-term, recommendations. Specific, immediate requests are in the Governor's Recommended Budget.

## *Expand recruitment efforts:*

- ✓ OSHR held the State's first ever all-agency, in-person **career fair** in 2023. Will be repeated in 2024, along with the usual work to attend career fairs throughout the State.
- **Build Statewide Recruitment Team** to support state agencies; **increase job marketing and branding**

## *Improved state policies on recruitment:*

- ✓ Increased ability to hire **trainees**
- ✓ Expanded **sign-on bonuses**
- ✓ Partnering with multiple agencies on **apprenticeship programs**

## *Expand the field of state employees:*

- ✓ OSHR provided **training and resources** related to **Executive Order 278**, Recognizing the Value of Experience in State Government Hiring
- ✓ OSHR has supported **Fair Chance Hiring**
- Need dedicated staff to support **re-entry** special initiative

## *Statute changes to improve recruitment:*

- ✓ **Pooled Hiring** -- Allows applicants to be automatically considered for other open positions (S.L. 2023-134)
- ✓ **Same Day Hiring** – Allowed agencies to make contingent job offers following the interview (S.L. 2023-134)

## *Improve employee benefits:*

- What can be done to **lower employees' family health insurance premiums**?
- Resources to study the impact of offering additional benefits and **how state benefits compare** to the competition
  - Competing against private employers who offer childcare
  - Competitiveness of health care benefits
  - Competitiveness of retirement benefits
  - Retirement portability
- More **annual vacation leave for new employees**
  - NC provides less leave than other Southeastern states for employees with fewer than 15 years of experience. (Section 39.3 of Governors Budget)
- Extend **longevity pay** (recurring retention pay) and start it earlier in an employee's career

## *Building HR infrastructure to help recruit and retain staff:*

- ✓ OSHR has invested in initial **data governance** for HR metrics
- ✓ Conducted **labor market study** with global expert Mercer
  - ✓ Produced 2022 update to the market-based compensation system
  - Permanent funding needed to maintain system
- Permanent funding needed for **HR data analytics** and performance management **evidence-based policy initiatives**
- Ongoing funding needed for **Workers' Compensation settlements** – will save money in the future

# Data Definitions and Sources

## Key terms and data methodology:

- **Headcount:** The number of active full-time, part-time, and time-limited employees. (Temporary employees, students, contractors, and university staff are excluded.)
- **Vacancy Rate:** Number of positions vacant in relation to the total number of positions. The calculation is as follows: Number of vacant positions at the end of a selected period ÷ total number of positions in at the end of the period.
- **Turnover Rate:** Number of separations based on the total headcount in a group. The calculation is as follows: Number of separations in a selected period ÷ average headcount in that same period.
- **Retirement Rate:** Number of retirements based on the average headcount in a group. The calculation is as follows: Number of retirements in a selected period ÷ average headcount in that same period.
- **Data Inclusion/Exclusion:** This data set includes all state agencies, excluding Judicial Branch and School of Math & Science. Temporary employees, students, contractors, and universities are also excluded.
- **Date and Source:** Except where otherwise noted, all data are as of December 31, 2023 and were extracted by OSHR from the State HR-Payroll System (BEACON). In addition to the sources cited immediately below the graphs and charts on the previous pages, please note the sources listed to the right.

**Lockhart Taylor**  
**Director, OSHR Governmental Affairs**  
 919-971-1959 | [Lockhart.Taylor@nc.gov](mailto:Lockhart.Taylor@nc.gov)

## Data sources (where not listed on previous pages):

**Page 1:** Vacancy rate is for all N.C. state government executive branch agencies. Quote from Dobson provided directly to OSHR.

**Page 2:** Applications and job postings are for all N.C. state government executive branch agencies. Source of data: State's NEOGOV recruitment and applicant tracking system. Quote from Lassiter provided directly to OSHR, adapted from remarks in WCNC, "NC Juvenile Detention Centers Facing Congestion and Staffing Shortages" (Mar. 6, 2024) <https://www.wcnc.com/article/news/state/staffing-shortages-congestion-north-carolina-juvenile-detention-centers/275-847da59b-45cb-4975-8809-77bb34965208>.

**Page 3:** Harris quote from WRAL, "North Carolina Prison Staffing Shortage" (Jan. 30, 2024), <https://www.wral.com/story/north-carolina-prison-staffing-shortage-39-of-nc-s-correctional-officer-positions-are-vacant/21260199/>. Goodwin quote from NC Newsline, "Significant Room for Improvement" (Mar. 1, 2024) <https://ncnewsline.com/2024/03/01/significant-room-for-improvement-nc-legislators-press-dmv-to-address-deficiencies/>. Kinsley quote from The Assembly, "How State Vacancies Are Hurting Businesses" (Sept. 25, 2023), <https://www.theassemblync.com/politics/budget-deal-vacancies/>.

**Page 4:** Watkins quote from NC Newsline, "Solitary Confinement, Staffing Vacancies, Job Training Focus of Prison Reform Conference" (Oct. 12, 2023), <https://ncnewsline.com/2023/10/12/solitary-confinement-staffing-vacancies-job-training-focus-of-prison-reform-conference/>.

**Page 5:** Marshall quote from WNCN, "On the Brink of a Crisis" (Aug. 1, 2023), <https://www.cbs17.com/news/north-carolina-news/on-the-brink-of-a-crisis-23-of-state-positions-are-vacant-as-nc-sees-high-turnover-rates-data-says/>.

**Page 6:** Annual labor market movement is the average of the numbers from the Mercer Compensation Planning Survey (Monthly Pulse) and WorldatWork Salary Budget Survey. Annual pay increases were compiled by OSHR from increases for all state employees in each year's appropriations act. Inflation numbers compiled by OSHR from Bureau of Labor Statistics.

The chart on page 6 shows compounded effect of each increase upon previous increases. Without compounding, reported gaps would be 9.45% (to the labor market) and 4.9% (to CPI inflation). For additional charts (including non-cumulative charts) and detail, see annual OSHR Compensation and Benefits Report, Appendix B.

**Page 7:** Smith quote provided directly to OSHR.