

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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HOUSE BILL 73*
Committee Substitute Favorable 4/21/89
Third Edition Engrossed 4/26/89

Short Title: Performance-Based Pay System.

(Public)

Sponsors:

Referred to:

January 24, 1989

A BILL TO BE ENTITLED

AN ACT TO REVISE THE PERFORMANCE PAY SYSTEM IN EFFECT FOR
STATE EMPLOYEES SUBJECT TO THE PROVISIONS OF CHAPTER 126 OF
THE GENERAL STATUTES.

The General Assembly of North Carolina enacts:

Section 1. G.S. 126-7 is rewritten to read:

"§ 126-7. Compensation of State employees.

(a) It is the policy of the State 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 work force. To this end, salary increases to State employees shall be based, in part, on each individual employee's job performance and, in part, on general increases given to all State employees.

(b) To guide the Governor and the General Assembly in making appropriations to further the compensation policy of the State, the State Personnel Commission shall conduct annual compensation surveys. The Commission shall determine the percent of funds appropriated for salary increases to be reserved for a general increase for all State employees and the percent to be reserved for performance-based increases for eligible employees. The Commission shall present its recommendation on the percentages and the results of the compensation survey to the Appropriations Committees of the House and Senate no later than two weeks after the convening of the legislature in odd years and May 1st of even years. The amount reserved for performance increases shall not be

1 less than twenty-five percent (25%) nor more than seventy-five percent (75%) of the
2 total allocation.

3 (c) Performance increases shall be based on performance appraisals of all
4 employees conducted by each employing unit. The State Personnel Commission, under
5 the authority of G.S. 126-4(8), shall adopt policy and regulations for performance
6 appraisal. The policy and regulations shall include the following:

7 (1) Each employing unit's appraisal system shall be designed and
8 administered to ensure that performance increases are distributed fairly
9 and reward only performance that exceeds performance expectations.

10 (2) To be eligible to distribute its share of the performance increase
11 allocation, an employing unit shall have an operative performance
12 appraisal system which has been approved by the State Personnel
13 Director. The performance appraisal system adopted shall use a rating
14 scale of at least five points, with the top three points qualifying for
15 performance increases, and shall adhere to modern personnel
16 management techniques and practices in common use in the public and
17 private sectors. Employing units with an existing performance
18 appraisal system which uses a rating scale with fewer than five points
19 shall have until July 1, 1990 to bring their systems into compliance
20 with this subdivision.

21 (3) The State Personnel Director shall help employing units to establish
22 and administer their performance appraisal systems and shall provide
23 initial and ongoing training in performance appraisal and performance
24 system administration.

25 (4) An employee whose performance exceeds performance expectations
26 shall receive a performance increase. An employee whose
27 performance does not exceed performance expectations shall not
28 receive a performance increase.

29 (5) The State Personnel Director shall set the performance increases
30 allowable for levels of performance that exceed performance
31 expectations. Individual performance increases shall be awarded
32 according to the rating scale level at which an employee's performance
33 exceeds expectations. Employees with performance ratings at the
34 highest level shall receive the maximum percentage increase allowed.
35 Employees rated at the next highest performance level shall receive
36 one-half of the maximum percentage increase allowed and employees
37 rated at the next highest performance level shall receive one-fourth of
38 the maximum percentage increase allowed. A supervisor's
39 performance appraisal plan, evaluation standards for each employee,
40 and individual employee ratings and performance increase amounts
41 shall be reviewed by the immediate supervisor who can recommend
42 increases up to the maximums set by the State Personnel Director.

43 (6) An employee who disputes the fairness of his performance evaluation
44 or the sufficiency of the increase awarded or who believes that he was

1 unfairly denied a performance increase shall first discuss the problem
2 with his supervisor. Appeals of the supervisor's decision shall be made
3 only to the employing unit's grievance committee or internal
4 performance review board. The State Personnel Director shall help an
5 employing unit establish an internal performance review board or, if it
6 includes employee members, to use its existing grievance committee to
7 hear performance pay disputes. Performance pay disputes shall not be
8 considered contested cases as that term is defined in G.S. 150B-2(2)
9 and shall not be entitled to any review, administrative or quasi-judicial,
10 beyond the internal review in the employing unit provided for in this
11 subsection.

12 (7) The State Personnel Director shall monitor the performance appraisal
13 system and performance increase distribution of each employing unit.
14 Each unit shall submit annual reports to the Director which shall
15 include data on the demographics of performance ratings, the
16 frequency of evaluations, the performance pay increases awarded, and
17 the implementation schedule for performance pay increases. The
18 Director shall analyze the data to ensure that performance increases are
19 distributed fairly within individual employing units and across all such
20 units of State government and shall report back to each unit on its
21 appraisal and distribution performance.

22 (8) The State Personnel Director shall report annually on the performance
23 pay program to the Commission. The report shall evaluate the
24 performance of each employing unit in the administration of its
25 appraisal system and the distribution of performance increases within
26 each unit and across State government. The report shall include
27 recommendations for improving the performance appraisal system and
28 alleviating inequities. Copies of the report shall be sent to the State
29 Auditor.

30 (9) The Commission shall report annually to the Governor, the Lieutenant
31 Governor, the President Pro Tempore of the Senate, the Speaker of the
32 House of Representatives, and the Standing Personnel Committees of
33 the House and the Senate. The Commission report shall include an
34 evaluation of each employing unit's administration of its appraisal
35 system and distribution of performance increases. The State Personnel
36 Director shall recommend to the General Assembly for its approval
37 sanctions to be levied against employing units that have deficient
38 appraisal systems or that do not link performance increases to
39 performance. These sanctions may include withholding performance
40 increases from the heads of these employing units.

41 (d) The provisions of subsections (a), (b), and (c) shall not affect the system of
42 longevity payments established by the State Personnel Commission."

43 Sec. 2. This act shall become effective July 1, 1989.