

Why Career Banding in North Carolina

Companies and organizations must continually look for ways to improve their performance to meet the challenges they face with each year. This requires a constant reexamination of how their business is conducted and assessing whether their current systems and programs meet these challenges. North Carolina is no different.

Approximately 35% of employees in State Government alone will retire in the next ten years and approximately 40% in federal government. The impact of the aging workforce and fewer new workers on companies and organizations will pose dramatic challenges. Between 1980 and 2002, the US labor force grew 50 percent as 38 million new, particularly women and members of the baby boom generation, entered the labor force. Economists project that this growth rate will slow to 16 percent by 2020 and by 2010, a shortage of 10.3 million will exist due to fewer new workers and the impending retirement of the baby boom generation.¹ Not only will the labor market become more competitive for North Carolina but also with the aging of North Carolina's workforce we will need to prepare for the loss of our organizational knowledge. Many of our retiring workforce will leave with the expertise and knowledge that now runs our systems and operations in state government. Recognizing a smaller labor pool will exist from which to attract workers, we will need to focus on building good working relationships between the various age groups that make up our workforce to facilitate the transferring of this knowledge. It will be equally important to respond to the expectations of today's employees who want to be rewarded for their broader skill sets and the changing economy in a highly technical world. These new workers continually seek more

development and learning. North Carolina will need to train, retain, and recruit highly skilled employees.

North Carolina's current 50+-year-old graded system of classification and compensation cannot help meet these challenges. The current graded classification system no longer reflects the nature of today's roles, many positions are misclassified, minimum qualifications and years of experience required for reclassifications are restrictive, there are few mechanisms for rewarding employees who attain and apply new skills and knowledge, there are few career tracks for non-supervisory employees, as well as roadblocks to employee advancement. Other problems that plague the current system include a pay plan that does not reflect market reality, complex rules limiting pay increases, difficulty in attracting and retaining employees, and the system is administratively burdensome. These problems are not unique to North Carolina. Many other state governments have experienced these same issues with a graded classification system and like North Carolina have implemented some form of broadbanding in response to these challenges.

The melding or grouping of job clusters or tiers of positions into relatively wide bands of pay ranges generally characterizes broadbanding. This process helps manage employee's career growth and flexibility with the additional advantage of a simplified salary system. Generally companies that adopt broadbanding reduce their number of pay ranges by one-half to two-thirds.² Companies cite many reasons for implementing broadbanding, including enabling flexibility and simplifying support in meeting unique business needs, linking to market-based compensation, improving the speed of decision-making/minimizing bureaucracy, and reducing hierarchy.³

Studies of broadbanding in private sector organizations find nearly 90 percent consider broadbanding effective. Outcomes included greater organizational flexibility, culture change, simplified administration, de-emphasizing hierarchy, encouraging competency development, and supporting changes in job and work design. The Federal experience, like the private sector experience, has been largely positive. Studies of broadbanding document these outcomes including a “performance culture” supported by a stronger linkage between pay and performance; increased employee satisfaction with opportunities for advancement; greater satisfaction with position classification and perceived improvements in classification accuracy.⁴ A study conducted by the State of South Carolina on the experiences of other states with classification and compensation reform indicated similar findings. Many of the states lowered the number of classes, eliminated unused classes, consolidated similar classes, reduced the number of pay grades, and pay plans were streamlined allowing for greater flexibility.⁵ In 2006, 33% of all state governments have implemented some form of broadbanding according to a survey conducted by the Office of State Personnel. Several municipalities in North Carolina have also implemented broadbanding.

The introduction to Career Banding, a new classification, compensation, and career-development system based on competencies for state government, is but one way North Carolina is addressing their challenges. 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 will be based on the competencies that the employee uses on the job and

the average market rate for that occupation. 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 broadbanding 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.

Career-Banding will allow managers to become more involved in decisions that have previously been made by Human Resources, thus enabling Human Resources staff to transition into more strategic planning with management. Human Resources staff will provide more organizational, workforce planning, and talent development solutions for management.

In summary, while changing the system and the culture of the State's workforce is challenging at best, executives will have the ability to develop their organizations and strategically manage the initiatives they face. Career Banding will continue to move Human Resources into the strategic partnership role in driving State government organizations forward preparing them to meet not only today's challenges but also those of the future.⁶

Sources

¹Corporate Leadership Council, State of the Workforce 2005: United States, March 2005;

Accessed 10 August 2006(Source in article 7,8,9)

^{2,3} Corporate Leadership Council, Associate Advancement Alternatives, December 2002;

Accessed August 2006. (Source in article 1, 2,3)

⁴United States Office Personnel Management, Broadbanding; Accessed 10 August 2006.

⁵South Carolina Budget and Control Board, Office if Human Resources, Reform of the

South Carolina Classification and Compensation System; Accessed August 2006.

⁶Bowling, Pam, North Carolina State Government: Career- Banding of Information

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