

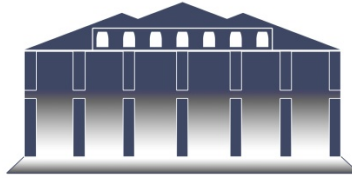
Step Pay Plans Offer Remedy to Division of Adult Correction and Juvenile Justice Staffing Challenges



**Final Report to the Joint Legislative
Program Evaluation Oversight Committee**

Report Number 2020-11

November 9, 2020



Program Evaluation Division
North Carolina General Assembly
Legislative Office Building, Suite 100
300 North Salisbury Street
Raleigh, NC 27603-5925
919-301-1404
www.ncleg.net/PED

75 copies of this public document were printed at a cost of \$42.81 or \$0.57 per copy.

A limited number of copies are available for distribution through the Legislative Library:

Rooms 2126, 2226
State Legislative Building
Raleigh, NC 27601
919-733-7778

Room 500
Legislative Office Building
Raleigh, NC 27603
919-733-9390

The report is also available online at www.ncleg.net/PED.



NORTH CAROLINA GENERAL ASSEMBLY
Legislative Services Office

Paul Coble, Legislative Services Officer

Program Evaluation Division
300 N. Salisbury Street, Suite 100
Raleigh, NC 27603-5925
Tel. 919-301-1404 Fax 919-301-1406

John W. Turcotte
Director

November 9, 2020

Senator Brent Jackson, Co-Chair, Joint Legislative Program Evaluation Oversight Committee
Representative Craig Horn, Co-Chair, Joint Legislative Program Evaluation Oversight Committee

North Carolina General Assembly
Legislative Building
16 West Jones Street
Raleigh, NC 27601

Honorable Co-Chairs:

Session Law 2019-236 directed the Program Evaluation Division to detail costs and operational considerations associated with reorganizing the Division of Adult Correction and Juvenile Justice (ACJJ) in specific ways.

The legislation also directed the Program Evaluation Division to perform cost analyses for compensation incentive programs within alternative organizational structures of ACJJ. Compensation incentive programs can be implemented regardless of the organizational structure of ACJJ. As such, this report exists separately from the report that addresses the other deliverables of Session Law 2019-236, entitled *Options for Reorganizing the Division of Adult Correction and Juvenile Justice*.

I am pleased to report that the Department of Public Safety cooperated with us fully and was at all times courteous to our evaluators during the evaluation.

Sincerely,

A handwritten signature in cursive script that reads "Kiernan McGorty".

Kiernan McGorty
Acting Director



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

November 2020

Report No. 2020-11

Step Pay Plans Offer Remedy to Division of Adult Correction and Juvenile Justice Staffing Challenges

Highlights

IN BRIEF: The Division of Adult Correction and Juvenile Justice (ACJJ) faces staffing challenges that compensation incentive plans may help mitigate. The Program Evaluation Division identified areas of acute concern within ACJJ and constructed three step pay plans for Correctional Officers, outlined two ways in which Juvenile Justice could increase pay for Youth Counselor Technicians, and generated a broad compensation plan for all other ACJJ staff. This report does not contain recommendations but provides summaries of each plan and cost estimates.

Despite recent legislative increases to Correctional Officer (CO) pay, North Carolina continues to experience challenges with turnover and vacancy for CO positions. Relative to neighboring states, North Carolina offers a narrow pay range for Correctional Officer positions. In addition, state compensation for these positions suffers from salary compression, which occurs when there is little difference in pay for senior staff compared to beginning or inexperienced staff. Salary compression and lack of access to higher levels of pay likely contribute to higher levels of turnover and higher vacancy rates for Correctional Officers, potentially compromising prison security.

Step pay plans provide a salary structure with standard salary increases based on established criteria like tenure in a position or job performance. The Program Evaluation Division designed two step pay compensation plans (Plans 1 and 2) that target career stages of particularly high turnover for Correctional Officers and reward operational effectiveness. The third plan (Plan 3) is based on a DPS-designed approach that provides the largest pay increases to early career staff.

Years in a Position	Plan 1 (Low Cost)	Plan 2 (Medium Cost)	Plan 3 (High Cost)
1-4	1.5%	1.5%	5%
5-8	2%	3.5%	2%
9-11	3%	4%	2%
12-14	2%	1.5%	1.8%*
15+	No automatic increase	No automatic increase	No automatic increase

The plans range in annual cost from \$3 million to \$42 million depending on staff rates of entry into and exit from the workforce.

Plan	Retention	3 Year Total Salary Increase	3 Year Total Benefits Increase	3 Year Total	Average Increase Annually
1- Low	Current	\$7,215,602	\$2,207,253	\$9,422,854	\$3,140,951
	Full	\$59,926,539	\$18,331,528	\$78,258,067	\$26,086,022
2- Med	Current	\$21,130,762	\$6,463,900	\$27,594,662	\$9,198,221
	Full	\$73,036,699	\$22,341,926	\$95,378,625	\$31,792,875
3-High	Current	\$34,517,011	\$10,558,754	\$45,075,764	\$15,025,255
	Full	\$96,741,237	\$29,593,144	\$126,334,382	\$42,111,461

The Juvenile Justice section within ACJJ can increase pay for Youth Counselor Technicians, a hard-to-staff position, by paying new hires more within the designated pay range and by providing a retention incentive for existing staff. DPS maintains the discretion to pay staff at higher levels of a position’s range to improve recruitment and retention, and could do so for all new staff in this position. Further, DPS can award up to a 15% salary increase for the position based on external labor market conditions, which would cost an estimated \$1.2 million annually. The former action could help with recruitment while the latter could help with retention.

Finally, providing a compensation increase of between 1% and 3% for the remainder of ACJJ would cost an estimated \$19.4 to \$58.9 million over three years, or \$6.4 to \$19.8 million annually. Forty-four percent of ACJJ staff are Correctional Officers or Youth Counselor Technicians, meaning the remaining 56% of division staff would not receive increases to their compensation under either of the preceding options. DPS generated a plan to increase compensation for all ACJJ employees, and PED has calculated the following estimated totals for this option:

Salary Increase	Year 1	Year 2	Year 3	3 Year Total
1%	\$6,411,136	\$6,475,247	\$6,475,888	\$19,362,271
2%	\$12,822,271	\$13,078,717	\$13,083,846	\$38,984,834
3%	\$19,233,407	\$19,810,409	\$19,827,719	\$58,871,536

Purpose and Scope

Session Law 2019-236 directed the Program Evaluation Division to detail costs and operational considerations associated with reorganizing the Division of Adult Correction and Juvenile Justice (ACJJ) in five specific ways. In the course of exploring these five options, the Program Evaluation Division determined a sixth option would provide additional data that could inform legislators' decision making.¹

The legislation also directed the Program Evaluation Division to perform cost analyses for compensation incentive programs within alternative organizational structures of ACJJ. Compensation incentive programs can be implemented regardless of the organizational structure of ACJJ. As such, this report exists separately from the report that addresses the other deliverables of Session Law 2019-236, entitled *Options for Reorganizing the Division of Adult Correction and Juvenile Justice*.

This study addressed the following three research questions:

1. What staffing challenges or issues exist within ACJJ that employee compensation incentive programs could mitigate?
2. What compensation incentive programs, policies, or proposals currently exist that could mitigate staffing challenges within ACJJ and/or DPS?
3. What are the parameters and multi-year cost estimates of these compensation incentive programs?

The Program Evaluation Division collected and analyzed data from a variety of sources including

- academic information on compensation programs and policies,
- analyses from the Fiscal Research Division of past step pay plans and proposed division-wide compensation plans generated within ACJJ,
- BEACON employee data on salaries and employment tenure,
- national salary data from the Bureau of Labor Statistics,
- interviews with DPS staff, and
- DPS compensation data.

¹ The sixth option involves the Division of Adult Correction and Juvenile Justice exiting DPS jointly and becoming a new principal department.

Background

The Division of the Adult Correction and Juvenile Justice (ACJJ) employs 21,437 staff members in 320 different types of jobs at an annual cost of \$1.15 billion in salaries and benefits.² According to its mission, ACJJ is responsible for the care, custody, and supervision of all adults and juveniles sentenced after conviction for violations of North Carolina law. Since 2012, ACJJ has operated within the Department of Public Safety (DPS).

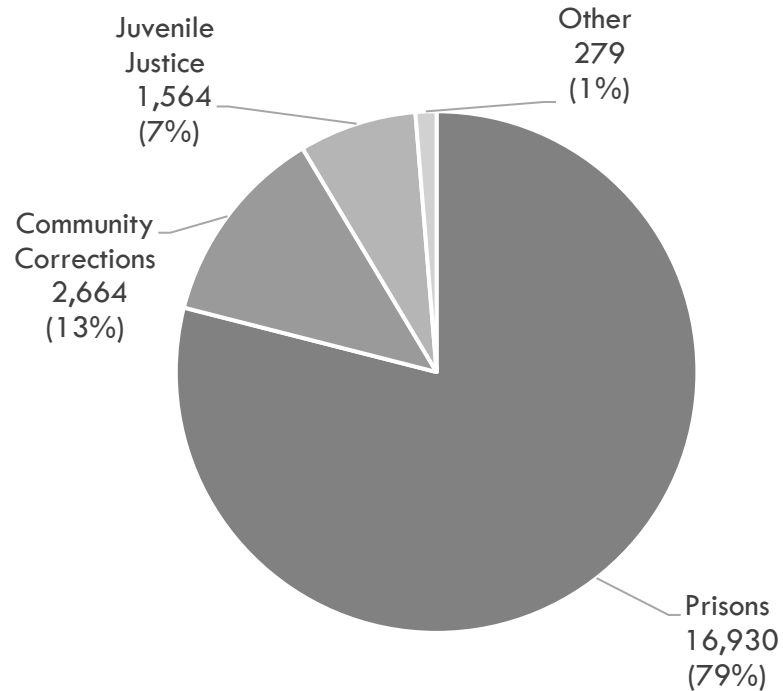
The majority of ACJJ staff (79%) work within prison operations (see Exhibit 1). Almost half of ACJJ positions (43%) are Correctional Officers (COs). Examples of other types of jobs and roles within ACJJ include

- probation/parole officers,
- corrections support personnel,
- facilities staff,
- clinical and mental health staff,
- case workers and social workers,
- juvenile court counselors,
- development and training specialists,
- inmate and juvenile educators,
- administrative support, and
- business operations.

² This annual cost represents filled positions as of May 2020.

Exhibit 1

Nearly 80% of ACJJ Staff Support Prison Operations



Note: "Other" includes staff supporting Special Operations and Intelligence (87), Staff Development and Training (106), Re-entry Programs and Services (43), Combined Records (37), Post Release Supervision and Parole Commission (31), and SHIELD (2).

Source: Program Evaluation Division based on information from DPS.

In 2017, two violent prison incidents occurred in North Carolina that increased legislative interest in the functioning of the Division of Adult Correction and Juvenile Justice (ACJJ). The first incident transpired in Bertie Correctional Institution when an inmate killed a prison staff member responding to a fire. The second incident occurred in Pasquotank Correctional Institution when four prisoners, attempting to escape, killed four prison staff members. Both incidents drew significant public and legislative attention to state corrections.

In response to these incidents, DPS established the Prison Reform Advisory Board, consisting of seven members predominantly representing experts in the field. The Board provided the Secretary of DPS with advice and best practices regarding policies, programs, and services intended to improve safety within the State's prison system. Its recommendations arose from examination of several topics including operations, training, staffing, technology, facility design, and offender work and program assignments.

The Prison Reform Advisory Board identified recruitment and retention of Correctional Officers as a fundamental issue challenging prison safety. Correctional Officer retention issues stemmed from what DPS has termed *the critical mass cycle*, wherein chronically understaffed prisons pressure existing staff to work overtime shifts, leading to staff burnout and resignation.

The Senate Select Committee for Prison Safety also examined issues within ACJJ and came to similar conclusions as the Prison Reform Advisory Board. After meeting for several months, the Committee produced a report for the General Assembly containing recommendations. Many of the issues discussed in this committee paralleled those identified by the Reform Advisory Board; the Committee issued six recommendations relating to staff working conditions, compensation, and training.

At the request of the Senate Select Committee on Prison Safety, DPS administered a survey to ACJJ staff in 2019 to understand their view of several topics including organizational structure and staff retention. DPS surveyed four ACJJ staff subgroups—prison staff, community corrections staff, juvenile justice staff, and general staff including the Post-Release Supervision and Parole Commission.³ All subgroups identified the same top three priorities:

- **Alleviating salary compression.** Salary compression occurs when there is little difference in pay for senior staff compared to beginning or inexperienced staff. In some situations, employees with less experience earn more, the same, or only slightly less than tenured employees with more experience. This phenomenon typically occurs when the market price for a job rises quickly or when organizations increase minimum pay to attract qualified candidates. Without equitably adjusting salaries across the board, new employees will often earn more than tenured employees, which can damage staff morale.
- **Awarding equitable salary increases.** For the purposes of this study, the Program Evaluation Division interpreted equitable salary increases as occurring when all individuals within the same position concurrently receive a salary increase in equal proportion.
- **Instituting a step pay plan.** A step pay plan is an established salary structure with standard salary increases for a given job. Employees may progress from step to step based on performance or other negotiated terms such as the number of years an employee holds a given position. Employers use step pay plans to incentivize employees to remain in an organization by providing equitable and predictable salary increases, thereby creating a pathway to higher levels of pay. In North Carolina, step pay plans currently exist for DPS Division of Highway Patrol officers, Alcohol Law Enforcement agents, and some State Bureau of Investigation staff.

In response to ACJJ staff concerns about compensation, DPS leadership designed a compensation policy proposal. The proposal suggested a two-pronged approach:

- a step pay plan for certified, non-supervisory staff including Correctional Officers, probation and parole officers, corrections food services officers, and corrections case managers and
- a universal step pay plan that would increase salaries for all other ACJJ staff by 2% annually until maximum salaries are reached.

³ Forty-seven percent of staff responded to DPS's survey.

Exhibit 2 highlights the details of the proposal, which addresses salary compression by funding salary adjustments.

Exhibit 2

DPS Compensation Policy Proposal Would Cost an Estimated \$85 Million Over Two Years

Elements of DPS Compensation Policy Proposal	Certified Non-Supervisory Step Plan	Universal Step Pay Plan
Staff Covered	Probation and Parole Officers, Correctional Officers, Food Service Officers, Case Managers	All Noncertified and Supervisory Staff
Increase Amount	Front loaded annual increases of 1 to 4%	2% annually until maximum salary is reached
Total Two-Year Cost	\$71 Million	\$14 Million

Source: Program Evaluation Division based on information from DPS.

DPS estimated its compensation policy proposal would cost \$85 million over two years. The DPS plan contains differences from the plans presented in this report. First, it includes a cost estimate to grant one-time equity adjustments for leadership positions. Second, it includes Probation and Parole Officers, Correctional Food Services Officers, and Correctional Case Managers in the Certified Non-Supervisory Step Plan. DPS included Correctional Food Services Officers and Correctional Case Managers because staff in these positions fill in as Correctional Officers when needed. The Program Evaluation Division decided to specifically focus on compensation options for ACJJ positions facing acute staffing challenges and therefore did not include these two items in its plans.

Session Law 2019-236 directed the Program Evaluation Division to generate compensation plans to address DPS staffing issues. During interviews, ACJJ leadership identified Correctional Officer and Youth Counselor Technician positions as having high vacancy and turnover rates. As such, PED used these positions as the basis for the first two compensation plans. This report also offers a third plan offering a salary increase for all other positions within ACJJ if position-specific plans create unintended salary inequities.

Compensation Analyses

Correctional Officers

The Department of Public Safety maintains a Correctional Officer (CO) workforce totaling 9,277 positions—7,763 filled and 1,514 vacant. At a minimum, Correctional Officers must possess a high school diploma (or equivalent) to qualify for the position. Candidates must also be eligible for certification by the North Carolina Criminal Juvenile Justice Education & Training Standards Commission. Correctional Officer positions provide custody to over 35,000 inmates at three levels: minimum (COI), medium (COII), and close custody (COIII). The design of the prison, the level of staffing, operating procedures, and perceived offender threat determine custody level. Prison facilities in North Carolina often house offenders across multiple custody levels.⁴

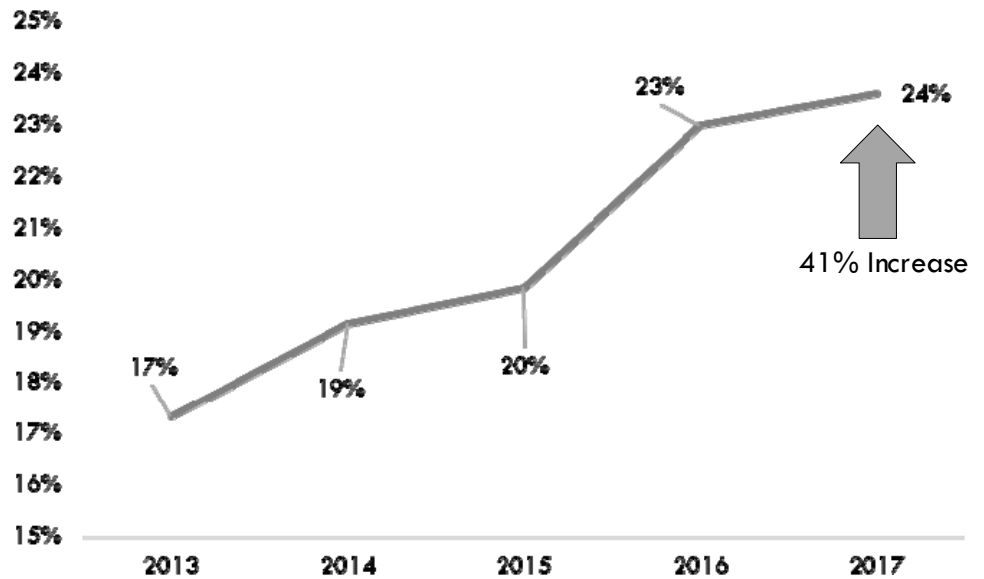
ACJJ struggles to retain its Correctional Officer workforce, particularly younger, early-career staff. Retention reflects an organization's ability to attract and retain functional employees who meet its operating standards. Turnover measures the number of employee separations (transfers, retirement, and voluntary and involuntary separations) from a department. Vacancy rates measure the percentage of total positions that are budgeted and funded but not filled. These concepts are interrelated—high turnover rates result in lower retention rates and higher vacancy rates.

Correctional Officer turnover reached 23.6% in 2017, reflecting a small increase from the previous year but a substantial increase over the past five years. As Exhibit 3 shows, CO turnover grew by 41% between 2013 and 2017.

⁴ North Carolina's custody structure moves offenders across custody levels until they can be released.

Exhibit 3

Turnover Among Correctional Officer Positions Increased by 41% During the Past Five Years



Note: The x-axis represents calendar years.

Source: Program Evaluation Division based on information from DPS.

Correctional Officer positions generally attract early career individuals between 20-29 years old. This group represents the largest age cohort among COs as well as the group that exits or turns over the fastest, generally within the first two years of employment. ACJJ leadership reported losing new hires within their first two years as being particularly problematic and costly for DPS. Recruiting, hiring, and training new COs costs the department funds that bear little fruit when these employees so quickly leave the position.

The Program Evaluation Division examined external causes of turnover and high vacancy rates for Correctional Officers cited by DPS and academic literature to gauge whether they are responsible for driving North Carolina's issues. DPS identified several agency-specific factors driving high turnover rates, including

- falling unemployment during improved economic periods;
- a more violent offender population, creating a more inhospitable working environment;
- officer burnout due to overtime demands;
- disconnect between central administration and frontline staff; and
- similar job opportunities in federal correctional facilities, local detention centers, or other areas of prison service.

In reviewing academic literature, a commonly cited cause of CO turnover is geographic access to a workforce. PED subsequently assessed the extent to which the factors DPS highlighted and other factors influence turnover or vacancy rates.

The hazards and risks of being a Correctional Officer do not systematically influence vacancy rates across the state. A DPS staffing report on the challenges of filling Correctional Officer positions suggested

that more violent offender populations create inhospitable working environments that lead to higher vacancy rates. The Program Evaluation Division examined whether working in environments with increased risk of harm or inmate violence led to higher vacancy rates for Correctional Officer positions. Using records of assaults and injuries of COs leading to lost work days, the Program Evaluation Division did not find a statistically significant relationship.

Similarly, vacancy rates by level of security appear consistent across the state and are each in line with the overall vacancy rate of 16% for all Correctional Officers. The vacancy rate for COIs and COII was 16%, whereas the COIII rate was 17%. If proximity to more violent prisoners led to higher vacancy rates, the rate for COIIIs would be much higher than the rate for COIs and COIIs, but this trend does not appear in the data.

Geographic distance between prisons and population centers also does not systematically influence vacancy rates in North Carolina. Literature and interviews with ACJJ staff suggest that the farther a prison is located from a population center, the more challenging it is to fill positions. The Program Evaluation Division tested this assertion by analyzing the distance of prisons to the closest metro statistical area (MSA) compared to prison vacancy rates. The Program Evaluation Division found no pattern or relationship between prison vacancy rates and proximity to labor supply, as some prisons are located far from MSAs but have low vacancy rates whereas some facilities near MSAs have high vacancy rates. For example, Sampson Correctional Institution is located 81 miles from the closest MSA yet has a vacancy rate of 12%, lower than the overall state average of 16%. However, Neuse Correctional Institution is located only three miles from its closest MSA yet maintains a vacancy rate of 19%. Because the State already makes an effort to incentivize staff retention at prisons with high vacancy rates, the Program Evaluation Division did not assess whether prison-to-prison proximity affected vacancy. Instead, PED chose to focus on the characteristics and structure of Correctional Officer salaries.

Lacking evidence of consistent external factors influencing vacancy and turnover rates, the Program Evaluation Division turned to the structure of Correctional Officer salaries to assess issues that may influence turnover. Nationally, salaries and wages for Correctional Officers have long been identified as a barrier to recruitment and retention. A 2018 study performed by the RAND Corporation reported CO wages do not compare equitably to other criminal justice occupations or occupations with similar educational requirements.

In recent years, the General Assembly implemented custody-level-based salary increases for Correctional Officers over three appropriation installments in an effort to address CO salaries. These raises increased depending on the custody level served by the position, with COIII positions responsible for the most restrictive offender confinement receiving the largest percentage salary adjustments. In addition to these raises, the General Assembly also enacted statewide increases. Exhibit 4 provides details for each of these Correctional Officer compensation increases appropriated by the General Assembly during the past five fiscal years.

Exhibit 4: North Carolina Increased Correctional Officer Compensation During the Last Five Years

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Average Salary Increase from Custody-Level-Based Salary Increase Appropriations					
COI	N/A	4%	0%	1%	N/A
CO II	N/A	4%	3%	4%	N/A
COIII	N/A	9.5%	6%	6%	N/A
Additional Statewide Compensation Increases					
All CO Positions	\$1,000	\$750 bonus	1.5% salary increase + 0.5% bonus + merit bonus eligibility (\$475/\$700)	\$1,000	4%

Source: Program Evaluation Division based on the Fiscal Research Division's Brief to Senate Select Committee on Prison Safety, Compensation Overview of Correctional Personnel (March 25, 2019).

Subsequent legislative efforts sought to improve corrections pay and staffing challenges by providing compensation incentives targeting facilities with high vacancy rates. Session Law 2019-208 aimed to ameliorate vacancy rate issues in high-need facilities through three levels of salary supplements:

- officers in facilities with 20% vacancy rates receive a \$2,500 supplement,
- officers in facilities with 25% vacancy rates receive a \$5,000 supplement, and
- officers in facilities with 30% vacancy rates receive a \$7,500 supplement.

Having been recently implemented, the effects of these supplements are unknown. However, some unintended consequences of this approach can be anticipated. If a prison receives a certain level of supplement and subsequently its vacancy rate decreases below the rate stipulated for that level, the prison may not receive the supplement in future years, thereby creating a disincentive for prisons to marginally lower their vacancy rates. Furthermore, the incentive also creates pay asymmetry among staff at the same custody level in different facilities.

Despite these recent efforts, North Carolina still lags behind neighboring states in compensation for experienced COs. As illustrated in Exhibit 5, analysis of Bureau of Labor Statistics Office of Employment Statistics (OES) data shows that entry level pay (10th percentile) for Correctional Officers in North Carolina is competitive with neighboring states, with the state ranking third among 12 southeastern states in both categories.⁵

However, at the 75th percentile of wages, North Carolina ranks sixth among the 12 southeastern states. At the 90th percentile of wages, North Carolina ranks eighth and pays less than two of its border states—South Carolina and Virginia. North Carolina COs dissatisfied with their pay might consider moving to these border states with higher salaries. These statistics suggest that although North Carolina compares favorably to other

⁵ Analysis of mean wages does not consider other benefits or geographic differences in the cost of living or local economic prosperity.

southeastern states in terms of compensation offered at the beginning of a Correctional Officer's career, the State offers less access to higher levels of pay over the course of a career relative to neighboring states.

Exhibit 5: North Carolina Correctional Officer Access to Higher Levels of Pay Falls Short of Other Southeastern States

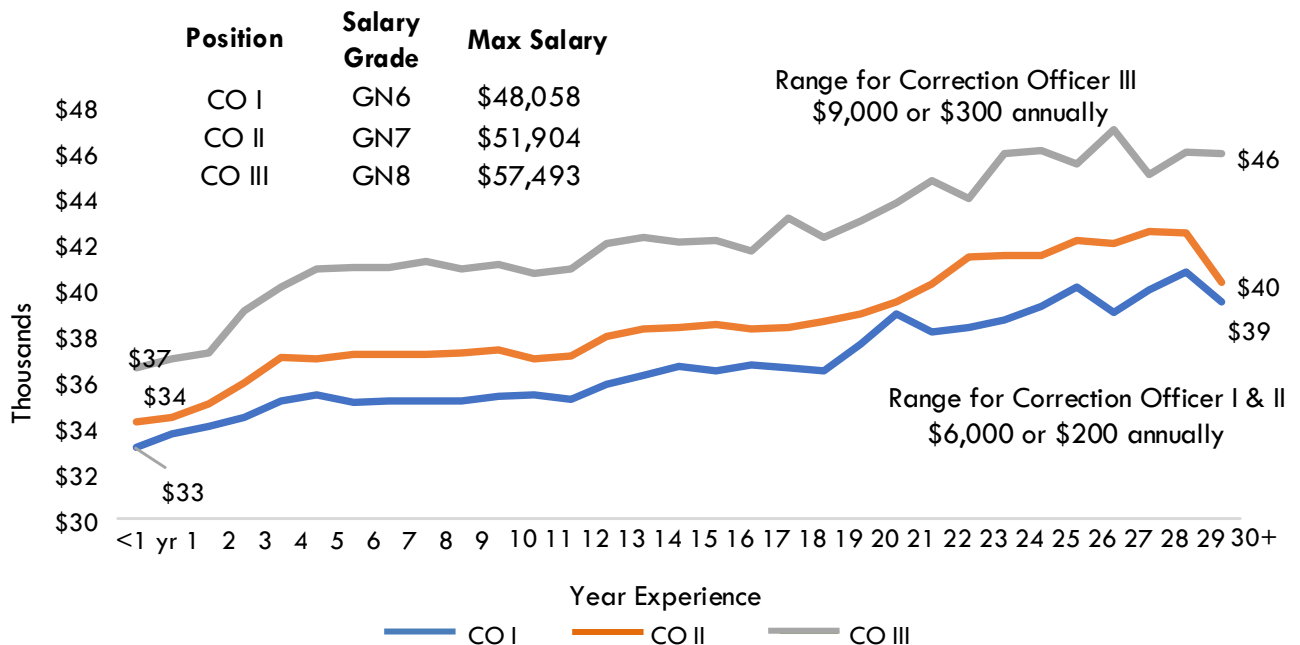
State	Annual 10 th Percentile Wage	State	Annual 75 th Percentile Wage	State	Annual 90 th Percentile Wage
Virginia	\$32,620	West Virginia	\$49,640	Florida	\$63,810
Florida	\$31,530	Florida	\$48,950	West Virginia	\$58,030
North Carolina	\$31,510	Virginia	\$45,810	Virginia	\$57,740
South Carolina	\$28,740	Alabama	\$43,570	Kentucky	\$55,970
Georgia	\$26,320	Kentucky	\$41,430	Louisiana	\$51,020
Tennessee	\$26,470	North Carolina	\$40,750	South Carolina	\$51,010
Arkansas	\$25,870	Louisiana	\$40,160	Alabama	\$49,640
Alabama	\$24,880	South Carolina	\$39,650	North Carolina	\$48,400
Louisiana	\$23,780	Tennessee	\$39,610	Mississippi	\$48,040
West Virginia	\$25,680	Georgia	\$37,840	Tennessee	\$47,790
Kentucky	\$22,070	Arkansas	\$37,290	Arkansas	\$43,010
Mississippi	\$21,290	Mississippi	\$33,820	Georgia	\$41,010

Note: Cells in light gray represent states that border North Carolina. Other state data aggregates occupational data for Correctional Officers and Jailers. The 10th percentile wage represent wages at the lower end of the range which are generally consistent with entry level hires.

Source: Program Evaluation Division based on data from the Bureau of Labor Statistics Office of Employment Statistics (May 2018).

Correctional Officer pay range from early to late career is limited, and after a career of service, COs on average fall short of reaching the maximum salary for the position. Analyzing average salary by years of service at each custody level reveals a lack of appreciable change in pay throughout a Correctional Officer's career. As shown in Exhibit 6, the average increase in salary for entry-level Correctional Officer I and II employees is \$6,000 over a 30-year career, an average increase of \$200 per year. Similarly, the average difference in pay between a COIII with 30 years of experience and a starting COIII is \$9,000, an average increase of \$300 per year.

Exhibit 6: Salary Growth for Correctional Officers from Start to End of Career is Limited



Source: Program Evaluation Division based on average salaries for each year of experience based on HR-Payroll (BEACON) data.

North Carolina’s issues with sufficiently compensating Correctional Officers can also be seen in career service officer pay. Career officers—those with 30+ years of service—earn more than \$10,000 less on average than the maximum salary set by the salary grade for the position. A position’s salary grade is determined through a labor market study.⁶ Taken together, these issues create an environment in which there is limited financial incentive to maintain a career path as a Correctional Officer, which may explain high turnover and vacancy rates.




In addition to the limited career pay range experienced by Correctional Officers, the Program Evaluation Division found evidence of salary compression among these positions. As stated in the Background, salary compression occurs when efforts at attracting candidates by offering higher starting salaries lead to situations in which newer employees earn equivalent (or in some cases, higher) salaries than more experienced staff. Persistent salary compression can negatively affect staff morale and lead to job turnover.

Exhibit 7 provides three examples of actual salary compression the Program Evaluation Division found when examining data on average pay for Correctional Officers. In the first example, COIs with 5 years of experience earn, on average, \$35,343 annually, whereas COIs with 12 years of experience average \$35,167. In other words, COIs with less experience are earning \$176 more annually on average than their more experienced counterparts. As the exhibit shows, salary compression also exists for COIs and COIIs. These nominal differences in annual salary

⁶ Decisions to increase or decrease the level or grade assigned to a job may result from labor market trends over time as monitored by the Office of State Human Resources (OSHR). OSHR makes decisions on the salary grade of jobs and then must notify the State Human Resources Commission.

among officers with different levels of experience demonstrate salary compression and may lead to employee frustration, low morale, and turnover.

Exhibit 7: Salary Compression Exists at All Security Levels for Correctional Officers

Example 1		Example 2		Example 3				
	Correction Officer I			Correction Officer II			Correction Officer III	
	<u>Yrs Exp</u>	<u>Avg Pay</u>		<u>Yrs Exp</u>	<u>Avg Pay</u>		<u>Yrs Exp</u>	<u>Avg Pay</u>
	5	\$35,343		6	\$37,116		5	\$40,852
12	\$35,167	11	\$36,932	12	\$40,828			

Source: Program Evaluation Division based on BEACON data.

Step pay plans offer organizations an opportunity to correct salary compression and establish equitable and predictable salary increases.

Step pay plans establish salary increases based on performance or other negotiated reasons such as years of experience. Such plans could help address turnover and retention issues for Correctional Officers in North Carolina by providing access to higher levels of pay, thereby encouraging COs to remain in their positions because compensation would continue to increase as they gain experience.

To mitigate salary compression with a step pay plan, specific accompanying actions must occur.

- The employing entity must freeze salaries for staff earning more than the base amount at a designated step until those salaries are commensurate with the next step.
- Employees earning salaries below a designated step must receive raises to bring their pay in line with the corresponding level.

If implemented in this manner, a step pay plan provides all employees with equitable and predictable salary increases. For this reason, the Program Evaluation Division developed step pay plans based on time in service, which affects all Correctional Officers more evenly and is less likely to create new inequities or unintended consequences.

The Program Evaluation Division developed three step pay plans based on the length of time an employee remains in a position. For each of the three plans, the Program Evaluation Division applied the same estimation method and assumptions regarding base salaries used in calculations, current staff progression, the number of new hires over time, and the number of staff departures. The plans differ as to when the steps occur along a career path and the magnitude of those steps. Exhibit 8 presents the three plans and their corresponding percentage increases by years of experience.

Exhibit 8

Three Step Pay Plans
Provide Equitable and
Predictable Salary
Increases for Correctional
Officers

Years in a Position	Plan 1 (Lower Cost)	Plan 2 (Medium Cost)	Plan 3 (Higher Cost)
1-4	1.5%	1.5%	5%
5-8	2%	3.5%	2%
9-11	3%	4%	2%
12-14	2%	1.5%	1.8%*
15+	No automatic increase	No automatic increase	No automatic increase

Note: To ensure salaries stay within the ranges established by the State Human Resources Commission for each position, Plan 3 does not include an automatic increase for Correctional Officer I positions in Year 14.

Source: Program Evaluation Division based on staff turnover data and interviews with DPS staff.

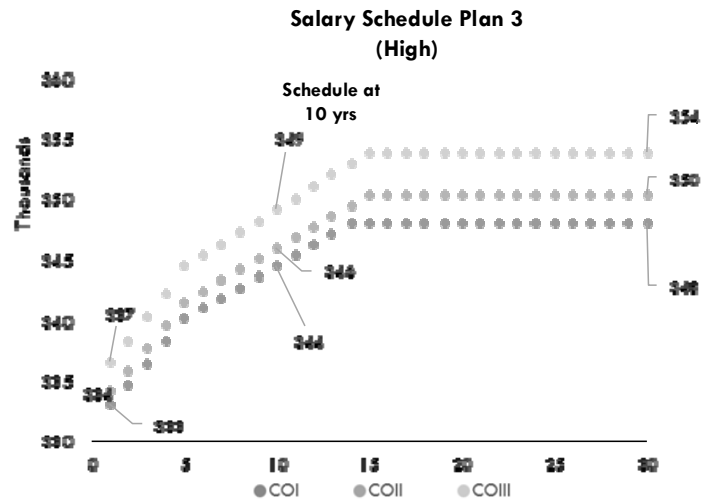
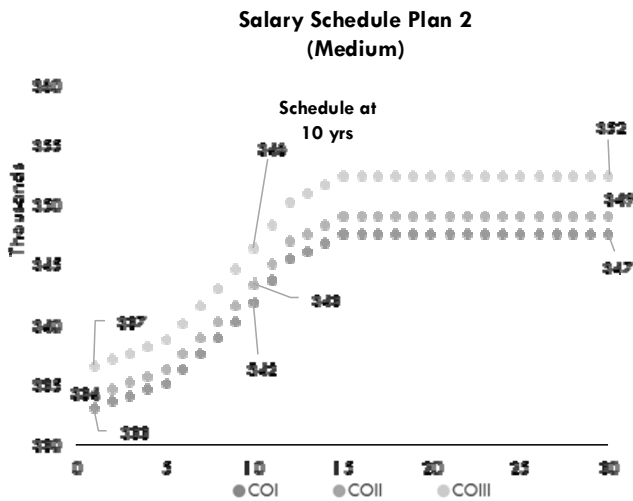
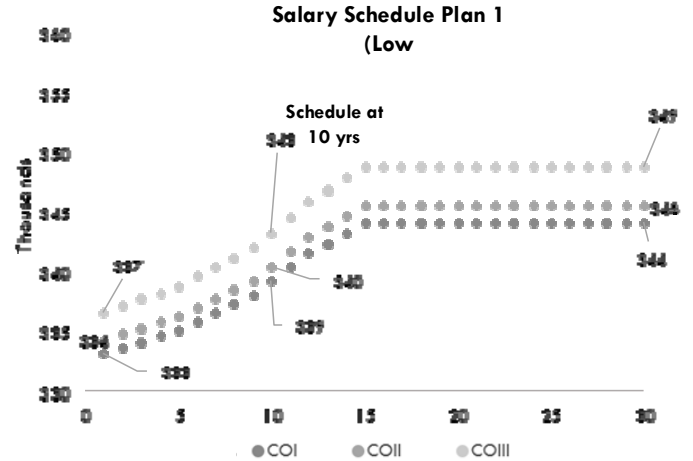
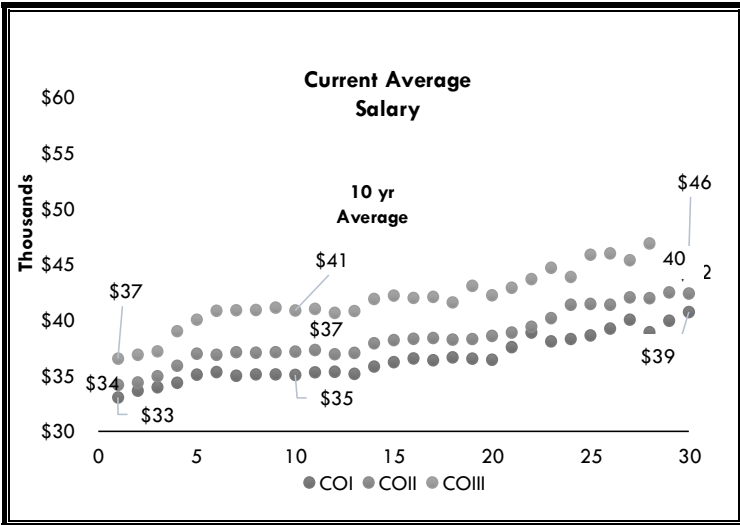
A critical feature of any step plan involves making a policy decision about when to apply steps along a career path and determining the magnitude of pay increases. Plans 1 and 2 provide some financial incentives early in Correctional Officer careers because turnover is highest for COs who have been on the job for less than six years. However, the largest increases under Plans 1 and 2 take effect in the fifth year of experience. According to DPS, five years represents the typical length of time it takes Correctional Officers to develop and master the skills that contribute to peak operational effectiveness. As a result, these plans offer the greatest salary increases from Years 5-11, when staff would be expected to reach peak effectiveness. In other words, the Program Evaluation Division designed Plans 1 and 2 with early incentives to remain in a position while reserving the largest increases for the career stage during which Correctional Officers become operationally effective. The difference between Plans 1 and 2 involve the size of the increase, which results in Plan 2 being more costly than Plan 1. Meanwhile, Plan 3 provides the largest pay increases up front during the early career period, a strategy supported by DPS as a means to retain staff to the point of becoming vested, an incentive for an employee to remain in a position for their career.

A detailed explanation of the methods used to calculate the step pay plans is located in Appendix A. However, basic assumptions and parameters are briefly discussed below.

To calculate the base salary amount per plan per year of experience, the Program Evaluation Division used Correctional Officer salary amounts established in law. For example, the base salary in law for a COI is \$33,130. Under the first two plans, a COI salary in the first year would therefore increase 1.5% from \$33,130 to \$33,627, whereas under Plan 3 it would increase 5% to \$34,787. Exhibit 9 displays salary schedules for each of the three plans and also shows the current average career salary progression for CO positions as a reference. As the exhibit illustrates, within 10 years each of the plans either exceeds or approaches the current average salary for CO positions after 30 years. In addition, each of the plans demonstrates more predictable salary increases

compared to the current structure, which serves to mitigate issues of salary compression.

Exhibit 9: Options for Correctional Officer Step Grade Pay Provide Equal and Predictable Pay Increases and Reduce Risk of Salary Compression



Source: Program Evaluation Division based on staff salary data and interviews with DPS staff.

Implementing any of the step pay plans would increase Correctional Officer pay by \$15 million to \$43 million in total in the first year. Exhibit 10 estimates the first-year additional costs of funding each of the three step pay scenarios.

Exhibit 10: Funding Step Pay Increases Could Cost an Estimated \$15 Million to \$43 Million in the First Year

		COI	COII	COIII	Total
Plan 1 (Low)	Additional Cost of Salaries	\$ 4,259,442	\$ 6,681,828	\$ 3,614,623	\$ 14,555,893
Plan 2 (Medium)	Additional Cost of Salaries	\$ 6,462,501	\$ 10,869,014	\$ 7,508,147	\$ 24,839,661
Plan 3 (High)	Additional Cost of Salaries	\$ 9,228,797	\$ 18,145,307	\$ 15,336,476	\$ 42,710,579

Note: The additional cost of salaries does not reflect the increase in the cost of benefits.

Source: Program Evaluation Division based on internal calculations.

Plan 3 is the costliest in the first year, which is to be expected given the magnitude of increases with each plan. To understand the full cost of implementing a step pay plan it is necessary to estimate the fiscal requirement over multiple years, particularly given the fact that the plans vary in step sizes over time and to account for staff turnover and new hires.

To generate multi-year cost estimates of the plans, the Program Evaluation Division used base salary amounts established in law, current staffing data, and two different approaches for predicting staff departures and hiring. Each of the three plans provides two cost estimates based on assumptions about turnover, specifically staff separations and hiring.

- The first approach assumes current levels of departure and onboarding continue.
- The second approach assumes 100% of staff remain (i.e., the step pay plan leads to 100% retention) and that hiring takes place solely to gradually reduce the vacancy rate.

Exhibit 11 provides total estimated costs for each plan over three years under each set of assumptions.

Exhibit 11: Three-Year Total Costs for Correctional Officer Step Pay Plans Range from \$9 Million to \$126 Million Depending on Retention and Hiring Assumptions

Plan	Retention & Hiring Assumptions	3 Year Total Salary Increase	3 Year Benefits	3 Year Total	Annual Average Total
1-Low	Current	\$7,215,602	\$2,207,253	\$9,422,854	\$3,140,951
	Full Retention	\$59,926,539	\$18,331,528	\$78,258,067	\$26,086,022
2-Med	Current	\$21,130,762	\$6,463,900	\$27,594,662	\$9,198,221
	Full Retention	\$73,036,699	\$22,341,926	\$95,378,625	\$31,792,875
3-High	Current	\$34,517,011	\$10,558,754	\$45,075,764	\$15,025,255
	Full Retention	\$96,741,237	\$29,593,144	\$126,334,382	\$42,111,461

Note: Benefits account for 30.59% of the salary increase.

Source: Program Evaluation Division based on salary data.

Estimated plan totals vary greatly depending on the number of staff entering and exiting the position. For example, as shown in the exhibit, Plan 1 (the “Low” plan) could cost between \$9 million and \$78 million over three years. It is unlikely the cost of any of the plans would come close to the “full retention” amount of 100%, but it is important to consider what the potential liability could be for each plan.

In summary, North Carolina struggles to hire and retain Correctional Officers across the state. Although starting Correctional Officer pay compares favorably with other southeastern states, it lags behind those states at the upper end of the pay range. Additionally, previous compensation practices and policies have created salary compression, a situation in which newer employees can receive higher pay than tenured employees in the same position. Implementing a step pay plan offers the State a policy option to mitigate compensation issues for Correctional Officer positions. This section presented three step pay plans that range in annual costs from \$3 million to \$42 million depending on staff rates of entry and exit into the workforce.

Youth Counselor Technicians

Similar to the issues Adult Correction experiences with Correctional Officer positions, the Division of Juvenile Justice struggles to attract and retain Youth Counselor Technician positions. Youth Counselor Technicians work closely with juveniles at Youth Development and Detention Centers. Technician duties include ensuring a safe environment, routinely monitoring and observing juveniles, and maintaining compliance with cleanliness and sanitation standards. Technicians also provide feedback to treatment teams regarding the juveniles they supervise.

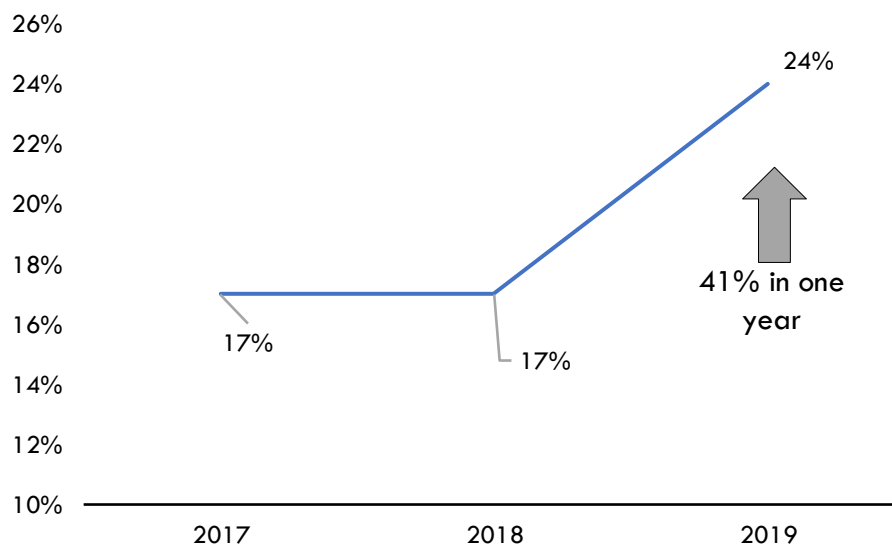
Applicants for Youth Counselor Technician positions must possess

- an associate degree in a human services field or in criminal justice from an appropriately accredited institution;
- a high school or General Educational Development diploma and two years of related human services experience; or
- an equivalent combination of education and experience.

As of June 2019, ACJJ employed 246 Youth Counselor Technicians. During interviews with the Program Evaluation Division, Juvenile Justice leadership described how difficult working environments, relatively low pay, and a narrow range of career growth opportunities creates challenges in filling these positions.

The vacancy rate for Youth Counselor Technician positions is high and turnover is increasing. As of June 2020, the vacancy rate for the Youth Counselor Technician position was 23%.⁷ This rate exceeds the Correctional Officer vacancy rate of 16%. A central catalyst for vacancy rates is turnover. As shown in Exhibit 12, the Youth Counselor Technician position experienced a 41% increase in turnover in a single year, from 2018 to 2019.

Exhibit 12: Turnover Rate for Youth Counselor Technicians Grew 41% in One Year



Source: Program Evaluation Division based on staff turnover data provided by DPS.

Although DPS would like to reclassify the Youth Counselor Technician position, working within existing agency flexibility provides a means to attract and retain employees in these positions without the unintended consequence of reclassification. During interviews, Juvenile Justice section leadership suggested that reclassifying the Youth Counselor Technician position from a GN4 to a GN6 would raise wages and the range of pay over an employee’s career, making the position more appealing and therefore easier to fill. Youth Counselor Technician positions hold a GN4 salary classification with compensation ranging from \$25,486 to \$40,450 over the course of a career. The average salary for filled Youth Counselor

⁷ This rate includes transportation driver positions but excludes temporary positions.

Technician positions is \$33,811, slightly more than the midpoint of that range. Exhibit 13 shows how pay for Youth Counselor Technician positions would change assuming a reclassification from GN4 to GN6. The estimated cost of this reclassification is between \$1.1 million and \$1.6 million.⁸

Exhibit 13: DPS's Proposed Reclassification of Youth Counselor Technician Positions Would Increase Median Annual Salary by \$6,340

Grade	Minimum Starting Pay	Median Pay	Maximum Pay
Currently at GN4	\$25,486	\$33,709	\$40,450
Proposed Increase to GN6	\$30,280	\$40,049	\$48,058

Note: Session Law 2018-5 recently set the minimum state employee salary at \$31,200, meaning the minimum starting pay for the above GN classifications is now \$31,200.

Source: Program Evaluation Division based on information provided by the Office of State Human Resources.

Although reclassification does address pay issues, it may create unintended consequences and is unnecessary given the Youth Counselor Technician position grade is currently under review. In any reclassification effort, it is important to consider the grade level assigned to other jobs in the branch and family. A job family represents a group of jobs involving work of a similar nature but requiring different skill and responsibility levels. Within a job family, jobs are grouped together into categories or specific areas called branches. Reassigning a position in order to increase pay runs the risk of compression and requires careful consideration in relation to other jobs.

The Youth Counselor Technician position is part of a broader systematic labor market study currently being led by Mercer on behalf of the Office of State Human Resources (OSHR). The labor market study will inform the pay grade for jobs. Based on preliminary data, the Youth Counselor Technician position is expected to remain at the same grade level with a recommendation to increase midpoint pay by 15%, or \$5,200. Increasing the midpoint would consequently increase the range and maximum pay for this position.

Rather than reclassifying the Youth Counselor Technician position from a GN4 to a GN6, the Department of Public Safety (DPS) could increase pay for new hires and provide a retention incentive for existing Youth Counselor Technician staff. DPS maintains discretion to pay staff at higher levels of a position's range to improve recruitment and retention. In addition, current salary administration guidelines offer flexibility to allow agencies the ability to offer competitive salaries to new hires and to respond to other conditions that affect retention of current employees. For example, DPS can award up to a 15% increase as a retention incentive based on external labor market conditions, which would cost an estimated \$1.2 million.⁹

⁸ This estimation is based on taking the difference between the average current salary multiplied by the midpoint salary of the GN6 classification. The range represents the cost for the reclassification for positions currently filled and all allocated positions.

⁹ This estimation is based on a one-time increase of \$958,542 in salaries and \$287,563 in benefits.

In addition, OSHR has established a process for agencies to obtain non-standard classification salary exceptions. If an agency provides a business case demonstrating the range of a position fails to support recruitment and retention, the agency may request designation for a classification to be considered non-standard. In June 2020, DPS submitted an exception request to establish the Youth Counselor Technician position as a non-standard classification with flexibility to hire new employees at the midpoint of the range (\$33,709). Hiring at the midpoint would cost up to an additional \$610,000.¹⁰

In summary, the Juvenile Justice section of the Division of Adult Correction and Juvenile Justice struggles to fill and retain Youth Counselor Technician positions. Juvenile Justice section leadership believes reclassification of the position would improve its ability to attract and retain staff by offering higher pay and instituting more stringent qualification requirements. However, given the potential for unintended consequences of reclassification, other options such as retention incentives and pay increases for new hires may be more appropriate. These strategies achieve the same ends as reclassification in terms of pay. The two strategies (retention incentives and hiring at the midpoint) would cost an estimated \$1.9 million in salary and benefits.¹¹

Remaining ACJJ Staff

DPS's previous compensation plan proposal included salary increases for the entire ACJJ workforce. Hiring and retention of Correctional Officers represents the greatest staffing challenge within ACJJ. Additionally, the Juvenile Justice section reports issues with filling Youth Counselor Technician positions. These two positions represent 44% of the ACJJ workforce and play critical roles in custody and operations functions for the division.

However, DPS has proposed increasing salaries for remaining staff (about 12,000 positions). Further, as described in the previous section of this report on Youth Counselor Technicians, compensation assignments for positions are based on research and exist within job families and branches. As such, adjusting salaries for some positions but not others could potentially create pay asymmetries within ACJJ. In the DPS compensation proposal outlined in the Background, the department addressed all ACJJ employees by establishing a universal annual 2% step increase for noncertified staff. Although this would address potential pay asymmetries within ACJJ, it could also create new asymmetries between ACJJ and the rest of DPS and state government as a whole.

Compensation increases for the remainder of ACJJ would cost an estimated \$19.4 to \$58.9 million over three years, or \$6.5 to \$19.8 million annually. Using a similar approach to the DPS compensation plan, the Program Evaluation Division calculated estimates for providing

¹⁰ This estimation is based on a one-time increase of \$468,711 in salaries and \$140,613 in benefits.

¹¹ During the report-writing phase of this evaluation, DPS informed the Program Evaluation Division that the Office of State Human Resources approved the agency's request to hire Youth Counselor Technicians at the mid-point range of \$33,709.

remaining ACJJ staff—non-Correctional Officer or Youth Counselor Technician positions—with yearly 1%, 2%, or 3% salary increases over a three-year period. Exhibit 14 provides estimates for each corresponding salary adjustment, which would cost an estimated \$19.4 to \$58.9 million over three years, or \$6.5 to \$19.8 million annually.

Exhibit 14: Salary Increases for Remaining ACJJ Staff Will Cost Between \$19 and \$59 Million Over Three Years

Salary Increase	Year 1	Year 2	Year 3	3 Year Total
1%	\$6,411,136	\$6,475,247	\$6,475,888	\$19,362,271
2%	\$12,822,271	\$13,078,717	\$13,083,846	\$38,984,834
3%	\$19,233,407	\$19,810,409	\$19,827,719	\$58,871,536

Source: Program Evaluation Division based on salary data.

Appendices

Appendix A: Methodology for Estimating Three Correctional Officer Step Pay Plans

Agency Response

A draft of this report was submitted to the Department of Public Safety for review. Its response is provided following the appendix.

Program Evaluation Division Contact and Acknowledgments

For more information on this report, please contact the lead evaluator, Emily B. McCartha, at emily.mccartha@ncleg.gov.

Staff members who made key contributions to this report include Sean Hamel and Adora Thayer. Kiernan McGorty is Acting Director of the Program Evaluation Division.

Appendix A: Methodology for Estimating Three Step Pay Plans for Correctional Officer Positions

A step pay plan is a salary structure that contains established progression rates within a pay range for a given job. Employees may progress from step to step based on performance, time served in the position (also known as seniority), or other established criteria. Employers use step pay plans to incentivize employees to remain with an organization in order to access higher levels of pay.

The Program Evaluation Division developed three different step pay plans with a range of multi-year estimates for Correctional Officers in the Department of Public Safety's (DPS's) Division of Adult Correction and Juvenile Justice. Each analysis applied the same estimation method and assumptions regarding base salaries used in calculations, staff progression, and the movement of employees in and out of the workforce (i.e., new hires and retirements).

I. Plan Designs

Step pay plans detail salary increases based on selected criteria for a given employee population. All step pay plans and their parameters involve making policy decisions regarding how to structure steps, for whom steps should be offered, and of what size. For this study, the Program Evaluation Division used the following criteria.

Plans One and Two

- Steps or salary increases occur based on time in service and target time periods of the highest turnover for Correctional Officers. The largest step increases align with the years of service when correctional officers are most likely to have developed and mastered skills that contribute to peak operational effectiveness.

Plan Three

- Steps or salary increases occur based on time in service. Plan 3 is modeled after a DPS-developed step pay schedule for Correctional Officers in which the largest increases are front-loaded as early-career incentives to remain in service.¹²

Exhibit 1 shows the step increases associated with years of experience for each of the three plans.

Exhibit 1: Three Options for Correctional Officer Step Pay Plans

Years in Service	Plan 1 (Low)	Plan 2 (Medium)	Plan 3 (High)
1-4	1.5%	1.5%	5%
5-8	2%	3.5%	2%
9-11	3%	4%	2%
12-14	2%	1.5%	1.8%*
15+	No automatic increase	No automatic increase	No automatic increase

Note: To ensure salaries stay within the ranges established by the State Human Resources Commission for each position, Plan 3 does not include an automatic increase for Correctional Officer I positions in Year 14.

Source: Program Evaluation Division based on salary data, interviews with DPS staff, and document review.

The increases offered by Plans 1 and 2 reflect different approaches to providing the greatest financial reward during years when Correctional Officers become most effective. Small increases in Years 1-4 incentivize employees to remain employed until they can achieve the larger salary increases that begin to be offered once they have reached operational effectiveness. These structures aim to increase retention and attract new early career individuals to the Correctional Officer workforce. Plan 3 provides context and a point of comparison by mirroring a Department of Public Safety (DPS)-proposed model for Correctional Officer step pay.

¹² The pay schedule was developed in January 2019.

II. Plan Calculations

To estimate the cost of each plan, the Program Evaluation Division used the minimum starting salaries for Correctional Officers established in law and shown in Exhibit 2 by level of custody.

Exhibit 2: Session Law Sets the Minimum Pay for Correctional Officers

Position	Starting Pay for Correctional Officers
COI	\$33,130
COII	\$34,220
COIII	\$36,598

Source: North Carolina Session Law 2018-5, Section 35.21(b).

Using the minimum starting salaries as a base for each level of custody and applying the rate increases described in Exhibit 1, Exhibit 3 shows the salary schedule under each plan for each level of custody by years of experience. Exhibit 4 displays the number of staff with the same years of experience who are currently filling each position.

Exhibit 3: Budgeted Salaries by Years of Experience Under Three Step Pay Plans for State Correctional Officers

Years	Budgeted Salary Amount Under Plan 1 (Low)			Budgeted Salary Amount Under Plan 2 (Medium)			Budgeted Salary Amount Under Plan 3 (High)		
	COI	COII	COIII	COI	COII	COIII	COI	COII	COIII
<1 yrs.	\$33,130	\$34,220	\$36,598	\$33,130	\$34,220	\$36,598	\$33,130	\$34,220	\$36,598
1	\$33,627	\$34,733	\$37,147	\$33,627	\$34,733	\$37,147	\$34,787	\$35,931	\$38,428
2	\$34,131	\$35,254	\$37,704	\$34,131	\$35,254	\$37,704	\$36,526	\$37,728	\$40,349
3	\$34,643	\$35,783	\$38,270	\$34,643	\$35,783	\$38,270	\$38,352	\$39,614	\$42,367
4	\$35,163	\$36,320	\$38,844	\$35,163	\$36,320	\$38,844	\$40,270	\$41,595	\$44,485
5	\$35,866	\$37,046	\$39,621	\$36,394	\$37,591	\$40,203	\$41,075	\$42,427	\$45,375
6	\$36,584	\$37,787	\$40,413	\$37,667	\$38,907	\$41,610	\$41,897	\$43,275	\$46,282
7	\$37,315	\$38,543	\$41,221	\$38,986	\$40,268	\$43,067	\$42,735	\$44,141	\$47,208
8	\$38,062	\$39,314	\$42,046	\$40,350	\$41,678	\$44,574	\$43,589	\$45,023	\$48,152
9	\$39,203	\$40,493	\$43,307	\$41,964	\$43,345	\$46,357	\$44,461	\$45,924	\$49,115
10	\$40,379	\$41,708	\$44,606	\$43,643	\$45,079	\$48,211	\$45,350	\$46,842	\$50,097
11	\$41,591	\$42,959	\$45,945	\$45,389	\$46,882	\$50,140	\$46,257	\$47,779	\$51,099
12	\$42,423	\$43,818	\$46,863	\$46,069	\$47,585	\$50,892	\$47,090	\$48,639	\$52,019
13	\$43,271	\$44,695	\$47,801	\$46,760	\$48,299	\$51,655	\$47,938	\$49,515	\$52,956
14	\$44,137	\$45,589	\$48,757	\$47,462	\$49,023	\$52,430	\$47,938	\$50,406	\$53,909
15+	\$44,137	\$45,589	\$48,757	\$47,462	\$49,023	\$52,430	\$47,938	\$50,406	\$53,909

Note: Each pay plan ensures Correctional Officer pay would remain within the ranges established by the State Human Resources Commission for each position.

Source: Program Evaluation Division based on analysis of starting wage data set under Section 35.21(b) of Session Law 2018-5 under each proposed step pay structure.

Exhibit 4: More than 7,700 Filled Positions Are Eligible for Step Pay Increases

Years Exp	Count of Filled Positions		
	COI	COII	COIII
< 1 Year	173	457	235
1	261	558	305
2	168	414	266
3	133	278	277
4	78	187	186
5	48	155	267
6	50	102	148
7	40	116	153
8	33	113	158
9	42	102	107
10	33	112	95
11	14	33	33
12	53	117	92
13	49	90	62
14	45	83	78
15	33	61	56
16	48	71	59
17	44	54	31
18	26	34	16
19	30	24	23
20	30	42	17
21	10	31	12
22	22	34	13
23	14	24	14
24	18	24	16
25	16	20	14
26	20	12	15
27	7	11	7
28	12	18	5
29	11	9	5
30+	17	17	16
Total	1578	3403	2781
Grand Total			7762

Source: Program Evaluation Division based on BEACON data.

To estimate **costs based on current staffing levels**, the Program Evaluation Division multiplied the base salary amount calculated per year of service (Exhibit 3) by the current count of personnel with the same years of experience (Exhibit 4) filling each position. Exhibit 5 displays the results of these calculations. Totals represent additional budgeted amounts that would need to be appropriated to implement the pay increases under each plan.

Exhibit 5: Step Pay Plans Would Increase Correctional Officer Salaries by an Estimated \$15 Million to \$43 Million in the First Year

		COI	COII	COIII	Total
	Current Budgeted	\$ 49,617,989	\$ 107,895,516	\$ 102,148,004	\$ 259,661,509
Plan 1	Total	\$ 53,877,431	\$ 114,577,343	\$ 105,762,627	\$ 274,217,402
(Low)	Difference	\$ 4,259,442	\$ 6,681,828	\$ 3,614,623	\$ 14,555,893
Plan 2	Total	\$ 56,080,490	\$ 118,764,529	\$ 109,656,151	\$ 284,501,170
(Medium)	Difference	\$ 6,462,501	\$ 10,869,014	\$ 7,508,147	\$ 24,839,661
Plan 3	Total	\$ 58,846,786	\$ 126,040,823	\$ 117,484,480	\$ 302,372,088
(High)	Difference	\$ 9,228,797	\$ 18,145,307	\$ 15,336,476	\$ 42,710,579

Note: The amount for Current Budgeted reflects the amount budgeted for filled positions that would be eligible for step increases in the first year. The total salary increase does not reflect the increase in the cost of benefits associated with the difference between the current budgeted amount and each plan in the first year.

Source: Program Evaluation Division based on starting wage data set under Session Law 2018-5, Section 35.21(b) and current staffing counts of state Correctional Officers.

III. Multi-Year Estimate Calculation Assumptions and Totals

To understand the full potential liability of implementing a step pay plan, it is necessary to estimate the fiscal requirement over multiple years. Estimating step pay plan costs over time required the Program Evaluation Division to make assumptions about the movement of employees, which includes consideration of

- current staff progression,
- staff turnover and departures, and
- new hires.

The Program Evaluation Division made calculations for each plan using two different sets of assumptions, resulting in an estimated cost range for implementation. One set of calculations assumes turnover rates similar to the current movement of employees and therefore represents the minimum estimated amount the various plans would cost. The second set of calculations assumes full retention with no employee exits except for retirements and with new hires occurring in the first year, representing the maximum cost estimate per plan.

Current Staff Progression: Staff with one, two, three, etc. years of experience as Correctional Officers represent a cohort within their given year of experience. Plan calculations progressed each cohort at each custody level ahead by one year. For example, 100 staff filling Correctional Officer I positions with one year of experience were advanced and received the second-year step pay increase. This process was repeated three times to represent each year at the level of custody. Then, the assumptions and calculations about staff departures and new hires discussed in the previous paragraph were applied to the cohorts, creating two estimates per plan per year.

Staff Departures: Staff departure assumptions were the largest contributor to the cost range of each plan.

- **Full Retention:** Because the step pay plan aims to improve retention, costs estimated under this set of calculations assumed 100% staff remained in their positions. Further, all staff counts at the 29-year mark were progressed and counted in the 30+ year cohort. This progression was repeated for Years 2 and 3 of the calculations. Although this assumption does not reflect reality, as staff will inevitably depart or retire, it is helpful to be aware of the maximum estimated cost per plan.
- **Current Rates:** Although step pay plans aim to incentivize retention and lower vacancy rates, the outcome of implementing such plans are unknown. As a result, the assumptions that guide the lower range of plan calculations assume staff departure rates remain unchanged from current rates. In these estimates, the Program Evaluation Division applied mean departure rates to each of the experience cohorts based on data reported by DPS. Exhibit 6 shows the mean separation rates for the experience cohorts. Because the minimum estimate assumes the department's retention problem

persists, many departing staff do not receive salary increases given these staff are in the early years of their career. Combined with new staff onboarding occurring at less than one year of experience—before salary progression begins and at the lowest end of the salary scale—this assumption results in the minimum range of the cost estimate for each of the step plans.

Exhibit 6: Mean Separation Rates Are Applied to Experience Cohorts to Estimate Departures Assuming Current Retention Rates

Years of Exp.	Separations By Years' Experience						Mean
	2015		2016		2017		
	Separations	Percentage	Separations	Percentage	Separations	Percentage	
<1	499	29%	634	34%	662	36%	33%
2yr	225	13%	275	15%	305	17%	15%
3-5yr	487	28%	450	24%	391	21%	25%
6-9Yr	229	13%	205	11%	164	9%	11%
10-15yr	138	8%	155	8%	153	8%	8%
16-24yr	84	5%	76	4%	98	5%	5%
25+	62	4%	48	3%	51	3%	3%
Total	1,724		1,843		1,824		

Source: Program Evaluation Division based on analysis of DPS data.

New Hires: For all new hires—under both the minimum and maximum ranges—the Program Evaluation Division assumed all new hires would occur at entry level and therefore would not be subject to pay increases. This assumption does not reflect reality as it is likely that some new hires would occur at other levels of experience. However, DPS reports indicate the majority of turnover occurs in the earliest years of Correctional Officer employment. The assumption in the number of new hires added to the cohort with less than one year of experience is related to the number of new hires annually.

- **Full Retention:** Under the maximum estimate range, the Program Evaluation Division assumed the percentage of new hires added to the less-than-one-year cohort was 10% of vacant positions for each year.
- **Current Rates:** Because separations assume the turnover problem for Correctional Officer positions persists, the assumption under this set of calculations for new hires also assumes current conditions for onboarding new staff remain unchanged. From January through March 2018, DPS onboarded 454 Correctional Officers through new hires or reinstatements. Extrapolated for an entire year, DPS onboarded 1,816 correctional officer staff annually. The Program Evaluation Division added a ratio of this count to each level of custody for the cohort with less than one year of experience.

Exhibit 7 provides filled position counts for three years based on the two scenarios presented above (full retention and current rate of turnover).

Exhibit 7: Three-Year Projections of Position Counts for Experience Cohorts Across Three Levels of Custody for State Correctional Officers

Years Exp.	Current Position Count Year 1			Count of Filled Positions Year 2			Current Turnover Year 3			Count of Filled Positions Year 2			Full Retention Year 3		
	COI	COII	COIII	COI	COII	COIII	COI	COII	COIII	COI	COII	COIII	COI	COII	COIII
< 1 year	173	457	235	370	797	651	370	797	651	31	63	58	28	56	52
1	261	558	305	126	334	172	277	598	489	173	457	235	31	63	58
2	168	414	266	227	485	265	105	277	142	261	558	305	173	457	235
3	133	278	277	121	298	192	163	350	191	168	414	266	261	558	305
4	78	187	186	96	200	199	87	215	138	133	278	277	168	414	266
5	48	155	267	56	135	134	69	144	144	78	187	186	133	278	277
6	50	102	148	42	136	235	49	118	118	48	155	267	78	187	186
7	40	116	153	44	90	130	37	120	207	50	102	148	48	155	267
8	33	113	158	35	102	135	39	79	115	40	116	153	50	102	148
9	42	102	107	29	99	139	31	90	118	33	113	158	40	116	153
10	33	112	95	38	93	97	26	90	127	42	102	107	33	113	158
11	14	33	33	30	102	86	35	84	89	33	112	95	42	102	107
12	53	117	92	13	30	30	27	93	79	14	33	33	33	112	95
13	49	90	62	48	106	84	12	27	27	53	117	92	14	33	33
14	45	83	78	45	82	56	44	97	76	49	90	62	53	117	92
15	33	61	56	41	76	71	41	75	51	45	83	78	49	90	62
16	48	71	59	31	58	53	39	72	67	33	61	56	45	83	78
17	44	54	31	46	67	56	30	55	51	48	71	59	33	61	56
18	26	34	16	42	51	29	43	64	53	44	54	31	48	71	59
19	30	24	23	25	32	15	40	49	28	26	34	16	44	54	31
20	30	42	17	29	23	22	23	31	14	30	24	23	26	34	16
21	10	31	12	29	40	16	27	22	21	30	42	17	30	24	23
22	22	34	13	10	29	11	27	38	15	10	31	12	30	42	17
23	14	24	14	21	32	12	9	28	11	22	34	13	10	31	12
24	18	24	16	13	23	13	20	31	12	14	24	14	22	34	13
25	16	20	14	17	23	16	13	22	13	18	24	16	14	24	14
26	20	12	15	16	19	14	17	23	15	16	20	14	18	24	16
27	7	11	7	19	12	15	15	19	13	20	12	15	16	20	14
28	12	18	5	7	11	7	19	11	14	7	11	7	20	12	15
29	11	9	5	12	17	5	7	10	7	12	18	5	7	11	7
30+	17	17	16	27	25	20	38	41	24	28	26	21	40	44	47

Source: Program Evaluation Division based on extrapolation of assumptions regarding current Correctional Officer staff counts.

Multiplying staff counts (Exhibit 7) by budgeted salary amounts (Exhibit 3) provides the total three-year estimated costs per plan as shown in Exhibit 8. Totals represent the difference between the current budgeted amount for each level of custody and requirements for implementing the step plans annually and for three years.¹³

Exhibit 8: Summary of Step Pay Analysis Over Three Years

Plan	Retention & Hiring Assumptions	3 Year Total Salary Increase	3 Year Benefits	3 Year Total	Annual Average Salary Increase	Annual Average Benefits	Annual Average Total
1-L	Current	\$7,215,602	\$2,207,253	\$9,422,854	\$2,405,201	\$735,751	\$3,140,951
	Full Retention	\$59,926,539	\$18,331,528	\$78,258,067	\$19,975,513	\$6,110,509	\$26,086,022
2-M	Current	\$21,130,762	\$6,463,900	\$27,594,662	\$7,043,587	\$2,154,633	\$9,198,221
	Full Retention	\$73,036,699	\$22,341,926	\$95,378,625	\$24,345,566	\$7,447,309	\$31,792,875
3-H	Current	\$34,517,011	\$10,558,754	\$45,075,764	\$11,505,670	\$3,519,585	\$15,025,255
	Full Retention	\$96,741,237	\$29,593,144	\$126,334,382	\$32,247,079	\$9,864,381	\$42,111,461

Note: Benefits account for 30.59% of the salary increase. However, the retirement rate of 21.44% used for these calculations has since been increased to 21.68%. This 0.24% increase represents an additional \$2,400 per \$1 million.

Source: Program Evaluation Division based on salary data and position counts.

¹³ Existing budgeted personnel costs were only included for filled positions.



North Carolina Department of Public Safety

Prevent. Protect. Prepare.

Roy Cooper, Governor

Erik A. Hooks, Secretary

October 29, 2020

Kiernan McGorty, Acting Director
Program Evaluation Division
300 North Salisbury Street, Suite 100 LOB
Raleigh, NC 27603-5925

Re: Program Evaluation Division Report No. 2020-11
Step Pay Plans Offer Remedy to The Division of Adult Correction and Juvenile Justice Staffing Challenges

Dear Ms. McGorty:

Thank you for providing the North Carolina Department of Public Safety (the department) with the opportunity to respond to Program Evaluation Division Report 2020-11, *Step Pay Plans Offer Remedy to The Division of Adult Correction and Juvenile Justice Staffing Challenges*. I would also like to express my appreciation for the work of your team in conducting this study.

Development and implementation of a salary step plan for Adult Correction and Juvenile Justice (ACJJ) employees is critical to the division's ability to recruit and retain a professional workforce to carry out its statutory responsibilities. Like other criminal justice agencies, ACJJ faces growing challenges to attract quality applicants to fill its positions. Issues such as salary compression, limited pay adjustments and lack of performance rewards, absence of role specific incentives (safety officers, PREA Coordinators, general instructors, etc.), a difficult work environment, excessive overtime, public perception, and disparate treatment with other criminal justice professionals contribute to high turnover and vacancy rates across multiple sections and classifications.

The report focuses much of its attention on correctional officer (CO) data and statistics and associated proposed pay plan options. Correctional officers are the frontline and first line of supervision for maintaining safe and secure prisons, and the department appreciates the thorough review and analysis of these critical positions. The challenges of recruiting and retaining a professional CO workforce of more than 9,200 are complex and multi-faceted. While the report addresses some factors that contribute to high turnover and vacancy rates, other factors, such as reasons for voluntary CO separations, are not addressed.

Also, the department has recommended a career progression model within the CO ranks, a point not addressed in the PED options. Any discussion of CO pay plan options should also consider possible unintended consequences on other supervisory and non-supervisory classifications that may not benefit from having a pay plan. One possible unintended consequence is greater salary compression between CO and supervisory positions as a result of higher CO salaries. Implementing a CO pay plan under such

MAILING ADDRESS:
4201 Mail Service Center
Raleigh, NC 27699-4201
www.ncdps.gov



An Equal Opportunity Employer

OFFICE LOCATION:
512 N. Salisbury Street
Raleigh, NC 27604
Telephone: (919) 733-2126

circumstances would negatively impact employee morale and exacerbate salary compression issues the agency has fought to address for many years. The department's proposed career progression model includes both supervisory and management staff and is the latest attempt to address these issues.

Moving to the Juvenile Justice section, the report focused solely on the youth counselor technician job class. This class represents only 16% of the total workforce employed by the juvenile justice section. Thus, the report does not provide an adequate representation of the issues associated with retention and hiring of most juvenile justice positions, including ones in youth development centers, juvenile detention centers and juvenile court services. Juvenile Justice has multiple classifications providing direct care within a facility. While the youth counselor technician was provided as an example by juvenile justice leadership of a job class with high turnover and difficulty in hiring, many other classes share these same challenges. For example, the youth services behavioral specialist class has a current vacancy rate of 25% and the juvenile court counselor class has a current vacancy rate of 19%.

The department is appreciative of the recommendation made by PED for salary administrative flexibility guidelines providing a 15% increase as a retention and hiring incentive for youth counselor technicians; however, this change will not address the other certified direct care job classes within juvenile justice and if implemented without adjustments to other classes will create severe salary compression between this job class and those classes that supervise the position. The department recommends that any change to salary administration be accomplished in a comprehensive manner to address all classes and employees within the section fairly and equitably. It is our belief that the step plan developed by the department does this and will help maintain a clear career ladder within the juvenile justice section.

The department appreciates the thorough discussion of Prisons' correctional officers and Juvenile Justice youth counselor technicians; however, the report does not provide any analysis of the issues confronting Community Corrections officers or Juvenile Justice court counselors and the validity of extending a step pay plan to these classifications. Across the state, there are more than 2,000 Community Corrections officers who receive limited law enforcement benefits and are currently the only DPS law enforcement entity that does not have a step pay plan. Prior to the adoption of the new statewide classification system, these officers were a Grade 69. This grade had a minimum salary of \$38,125 and a maximum salary of \$62,513. In the new classification system, they are in GN09, which has a minimum salary of \$36,677 and a maximum salary of \$56,271. While the Department has been granted authority to hire at the previous \$38,125 minimum rate, the adoption of the new classification has been viewed as devaluing this critical position.

Community Corrections officers work side-by-side with members of the State Highway Patrol and ALE agents in responding to emergency events such as civil disturbance and responding as members of the state emergency response team during natural disasters. They are also trained in active shooter response and respond with all other law enforcement agencies. Additionally, these officers receive advanced training in mental health, domestic violence, risk-need assessments, and behavior management. Therefore, while Community Corrections does not currently experience the vacancy rates of other sections within ACJJ, its public safety mission warrants a thorough examination of benefits of a pay plan, as well as possible adverse impacts of implementing a pay plan elsewhere in ACJJ.

Due to the public safety functions carried out across ACJJ, we believe a thorough analysis should be extended to other critical position classifications that maintain chronically high vacancy rates. Two such classifications are Prisons' nurses and maintenance professionals that currently have vacancy rates of 26% and 17%, respectively. In developing its pay plan options, the department purposely structured its alternatives to include all disciplines and to complement current salary administration practices across all

sections. The report does not address or distinguish among existing salary structures and implementation challenges.

Finally, the department notes that the report focuses only on costs of pay plans, as directed by S.L. 2019-236. However, a more in-depth evaluation of pay plans should also include a thorough benefit-side analysis to illustrate the cost savings produced by enhanced recruitment and retention, and the value of financial investment in a historically devalued set of essential tasks and the dedicated workforce needed to carry out the important ACJJ mission. Providing a structural, societal, and individual based benefit analysis would yield a more comprehensive picture of pay plans for lawmakers.

Again, the department wishes to extend its thanks to your staff for their work in evaluating this most important issue. We look forward to working with the General Assembly to address ACJJ staffing and retention issues through much needed step pay and career progression plans.

Sincerely,



Erik A. Hooks
Secretary

CC: Timothy Moose, DPS Chief Deputy Secretary for Adult Correction & Juvenile Justice
Pamela Cashwell, DPS Chief Deputy Secretary for Professional Standards, Policy & Planning
Casandra Hoekstra, DPS Chief Deputy Secretary for Administration
Jane Gilchrist, DPS General Counsel
William Lassiter, DPS Deputy Secretary for Juvenile Justice
Tracy Little, DPS Deputy Secretary for Adult Correction
Greg Lusk, DPS Senior Advisor to the Secretary
Douglas Holbrook, DPS Chief Financial Officer