

**TESTIMONY BEFORE THE EMPLOYEE BENEFITS PROGRAMS
COMMITTEE
EMPLOYEE RECRUITMENT AND RETENTION
JUNE 21, 2006**

Chairman Klein and members of the Employee Benefits Programs Committee, I am Dean Mattern, Director of Human Resources for Department of Human Services. I appreciate the opportunity to appear before this Committee to provide information regarding the Department's employee recruitment and retention.

This committee has asked that we comment on five areas of compensation and associated issues.

The classification system that the State of North Dakota uses in its compensation system is an excellent system. This is the part of the system, which evaluates jobs, assigns those jobs to a classification and grade and is responsible for making sure that all jobs in the state are compared to each other using the same criteria across all state agencies. It essentially ensures equality amongst jobs. The system that is used is really a spin off of the Hays system, which is a nationally recognized system.

A good classification system allows you to make good comparison to market conditions. Our system is very good when used for market comparisons. We have the ability to use government surveys by state or region as well as Job Service data and other surveys done locally or regionally.

So what is the problem with the system that makes salaries an issue every legislative session? Simply said, there are two basic problems to be addressed to make the state system, or any system work.

First, the system has to be funded to compare and compete with the market. The State of North Dakota doesn't have to be the market leader, just competitive enough to recruit and retain employees. The legislature needs to decide on how the State should compare to the market, and fund that level. We certainly aren't there now. Let me read you an email I received last week from the North Central Human Service Center in Minot.

"Today alone I have received a resignation letter from an Licensed Addiction Counselor who has less than one year experience who has been hired by local hospital for \$1000 more per month than she is currently earning. This makes her salary higher than her current supervisor. I have also received word that the three new Masters level Social Worker's at North Central Human Service Center have been offered employment with salaries ranging from \$10,000 to \$20, 000 more per year with excellent benefits. One job is with Indian Health service in New Town, one is with the local hospital and one is at the base. None of these individuals have their LICSW, counseling license, yet but all three employers said it did not matter. It is gong to be some tough sledding if this continues along with our experienced staff retiring."

AT South Central Human Service Center in Jamestown, we have recently lost a third addiction counselor who went to work for a private provider in town for \$1,000 more per month. If we lose another addiction counselor before we are able to recruit, we will be shutting down programs.

In Grand Forks this week we tried to recruit an RN. Our top offer was \$6 per hour less than she was making. Even our \$3000 recruitment bonus offer wasn't enough to make a difference. We just can't compete in that market.

The second problem is internal equity. This is caused because the ND State Compensation system does not have a way for people to move through the ranges. A system to move up to and past the midpoint needs to be developed and funded if we ever want to get rid of internal equity

issues. Currently people are given a starting salary and rarely, if ever, change in relation to midpoint.

Most organizations will try to get their people at or past the midpoint within five to six years of employment. Currently the state has 63% of the employees below the midpoint with an average length of employment of approximately 13 years. DHS has 75% of its employees below the midpoint. As you can see this is much greater than the rest of the state.

The second issue you asked us to address is turnover by classification and location. I have only included three locations, Appendix A, B, and C.

The North Dakota State Hospital in Jamestown is Appendix A. Their turnover for 2005 was 13.7% with Mental Health Care Specialists and RNs creating 72% of their turnover. Pay, hours of work, and retirement were the most common reasons for leaving.

The Developmental Center in Grafton is Appendix B. Their turnover rate for 2005 was 17.3% with Direct Training Techs creating 67% of the turnover. Personal and relocation were the most common reasons for leaving.

Southeast Human Service Center in Fargo is Appendix C. Their turnover rate for 2005 was 15.5%. Mental Illness Case Managers and Office Assistants created 62% of the turnover. Of all employees leaving, 52% stated salary or other employment as their reason for leaving.

The high turnover classifications are different by location, however, they have similar reasons for leaving.

DHS has seen two new disturbing trends related to recruitment:

- First, DHS is seeing a 24% reduction in the number of applicants per job from 2004 to 2005. This means we are getting less people to choose from.
- Secondly, we are experiencing a 27% refusal rate. This means we are not hiring the best candidates, but rather having to settle for third or fourth choices.

The third area of concern is future retirements. Based on eligibility, DHS potentially could experience an 18% turnover from retirement alone in the next 3 years. This is a unique problem because the turnover from retirements is predicted to be mostly in our administrative areas, not in our current high turnover classifications. If salary levels in the state do not become competitive, the future really looks pretty bleak.

Because DHS has multiple locations across the state, many of our recruiting issues that normally would be local become statewide or regional. Any position in Fargo, Grand Forks, and Grafton competes regionally not locally. Over 60% of our staff are professionals and therefore are potentially affected by regional competition. Below is a chart of the top seven job classes DHS recruits for and the area recruited from.

	Local	State	Regional	National
Addiction Counselor	X	X	X	
Clerical and Administrative	X			
Direct Training Technician	X			
Mental Health Care Specialist	X			
Psychologist	X	X	X	X
Registered Nurse	X	X	X	
Social Worker	X	X	X	

As you can see, the regional rates are very important to us.

The fifth area you asked us to comment on relates to salary equity within our agency. DHS has taken the position for many years that internal salary equity issues are the worst salary problems to have and usually cost the most to fix. Therefore, we will go to great lengths to avoid creating equity problems when hiring new people higher than existing staff. We use a mathematical system called path analysis that uses months of work experience, both related and partially related, and education to generate a salary that is equitable in relation to all other employees in a particular class. This system also has been invaluable in several legal discrimination cases.

While this system ensures that we have minimal internal equity issues, it creates other problems. It has a tendency to hold down the DHS salaries compared to other agencies, who have had financing through the budget process or through the use of roll-up to increase salaries. While the state as whole has 63% of the employees below midpoint, DHS has 75%.

For example, we recently had a senior programmer analyst from ITD apply for a lateral transfer. The employee was not hired because the individual would have had to take a cut in pay. In other situations, we have attempted to recruit programmer analysts from ITD. The employees make \$200-\$400 per month more than our employees. We do not have budgeted funds to give equity increases to our employees each time we hire.

Suggestions

- 1. Fund the compensation system by policy to be at a consistent level as compared to a specific market.**
- 2. When making market adjustments, adjust specific classes, not all classes in the grade to reflect market supply and demand rather than giving across-the-board percentage increases.**
- 3. Develop and fund a mechanism for people to move through the salary ranges whether it be a merit system, a step system or some other method.**
- 4. Currently our only advantage in recruiting is paid health insurance. If the state does not make and maintain significant salary changes to be competitive with the market, any change in paid health insurance premiums would be devastating.**
- 5. Allow for flexibility in using benefits such as annual leave to attract various segments of the workforce.**

North Dakota Department of Human Services State Hospital-Jamestown

Top reasons why employees left in 2005: Retirement, salary

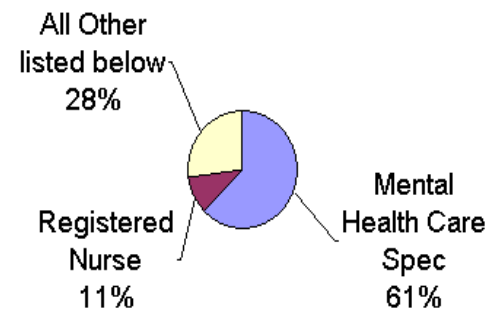
2005 Information

2005 Terminations:
Year 2005

47
13.72%

	Total # terms	% of turnover
Mental Health Care Spec	29	62%
Registered Nurse	5	11%
All Other listed below	13	28%
Account Technician	2	4%
Addiction Clsr	2	4%
LPN	1	2%
Activity Asst	1	2%
Occupational Therapist	1	2%
Treatment Unit Director	1	2%
Custodian	1	2%
Landscape/Grounds Supv	1	2%
Physical Plant Director	1	2%
Systems Mechanic	1	2%
Equipment Operator	1	2%

State Hospital Distribution of 2005 Turnover



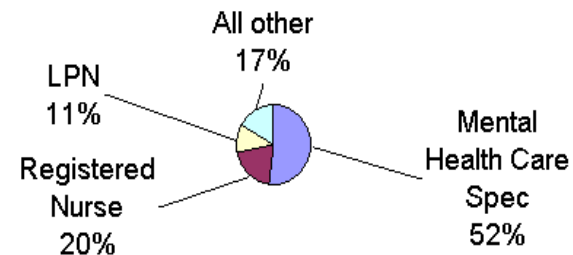
2004 Information

2004 Terminations:
Year 2004

35
10.90%

	Total # terms	% of turnover
Mental Health Care Spec	18	51%
Registered Nurse	7	20%
LPN	4	11%
All other listed below	6	17%
Plumbing	2	6%
Administrative Asst	1	3%
Account Technician	1	3%
Activity Asst	1	3%
Safety Officer	1	3%

State Hospital Distribution of 2004 Turnover



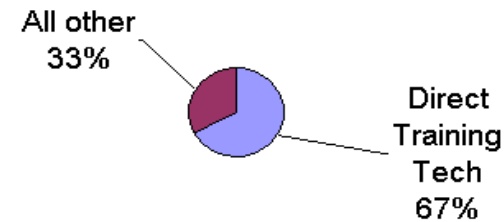
North Dakota Department of Human Services Developmental Center-Grafton

Top reasons why employees left in 2005: Involuntary termination, personal, relocation

2005 Information

2005 Terminations:		82	
Year 2005		17.31%	
		Total # Terms	% of turnover
Direct Training Tech	55	82	67%
<i>All other listed below</i>	27	82	33%
Cook	7	82	9%
Registered Nurse	5	82	6%
Assistant Resident Supv	4	82	5%
Custodian	3	82	4%
Heating Plant Operator	3	82	4%
Activity Asst	2	82	2%
Physical Therapy	1	82	1%
Vocational Training Tech	1	82	1%
Carpenter	1	82	1%

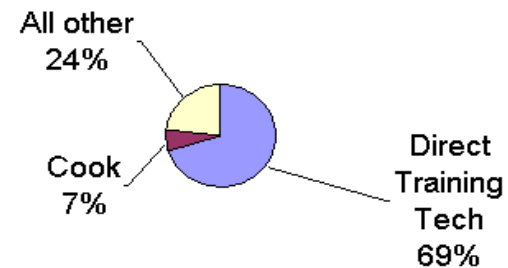
Developmental Center Distribution of 2005 Turnover



2004 Information

2004 Terminations:		59	
Year 2004		17.56%	
		Total # terms	% of turnover
Direct Training Tech	41	59	69%
Cook	4	59	7%
<i>All other listed below</i>	14	59	24%
Activity Asst	2	59	3%
Assistant Resident Supv	2	59	3%
LPN	2	59	3%
Unit Program Coord	2	59	3%
Administrative Asst	1	59	2%
Custodian	1	59	2%
Heating Plant Operator	1	59	2%
Physical Therapist	1	59	2%
Registered Nurse	1	59	2%
Supervisor, Material Mgmt	1	59	2%

Developmental Center Distribution of 2004 Turnover

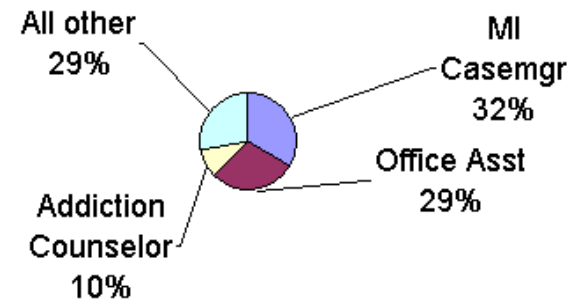


North Dakota Department of Human Services Southeast Human Service Center-Fargo

Percent of terminations due to Salary or Acceptance of Another Job: 52%

2005 Terminations: Year 2005	21 15.50%		
		Total # terms	% of turnover
MI Casemanager	7	21	33%
Office Asst	6	21	29%
Addiction Counselor	2	21	10%
<i>All other listed below</i>	6	21	29%
Psych Clinical Nurse Spec	1	21	5%
Registered Nurse	1	21	5%
Activity Therapist	1	21	5%
DD Casemanager	1	21	5%
Advanced Clinical Spec	1	21	5%
VR Counselor	1	21	5%

SEHSC Distribution of 2005 Turnover



2004 Information			
2004 Terminations: Year 2004	14 11.96%		
		Total # terms	% of turnover
Office Asst	4	14	29%
MI Casemanager	3	14	21%
<i>All other listed below</i>	7	14	50%
LPN	1	14	7%
Registered Nurse	1	14	7%
Occupational Therapist	1	14	7%
Human Relations Clsr	1	14	7%
Psychologist	1	14	7%
Advanced Clinical Spec	1	14	7%
Maintenance Worker	1	14	7%

SEHSC Distribution of 2004 Turnover

