

TESTIMONY BEFORE THE EMPLOYEE BENEFITS
COMMITTEE REGARDING RECRUITMENT AND
RETENTION BONUS PROGRAMS

SEPTEMBER 25, 2012

Good morning, Chairman Dever and members of the Employee Benefits Committee. I am Leanne Schmidt, a HR Officer with ND Human Resource Management Services.

NDCC 54-06-31 provides authority for agencies to use Recruiting and Retention Bonuses to maintain levels of staffing. This section was originally enacted in 1999 with a provision to 'sunset' in 2003. Subsequent legislation enacted in 2003 removed the sunset provision allowing bonuses to become an ongoing tool for use by agency management. Retention bonuses provide another tool for managers to retain highly skilled employees who are in high demand in the marketplace. The retention bonuses also help reduce turnover costs while conveying to employees recognition of their valuable skills and the work they perform for the State.

State agencies must fund bonus programs from within the agency's salaries and wages budget. Bonuses do not increase base salary and, therefore, do not require sustained funding. While bonuses cannot replace a sound base pay plan, agencies continue to use bonuses conservatively and effectively to recruit and maintain their workforce.

The following thirteen agencies have utilized recruitment and/or retention bonus programs and provided bonuses as reflected in the handout titled Recruitment & Retention Bonus Report.

- Office of the Auditor
- Bank of North Dakota
- Department of Corrections and Rehabilitation
- Highway Patrol

- Department of Human Services
- Information Technology Department
- Job Service
- Legal Counsel for Indigents
- Department of Mineral Resources
- Retirement & Investment Office
- State Fair
- Department of Transportation
- Veterans Home

As you will see, these agencies have provided bonuses to 108 employees during the first year of this biennium. There appears to be a significant decrease in the use of bonuses during the first year of this biennium. We're not sure of all the reasons but we believe there are two main reasons:

- Agencies experienced reduced effectiveness of bonuses as base pay lagged further in many occupations due to the growth in ND's economy
- Agencies reserved their salary dollars to ensure that they could bring their employees up to new salary range minimums implemented as part of the legislature's classified employee compensation study.

The handout includes the statute, a summary table of bonuses since inception of the program, and a list of bonuses given the first year of this biennium.

This concludes my formal testimony. I am available to answer any questions you may have.