3 Recruitment and Retention

SUMMARY

Most state agencies have experienced some recruitment and retention problems over the past two years, particularly in information technology, office administration, and accounting jobs. Agency human resource directors generally attribute these problems to the current labor market, not to inadequate compensation. To help solve recruitment and retention problems, human resource directors believe the Department of Employee Relations should simplify the selection and hiring process of employees. They also believe DOER should improve and expand its recruitment efforts.

This chapter addresses the following questions:

- **Which state jobs are currently hard to fill?**

- **To what extent is low employee compensation responsible for recruitment and retention problems?**

- **What do state human resource professionals recommend as solutions to recruitment and retention problems?**

To answer these questions, we surveyed human resource directors from 34 state agencies.[1] All agencies responded to the survey.[2] We also spoke with several state human resource directors, as well as representatives from the Department of Employee Relations.

CURRENT RECRUITMENT AND RETENTION PROBLEMS

Human resource directors, responsible for employee recruitment and retention in state agencies, have knowledge about hiring and compensation problems for the

---

1 The 34 state agencies we surveyed are: Administration; Agriculture; Attorney General; Children, Families, and Learning; Commerce; Corrections; Economic Security; Employee Relations; Environmental Assistance; Finance; Health; Housing Finance; Human Rights; Human Services; Labor and Industry; Lottery; MnSCU; Mediation Services; Military Affairs; Minnesota State Retirement System; Natural Resources; Planning; Pollution Control; Public Employment Retirement Association; Public Safety; Public Service; Revenue; Secretary of State; State Auditor; Teacher Retirement Association; Trade and Economic Development, Transportation; Veterans Affairs; and the Zoo.

2 The complete survey can be found on our website at http://www.auditor.leg.state.mn.us/ped/2000/pe0005.htm.

job classes used in their agencies. In some cases, these officials are responsible for large human resource divisions with employees in various locations around the state. We surveyed human resource directors in 34 state agencies to identify current recruitment and retention problems. According to our survey of state agency human resource directors:

- **Nearly all state agencies have experienced employee recruitment and/or retention problems over the past two years.**

Of the 34 state agency human resource directors we surveyed, only 3 reported that they have not had any problems recruiting and/or retaining employees in the last two years. Agencies that experienced difficulties reported problems in various types of jobs.
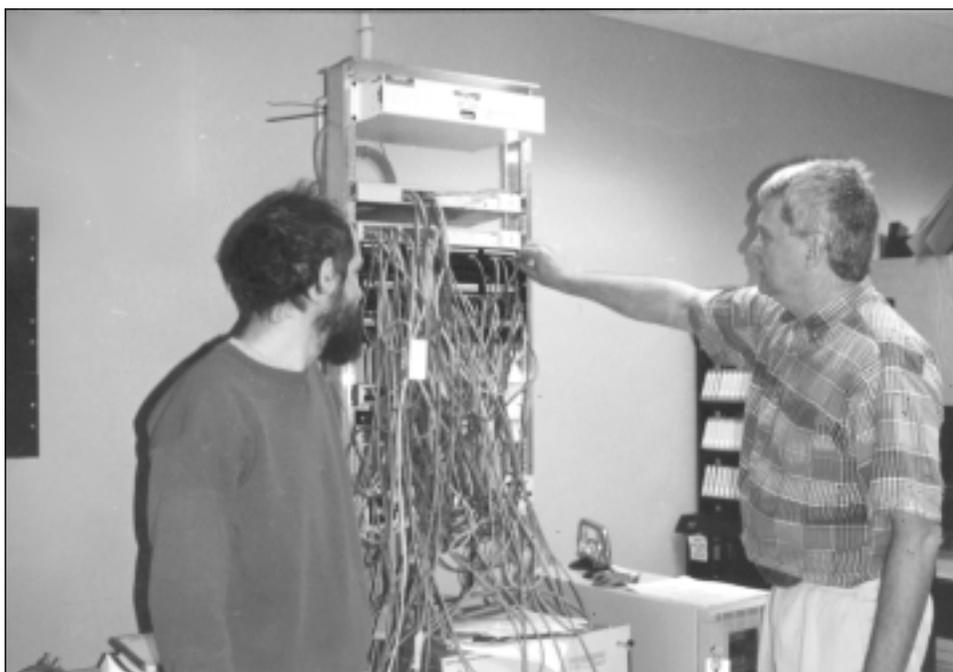
Human resource directors report problems recruiting and retaining employees in information technology positions.

As explained in Chapter 1, the Minnesota Department of Employee Relations (DOER) groups the more than 2,200 state employee classifications into 39 broad employment categories called "career families." (See Appendix A for a complete description of the career families.)[3] According to our survey, human resource directors reported problems recruiting and/or retaining employees in 31 of these career families. Three career families presented the greatest problems. As shown in Table 3.1:

- **The most frequently-reported recruitment and retention problems are in information technology, office administration, and accounting careers.**

_____

[3] A description of DOER's career families can also be found on their website at http://www.doer.state.mn.us/stf-bltn/famlydef.htm.

Over 70 percent of state agency human resource directors reported problems recruiting and/or retaining employees in information technology positions. Another 59 percent reported recruitment and/or retention problems in office administration positions, and 47 percent in accounting positions.

Table 3.1: State Agency Recruitment and Retention Problems

	Human Resource Directors Reporting Recruitment/Retention Problems	
Career Family	Number	Percent
Information Technology	24	70.6%
Office Administration	20	58.8
Accounting, Auditing, and Financial	16	47.1
Human Resource	6	17.6
Management	6	17.6
Planning, Research, and Analysis	6	17.6
Building and Construction	4	11.8
Education and Teaching	4	11.8
Executive Leadership	4	11.8
Natural Resource and Environmental	4	11.8
Facilities Operation and Maintenance	3	8.8
Industrial Safety and Regulation	3	8.8
Protective Service	3	8.8
Electronic Installation and Maintenance	2	5.9
Engineering, Architecture, and Appraisal	2	5.9
Food and Personal Service	2	5.9
Laboratory Sciences	2	5.9
Library and Information Resource	2	5.9
Loans and Grants	2	5.9
Manufacturing and Equipment Operation	2	5.9
Other[a]	2	5.9
Agriculture	1	2.9
Commerce	1	2.9
Corrections	1	2.9
Human Services and Development	1	2.9
Law	1	2.9
Medical, Dental, and Nursing	1	2.9
Printing and Graphic Arts	1	2.9
Psychology and Counseling	1	2.9
Public Relations and Marketing	1	2.9
Transportation Operations and Regulation	1	2.9
Diversity and Equal Employment Opportunity	0	0.0
Economic Development	0	0.0
Economic Security	0	0.0
Insurance and Benefits	0	0.0
Public Health	0	0.0
Purchasing and Administrative Services	0	0.0
Rehabilitation Therapy	0	0.0
Revenue and Gaming Regulation	0	0.0

NOTE: We surveyed 34 state agencies, all of which responded to the survey. Three agencies reported no recruitment and/or retention problems.

[a]"Other" refers to work not elsewhere classified in the career family system.

SOURCE: Legislative Auditor's Office Survey of Human Resource Directors, 1999.

We asked human resource directors what they thought were the reasons behind their current recruitment and/or retention problems. According to our survey:

- **The reason most frequently cited for current recruitment and retention problems is an insufficient labor pool with the needed skills or experience.**

The current labor market is extremely tight. Unemployment is at its lowest rate in over two decades. While low unemployment is a national phenomenon, Minnesota's labor market appears particularly tough. In 1999, the average annual employment rate nationally was 4.2; in Minnesota, the average was 2.5.[4] State human resource directors reported that an insufficient labor pool was the principal reason for recruitment and/or retention problems in information technology, office administration, and accounting careers. Inadequate salaries or compensation appeared as a significant problem only in the area of information technology.

Information Technology

Mid- and higher-level information technology positions are difficult to fill.

As noted, a large proportion of state agency human resource directors reported problems recruiting and/or retaining employees in information technology positions. As shown in Table 3.2, the specific classifications presenting the greatest problem are Information Technology Specialist positions.[5] While human resource directors have had problems recruiting and/or retaining employees for all levels, they have experienced much greater difficulty filling mid- and higher-level positions. Additionally, state agencies have had problems finding information technology specialists with specific experience in programming, networks, operating systems, and database applications. These problems exist even after a salary modification, adopted in early 1998, made it easier for information

Table 3.2: Information Technology Recruitment/ Retention Problems

Problem Classifications	Human Resource Directors Reporting Problem (*N*=24)	
	Number	Percent
Information Technology Specialist 4	18	75.0%
Information Technology Specialist 3	18	75.0
Information Technology Specialist 2	12	50.0
Information Technology Specialist 5	10	41.7
Information Technology Specialist 1	9	37.5

SOURCE: Legislative Auditor's Office Survey of Human Resource Directors, 1999.

---

4 Minnesota Department of Economic Security and U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, Minnesota, 1999; www.des.state.mn.us/lmi/laus/minn.htm; accessed January 25, 2000.

5 The Information Technology Specialist series has five levels, with one being the entry level position and five the highest level position. As of September 1999, the state employed a total of 1,447 individuals in the Information Technology Specialist series.

technology employees to receive promotions, discretionary salary increases, and hiring incentives of up to $5,000.[6]

When asked what the reasons are for the information technology recruitment and/or retention problems, over 70 percent of human resource directors cited an insufficient labor pool with the necessary skills or experience needed for the position (see Table 3.3). Another 58 percent think that inadequate compensation contributes to the recruitment/retention problem.

Table 3.3: Reasons for Information Technology Recruitment/Retention Problems

Reasons	Human Resource Directors Reporting Reason (*N*=24)	
	Number	Percent
Insufficient labor pool with needed skills/experience	17	70.8%
Inadequate pay/compensation	14	58.3
Inadequate benefits (especially bonuses)	5	20.8
Retention issues	5	20.8

SOURCE: Legislative Auditor's Office Survey of Human Resource Directors, 1999.

Some of the comments we received from human resource directors include:

"We continue to have difficulty finding sufficient numbers of qualified candidates…and we continue to lose current staff to outside businesses."

"[There is a] shortage of applicants with needed skills and a lack of interest on the part of qualified candidates. Qualified candidates often are not interested in the state's compensation for these positions."

"[We are] unable to retain employees after making costly investments in training."

"Too much outside competition is able to pay $5,000 to $10,000 more than we can. We can only keep the couple of positions we have filled for about 1 to 1-1/2 years before they move on to more money."

"Salaries in the private sector continue to grow and the labor pool continues to decline."

Office Administration

Nearly 59 percent of human resource directors reported recruitment and/or retention problems in office administration (clerical) positions. Human resource directors have had the most problems recruiting/retaining employees in the Office

6 See the *Salary Administration Policy for Employees in Information Technology Classes* at http://www.doer.state.mn.us/lr-salry/i-t-adtl/sal-plcy.htm for more information.

and Administration Specialist series.[7] Unlike information technology careers, however, lower-level positions have been more difficult to fill than higher levels (see Table 3.4).

Table 3.4: Office Administration Recruitment/ Retention Problems

	Human Resource Directors Reporting Problem (*N*=19)	
Problem Classifications	Number	Percent
Office and Administration Specialist	11	57.9%
Office and Administration Specialist Intermediate	9	47.4
Office and Administration Specialist Senior	8	42.1
Office and Administration Specialist Principal	7	36.8
Office Specialist	5	26.3

SOURCE: Legislative Auditor's Office Survey of Human Resource Directors, 1999.

Lower-level office administration positions and all levels of accounting are also difficult to fill.

As shown in Table 3.5, nearly 85 percent of human resource directors believe that an insufficient labor pool with the needed skills or experience is the reason for office administration recruitment and/or retention problems. Twenty-six percent reported that the long and complex recruiting, exam, and hiring process has contributed to their recruitment/retention problems.[8] Another 26 percent cited the lack of inexpensive parking as a problem, and 21 percent noted inadequate compensation.[9]

Table 3.5: Reasons for Office Administration Recruitment/Retention Problems

	Human Resource Directors Reporting Reason (*N*=19)	
Reasons	Number	Percent
Insufficient labor pool with needed skills/experience	16	84.2%
Long and complex recruiting/exam/hiring process	5	26.3
Parking	5	26.3
Inadequate pay/compensation	4	21.1

SOURCE: Legislative Auditor's Office Survey of Human Resource Directors, 1999.

---

7 The Office and Administration Specialist series has four levels: Office and Administration Specialist (the entry level position), Office and Administration Specialist Intermediate, Office and Administration Specialist Senior, and Office and Administration Specialist Principal (the highest level position). As of September 1999, the state employed a total of 4,232 individuals in the Office and Administration Specialist series.

8 The exam process is discussed in more detail later in this chapter.

9 Parking costs are high in certain areas. Until 1997, state law required state agencies to charge employees for parking (see *Minn. Laws* (1984), ch. 544, sec. 65). According to a 1998 DOER survey of state agencies, boards, councils, and task forces (n=84): 65.5 percent of respondents offered no parking subsidy, 13.1 percent offered a partial subsidy, and 21.4 percent offered a full subsidy. However, those offering a full subsidy were largely boards and councils. Cross-referencing the DOER survey with those 34 state agencies from our survey: 61.8 percent (21 agencies) offered no parking subsidy, 23.5 percent (8 agencies) offered a partial subsidy, and 5.9 percent (2 agencies) offered a full subsidy (3 agencies in our survey did not respond to the DOER survey).

Among the comments from human resource directors:

> "An insufficient labor pool is the primary reason for recruitment problems experienced in the office and administrative specialist series."

> "A labor shortage and insufficient skill levels of eligible candidates…are problems."

> "An insufficient labor pool is available to us. [There is an] inability to recruit from the public at higher levels; at lower levels, [there are] insufficient skills."

> "Seventy percent of people on [eligible state employment] lists are not interested in interviewing, 20 percent of the other 30 percent don't show up for interviews, [and] the last 10 percent decline offers based on downtown parking costs."[10]

Accounting

Forty-seven percent of human resource directors reported recruitment and/or retention problems in accounting careers, and they mentioned all levels of accounting positions as presenting recruitment and retention problems. As shown in Table 3.6, an equal number of human resource directors reported problems filling entry-level positions (Accounting Officer), mid-level positions (Accounting Officer Intermediate), and high-level positions (Accounting Officer Senior).[11]

Table 3.6: Accounting Recruitment/Retention Problems

Problem Classifications	Human Resource Directors Reporting Problem (*N*=14)	
	Number	Percent
Accounting Officer	6	42.9%
Accounting Officer Intermediate	6	42.9
Accounting Officer Senior	6	42.9

SOURCE: Legislative Auditor's Office Survey of Human Resource Directors, 1999.

As in the case of information technology and office administration positions, human resource directors believe that an insufficient labor pool with the needed skills and experience is the principal reason for the recruitment/retention problems in accounting positions (see Table 3.7). However, many (50 percent) also think that the long and complex recruiting, exam, and hiring process associated with filling accounting positions is an important factor. Roughly one-third of human resource directors attributed the recruitment/retention problems to inadequate salaries.

---

10 State eligibility lists are discussed in more detail later in this chapter.

11 As of September 1999, the state employed a total of 255 individuals in the Accounting Officer series.

Table 3.7: Reasons for Accounting Recruitment/ Retention Problems

Reasons	Human Resource Directors Reporting Reason (*N*=14)	
	Number	Percent
Insufficient labor pool with needed skills/experience	8	57.1%
Long and complex recruiting/exam/hiring process	7	50.0
Inadequate pay/compensation	4	28.6

SOURCE: Legislative Auditor's Office Survey of Human Resource Directors, 1999.

Comments from human resource directors reflect these views:

> "[There is an] insufficient labor pool…[and] a lack of professional experience."

> "Outside candidates lack government accounting knowledge [and] require extensive training."

> "[The] long, complex exam process results in a loss of qualified applicants. People coming out of colleges can't wait for the state to get people on the list."

> "[The] job application process is ridiculously long and complex. Candidates are unwilling to take a written test and wait for test results before being interviewed. Jobs are too readily available elsewhere."

SUGGESTIONS FOR CHANGE

Agency human resource directors say that the state's selection and hiring process should be simplified and recruitment efforts improved.

Our survey asked human resource directors to identify potential solutions to their recruitment and retention problems. We specifically asked for suggestions directed toward the Department of Employee Relations and the Legislature. Although human resource directors identified numerous suggestions for how DOER and the Legislature could help solve current recruitment and/or retention problems, most suggested more significant changes for DOER (see Tables 3.8 and 3.9). The suggestions for change most frequently reported by human resource directors are simplifying the selection and hiring process and improving recruitment. While we did not independently examine these suggestions, we generally agree with them.

Selection and Hiring

Human resource directors are strongly dissatisfied with the current hiring process. As explained in Chapter 1, agencies to which DOER has delegated hiring authority can administer the testing, examination, and hiring process for their

Table 3.8: Suggestions for the Department of Employee Relations

Suggestions	Human Resource Directors Reporting Suggestion (*N*=30)	
	Number	Percent
Simplify the selection and hiring process	22	73.3%
Improve recruitment efforts	15	50.0
Move salaries toward levels comparable to private industry and respond better to the market	10	33.3

SOURCE: Legislative Auditor's Office Survey of Human Resource Directors, 1999.

Table 3.9: Suggestions for the Legislature

Suggestions	Human Resource Directors Reporting Suggestion (*N*=20)	
	Number	Percent
Increase flexibility in compensation	6	30.0%
Simplify the selection and hiring process	5	25.0
Revise Chapter 43.A	5	25.0

SOURCE: Legislative Auditor's Office Survey of Human Resource Directors, 1999.

DOER administers the testing, examination, and hiring process for many statewide classifications.

agency-specific classes. However, for many statewide classifications (such as entry level office administration and accounting positions) DOER administers the testing/examination/hiring process. According to the human resource directors we surveyed, this process can takes weeks or months to complete.[12]

For example, an individual with an accounting degree seeking an entry-level accounting position in a given agency needs to go though several steps. If a potential employee responds to the recruiting efforts of a specific agency, that prospective candidate would first need to fill out a state employment application and submit it to DOER. DOER would then administer the testing process (which could be anything from scoring the application based on skills and experience to administering a written test on a specific date to the applicant). After calculating a score from the testing process, DOER would place the names of those applicants that passed on a state eligibility list for hiring. The agency that wants to hire the entry-level accountant must then request and obtain the eligible list from DOER, contact that applicant, and begin whatever hiring process it uses for employee selection.

---

12 DOER is exploring ways to streamline the examination process. For example, it has been working with a group of human resource directors on the examination problems associated with the accounting series, and is considering adopting an "experimental exam" which would allow candidates to forego a written test if they have an accounting degree from a four-year, post-secondary institution.

**Some
higher-level
positions are
open only to
current state
employees.**

Human resource directors also believe that the process used for hiring or
promoting into higher-level positions does not work well in recruiting the most
qualified candidate for the position. DOER has statutory authority to determine
whether to announce higher-level vacancies on a "competitive open" basis
(meaning all applicants are welcome) or a "competitive promotional" basis
(meaning the position is open only to current civil service employees).[13] DOER
says that for most vacancies, it generally defers to whatever the agency requests.
However, our survey of human resource directors indicates that especially for
higher-level office administrative positions, the standard practice of using
competitive promotional exams results in current state employees being placed
into these positions instead of candidates that might be more qualified or better
suited for the job had they been competitively recruited.

As shown in Table 3.8:

- **State agency human resource directors think that DOER should
  simplify the selection and hiring process.**

Among the more frequently reported suggestions for improving the hiring process
were: (1) streamline the testing, examination, and hiring process (make it quicker,
simpler, easier, and more flexible); (2) open tests competitively to the public
(especially for AFSCME and MAPE positions, where current state employees
have preference for hiring) and have the tests open continuously; (3) base hiring
on education and past job performance instead of testing; (4) let agencies hire at
any point within a salary range without DOER approval; (5) allow "on the spot"
hiring at conferences, job fairs, or when highly-skilled candidates become
available; and (6) allow immediate on-site testing and the ability to apply and test
on-line.

The following comments from human resource directors reflect their views of the
current hiring situation:

> "DOER could assist by finding quicker, more effective evaluation de-
> vices, instead of relying on written exams that have questionable valid-
> ity…The selection process needs to be streamlined and updated. In the
> current market, agencies cannot afford to wait three to four months for
> the results of a written exam process."

> "The hiring process is lengthy and cumbersome…Agencies often cannot
> act in a timely manner to recruit and/or retain qualified staff."

> "DOER needs to be proactive in revamping selection and classification
> systems. Currently they do not have enough staff that are skilled or inter-
> ested in doing this. To the contrary, current staff are rigid and not in tune
> with the needs of agencies as they try to fill their job vacancies. Decen-
> tralization of certain authorities to agencies has helped, however, many
> jobs…are statewide classifications where DOER still runs the selection
> process. There have been attempts over the last few years to re-engineer
> this process but DOER has not had enough staff nor have they had the
> right staff available to sustain these efforts over the long period…So we
> are still operating cut and paste selection systems which are cumbersome

---

13 See *Minn. Stat.* §43A.09, subd. 6 and *Minn. Rules,* ch. 3900.3100.

to job applicants, take way too long to keep any qualified applicant interested in state employment, and therefore do not produce sufficient numbers of qualified job applicants. As the labor shortage continues, we are not making the changes we need to be competitive in the job selection market."

"The current testing process, which requires applicants to apply for generic jobs, wait for several weeks to be scheduled for an exam, take the written test, wait again for several weeks for a test score, have their name placed on an eligible list, then wait again for an undetermined period of time to be contacted for a vacancy, is simply not adequate to meet our needs. This situation is only exacerbated given low unemployment and a very tight job market."

"The process needs to be changed to allow agencies to recruit for specific vacancies, advertise, administer an appropriate and timely selection process, interview quickly, hire and get employees on the job."

"[DOER should] simplify the exam process for all job classes that maintains fairness, follows merit principles, and does not take four months to get a statewide promotion eligible list."

"[DOER should] open up the exams on a statewide competitive basis and in some cases redesign the exams to meet agencies' current needs."

Human resource directors also think the Legislature could assist in simplifying the hiring and selection process. Their suggestions center around revising the language governing specific applicant qualifications:

"The legislation governing examining is quite specific as to how lists of qualified candidates are established and how many candidates should be referred to a supervisor. It should be replaced with language that retains the need for a process of assessing qualifications but does not define specifically what that entails."[14]

"[The Legislature should] eliminate the concept of ranked eligible lists and allow for an open number of applicants for consideration for exam processes that are not pass/fail."

"[The Legislature should look at] language that allows for more flexibility in hiring and examinations."

Recruitment

Employee recruitment is another area where many human resource directors expressed dissatisfaction. Human resource directors believe that recruitment is essential to attracting skilled workers to state employment, and they find DOER's recruitment efforts lacking. According to our survey:

- **State agency human resource directors think that DOER should improve its recruitment efforts.**

---

14 See *Minn. Stat.* §§43A.10-43A.13.

Suggestions for improving recruitment include: (1) expanding recruitment efforts by advertising in the newspaper and on the internet, attending job fairs, and working with state colleges and universities and (2) promoting state employment generally to help create a positive image of state employment. Among the comments from state human resource directors:

> "[The Department of Employee Relations should] work more with state colleges and universities to promote the state as a potential employer [and] emphasize the substantial number of benefits gained in working for the state; salary is not everything."

> "[DOER needs] more aggressive marketing of the state as an employer."

> "[DOER should] create a more organized effort at getting information readily available to prospective applicants at post secondary school, DES, job fairs, etc. that's comparable to how the private sector makes their organizations readily known and available to people."

> "[DOER should] provide on-going advertising to recruit more qualified applicants."

> "The Department of Employee Relations can help with our recruitment issues by…actually promoting the State of Minnesota as an employer through 'real' recruitment efforts."

> "The Department of Employee Relations could assist in recruitment by retaining a knowledgeable recruitment staff and coordinating efforts for statewide classes. DOER did have a recruitment team that has now been disbanded."

> "[DOER needs to] reestablish the recruitment unit that was decimated by turnover."

Several human resource directors echoed these thoughts in suggestions to the Legislature:

> "[The Legislature should provide] sufficient funding for DOER's Staffing Division to provide recruiting support services and analysis of long term work force planning needs."

> "[The Legislature needs to] have DOER establish a permanent, full-time recruitment program that coordinates efforts with state agencies."

> "The whole state process needs to be accomplished faster, more efficiently, and with less bureaucracy. The Legislature needs to dictate this and provide the money to DOER to add people and systems."

In 1998, DOER's Staffing Division began a "reengineering" project focused on three areas of reform -- the hiring assessment process, the job classification system, and the strategic planning process -- for which it received $575,000 in funding in the 1998-99 biennium. While the Staffing Division developed a plan which required $2.4 million in funding for these three areas, the department requested only $315,000 in its 2000-01 biennial budget proposal, and the Legislature did not approve this funding. The Legislature also cut the agency's

budget by $140,000, a portion of which DOER had allocated to support the agency's recruiting unit.

DOER has acknowledged a problem exists with its recruitment efforts, and attributes part of the problem to a loss of positions in its Staffing Division. Although the Staffing Division has proposed ambitious plans based on its reengineering project, nothing has been finalized. The agency is currently in the process of reevaluating the results of the reengineering project and redesigning its recruitment unit.

SUMMARY

The tight labor market that currently exists nationally and in Minnesota has created problems for employers trying to recruit and retain skilled workers. Our survey of 34 state agency human resource directors indicates that most state agencies have experienced employee recruitment and/or retention problems over the past two years. The largest recruitment and retention problems are in information technology, office administration, and accounting careers. Human resource directors believe the principal reason for their current recruitment and retention problems is an insufficient labor pool with the needed skills or experience for the position.

To help solve existing recruitment and retention problems, human resource directors believe that the Department of Employee Relations should simplify the selection and hiring process of employees. They also believe that DOER should improve and expand its recruitment efforts of state employment.

As one human resource director notes:

> "The growing perception of public service appears to be that government is the place you go when you cannot run, or have grown tired of trying to run, the fast track of the private sector. This exacerbates government's recruitment and retention problems already present in a tight labor market; we cannot recruit the 'best and brightest' young talent since they do not view public sector employment as a stepping stone to greater things, nor can we pay them salaries commensurate with other job opportunities. Further, we have trouble attracting experienced professionals who are willing to accept salary decreases, but only in exchange for a far-reduced workload. Unfortunately, public sector employment does not automatically equate with reduced workloads, as only those of us working for government well know. Thus, a great portion of the qualified labor pool remains out of our reach."