

**Retention Bonus Effectiveness**  
**Employee Benefits Programs Committee**  
**October 26, 2016**

Chairman Krebsbach and members of the committee, I am Becky Sicble, Interim Director of Human Resources Management Services, a division of the Office of Management and Budget. Per your request, I am here to report on the effectiveness of employee retention bonuses provided by state agency programs.

As I mentioned at your last meeting, NDCC 54-06-31 was enacted in 1999 and provides state agencies the authority to utilize retention bonus programs for hard-to-fill positions if:

- a. The agency has a written policy in place identifying eligible positions or occupations and provisions for providing and receiving bonuses;*
- b. The agency has filed a copy of the written policy with the North Dakota human resource management services; and*
- c. The agency reports to the North Dakota human resource management services each bonus provided to an employee under the program.*

The statute also requires state agencies fund this program by their salaries and wages budget.

As I reported at your last meeting, a total of 26 employees from five state agencies received a retention bonus during the first year of the current biennium. One additional employee was on the report due to the timing of her retention bonus repayment caused by her voluntary employment termination. This employee was required to repay a portion of the bonus because she did not fulfill the retention bonus agreement's length of service requirement.

Of the 26 employees receiving a retention bonus, 24 remain employed as of October 1, 2016. This equates to a 92% success rate in retaining the receiving employees in hard-to-fill positions. For your information, the two no longer employed left voluntarily due to their stated reasons of "relocation" and "resignation", and repayments to the agency based upon the agreed terms have been made.

We also reviewed the effectiveness of retaining employees who received a retention bonus during the 2013 – 2015 biennium. I am pleased to report 99% of the employees who received a retention bonus during this time are still employed with the State.

In addition, I received information from senior human resource staff from the participating agencies. They report this program is tremendously effective and has directly assisted their agency in retaining employees in hard-to-fill positions. They also stated they believe their agency would have incurred significant replacement costs and business and service delays if these employees had chosen not to continue their employment in these positions.

National data supports their statements. According to the Society for Human Resource Management, direct replacement costs for one employee can reach as high as 60% of that employee's annual salary, and total associated costs of turnover increases up to 200% of that employee's annual salary. A few examples of activities driving these cost estimates are the termination processing of the exiting employee, recruitment and onboarding activities for the new hire, and general lost productivity and increased workload to other staff as a direct result of the time the position is vacant. When considering

all of the activities required to turnover and fill a position along with the business and service delays caused by a vacancy, I believe this is an accurate cost estimate.

Considering that 92% of the employees receiving a retention bonus during the first year of the current biennium and 99% of the employees receiving a retention bonus from the prior biennium remain employed with the State, I believe the retention bonus program is very effective.

This concludes my testimony. I would be happy to answer any questions you have at this time.