

EL DORADO COUNTY 2021–2022 GRAND JURY

COUNTY STAFFING CHALLENGES

Case 21-05 – June 23, 2022

SUMMARY

The El Dorado County (County) Grand Jury investigated the County-wide issue of low staff levels and low compensation. Further, the Grand Jury reviewed the recruiting process and staff retention. A review of the budget vs actual for salaries and benefits for the last few years has demonstrated a consistent payroll and benefits budget surplus in the millions of dollars, indicating that not all budgeted positions have been filled.

METHODOLOGY

The Grand Jury, in conducting this investigation:

Reviewed:

- Class and compensation study completed by Koff & Associates, a compensation consulting firm, in 2017;
- Updated compensation reports completed by County Human Resources Department, using position classifications from the Koff & Associates 2017 report;
- “The Real Cost of Employee Turnover in 2021” by the TERRA Staffing Group (<https://www.terrastaffinggroup.com/resources/blog/cost-of-employee-turnover/>);
- “The True Costs of Employee Turnover” by Kate Heinz (<https://builtin.com/recruiting/cost-of-turnover>);
- Current County compensation levels;
- County budget vs actual spending on payroll and benefits; and
- Vacancy postings on the County website.

Interviewed:

- County personnel from the Human Resources Department; and
- Various County Department Heads and staff.

DISCUSSION

The County has had challenges in filling vacant positions for many years; the COVID-19 pandemic has exacerbated this issue. County management and supervisory employees have repeatedly used the phrase “training ground” in reference to employment with the County. Many staff gain their experience and knowledge and then leave to work for better compensation in other counties or private industry. This exodus of staff from the County, including the costs of recruiting and training, as well as the loss of institutional knowledge, is of concern to the taxpayers as a waste of resources.

In interviews with staff members, the Grand Jury discovered that one of the main reasons for leaving is remuneration. The County Board of Supervisors commissioned a class and compensation study from Koff & Associates (Koff) in 2017 to attempt to bring compensation up to the median pay of comparative counties. The study used Placer, Butte, Merced, Napa, Sacramento, Shasta, Sutter, Tuolumne, Solano, Nevada, and Yolo counties, and the State of California to calculate compensation amounts.

While several of the counties included in the Koff study are comparable in population and composition to the County, they are not significant competitors for the workforce living in or near the County. It would be valuable to place more emphasis on Placer and Sacramento counties, and even including Amador County, as these would be competitive locations for potential staff. This analysis also did not include the substantially higher pay of private industry, leaving the County struggling to keep employees who can be paid significantly more for similar work.

The County used the results of the Koff study as a guide for increasing employees’ salaries during the 2017 through 2021 timeframe, although the Human Resources Department has updated the amounts and finetuned some of the classifications. The County’s goal was for the employees’ salaries to ultimately reach the adjusted median salary. Each year, 2017 through 2021, the employees’ salaries were increased below the adjusted median level, with the result the County salaries consistently undershot that median. On April 19, 2022, the Board of Supervisors (BOS) approved an employee salary increase to meet the recalculated median.

An additional challenge faced in determining compensation for County employees is the calculation of total compensation. The County provides many benefits, including pension and health insurance, in the compensation packages, so while a weekly paycheck may be less for a position in the private sector, total compensation may be similar. However, for many reasons, people may opt for a higher wage or salary rather than a better benefits package, resulting in a smaller selection of potential candidates.

Although there has been no study completed to determine the specific costs of hiring new staff, there is an unquantified cost to County services. The elements of these employee turnover costs include attracting and hiring new employees, training expenses, loss of institutional knowledge, personal burnout of overworked staff who are covering for understaffed positions, and the ultimate decrease in services to the citizens of the County.

From the articles, “The Real Cost of Employee Turnover in 2021” by the TERRA Staffing Group (<https://www.terrastaffinggroup.com/resources/blog/cost-of-employee-turnover/>) and “The True Costs of Employee Turnover” by Kate Heinz (<https://builtin.com/recruiting/cost-of-turnover>), employee turnover costs are typically described as a percentage of annual salary. While a generic turnover cost can be applied to an organization, the generic turnover costs are based on averages. A calculation using the following factors can be used to compute the cost of employee turnover:

- Pre-departure costs – departing employee’s lost productivity is 60 percent of weekly hours;
- Vacancy cost -- cost of overtime and added shifts to replace departing employee hours;
- Orientation and training cost -- number of hours in lost productivity resulting from orientation and training of a new employee;
- Administration and hiring tasks -- hours spent on administration and hiring tasks, such as job description development, advertising, resume screening, interviewing, and onboarding (the process of orienting and training new employees); and
- Additional hiring costs – background checks, drug tests, assessments, and search firms.

The calculation can be made for either an individual position, a department or the entire organization. In general, according to the article “The Real Cost of Employee Turnover in 2021,” employers spend an average of 33% of a worker’s annual salary to replace one employee. For an employee earning \$60,000 per year, the cost to replace the employee is approximately \$20,000.

There are unmeasurable real costs, that are not included in the calculation, such as the negative impact on morale and staff burnout that employee turnover causes.

The recruitment process can take from seven weeks to eight months. Most routine postings are posted for two weeks, with an additional week for review by the Human Resources Department before the manager receives potential applicants. The interview process may take an additional two weeks, followed by another week or two to perform background checks. More specialized positions tend to take longer. This lengthy process has resulted in the loss of applicants during the recruitment phase, leading to understaffing of positions. The County maintains a potential employment list for some positions, mainly hourly employees, but, due to lack of applicants, these lists are not at a desirable level.

The recruitment challenges have been compounded by a general lack of qualified applicants. Some job descriptions in postings have been rewritten if there have been no qualified applicants, but that rewriting suggests the specifications may be higher than required from the start.

With the pandemic, the County has increased telework opportunities for the majority of its staff. The Grand Jury commends this shift to a more hybrid-based schedule and encourages the growth of this system to the extent possible.

Team-building exercises and employee recognition are common practices to improve morale among staff. The Grand Jury learned that one department used to have annual luncheons to strengthen camaraderie. These programs can be implemented quite easily and economically with the aim of increasing employee fulfillment at work, and thus, retention of staff.

Staff turnover and the inability to fill staff positions may ultimately harm the end user of the County services: the taxpayer. Through several interviews, the Grand Jury has met with many dedicated employees who are very cognizant of their role as stewards of the tax revenues but are unable to complete all the tasks given to them. Positions have stayed vacant because of the inability of the County to pay a salary comparable to what they would receive in another position, and staff are reportedly burning out due to having to cover vacant positions.

The County has no clear understanding of the trade-offs between the cost of increasing salaries vs the costs of recruiting, training, and turnover.

FINDINGS

- F1. The County has historically set pay levels below the median of other counties, based on compensation studies; as of April 19, 2022, they have adjusted this upward to meet the median.
- F2. The comparative compensation levels determined by the County include other California counties and the State of California, but do not include local private industry.
- F3. Many employees see the County as a place to develop their skills and then leave for higher-paying positions in other counties or private industry, resulting in the County paying for training for which it does not receive the ongoing benefit.
- F4. The County does not have knowledge of the cost of hiring a new individual, including the recruitment process, County training, and learning the role, duties, and responsibilities.
- F5. Due to the length of time required to complete the recruitment process, departments have lost potential candidates.
- F6. If there are not enough acceptable applicants for a position, the hiring department and the Human Resources Department can rewrite the specifications and advertise a revised position listing to attract more potential recruits.
- F7. With the pandemic, the County is attempting to become more telework-friendly by allowing certain staff to work from home. This tends to be on a hybrid schedule, as determined by an employee's manager.
- F8. Many managers expressed that there is a lack of morale among staff due to low staffing levels contributing to burnout and more staff attrition.

RECOMMENDATIONS

- R1. The Board of Supervisors should direct the Chief Administrative Officer to provide an annual recommendation to maintain, at a minimum, pay levels in the County at the calculated median total compensation, based on comparative analysis.
- R2. The Board of Supervisors should ensure that future compensation studies include pay levels only from Sacramento and Placer Counties and, where appropriate, similar classifications in local private industries.
- R3. The Board of Supervisors should direct staff to develop and implement policies that focus on employee retention as a priority within one year of the date of issue of this report.
- R4. The Board of Supervisors should commission a study into the true cost of recruiting and training new hires within one year of the date of issue of this report.
- R5. The Human Resources Department should maintain ongoing lists of potential candidates for all positions to decrease time to bring in new employees and keep the application process for lower-level positions open on a continuous basis, within 90 days of the date of issue of this report.
- R6. The Human Resources Department, in conjunction with County departments, should review that job descriptions are written to the lowest possible level for the position (especially recurring) to ensure the largest selection for that role, completed within 180 days of the date of issue of this report.
- R7. The Chief Administrative Officer, in conjunction with the Human Resources Department, should expand the option of the hybrid telework model to as many positions as are practical within 180 days of the date of issue of this report.
- R8. The Board of Supervisors should direct the Human Resources Department and elected department heads to implement a program to foster teamwork and morale-building throughout the organization within 180 days of the date of issue of this report.

REQUESTS FOR RESPONSE

This Grand Jury report is an account of an investigation or review. It contains findings and recommendations, and names those who should respond to each finding and each recommendation pertaining to matters under the respondent's control.

Please review "*How to Respond to an El Dorado County Grand Jury Report,*" a separate document included with this report.

The following responses are required in accordance with California Penal Code §933 and §933.05.

- County Board of Supervisors – F1/R1, F2/R2, F3/R3, F4/R4, F8/R8
- County Chief Administrative Officer – F1/R1, F2/R2, F3/R3, F4/R4, F7/R7, F8/R8
- County Human Resources Director – F5/R5, F6/R6

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