

Secretary of State AUDIT REPORT

Report No. 2003-11 March 17, 2003

Oregon Department of Administrative Services: Seasonal vs. Temporary Employees



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Summary

PURPOSE

The purpose of this audit was to follow up on a recommendation made in audit report No. 1997-84 that consideration should be given to amending ORS Chapter 240 to allow greater use of temporary employees. Although no change had been made to the statute since the prior audit was issued, we further examined the current restrictions on the use of temporary employees to determine whether the state could more economically meet some of its short-term workload needs if agencies were allowed to use temporary employees rather than seasonal employees. In Oregon, seasonal employees receive benefits and paid leave not provided to temporary employees.

RESULTS IN BRIEF

We found that state managers could more economically meet their recurring short-term workload needs if they were allowed to use temporary employees in more situations. Current law requires agencies to fill positions that are recurring by the nature of the work with seasonal employees, without regard to the necessary skills and qualifications of the position. We also found that Oregon

pays more in benefits for short-term employees than most states. We estimate that the state could have saved between \$12.6 million and \$39.6 million dollars during fiscal years 1998-2002 had the recommended changes been made.

RECOMMENDATION

We recommend that the Department of Administrative Services (DAS) work with members of the Legislative Assembly to amend ORS 240.425 and ORS 240.309. Specifically, DAS should propose to eliminate the restrictions on the type of appointment required for a position due to the recurring or nonrecurring nature of the work. This would allow agency management the option to use temporary employees to meet recurring short-term workload needs for those positions that do not require highly specialized training and have a more ready labor supply. DAS also should attempt to reflect these changes in its collective bargaining agreements.

AGENCY'S RESPONSE

The Department of Administrative Services generally agrees with the recommendation.

Introduction

The state has a variety of appointment types that are made in accordance with the type of position being filled and the individual needs of the department or agency. To meet short-term employee needs, agencies generally use either a seasonal or temporary appointment.

In December 1997, the Audits Division issued report No. 1997-84, *Appointments to State Service*. The report indicated that for many positions filled by seasonal employees, the state could save money if agencies were allowed to use temporary employees.

Current Oregon statute defines a seasonal employee as follows:

ORS 240.425. Positions which occur, terminate and recur periodically and regularly

regardless of the duration thereof shall be designated by rule, policy or procedure of the Personnel Division as seasonal positions. [emphasis added]

With regard to temporary employees:

ORS 240.309 (1) Temporary employment shall be used for the purpose of meeting emergency, **nonrecurring** or short-term workload needs of the state. [emphasis added]

During fiscal year 2002, the state of Oregon employed approximately 2,527 seasonal employees and 6,069 temporary workers.¹

¹ Figures do not include seasonal and temporary employees of the Oregon University System and the Legislative Assembly.

Audit Results

We found that state managers could more economically meet their recurring short-term workload needs if they were allowed to use temporary employees in more situations. Current law requires agencies to fill positions that are recurring by the nature of the work with seasonal employees, without regard to the necessary skills and qualifications of the position.

The cost difference between temporary and seasonal employees may be significant for some agencies. Collective bargaining agreements establish seasonal employees' eligibility for salary increases and require the state to pay seasonal employees the same benefits as permanent employees. Seasonal employees are also entitled to permanent status as regular

employees after successfully completing trial service, a minimum of 1,040 hours. Unlike temporary employees, seasonal employees become eligible for state benefits including medical benefits, sick leave, holiday pay and vacation. To illustrate, during fiscal year 2002 the 2,527 seasonal employees earned approximately \$6.9 million in state benefits.

Reasons for Use of Seasonal Employees

We interviewed human resource managers at the seven departments with the most extensive use of seasonal staff. Agency managers stated that the primary incentives for classifying positions as seasonal are to encourage employee returns and to ensure that specialized skills are retained. However, we found that seasonal employee return rates were relatively low and over half of the seasonal employees were in classifications not requiring specialized skills.

Return Rates Were Low

We reviewed return data for the seven departments and found that return rates for seasonal employees were relatively low. Figure 1 shows that 59 percent of seasonal employees hired in fiscal year 2000 returned for a second season, and 41 percent returned for a third season.

Figure 1: Seasonal Employees Hired in 2000 Returning in Fiscal Years 2001 and 2002

Agency	Returning FY 2001	Returning FY 2002
Forestry	62%	44%
Fish and Wildlife	62%	40%
Parks	69%	43%
Revenue	39%	27%
Agriculture	65%	55%
Employment	61%	40%
Transportation	41%	30%
Rate (All Agencies)	59%	41%

We noted that several departments included student workers as seasonal staff. When we reviewed return rates for two different student intern classifications, we found that only 18 percent of seasonal student employees hired in fiscal year 2000 returned in the second year, and 12 percent in the third year. Further, we tracked the success of hiring student interns into the employing departments. We found that only 9 percent of student interns hired in fiscal year 1998 were employed as permanent state employees in fiscal year 2002.

Most Seasonal Positions Do Not Require Specialized Skills

We examined the classifications of the 2,527 seasonal employees during fiscal year 2002. We found that over half were comprised of positions that had been identified in the prior audit as being those that do not require highly specialized training and having a more ready labor supply. These classifications included office assistants and specialists, administrative specialists, data entry operators, office coordinators, custodians, grounds maintenance workers, laborers, property guards, agricultural workers, forest nursery workers, and ranger aides.

Oregon Pays More in Benefits than Most States

We surveyed other states to identify usual practices with regard to short-term employment. We found that Oregon pays more in benefits for short-term staff than most states that responded to our survey. Currently, Oregon pays for seasonal employees' medical benefits and leave taken. As shown in Figure 2, over half of those states that responded pay no benefits to short-term employees.

Figure 2: State Comparison of Benefit Coverage for Short-Term Staff

Survey Responses	Number of State Responses	Percentage of State Responses
Do not pay benefits	22	52%
Pay both medical and leave	16	38%
Pay medical only	3	7%
Other	1	3%
Total states responding to survey	42	100%

Further, 12 of 19 states that pay medical benefits to short-term employees have a waiting period of between 28 days and 12 months. Oregon does not have such restrictions, as seasonal employees are entitled to medical benefits at initial employment.

Potential Cost Savings

We found that had ORS Chapter 240 been amended to allow agencies the option of using temporary employees to meet recurring short-term workload needs, substantial savings could have been realized. We estimate that by reclassifying only those positions that do not require specialized skills as temporary, the state could have saved \$12.6 million over the five-year period. Furthermore, if Oregon had followed the practice of over half of the states surveyed and reclassified all seasonal staff as temporaries, savings could have increased to \$39.6 million.

We recommend that the Department of Administrative Services (DAS) work with members of the Legislative Assembly to amend ORS 240.425 and ORS 240.309. Specifically, DAS should propose to eliminate the restrictions on the type of appointment that is required for a position based on the recurring or nonrecurring nature of the work. This would allow agency management the option of using temporary employees to meet recurring short-term workload needs for those positions that do not

require highly specialized training and have a more ready labor supply. DAS should also attempt to reflect these changes in its collective bargaining agreements.

Other Matters

State Must Bargain Health Benefits for Temporary Employees

Some Oregon temporary employees have union representation. Due to the state's loss in a recent court ruling, the state is required to bargain/negotiate health benefits for represented temporary employees during the 2003-05 biennium.²

Objectives, Scope and Methodology

The objective of this audit was to follow up on a recommendation made in audit report No. 1997-84 that consideration should be given to amending ORS Chapter 240 to allow greater use of temporary employees. We found that no change had been made to the statute. As a result, we further examined the current restrictions on the use of temporary employees to determine whether the state could more economically meet some of its short-term workload needs if agencies were allowed to use temporary employees rather than seasonal employees.

To accomplish our objective, we:

- Reviewed prior audit findings and recommendations made in the audit report No. 1997-84, *Appointments to State Service*;
- Reviewed authoritative guidance, including state laws, rules, policies, procedures, and collective bargaining agreements;
- Interviewed human resource managers at the seven departments with the most extensive use of seasonal staff. These agencies included the Oregon Parks and Recreation Department, Oregon Department of Fish and Wildlife, Oregon Department of Forestry, Oregon Department of Agriculture, Oregon Employment Department, Oregon Department of Revenue, and Oregon Department of Transportation;
- Reviewed and evaluated state payroll and compensation data for fiscal years 1998-2002; and

- Surveyed 42 other states to identify usual practices with regard to short-term employment. Those states included Alabama, Alaska, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, Wisconsin, and Wyoming.

We conducted this audit according to generally accepted government auditing standards.

² *Service Employees International Union Local 503, Oregon Public Employees Union v. State of Oregon, Department of Administrative Services*, 183 Or App 594, 19 PECBR 325 (2001).

Oregon Department of Administrative Services' Response to the Audit Report

The Department of Administrative Services and the named agencies generally agree with the recommendations in your report. Allowing state agencies the flexibility to determine when to make temporary or seasonal appointments is a more efficient and effective way to use limited state resources.

You've reached conclusions in a couple of areas that warrant additional consideration, however—seasonal return rate and potential cost savings of reclassifying seasonal employees as temporary staff.

Seasonal return rate: While a return rate of forty percent over the course of two seasons may be considered low or insignificant, the time and money spent training new staff can be significant even for entry-level jobs. Our Human Resource Services Division believes that this should be assessed on a case-by-case basis by the employing agency.

Reclassifying seasonal employees: The long-term result of utilizing temporary workers instead of seasonal employees may not generate the savings mentioned in your audit report. Many of our temporary workers are represented and are part of the collective bargaining process. They have the same right to bargain as seasonal and other state employees. While these temporary workers do not currently receive medical, leave or other state provided benefits, they are eligible for cost of living increases. The question of whether temporary employees will receive state paid benefits in the immediate future is subject to collective bargaining.

Your audit report serves as a reminder that there may be savings in allowing state agencies flexibility in making temporary or seasonal appointments. We would welcome an opportunity to provide you or the legislature further information regarding amending ORS 240.309 et seq.

This report, which is a public record, is intended to promote the best possible management of public resources.

Copies may be obtained by mail at Oregon Audits Division, Public Service Building, Salem, Oregon 97310, by phone at 503-986-2255 and 800-336-8218 (hotline), or internet at Audits.Hotline@state.or.us and <http://www.sos.state.or.us/audits/audithp.htm>.

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The courtesies and cooperation extended by the officials and staff of the Department of Administrative Services and the staffs of the other departments we interviewed were commendable and much appreciated.

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