

Employee Retention Study

The Study of Retaining Employees Nearing Retirement

Conducted by Human Resource Management Services

July 21, 2010

Study Description

Senate Bill 2061 directed HRMS to:

- > Determine **perceived and actual barriers** to retaining state employees as those employees near retirement
- > Consider **steps other public employers have taken** to retain their workforce
- > Provide specific **steps the State could take** to retain employees nearing retirement

Methods

- ◎ Surveyed:
 - > Active employees 55+ of four pilot agencies
 - > Retirees of four pilot agencies
 - > Other public employers in ND
 - > Other states
- ◎ Interviewed management and HR staff from four pilot agencies
- ◎ Reviewed recent literature & other studies

Selection of Pilot Agencies

Four agencies selected based on:

- Total # of employees
- # of employees eligible for retirement
- # of employees not eligible for retirement

Agency	# of Employees	Employees Retirement Eligible		Employees Age 55+	
Tax Dept	129	31	24%	42	33%
Health Dept	337	43	13%	90	27%
Historical Society	62	11	18%	25	40%
DOT	1049	178	17%	310	30%

Survey Design

- Taskforce met on April 21, 2010
 - › HR & management from the 4 pilot agencies plus PERS and HRMS
- Taskforce split into two teams to design a survey for retirees and one for active employees ages 55+
- Two subcommittees met on April 29, 2010 to select survey questions and format for delivery
- Surveys were sent to employees and retirees of the four agencies on May 17, 2010

Agency Interviews

HRMS conducted face-to-face interviews with:

- › **Mr. Francis Ziegler**, Director, Department of Transportation
- › **Mr. Merl Paaverud**, Director, State Historical Society of North Dakota
- › **Dr. Terry Dwelle**, State Health Officer, Department of Health
- › **Mr. Cory Fong**, Tax Commissioner, Tax Department

Other Public Employer Surveys

- South Dakota
- Montana
- Minnesota
- Kansas
- Iowa
- Missouri
- Colorado
- Oklahoma
- Wyoming (did not respond)
- Nebraska (did not respond)
- **Large cities (10K+)**
 - > Fargo
 - > Bismarck
 - > Grand Forks
 - > Minot
 - > Williston
- **Medium cities (2K+)**
 - > Wahpeton
 - > Valley City
 - > Rugby
 - > Beulah
- **Small cities (<2K)**
 - > Oakes
 - > Park River
 - > Beach
 - > Crosby

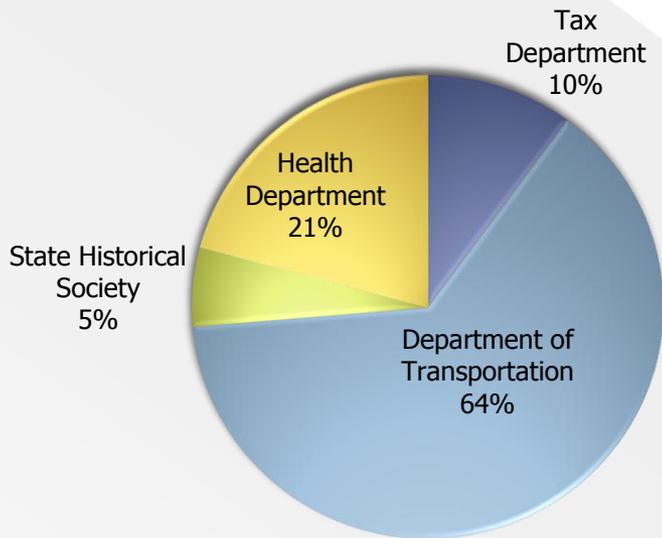
Survey Response Rates

Surveyed Entity	Survey Response Rates	Percent Response
Active Employees 55+	329/460	72%
Retirees	78/207	38%
Other ND Public Employers	24/40	60%
Ten States	8/10	80%

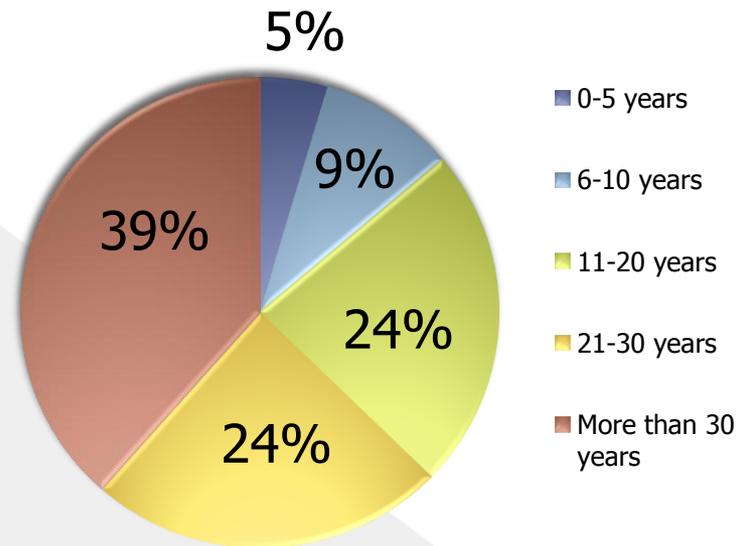
Survey Results

Active Employees 55+

Agency Breakdown



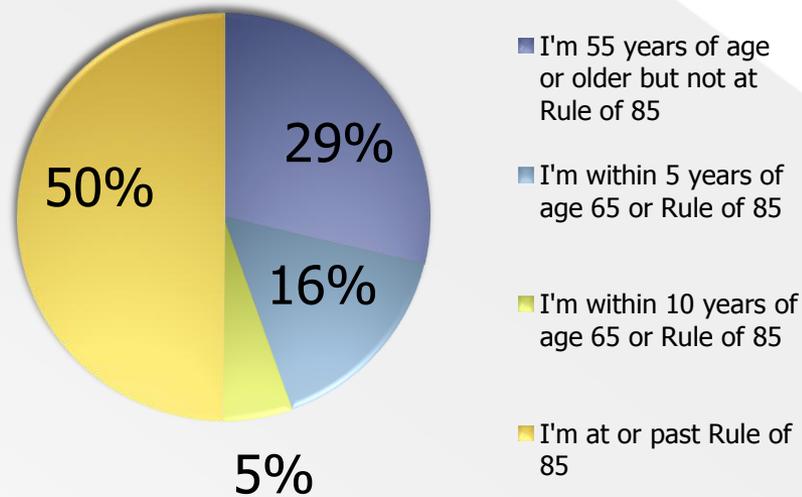
Tenure of Active Employees



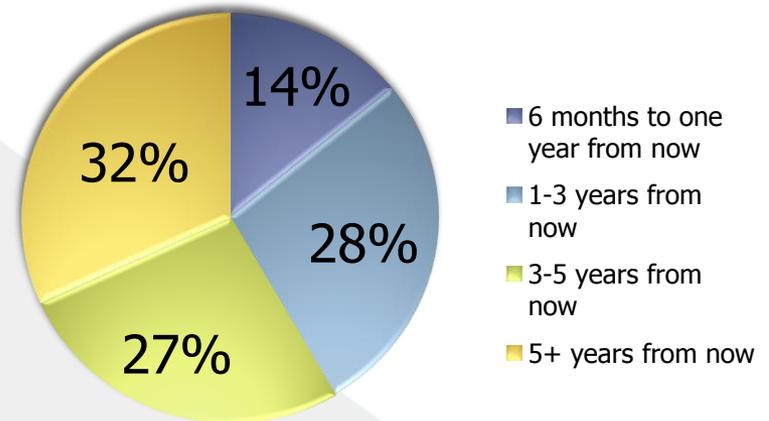
Survey Results

Active Employees 55+

Retirement Eligibility



Time Until Planned Retirement



Survey Results

Active Employees 55+

"The health credit after thirty years of service hardly puts a dent in the monthly health insurance cost."

Do **Retirement Benefits** Keep You From Retiring? Top Three Answers:

1. Yes, waiting for Social Security eligibility (40%)
2. Yes, can't afford to retire (35%)
3. Yes, haven't met the Rule of 85 (26%)

Do **Health Insurance Costs** Keep You From Retiring? Top Three Answers:

1. Yes, have to pay for premium for myself & family/spouse (45%)
2. Yes, have to pay for premium for myself (25%)
3. No, I'll be eligible for Medicare (10%)

Survey Results

Active Employees 55+

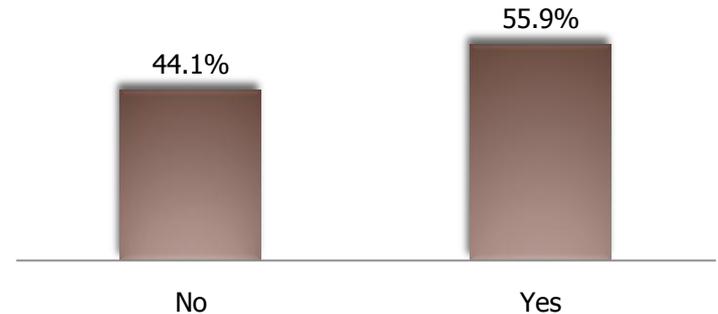
Employee comments regarding why retirement benefits keep them from retiring:

- > Economic uncertainty
- > Fear the ND legislature will decrease NDPERS retirement benefits next session
- > Salary so low was not able to save enough money
- > Working longer at higher salary to increase NDPERS benefits

Survey Results

Active Employees 55+

Is dedication to your work or commitment to your agency a factor that keeps you at work?



Employee Comments

Yes (55.9%):

- Enjoy my job and my co-workers
- Enjoy serving the citizens of ND
- Believe in the mission of my agency
- My job is rewarding and challenging
- Want to see the end of the projects I'm working on
- Plan to work as long as I am healthy enough to work
- Would like to help train my replacement(s)

No (44.1%)

- Ready to control my time
- Want to spend more time with family
- Pressure and responsibility of supervisory position is starting to get to me
- Management not dedicated to older workers, doesn't communicate or respond to input
- Never have felt valued by the state due to low wages
- Overworked, when people retire those that are left get the work, hours are getting longer
- Physical nature of the work is harder to handle as you get older

Survey Results

Active Employees 55+

Employee Quotations

"I have always taken a lot of personal pride in the job I do for the department. The gratitude expressed by the local community, city and county agencies for the service you provide for them, makes my job great. The ability to provide the services the department provides, especially during the winter months to keep the highways open and safe is quite rewarding."

"Yes, my personal commitment to my position and agency is important to me. But as I approach my retirement age, I am reminded every two years by legislators that state employee benefits are "negotiable". My commitment to the agency is becoming less of a factor. They seem to be trying to remind us that we are replaceable, at the same time as you are trying to figure out how to keep us in the work force."

Survey Results

Active Employees 55+

Top Five Factors that Have the Most Influence on Employees when Determining if They Should Work Past Retirement Eligibility

1. Health Insurance
2. Retirement Plan
3. Cost of Living During Retirement
4. Salary
5. Annual Leave

Survey Results

Active Employees 55+

Employee Comments

Positive factors that encourage employees to continue working:

- ◉ Enjoyable work environment
- ◉ Flexible work hours, being able to flex hours to take care of children and now take care of parents
- ◉ Interesting work to do
- ◉ Appreciation and collaboration of co-workers
- ◉ Positive and open communication with your manager
- ◉ Access to training
- ◉ Making a difference in people's lives
- ◉ Enjoy working with new technology
- ◉ Excellent health insurance
- ◉ Opportunity to work with dedicated professionals
- ◉ Defined benefit plan

Negative factors that do not help employees achieve their retirement goals and/or cause employees to want to retire:

- ◉ Body can't take the stress of working the older you get
- ◉ Cost of living during retirement, retirement benefit doesn't pay enough to maintain lifestyle
- ◉ Want to pay off other debt
- ◉ State of the economy is a concern
- ◉ Public is not always appreciative or respectful of state workers
- ◉ Elected officials are out of touch with average worker, not respectful of state employees
- ◉ Spouse's health
- ◉ Lack of advancement opportunities, lack of ability to advance because of degree requirements
- ◉ Low salaries, lack of decent increases in pay. No reward for high production, no pay for performance.
- ◉ Fear of retirement plans being viable for the long run
- ◉ Unmanageable workload, getting dumped on when others retire
- ◉ Lack of a decent work space, privacy, high noise, a lot of interruptions
- ◉ Don't enjoy training new employees who then leave to pursue non-government work
- ◉ More inclined to continue working if I could work part-time or part year

Survey Results

Active Employees 55+

Employee Quotations

"Fear of detrimental changes to the retirement plan by the 2011 legislature makes me seriously consider retirement before 2011. Respect and appreciation from officials and the public are important to me."

"Salary, of course is important, and the recent pay raises have allowed me to not have to work an extra job on the weekend anymore. Paid health insurance and a retirement plan are extremely important to me..."

"Workload is important. There used to be three employees working in my section, now I am the only one. It's very hectic at times, and to tell the truth, there are many days that I go home exhausted and just collapse on the couch. Work-life balance could be better!"

"All factors are positive at this point but there have been times in my career when my work environment and relationships with supervisors have not been positive. When you are in your 30s and 40s, it seems easier to deal with the negatives but when you get into your 60s, the negatives are more difficult to deal with and one is more likely to ask oneself, "How many good years do I have left, and is it worth it spending them here?"

"As long as I can meet living expenses, work-life balance, flexibility of hours, and modified work schedule would trump all others."

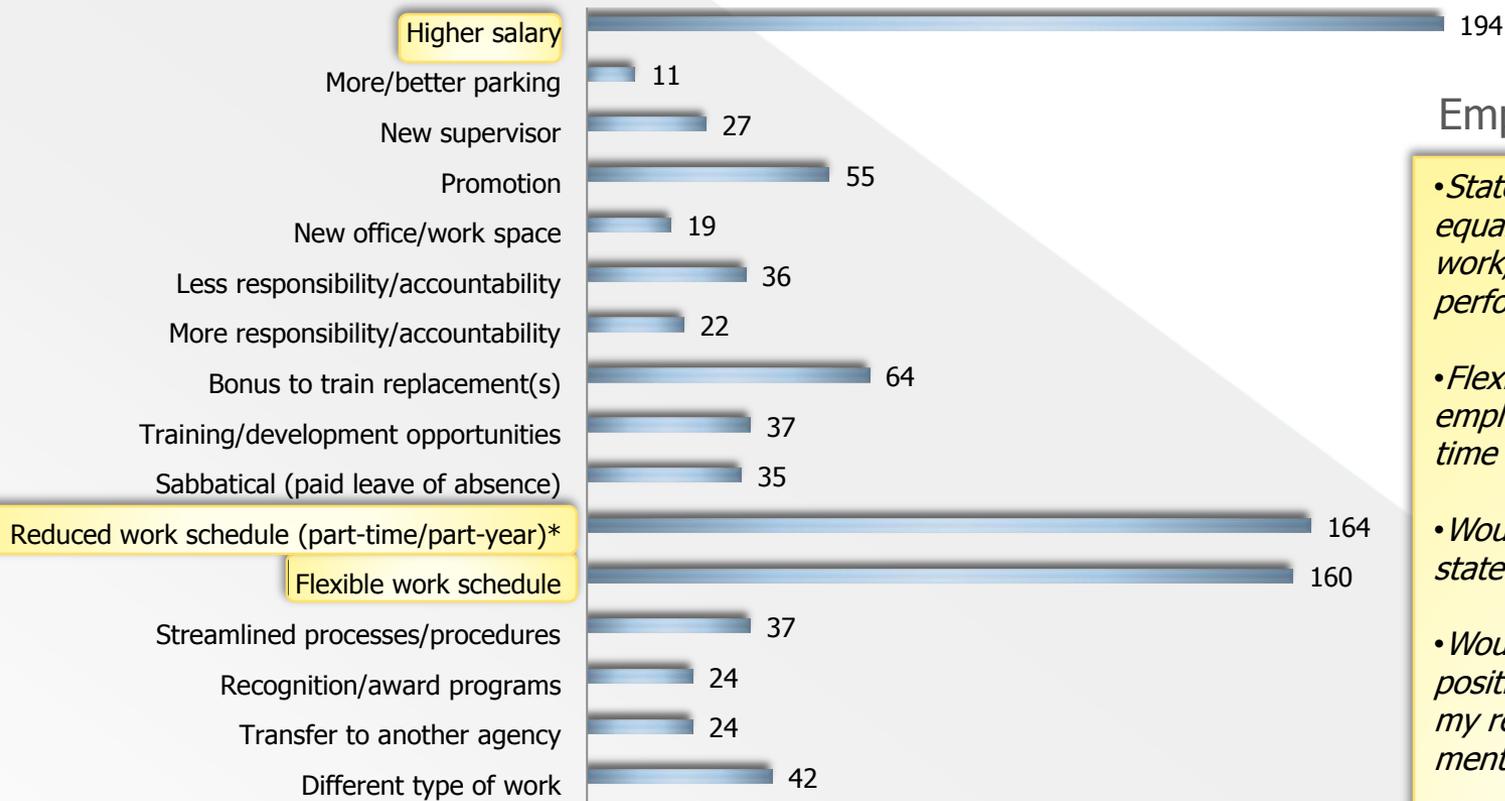
"One important negative is that there is little or no reward for high quality production. With wage compression, it makes it almost impossible to be fair to highly motivated professionals."

Survey Results

Active Employees 55+

What other factors would entice you to continue working after you are eligible for retirement?

(Please select up to five factors.)



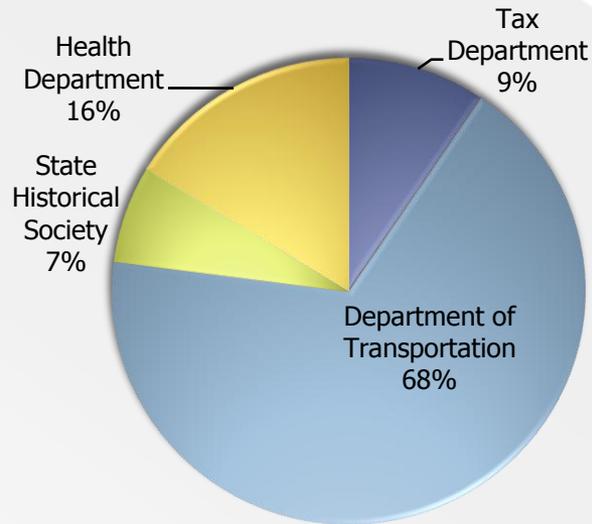
Employee Comments

- *State needs to provide equal pay for equal work, based solely on work performance*
- *Flexible schedules allow employees to control their time*
- *Would like to stay with the state but work less hours*
- *Would like to take a lower position and stay to train my replacement and mentor others*

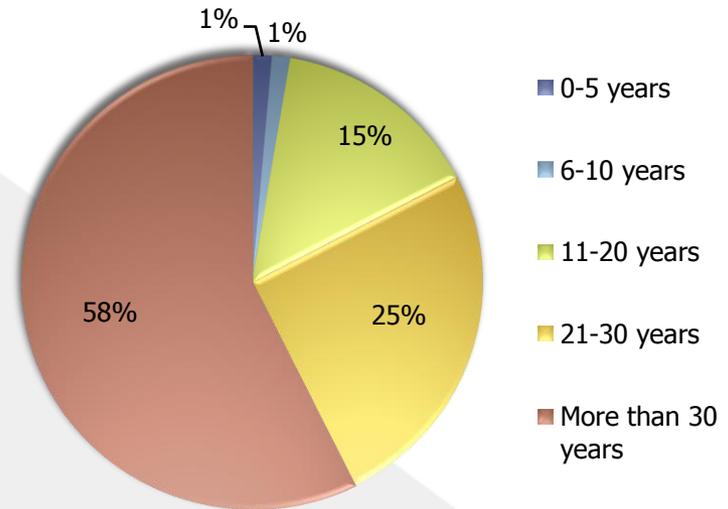
Survey Results

Retirees

Agency Breakdown



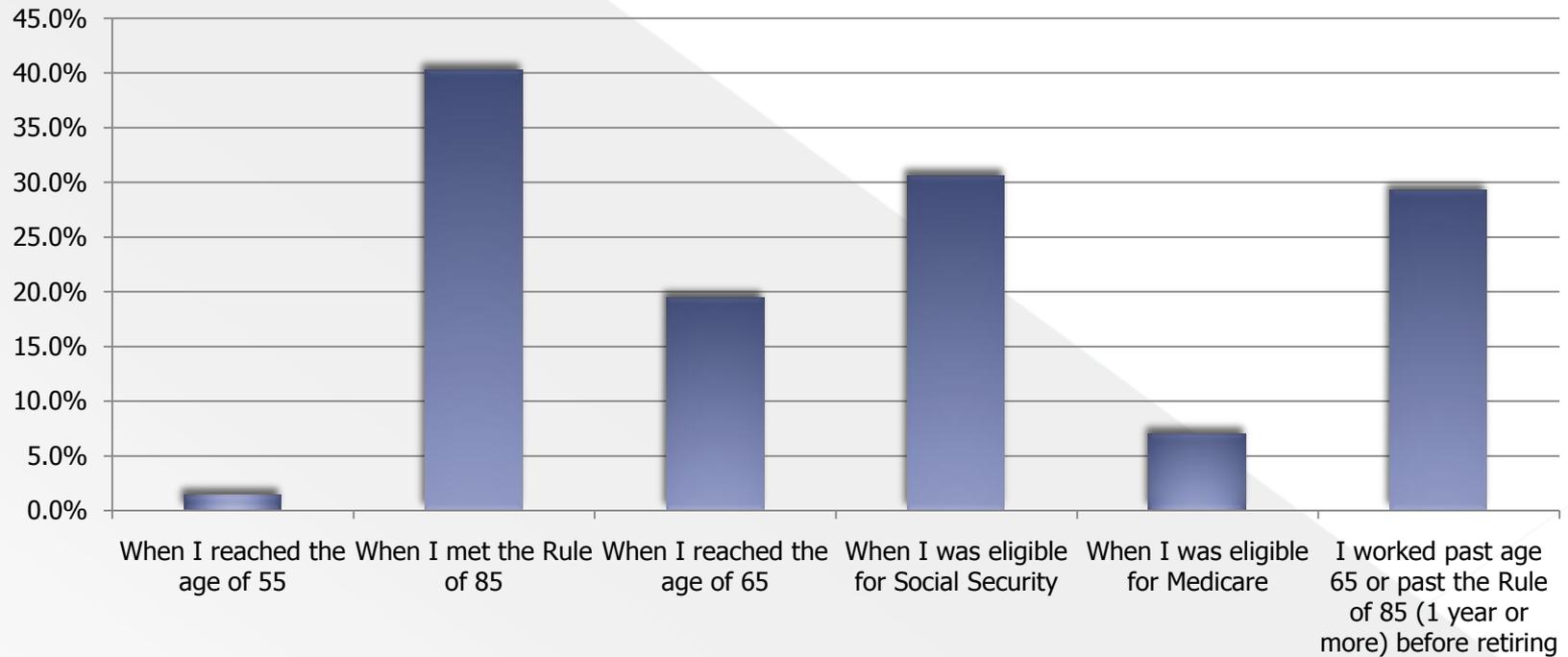
State of ND Tenure



Survey Results

Retirees

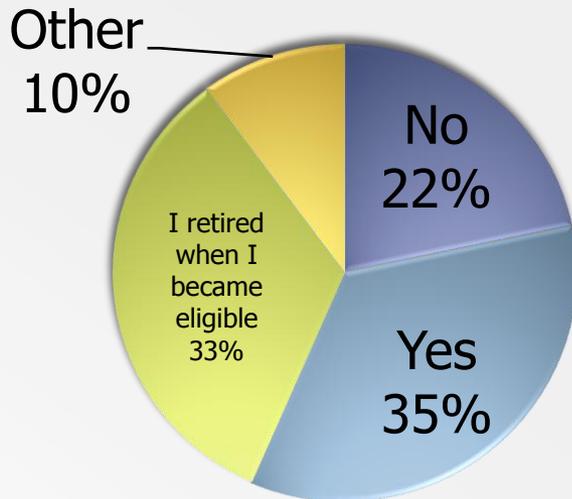
At what milestone(s), did you retire?



Survey Results

Retirees

If you worked past the time you were eligible for retirement, was dedication to your work or a commitment to your agency a factor that kept you at work?



Retiree comments

Yes (35%):

- Believed in the programs of the agency and enjoyed serving the people of ND
- Enjoyed co-workers
- Enjoyed my work

No (22%):

- Stayed working at the state because of the benefits and retirement program
- I began to feel that I was assigned only those tasks that were tedious, that no one else would do
- Bad work environment
- Poor management

Survey Results

Retirees

Top Five Most Important Factors in Deciding When to Retire

1. Retirement Plan
2. Health Insurance
3. Communication with Supervisor
4. Salary
5. Respect/Appreciation from Officials/Public

Survey Results

Retirees

Retiree Comments

Positive, very important factors that encouraged people to continue working:

- ⦿ Good relationship with co-workers
- ⦿ Great benefits
- ⦿ Loved the work

Negative, very important factors that encouraged people to retire:

- ⦿ Making more drawing pension and social security than my working salary
- ⦿ Tired of living for the weekends, wanted to control my time
- ⦿ Lack of advancement
- ⦿ Relationship with supervisor
- ⦿ Lack of work-life balance, workload and work hours were just too much
- ⦿ Low salary, lack of pay for performance
- ⦿ Hard to keep up on technology
- ⦿ Not treated the same as the younger workers
- ⦿ Loud office environment, couldn't concentrate on work

Retiree Quotation

"I was able to double my salary by taking a job with the department of health in another state. The type of work was the same."

Survey Results

Retirees

What Could the State Have Done to Delay Your Retirement or Entice You To Keep Working?

Top Five Answers:

1. Recognition of Experience Through Salary Increases
2. Reduced Work Schedule
3. Higher Salary
4. Contract/Temp Work after Retirement
5. Partial or Fully Funded Health Insurance after Retirement/New Supervisor (tie)

Retiree Quotation

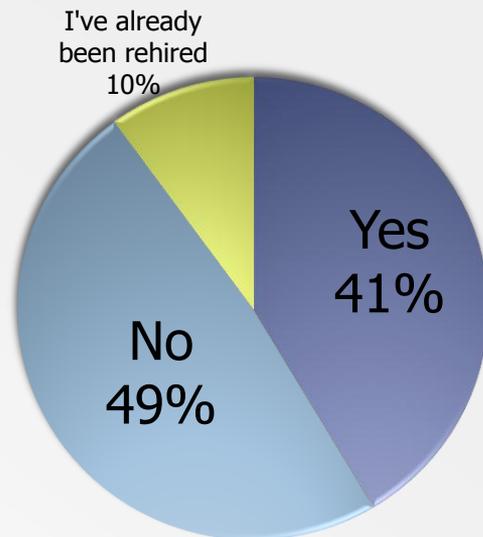
"The primary reason I left my job at the state was money. I had an opportunity to go to work in the private sector for a job that paid significantly more than I was making at the state after 35 years of service, and with far less responsibilities. Since I had received no salary adjustment for more than three years, and the prospects for a salary increase in the near future were unknown, it seemed like a "no-brainer" to make the move to a new job."

Survey Results

Retirees

Retiree Comments

Would you be willing to come back to work for the State of ND?



No, I would not come back (49%):

- Consulting work is more rewarding
- Give the younger workers jobs
- Life is too short, love retirement, love control of my time
- Found better employment, higher hourly rate and more relaxed work environment
- Would look at private sector first
- Health problems
- Like my job but not the way I was treated

Yes, I would come back (41%):

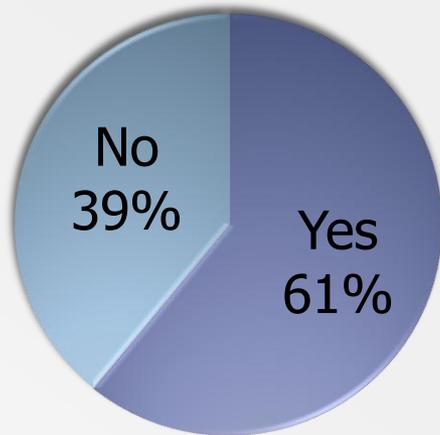
- On a part-time, job-sharing or temporary basis without losing retirement benefits
- If communication in the department was improved
- If legislators and other leaders appreciated and compensated state employees better

Survey Results

Other ND Public Employers

Employer Comments

Do you want to retain employees in your organization after they are eligible to retire?



Yes (61%):

- Want to retain anyone that is a productive worker
- They are able to share years of experience and institutional knowledge with less experienced staff
- They provide valuable leadership and perspective

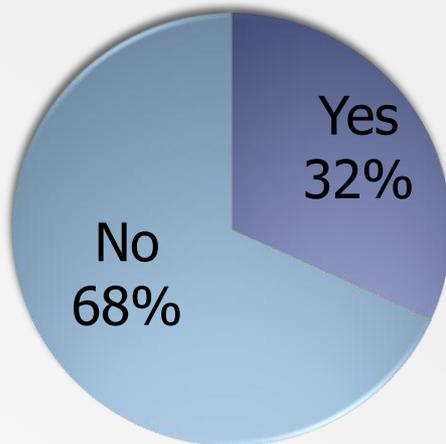
No (39%):

- Do not want to keep those that only stay for the money or health insurance, their attitude sometimes shows this
- Speed of work declines
- It's difficult to keep them interested in the position after they don't have to be there
- Paying higher salaries to more experienced workers
- Increase in unfunded liabilities for unused sick and vacation time

Survey Results

Other ND Public Employers

Do you have succession plans in place or have you adopted other methods to transition knowledge and skills to younger employees?



Programs include:

1. Mentoring program for new teachers
2. Cross-training program to train in co-worker's positions to cover during vacations and after retirements.

Survey Results

Other ND Public Employers

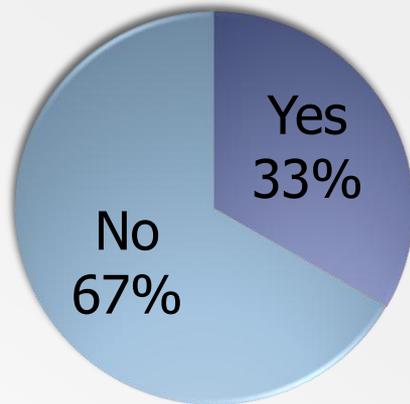
What do you believe are the top concerns for your employees as they near retirement?

1. Enough money/adequate retirement benefits (85%)
2. Health insurance (80%)
3. Leaving the structure of the work environment/social part of work (35%)

Survey Results

Other ND Public Employers

Have you implemented any programs or offered any incentives to keep employees working longer or to return them to work after retirement?



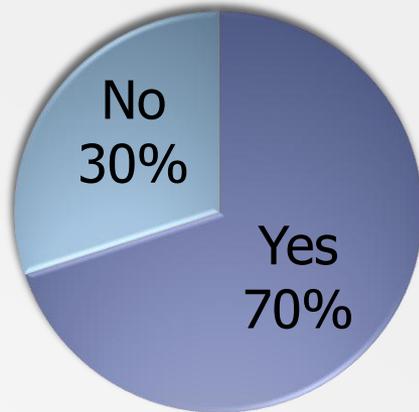
Programs utilized include:

- Step salary structure with an automatic increase every year worked
- Amendment to defined benefit plan to allow retirees to work up to 1,000 hours per calendar year with the same salary they were earning right before retirement.
- To come back to work, retirees have to opt out of the retirement system.
- Pay teachers an experience payment beginning at their 25th year; this replaced an early retirement incentive payment.

Survey Results

CSCA 10 States

Do you want to retain employees after they are eligible to retire?



Yes (70%):

- For depth of organizational & program knowledge, reliability, maturity, etc.
- For mentoring, worried about knowledge transfer to younger workers
- Need to be able to offer flexible work schedules to bring employees back to work after retirement

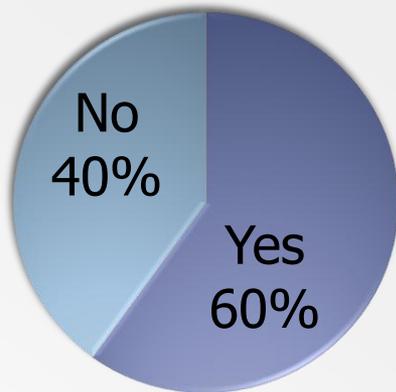
No (30%):

- Limits promotional opportunities for younger workers
- If employees retire under special retirement incentives, they are ineligible for rehire. If employees take regular retirement, they can reapply but hiring retirees back is not promoted.

Survey Results

CSCA 10 States

Do you have succession plans in place or have you adopted other methods to transition knowledge and skills to younger employees?



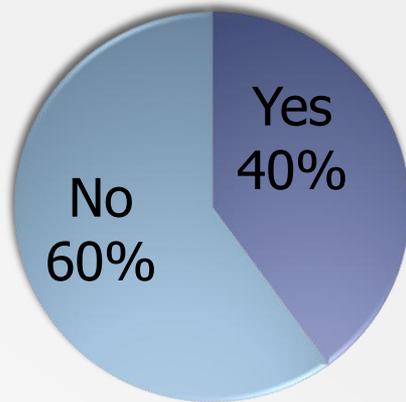
Programs mentioned include:

- Individual agencies have started succession planning programs in a few states.
- South Dakota is the only state with a centralized succession planning program including a Leadership Development Program in partnership with USD. Employees are nominated for the program and approved by the Chief of Staff.
- Colorado tried to implement a statewide program; position eliminated due to budget cuts. Colorado has now switched its focus from retention to recruitment. The goal is to attract new employees with a total rewards mix that will appeal to all generations of workers.
- Montana organized a task force to establish succession planning as a statewide initiative.

Survey Results

CSCA 10 States

Have you implemented any programs or offered any incentives to keep employees working longer or to return them to work after retirement?



Programs mentioned include:

- Minnesota has a post-retirement option (PRO) for bringing retirees back to work.
- Colorado rehires retirees into six month maximum, temporary positions.
- Montana allows retirees to return to work for less than 920 hours per year and maintain retirement benefits.
- South Dakota's law changed July 1, 2010 to discourage employees from returning to work by imposing retirement benefits cuts if they do.

Survey Results

CSCA 10 States

What do you believe are the top concerns for your employees as they near retirement?

- ◎ **#1 Concerns:**
 - > Health insurance (as listed by 4 states)
 - > Enough retirement income (as listed by the other 4 states)
- ◎ **Most frequently reported by the states:**
 - > Enough income to live on
 - > Health insurance
 - > Economy/cost of living/retirement plan viability

Survey Analysis/Themes

Employees & Retirees

Top Five Factors Affecting Retirement as Reported by Retirees & Active Employees:

<u>Retirees</u>	<u>Active Employees</u>
<ol style="list-style-type: none">1. Retirement Plan2. Health Insurance3. Communication w/Supervisor4. Salary5. Respect/Appreciation from Officials/Public	<ol style="list-style-type: none">1. Health Insurance2. Retirement Plan3. Cost of living during retirement4. Salary5. Annual Leave

Survey Analysis/Themes

Employees & Retirees

Retirement Benefits are the leading factor in determining when to retire

- > Meet Rule of 85
- > Wait for Social Security eligibility
- > Health of personal investments also important

****Concern about changes to the retirement plan during the next legislative session, changes may cause employees to retire sooner****

Survey Analysis/Themes

Employees & Retirees

Health Insurance is also a very important factor in determining when to retire

- > Ability to pay for premium
- > Wait for Medicare eligibility
- > Uncertainty of federal healthcare reform

Survey Analysis/Themes

Employees & Retirees

Dedication to Work was mentioned as a reason to continue working

- > Dedication to agency's mission, co-workers, citizens of ND
- > Pride in their work
- > Will continue as long as health allows
- > Positive relationship with co-workers/manager enhances work environment
- > Many indicated they would stay longer if they could vary their responsibilities or take on a new project

Survey Analysis/Themes

Employees & Retirees

Work-Life Balance is highly valued by retirees and employees

- > Flexible work schedules
- > Increasing work loads has affected work-life balance & employee morale
- > Phase out with PT work
- > Phase out in non-management role

Survey Analysis/Themes

Employees & Retirees

Salaries

- > Need to support effective pay for performance programs
- > Pay compression is a major problem
- > Little ability to influence pay since it is controlled by the legislature, feel they are not respected by legislature
- > A simple "Thank You" every so often from managers and legislatures helps too

Survey Analysis/Themes

Other Public Employers & 10 States

Employees major factors in deciding retirement (according to management staff surveyed):

- > Retirement Benefits
- > Health Insurance

Managers are concerned about:

- > Knowledge transfer
- > Keeping productive employees
- > Being able to offer part-time work arrangements

Overall, managers would like to do more to ease employees into retirement & pass on knowledge to younger employees

Executive Interviews

Themes & Recommendations

- ◉ Would like to keep productive employees
- ◉ Institutional knowledge is very valuable
- ◉ Need to develop next generation of leaders

Executive Interviews

Themes & Recommendations

Retention Ideas

Salary Dollars & FTE Count

- > Need more \$
- > Need more flexibility
- ◎ Why?
 - > Succession planning - hire 2 people into one position to transfer knowledge (for limited period of time)
 - > Relieve pay compression issues
- ◎ Compare ND to markets in which we actually lose employees when determining salary ranges

Management Quotations

“Salaries are the last item in the budget and legislative process. What message does that send to staff?”

“Lack of a compensation philosophy within the State of ND is an issue. Uncertainty of raises drives people away.”

Executive Interviews

Themes & Recommendations

Retention Ideas

Flexible scheduling options

- > Compressed work weeks
- > Seasonal work
- > Phased retirement or PT work
- > Sabbaticals
- > Work time to pursue degrees

Flexibility to transfer to other state agencies

- > Amend internal posting process

Management Quotations

“Attitudes are better if people can pursue opportunities like this plus with additional education, new ideas are developed.”

Executive Interviews

Themes & Recommendations

Management
Quotations

Retention Ideas

Generational Awareness

- > Workplace tension
- > Interns have helped older workers see the need for knowledge transfer
- > Interns have helped mentor older workers too, especially with technology
- > Need more leadership development and succession planning programs – need resources for this

“New workers are frustrated with bureaucracy and how slowly things move in government. New staff is very capable...”

When working with older employees, the younger employees realize there’s more to the job than just knowing the technical aspects.

“Knowing who to go to is part of the job too that older workers know, either inside government or private companies. How state government works take time to learn.”

Executive Interviews

Themes & Recommendations

Retention Ideas

Retirement benefits

- > Employees are very nervous about upcoming legislative session – do not decrease benefits
- > Provide cost of living increases during retirement
- > Do not increase deductibles on health insurance
- > Continue to pay employee contribution to retirement plan
- > Pay for dental and eye care

Management Quotations

If the legislature makes changes that negatively impact employees, “May and June of next year will all be retirement parties.”

Executive Interviews

Themes & Recommendations

- Agency Directors are worried about **increasing workload** on employees causing higher stress levels and no opportunity for succession planning which stands to affect quality of services provided
- Their employees are very **proud** of their work and work very hard
- Low salaries are offset somewhat by the **benefits package & flexible work schedules**
- All agencies expressed concerned about **weakening any portion of the compensation package**, further reducing the ability to recruit & retain qualified employees

Review of the Literature

“Recession Turns a Graying Office Grayer”
(The Pew Research Center’s September 2009 Report)

The most popular reasons adults over 65 say they work are:

- > To feel useful/productive - 68%
- > To live independently - 59%
- > To give self something to do - 57%
- > To be with other people - 56%

Review of the Literature

Employee Benefit Research Institute
March 2010 Brief

- ⊙ 87% reported that their expected retirement age has increased

- ⊙ The reasons given for the change by workers postponing retirement in the 2010 RCS are:
 - > The poor economy (29 percent).
 - > A change in employment situation (22 percent).
 - > Inadequate finances or can't afford to retire (16 percent).
 - > The need to make up for losses in the stock market (12 percent).
 - > Lack of faith in Social Security or government (7 percent).
 - > The cost of living in retirement will be higher than expected (7 percent).
 - > Needing to pay current expenses first (6 percent).
 - > Wanting to make sure they have enough money to retire comfortably (6 percent)."

Review of the Literature

“The Quiet Crisis Recruitment and Retention in the Public Sector”
(The Recruitment and Retention Taskforce Federation of Public
Employees/American Federation of Teachers (AFT) Report)

Over the next 15 years, government employers face a **crisis in recruiting and retaining quality employees**

- 2/5 of state and local government employees will be eligible to retire over this period
- Employers have not addressed adequately how to replace these workers
- Public sector employees have watched their pay and benefits become less competitive and have chosen to leave the public sector for more lucrative positions in the private sector

How will we continue to provide quality public services if we cannot attract quality employees to the public sector?

Review of the Literature

“The Quiet Crisis Recruitment and Retention in the Public Sector”
(The Recruitment and Retention Taskforce Federation of Public
Employees/American Federation of Teachers (AFT) Report)

To attract and retain older workers:

- ⦿ Do not discourage recruitment of older workers or encourage older workers to leave! (Ex: early retirement options, providing benefits only to full-time employees and offering no flexibility in benefits or hours of work.)

Other offerings:

- ⦿ Flexible work options
- ⦿ Invest in training, retraining, career development and reward systems suitable for workers of all ages
- ⦿ Redesign work space with brighter lighting and ergonomic workstations
- ⦿ Offer flexible benefits
- ⦿ Implement eldercare and home care assistance programs
- ⦿ Provide retirement education
- ⦿ Employee appreciation

Employee Recommendations

- Flexible Work Options
- Training & Development
- Employee Appreciation
- Compensation & Benefits
- Other

HRMS Recommendations

Two Key Areas:

- > Pay & Benefits
- > Work Environment

HRMS Recommendations

Pay & Benefits

- ◎ Monitor the balance of pay and benefits to ensure an overall competitive position in the market
- ◎ Hay Group study

HRMS Recommendations

Work Environment

- Utilize flexible & alternative work arrangements
- Options to redesign jobs as employees near retirement
- Double fill positions – succession planning
- Offer development opportunities
- Participate in generational training

Employee Engagement

The key to retention of employees is engagement. A truly engaged employee regardless of whether they are newly hired, mid-career, or nearing retirement is most productive and less likely to be actively looking for opportunities to move on.

Questions?

HRMS Contacts

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Compensation Analyst/HR Officer