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The Golden Handcuffs:
Benefits and Staff Employee Retention at the
University of California

ABSTRACT:

As baby boomers begin to retire and the workforce begins to shrink, employee retention will become a critical issue for employers. It will be vital for public service agencies in general and the University of California (UC) in particular to retain employees. Limited numbers of studies have been completed on benefits and retention or on university employee retention issues. This study will look at the effect of benefits on retention and how these benefits may need to be changed or adapted to retain staff employees of certain age groups who work at the University of California. A survey was distributed to non-represented employees at the University of California campuses. The data was analyzed to determine if the University of California's current benefits meet the needs of target population. Quantitative analysis suggests that there is a connection between the benefits and retention. Qualitative analysis highlights that although staff employees came to UC for the benefits, that relationship may be weakening as wages stagnate and out-of-pocket costs for benefits increase.

Introduction

Concerns have been raised for several years regarding the number of people expected to retire in the coming decades. Compounding this issue is that the workforce is also expected to dramatically decrease, increasing the competition for skilled workers. The public sector is expected find this particularly difficult. In 1999, over 42% in state and local government were between the ages of 45 and 64 years of age. Large numbers of employees will be retiring between 2001 and 2015 (Ehrenhalt, 1999). As larger numbers leave the public sector, the number of workers between 25 and 44 is also expected to decrease. The private sector is able to attract young workers with salary, bonuses and other incentives. How will the public sector be able to compete?

The University of California (UC) also faces this problem. UC is in a particularly difficult situation because many of their campuses are located in competitive workforce markets, i.e. San Francisco, Los Angeles, San Diego, etc. These areas are home to high-tech industries and other major private sector employees and public and private universities. Employee skills are easily transferred to these other institutions and companies. How can the UC compete with private companies to retain employees in the future who currently work for UC? Salaries are always cited as the main reason as one of the reasons why people leave. Salaries can be difficult to change and certain changes require approval by the Regents. Certain benefits, however, provide more flexibility and will be the cornerstone of recruitment and retention in the future. Does UC need to change its current benefit offerings to attract younger employees? It is critical for UC to analyze its current benefits to see if they need to be adapted or changed to attract the workforce of the future. This project serves to provide some insight into what employees might want their future benefits to look like.

Currently UC does not perform exit interviews so it is difficult to tell why people are really leaving. Data on work force turnover at UC is also difficult to locate. Much of the evidence cited why people leave the UC system is anecdotal but they include the lure of better salaries but also better benefits. For example, many people have moved to another education institution where they are guaranteed tuition reimbursement for themselves, their partners and children. Although wages at UC have been below market rate, UC's benefits have always been considered very comprehensive and competitive. More recently, however, as wages have stagnated and benefit costs have increased, UC employees are considering other employers who offer higher wages and comparable benefits.

Literature Review

Literature on this topic focuses on the changing demographics of the federal, state and local governments. However, very little has been written on benefits and retention in general, or on benefits and retention at public universities more specifically.

The pending baby boomer retirement crisis was first written about by G. B. Lewis (1991). In his paper "*Turnover and the Quiet Crisis in the Federal Civil Service*" (1991), Lewis focuses on turnover in the federal government. At the time of the paper was written, there were sufficient baby boomers to fill any openings due to turnover. However, he argues that this would not always be the situation and the shrinking workforce would make the task of retaining employees more difficult. Although the University of California is beginning to look at succession planning, there is still much to be done and they are just beginning to incorporate benefits changes into their planning.

Changing demographics are also the focus of Wolf et al (1987) research. They argued that many young people were leaving the public service (at the time the paper was written)

because diminished career opportunities. Higher level jobs were being assigned to older more vested workers who were unlikely to leave until retirement. The disappearance of younger employees affected the organizational “memory and collective capacity” (Wolf et al, 1987). Bruce and Reed (1994) highlight other changing demographics such as family dynamics, dual-income couples, working parents. There is a growing need for employers to address the “work-family dichotomy” to retain employees. UC has developed adapted benefits and policies to enhance work-life balance and has incorporated the changing family structure, such as domestic partnership coverage, into their benefits package. However, are further adaptations necessary to meet the needs of workers?

In 1990, the U.S. Merit Systems Protection Board (MSPB) asked why employees were leaving the federal government. MSPB estimated that 120,000 employees left the federal government each year. By reviewing the exit surveys they discovered that employees enjoyed working in the federal government, however, employees gave many reasons were given for leaving the federal government. Compensation, organizational and management, and relocation issues were cited as the primary reasons. MSPB did note that there is much variety between individuals and that it is important that future retention issues be tailored to specific groups of people. There are generational changes that are forcing companies to adapt their benefits. Younger employees are less likely to stay in a job long-term.

The idea of tailoring benefits and policies are also address in Crewson’s paper (1997). He looked at why the public sector is no longer able to attract younger workers. Crewson argues that although federal, state and local governments are all facing workforce issues, each agency may need solutions that are tailored to the agency depending on the situation. One size does not fit all. Both the MSPB report and the Crewson article highlight the need to look at retention within public universities and the need for tailored solutions. It may also be necessary to adapt

policies to each of the UC locations since they also face similar workforce issues but may need to address issues that vary from location to location.

In contrast, Barbara Romzek work (1990) investigates why employees stay. She argues that institutions need to develop psychological ties to increase workforce retention. When employees feel psychologically invested in their workplace, they are more likely to stay despite pay, benefits, etc. When employees have a feeling of a shared commitment, it encourages other employees to stay. Employer's can mitigate their inability to provide investment oriented motivations by focusing on developing communication and a common culture that employees can feel apart of. From the comments made by respondents, health benefits and the pension seem to tie people psychologically to UC, in part because these benefits can be extended to family members, e.g. health benefits, or ensure protection when employees are most vulnerable, e.g. when they retire. This is particularly applicable to UC because salary cannot always be provided to employees. What benefits can be used to develop a psychological tie to the university?

Ezra and Deckman (1996) discuss some specific examples. They argue that work/life balance and policies, such as on-site childcare and flextime, are critical for employee satisfaction. They argue that government employers need to look at a combination of ways to improve employee satisfaction, particularly as the demographics of workforce change. Ressler (2006) addressed the need to recruit and retain young IT leaders in the federal government. Tailored retention policies are critical. In this case Ressler argued that leadership development programs were a successful way to retain younger employees. This approach could be applied to younger workers at UC.

Although Wilson (1994) focuses his research on senior executives who leave federal government, it is still applicable to retaining younger workers at UC. Political control

objectives, professional objectives and subunit power are considered predictors of senior executive turnover. UC needs to consider workplace climate in its retention planning. As the analysis of the data will reveal, staff employees are looking for different benefits beyond just health benefits and wages. Work/life benefits are very important as commutes to many UC locations get longer and longer.

Lewis and Durst (1995) explored whether locality pay would solve recruitment and retention problems in the Federal civil Service. Locations such as New York, San Francisco, and Los Angeles found recruitment and retention more problematic. Competitive labor markets had more of an affected recruitment and retention to the federal civil service versus whether location pay was offered. This suggests location and labor markets need to be incorporated into recruitment and retention policies. This is applicable to UC because many of the campuses are located in areas where there are high concentrations of other universities and private sector employers, both either offer better benefits or better pay. As the analysis will demonstrate below, many employees will consider higher wages over benefits. Although the tie to benefits is still strong, this tie is weakening as the benefits become less competitive.

Method

In this paper, I will test the hypotheses that benefits have a strong influence on why employees stay at the University of California and that benefit influence varies by age group.

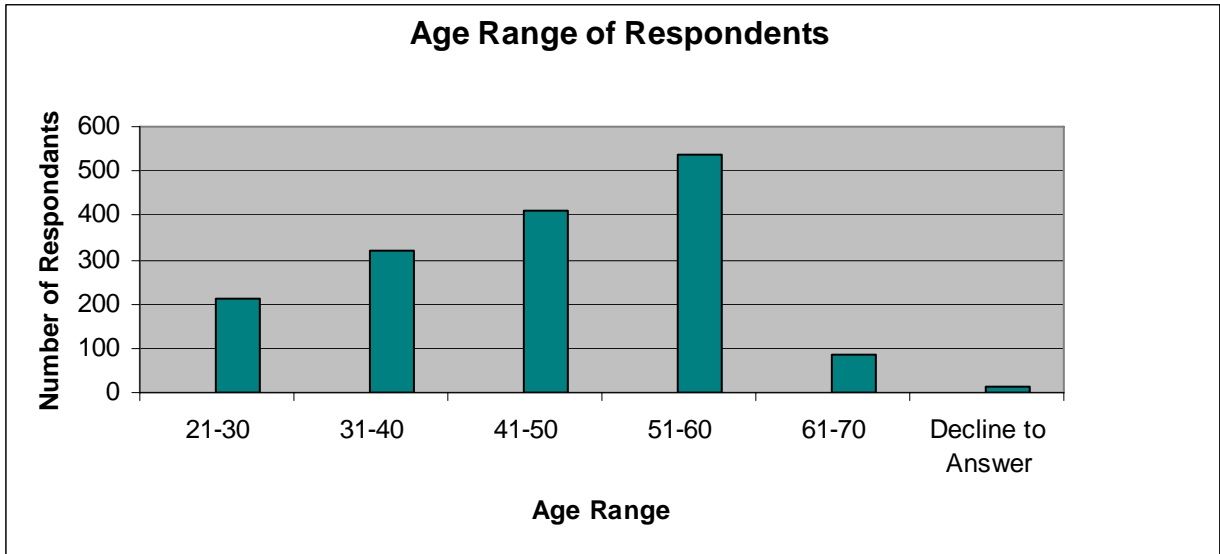
The survey was made up of 15 questions. Four of the questions were open ended. Respondents were asked for demographic information and then about the influence of benefits on their decision to join UC and to stay here. The survey was sent to a campus contacts who distributed the survey via their staff council listserv. Although contact was made at each location, there were problems getting the survey distributed. Two sites already had produced similar surveys and another refused to send it because of morale issues.

All the questions on the survey, with the exception of question 1, 6, 7, 8 10, 12, & 13, were included at the request of the Council of University of California Employees and were not initially related to this project. However, because questions 11, 14 & 15 were open ended questions, employees were able to articulate details about the specific benefits, I included some of that feedback below and it supports comments made in early questions.

The participants were non-represented employees of the University of California. All UC locations participated. However, participation was not uniform and anova tests were run (see below):

What University of California location do you work for?		
Answer Options	Response Percent	Response Count
Berkeley	4.8%	76
Davis	57.6%	909
Irvine	6.0%	94
Lawrence Berkeley National Lab	0.4%	6
Los Angeles	0.9%	14
Merced	0.4%	7
Office of the President	0.8%	12
Riverside	16.8%	265
San Diego	6.0%	95
San Francisco	5.7%	90
Santa Barbara	0.8%	12
Santa Cruz	0.2%	3
Decline to State	0.5%	8
<i>answered question</i>		1578
<i>skipped question</i>		0

Age range of those who responded was also unevenly distributed:



Quantitative Analysis

The mean age of respondents was 45.25. The median age was 46.6.

Anova Test on Location Responses

Due to the response distribution of responses, I need to test whether the variations in the responses are random or not. For this I used an anova test:

$H_0: M_1 = M_2 = M_3 \dots M_{12}$

$H_1: \text{not all } M \text{ are equal}$

Alpha: .01

CVf: (12, 1324)=1.75

ANOVA

Did Benefits influence your decision to apply to UC?

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6.856	12	0.571	1.018	0.429
Within Groups	739.069	1317	0.561		
Total	745.926	1329			

F=1.018, which falls in the fail to reject H_0

Alpha: .01 sig=.429, $p \geq \alpha$, therefore we fail to reject H_0
 We are not rejecting H_0 , therefore no post-hoc tests need to be run.
 Variance between groups is smaller than within groups, means they are likely to be from same group.

Anova Test on Age:

Since there was a disparity between those who responded by age, I wanted to run an Anova test by age also:

$H_0 = M_1 = M_2 = M_3 \dots M_{12}$

$H_1 =$ not all M are equal

Alpha: .01

CVf: (6, 1329)=2.80

ANOVA

Did Benefits influence your decision to apply to UC?

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	7.214	5	1.443	2.586	0.025
Within Groups	738.711	1324	0.558		
Total	745.926	1329			

$F=1.443$, which falls in the fail to reject H_0
 Alpha: .01 sig=.025, $p \geq \alpha$, therefore we fail to reject H_0
 We are not rejecting H_0 , therefore no post-hoc tests need to be run.
 Variance between groups is smaller than within groups, means they are likely to be from same group.

Question 6: Did benefits influence your decision to apply to UC?

Now that it has been confirmed that these response have not occurred randomly, I will now see if there is a relationship between age and retention by using a Chi –squared test

Age	Yes Observed	Yes Expected	No Observed	No Expected	Total Observed
21-30	98	106.53	60	22.04	158
31-40	168	181.37	101	20.58	269
41-50	257	240.03	99	115.96	356
51-60	334	314.19	132	151.80	466
61-70	33	47.87	38	23.12	71
	22890		430		1356

H_0 : Age and Influence of benefits on joining the university are independent

H_1 : Age and Influence of benefits on joining the university are not independent

Alpha: .05, $df=(2-1)(5-1)=4$, CV_f : 9.49

$F=402.89$, This falls into the reject H_0 . In this case, age and the influence of benefits are connected.

Q10: Overall, how much do benefits influence your reasons for staying at the University?

Age	Extremely Influential Observed	Extremely Influential Expected	Somewhat Influential Observed	Somewhat Influential Expected	Not at all Observed	Not at all Expected	Total
21-30	107	134.41	78	53.99	8	11.59	193
31-40	176	213.80	120	85.88	11	7.30	307
41-50	275	279-26	119	112.18	7	9.54	401
51-60	441	55.71	82	148.55	8	12.64	531
61.70	54	55.71	24	22.38	2	1.90	80
	1053		423		36		1512

H_0 : Age and Influence of benefits on staying at UC are independent

H_1 : Age and Influence of benefits on staying at UC are not independent

Alpha: .05, $df=(3-1)(5-1)=8$, CV_f : 15.51

$F=429.78$, this falls into the reject H_0 . In this case, age and the influence of benefits on staying at the university are connected.

Question 12: Would you consider taking a job outside of UC where the pay is more but the benefits are less?

	Yes Observed	Yes Expected	No Observed	Yes Expected	Total
21-30	150	119.29	45	75.70	195
31-40	229	186.58	76	118.41	305
41-50	232	242.86	165	154.13	397
51-60	262	307.70	241	195.29	503
61-70	33	49.55	48	31.44	81
	906		575		1481

H_0 : Age and Influence of benefits on staying at UC are independent

H_1 : Age and Influence of benefits on staying at UC are not independent

Alpha: .05, $df=(2-1)(5-1)=4$, $CV_f: 9.48$

$F=4.23$, This falls into the fail reject H_0 are. Age and influence of benefits on staying at UC are connected.

Question 13: How much more salary would that be?

	10% O	10% E	20% O	20% E	30% O	30% E	40% O	40% E	50% O	50% E	Total
21-30	7	7.77	60	50.04	50	53.61	19	22.99	19	20.56	155
31-40	11	12.03	77	77.49	95	83.00	32	35.61	25	31.84	240
41-50	13	12.28	86	79.10	75	84.73	33	36.35	38	32.51	245
51-60	16	105.07	77	89.76	94	96.15	54	41.24	37	36.89	278
61-70	1	1.95	9	.366	17	13.48	4	5.78	8	5.17	39
	48		309		331		142		127		957

H_0 : Age and % salary that an employee would leave the University for are independent.

H_1 : Age and % salary that an employee would leave the University for are not independent.

Alpha: .05, $df=(5-1)(5-1)=16$, $CV_f: 26.29$

$F=7.37$, this falls into the fail reject H_0 area. Age and % salary that an employee would leave the University for are not independent.

Strength of relationships:

Unable to run regression analysis due to the way data was collected. No interval level data used.

Qualitative Analysis

Respondents were asked four open-ended questions regarding benefits at UC

1. What benefits influenced their decision to apply to UC?

Health benefits and retirement were cited by the majority of people as the reason why they decided to join the university:

Number of times mentioned

Age Group	Health	Retirement/ Pension	Tuition	Sick/Vac/ Holidays	Telecommuting/ Flextime/work life	Misc Benefits*
21-30	70	28	7	14	3	22
31-40	100	74	7	23	8	26
41-50	185	121	3	18	6	44
51-60	256	157	4	44	8	31
61-70	29	20				1
Declined to state age	1	1				

* Includes those who came to UC for the total package and those who listed the following misc. benefits: life ins, legal disability, location, career development, job security, reciprocity with Calpers, gym membership

These responses are not surprising since UC has had a very competitive benefits package. As the private sector began to reduce its health and pension benefits, UC was able to remain competitive through its benefits. Individuals cited many personal reasons but cost of health insurance was mentioned several times. Also important was the ability of employees to cover their spouse, domestic partners and children. Another important benefit was life-time health benefits after 20 years of service. This was cited as important by the 51-60 age group.

However, people made several comments about the cost of health and tuition. Those respondents who had worked at UC for a long-time recalled that health insurance was a lot cheaper and were concerned about the continued erosion of this benefit. Tuition reimbursement was another area of concern. Several individuals wanted to work for UC because of the tuition reimbursement, however, they found out later that it was not as extensive as the CSU or other university systems.

2. If they have you thought about leaving UC because of benefits offered at other workplaces, they were asked to specify what benefits they might be?

Age Group	More Monetary compensation	Better Retirement/Pension	Better Health Insurance	Leave (incl. vac, holidays, maternity/paternity leave)	Tuition	Misc Benefits*
21-30	15	10	8	6	3	13
31-40	23	5	9	6	12	10
41-50	22	19	16	4	5	8
51-60	29	15	17	3	3	8
61-70	4	2		1		
Declined to state age						

More monetary compensation includes salary, merit, step increases, pay for performance, stock options. It is clear that individuals would leave for more pay even if the benefits were not as good.

Those who said they would leave for better retirement said they would do so for company 401k matching. Those who specified this felt the people who were not going to stay to avail of the pension plan were missing out and would like to opt out of the pension plan and move to a employer match system, which they could take with them when they leave. This was not age specific.

Those who said they would leave for better health insurance cited that it took too long to vest and that they would move to a company where coverage is better and employees have to pay less. Some respondents said they would like to be able to opt out of the medical plan and receive the money instead of the benefit. Leave was not mentioned as much but longer vacation time and maternity and paternity leave were also given as a reason to leave.

Miscellaneous benefits respondents mentioned included free parking and transportation, free food, better childcare facilities, telecommuting, more flexible work week, pet insurance, charitable donation matching, gym.

Question 11 and 14:

Respondents were asked to describe how existing benefits should be expanded (Q11) and to describe examples of benefits offered elsewhere that they would like to see being offered by UC (Q14). These two questions were requested by administrators at UC and are not directly related to the purpose of this research paper. After reviewing the responses in preparation for a content analysis, I noticed that some trends appeared and were associated with people's satisfaction with staying UC:

1. Flextime and Telecommuting: employees felt that this policy was applied unevenly to all staff and most supervisors were opposed to it. They felt that with rising gas prices that telecommuting was becoming more important. Because of UC campus locations, most staff employees cannot afford to live near their campus and have to commute long distances. There could be potential satisfaction/morale issues surrounding this policy and may be something that UC needs address. One respondent suggested that the University should design future technical infrastructure around telecommuting.
2. Childcare: childcare is offered as a benefit but it is very limited and cost prohibitive for most staff employees, with most childcare going to students and faculty..

3. Tuition reimbursement: Although UC is an educational institution, there are limits to their tuition reimbursement policy. People are aware what other companies offer in terms of tuition support and are perplexed as to why the CSU system has a much more liberal benefit that is extended to staff's children and partners and UC's is limited and restricted.
4. Rising costs of health care co-pays and coverage: Employees expressed opinions about the rising cost of health insurance, decrease in coverage and the lack of pay increase to keep up with those costs.

Conclusions

As mentioned in the literature review, very little research has been done on the retention of university employees. This research should shed light on the way in which UC organizes its current benefits to ensure that the benefit packages are sufficient to retain younger employees now and in the future. Quantitative tests demonstrate the connection between different age groups and the draw of benefits at UC. Employees continue to be drawn to the university because of the benefits. However, they do consider leaving because of better pay and benefits elsewhere. As pay continues to be 15% lower compared to other educational institution (www.ucop.edu) and 20%-30% less than private industry, employees see comprehensive benefits as their trade off for lower wages. However, as the cost of benefits, such as health and pension, are transferred to the employee, the draw of the benefit package will not be as strong. The qualitative analysis also demonstrated that the benefits continue to draw employees and it is what keeps them here, for the moment. However, the qualitative data also demonstrated staff employee concerns over diminishing benefits and the continued rise in the amount they are required to pay for those benefits. Wages are not keeping up with these costs so employees have to pay out of pocket for these expenses, and thus their paychecks are getting even smaller. In addition, qualitative data revealed dissatisfaction with cost prohibitive benefits like childcare,

limited benefits such as tuition reimbursements, and benefits that are not implemented, such as telecommuting and flextime.

Although employees have been and continue to be attracted to UC for their benefits package, the qualitative data demonstrates potential dissatisfaction among staff. Although this is not an immediate crisis, it definitely indicates growing dissatisfaction and it may be time to mitigate some of this dissatisfaction by reviewing some of the issues presented in this paper. This survey demonstrated that further qualitative and quantitative analysis needs to be done in this area.

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APPENDEIX A – SURVEY