

**Job Satisfaction and Retirement Rates:**  
**Federal Employee Succession Planning for the Future.**

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## **Abstract**

This study is to determine if there is a causal link between the job satisfaction of federal employees and their chosen retirement date. With careful controls placed on the variables of an employee's health, age, and financial status, will their choice of retirement date depend on whether they enjoy their work or not? The implications of this research could greatly assist federal agencies with succession planning as large numbers of employees from the "Baby Boomer" generation begin their mass exodus from the workforce due to retirement. The study begins with a cross sectional research design of federal employees to gauge their attitudes about their own employment with their respective federal agencies. Data collection is achieved through the use of a 32-question Internet survey that will be accessed electronically via a link in a mass e-mail sent to the study population. Data is collected through a series of questions providing nominal, ordinal, and ratio data for quantitative analysis, and open-ended questions for qualitative analysis. A multi-stage cluster sample is used to draw a study population from three federal agencies in the San Francisco Bay Area: the Bureau of Labor Statistics (BLS), the Social Security Administration (SSA), and the Veteran's Administration (VA) providing triangulated data.

## **Introduction**

Succession planning is the active process employers engage to address employment losses due to attrition in association with employee retirements. This activity has assumed a palpably cogent urgency in response to the aging “Baby Boomer” workforce just beginning their first wave of retirements in earnest. The Federal Government’s obligation to successfully plan for future staffing and personnel needs truly begins with a detailed understanding of the various reasons why federal employees retire and when. We believe understanding the dynamic connection between job satisfaction and retirement rates for federal employees can assist the Federal government’s ability to better plan for the future.

Academic and professional publications both adequately explain the phenomenon of federal employee retirement rates in relation to various factors, such as: different retirement plans, public vs. private sector retirement rates, and access to pre-retirement planning, to name a few. And much has been published about employee job satisfaction and their retirement rates. However, little has been specifically published about the federal employee’s job satisfaction perceptions and its affect on their retirement rates and choice of retirement date. The research proposed in this project attempts to provide the nexus between retirement rates for federal employees and their perceptions of job satisfaction to better assist the federal government with succession planning in the wake of “Baby Boomer” retirements.

## Literature Review

The Federal Government has been aware of the personnel and staffing crisis posed by its aging workforce for at least five years (Tobias, 2001). The Office of Personnel Management (OPM) has estimated that by 2005 more than half of the federal workforce—approximately 900,000 employees—were eligible for regular early retirement. Roughly 293,000 of those who were eligible to retire will have (Volinovich, 2001). And despite the interest of recent retirees to return to federal service to help alleviate the problem (Liebowitz, 2004), a more definitive approach may be necessary to plan for the future. Studying the motivational factors that lead to the decision of retirement may pose the best solution to the problem.

Federal employee retirement rates have been studied from various angles. It is known that federal and other public sector employees are more likely to retire earlier than their private sector counterparts (Rutzuick, 2006). When considering the Civil Service Retirement System (CSRS) and the Federal Employee's Retirement System (FERS) (Bixby, 1995) evidence has shown that CSRS annuitants retire sooner than their FERS counterparts (Asch & Warner). This ~~phenomena~~[phenomenon](#) exists despite a higher replacement rate of lost wages for the FERS plan with the additional financial support from Social Security Retirement benefits and the Thrift Savings Plan, available to FERS annuitants (Martin, 2003). Meanwhile, health does not appear to be a significant factor in retirement decisions for federal employees (McCune & Schmidt, 1981). Furthermore, access to pre-retirement planning for federal employees evinced a greater propensity towards early retirement for those vacillating between staying or

leaving (Siegel, 1994). All of these points are well taken, adding to the total body of knowledge explaining federal employee retirement trends. However, the variable factor “job satisfaction” as it relates to federal employees and their retirement decisions, has not previously been explored in depth.

Writings in the academic and professional journals of Public Administration pose an intriguing relationship between job satisfaction and retirement, but none has specifically linked job satisfaction with federal employee retirement trends. Research has been conducted to understand the degree to which federal employees are satisfied with their jobs. Ting offers evidence that job characteristics, including: pay satisfaction, promotional opportunity, task clarity, task significance, and skill utilization has significant effects on feelings of job satisfaction for federal employees (1997). And research conducted by McCune & Schmitt demonstrates that attitudes exhibited by employees about their jobs factors significantly to an individual’s decision to retire (1981). One researcher has noted that federal employees are more likely to stay on the job past the point they are eligible to retire, but he does not offer a hypothesis to explain why (Hyde, 2001). And one researcher only suggests the more sophisticated the job skill, the more likely federal employees are to delay retirement, or return to work after retirement (Liebowitz, 2004). In the end, the nexus of job satisfaction and retirement choices for federal employees remains ambiguous.

The federal government must address the obligation to engage in effective succession planning to fill the employment void left by retiring “Baby Boomers.” The research set forth by this project would bridge the gap between job satisfaction and federal employee retirement trends by empirically testing for a causal relationship

between the two phenomena. We hypothesize that there is indeed a causal relationship between perceptions of job satisfaction and retirement trends for federal employees. By establishing the causal relationship, future projections of federal employee retirement trends could be made available to assist in effective succession planning (Whalen, 2001) and efficient allocation of resources.

## **Research Design**

The research design is cross-sectional. This design will provide data from a diverse segment of the federal employee population regarding how they feel about their jobs and their retirement plans at the time they take the survey. With a cross-sectional design, there is no need to contact employees in the future to see how their opinions have changed. Therefore, we can increase the volume of survey respondents by offering them anonymity. Since employees know that their responses cannot be traced back to them, they can answer personal questions honestly about their age, finances, and retirement plans.

## **Data**

To address the link between federal employee job satisfaction and chosen retirement date, we will collect original survey data from federal employees working in the San Francisco Bay Area Regional offices of the Bureau of Labor Statistics, the Social Security Administration, and the Veteran's Administration. The unit of analysis is the individual federal employee.

## **Variables**

The independent variables in our research topic are job satisfaction, work environment, opportunities for advancement, and retirement planning. Work environment and advancement opportunities are frequently considered to be components of job satisfaction. However, many respondents equate job satisfaction with how well an employee enjoys his tasks at work. Therefore, we separate work environment and advancement opportunities from the larger independent variable, job satisfaction. The dependent variable is the decision to retire. Our hypothesis states that there is an inverse relationship between job satisfaction and the decision to retire such that the higher the degree of job satisfaction, the longer retirement will be delayed. We further predict that there will be a positive relationship between retirement planning and the decision to retire; the more retirement planning an employee has had, the more likely he or she is to retire. There are also a series of confounding variables aside from the listed independent variables that we have determined may influence employees' retirement decisions. The confounding variables we have isolated include: employee's age, the employee's health, the health of dependent family members, and finances.

## **Operational Measures**

We designed an online survey to gather original data relating to each of our variables since we could not locate a data set containing information on federal employee job satisfaction as it relates to retirement rates. Research from our literature

review alerted us to the challenge of operationalizing job satisfaction. From our research we designed a data-gathering instrument that isolates variables describing job satisfaction for federal employees. The research shows that pay satisfaction, promotional opportunity, task clarity, task significance, and skill utilization all have a significant impact on perceptions of job satisfaction. And other variables such the employees' grade level, opportunities for advancement, and the degree to which they feel they contribute to their agency's mission also factored with job satisfaction. The variable "work environment" is easier to capture, and to do so we ask about the employees' satisfaction with their physical offices, their co-workers, and their supervisors. The survey contains questions about the employees' perception of advancement opportunities and whether their achievements are recognized to measure the variable "opportunities for advancement." The final independent variable, "retirement planning," is operationalized through questions about the employees' retirement systems and whether they've attended retirement training classes.

To address the dependent variable, the employee's decision to retire, the survey asks if the employee is retired, and if so, when? If the employee is still working, it asks when he or she plans to retire. There is an open-ended question to determine the top three factors that have, or will, affect the employee's retirement decision. Questions about the employee's age, health, annual income, household income, retirement savings, and social security expectations will control for effects from confounding variables.

## **Method of Data Collection**

We will use a brief, confidential survey to gather information about the retirement plans of federal employees who are retired, who are eligible to retire, or who will be eligible to retire in the next ten years to answer our research question. The data we found on federal retirements while conducting the Literature Review, although informative, did not directly address our research question. In conducting the survey we hope to show a correlation between job satisfaction of federal employees and the decision of when to retire.

## **Sample Frame and Study Populations**

**Target Population:** Federal employees who are currently eligible for retirement, nearing retirement eligibility or already retired. Eligibility for voluntary retirement is determined by a combination of retirement plan (CSRS or FERS) and length of service. The Office of Personnel Management (OPM), calculated voluntary retirements for Full Time Permanent (FTP) employees for 2001 as approximately 2% of the workforce (30,534), with a projected increase to 3.9% (58,889) by the year 2006. These are the most recent numbers and projections that we have found. The trend is definitely upward, but the extent and impact of this upward movement is yet to be determined.

**Sample Population:** Since our target population includes millions of current and retired federal employees, it is not feasible to study the entire population. We propose to use a **cluster sample** to study federal employees at three federal agencies in the Bay Area. To increase the likelihood of survey cooperation, we plan to sample at our three work places. Our study population will include: employees of Social Security Administration, Richmond, CA; Bureau of Labor Statistics, San Francisco, CA; and Department of Veterans Affairs Medical Center, San Francisco. The current workforce estimates at these sites are: Department of Labor, Bureau of Labor Statistics 85; Social Security Administration, 1500; Department of Veterans Affairs Medical Center, 2377).

**Unit of Analysis:** As previously mentioned, the individual federal employee is the unit of analysis.

### **Sample Size**

Our goal is to have at least 200 respondents to our survey. This sample size would permit us to achieve +/- 6.9% accuracy with a confidence level of 95%. A confidence level of 95% is a typical confidence level in public administration studies. Two hundred respondents will allow for a representative sample from three diverse federal agencies.

## **Rationale and Limitations**

We plan to control for bias by planning for the following points:

- It is reasonable to expect that employees nearing retirement age or already retired would have some familiarity with the attributes of their retirement plans.
- However, some employees may inadvertently provide inaccurate responses if they are unfamiliar with the details of their retirement plans and savings.
- Well-written and tested questions should reduce bias.
- The confidential nature of the survey should reduce false responses since there would be no personal incentive for participants to lie on the survey.
- There is a possibility that by surveying only federal employees currently located in the San Francisco Bay Area that our survey might exclude statistically significant data from federal employees outside the geographic area. For example, Bay Area employees might be healthier because of almost year round access to healthful outdoor activities. Or they may be more inclined to take advantage of the appreciation in the value of their home to sell, buy a smaller home, and use the additional profit from the sale to add to their retirement nest egg.
- We may be limiting our respondents to those who have a choice about retiring by not including those with limited mobility, but those employees represent a small percentage of employees based on BLS figures.

Nationwide, the federal government's civilian workforce numbers approximately 2,796,667, according to recent estimates by OPM. The Department of Labor employs 15,427, Social Security 64,814 and the Department of Veterans Affairs, 237,663.

Because all three agencies maintain Regional Centers in the Bay Area, a substantial number of employees of all three agencies work in the Bay Area, many at the sites where we will be soliciting responses to our survey

With such a large available population, and the confidential nature of the survey we plan to use, preparing a formal population list is not warranted. Instead, we intend to send a survey link to each of our respective agency's employees to ask them to complete our online survey. In other words, employees at our three agencies will have access to the survey. Government employees are accustomed to completing paperwork, accessing computers, and using email. Most can be expected to be comfortable enough with such activities that they would not be inhibited from participating because of the type of survey used.

### **Proposed Analysis**

Most of the data that we collect will be quantitative, and lend itself well to analysis. By using a variety of question types: Y/N, Discrete Choice, Likert scales, multiple choice, interval, bands, and open-ended questions; we plan to access information in a variety of formats. We will utilize the two following open-ended questions to capture qualitative data:

- "Please list the top three factors that will, or have, affected your decision of when to retire."

We expect the answers to this question to fall into a limited number of categories, such as, “To pursue other interests”, “To spend time with spouse/children” or “Tired of working every day”.

- “What do you plan to do when you retire?”

Again, we expect that most of the answers will fall into a limited number of response categories, such as “travel”, “volunteer”, “care for family member(s)”, “pursue hobbies” or “work another job”.

## **Schedule**

We expect to have our survey tested and approved by management at our agencies by mid-January. We have activated an account on surveymonkey.com, and in January will open a Professional Subscription for \$19.95 per month. We expect to use the Professional Subscription for no more than two months. Our group will share the negligible cost. During January and February we will solicit responses through the employee email systems where we work. Data analysis will be conducted in February through April 2007. The results will be reported by May 2007 at the end of the spring semester.

## **Conclusion**

The impact of a large number of experienced employees retiring within a few years of each other could be devastating to the efficient working of the various government agencies. In some job categories, such as nursing, and information technology, recruiters are already experiencing difficulties in attracting and retaining a sufficient numbers of employees. Some of this shortfall in staffing can be met by recruitment efforts, but additional approaches may be necessary, such as retaining current employees and more emphasis on training current employees to fill positions vacated by retirees. Understanding the motivations of retirees is an important tool in meeting the looming staffing crisis caused by retirement of older workers.

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