Performance, Compensation and Talent Management Committee

California Public Employees' Retirement System

Agenda Item 5a

December 15, 2015

ITEM NAME: Employee Turnover and Organizational Health Index Survey

PROGRAM: Administration

ITEM TYPE: Information

EXECUTIVE SUMMARY

This agenda item is an update on the organization's progress towards meeting the goals of the California Public Employees' Retirement System (CalPERS) 2012-17 Strategic Plan as measured through a suite of CalPERS Board of Administration (Board) affirmed Strategic Measures (Attachment 1). Specifically, this item considers the Strategic Measures regarding employee turnover and the CalPERS' Organizational Health Index survey.

STRATEGIC PLAN

This agenda item supports the CalPERS Strategic Plan Goal B to cultivate a high-performing, risk-intelligent, and innovative organization.

BACKGROUND

In August 2012, the Board adopted the CalPERS 2012-17 Strategic Plan. In July 2013, an initial set of Strategic Measures were developed as part of a larger effort to support the use of enterprise-wide measurements to guide the organization. In July 2014, the Board affirmed the suite of Strategic Measures which included the two Strategic Measures covered in this item.

ANALYSIS

Strategic Measure: Employee Turnover

In July 2014, Human Resources presented the Strategic Measure on Employee Turnover for the first time. Employee turnover is divided into two types of movement including external and internal movement. The external movement reflects the number of employees that separated from CalPERS. These include voluntary separations, involuntary separations, and retirements. Separations include employees that left CalPERS for another State agency or other employer. The internal movement reflects the number of employees that transferred and promoted within CalPERS. This year, employee movement was also examined by career stage and generation. The career stages that were developed for this analysis include Office & Support Staff, Entry and Intermediate Analysts, Advanced Analysts, Managers and Supervisors, and Senior Management and Executives. The generations used during this analysis include Millennials, Generation X, Baby Boomers, and Traditionalists. Tracking the variances in external movement and internal movement over time can provide a measurement of effectiveness of development, retention, and employee empowerment objectives.

Employee turnover is a naturally occurring event within all organizations. From time to time, it is expected that employees will leave their employer for a variety of reasons whether it is to retire, promote, or adjust to changing circumstances in their lives. While a zero percent employee turnover rate may seem ideal, it is not desirable as low turnover and a stagnant workforce may inhibit new, innovative ideas, and diverse perspectives.

As shown in Graph 1 below, the CalPERS annual External Movement Rate for Fiscal Year (FY) 2014-15 was 8.7 percent which was below the Bureau of Labor Statistics State and Local government turnover rate of 16.9 percent. It was also lower than the Society for Human Resource Management (SHRM) government turnover rate of 9.0 percent, and the California State Teachers' Retirement System (CalSTRS) annual turnover rate of 9.3 percent. During this same period, we experienced 132 transfers and 258 promotions within CalPERS. Of the 8.7 percent of the workforce that separated during FY 2014-15, 52 percent were from the Entry and Intermediate career stage. This stage includes classifications that are equivalent to the Staff Services Analyst and Associate Governmental Program Analyst. The Advanced Analyst career stage accounted for 15 percent of the external movement, followed by Managers and Supervisors at 15 percent, and Senior Management and Executives at 10 percent.

Graph 1. CalPERS External Movement
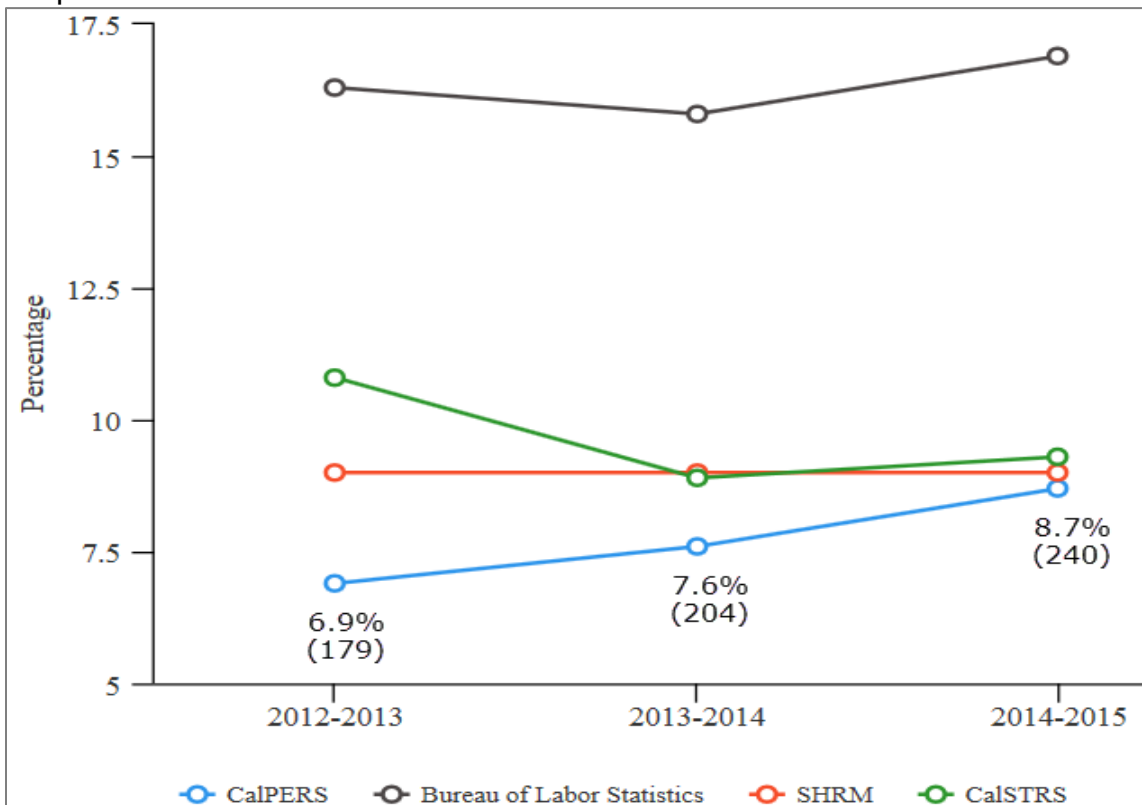
Sources: PeopleSoft HCM, my|CalPERS, www.bls.gov, www.shrm.com, CalSTRS.

Overall, this is a trend that we expect to continue since classifications in the Entry and Intermediate career stage are general, mid-level career positions and are used more widely throughout the State resulting in even more opportunities for these employees. In addition, classifications included in the Advanced Analyst, Managers and Supervisors, and Senior Management and Executives career stages are typically hard-to-fill positions, so it is desirable to see lower turnover from these groups. Our ability to retain these employees contributes to increased morale, productivity, and our succession planning efforts.

Generation Xers and Baby Boomers displayed the highest amount of external movement during FY 2014-15. This is a trend that we expect to continue to see since the Generation Xers make up the largest portion of the CalPERS workforce. Within the Baby Boomers group, there were a total of 91 separations with 49 of them due to retirements. This is a trend that we expect to continue to see as more and more Baby Boomers exit the workforce. When compared to internal movement, the Generation Xers and Millennials experienced the highest amount of transfers and promotions. An increase in internal movement of these two generations is a reflection of workforce health, increased tenure, and employee retention, as well as supports succession planning and knowledge transfer. These movements can also mitigate effects of current and future Baby Boomer retirements. In addition, internal movement is positive and continues to build our bench strength.

As shown in Graph 2 on the following page, the CalPERS annual Internal Movement Rate for FY 2014-15 was 14.2 percent. This is a slight decrease from the previous year where internal movement was 18.3 percent; however, a contributing factor for this decrease was the number of authorized positions that were added to the workforce to support business objectives. During FY 2013-14, 125 new positions were added while during FY 2014-15, only 31 new positions were added. Of the 14.2 percent of the workforce that transferred and promoted within CalPERS, the majority of the staff were in the Entry and Intermediate career stage. This career stage is also the largest group, making up approximately 55 percent of the workforce. Many of the classifications in this group are general, mid-level career positions and are used more widely throughout the enterprise. Again, we can speculate that because of these facts, staff in this career stage had more job opportunities throughout the enterprise. Generally, classifications in this group are not difficult to recruit for and generate a robust applicant pool. This is a trend that we expect to continue to see and it reflects CalPERS commitment to retain and develop top talent internally. We consider internal movement as positive reflection of increased employee morale and productivity, as well as a contribution to CalPERS bench strength and our succession planning efforts.

Graph 2. CalPERS Internal Movement
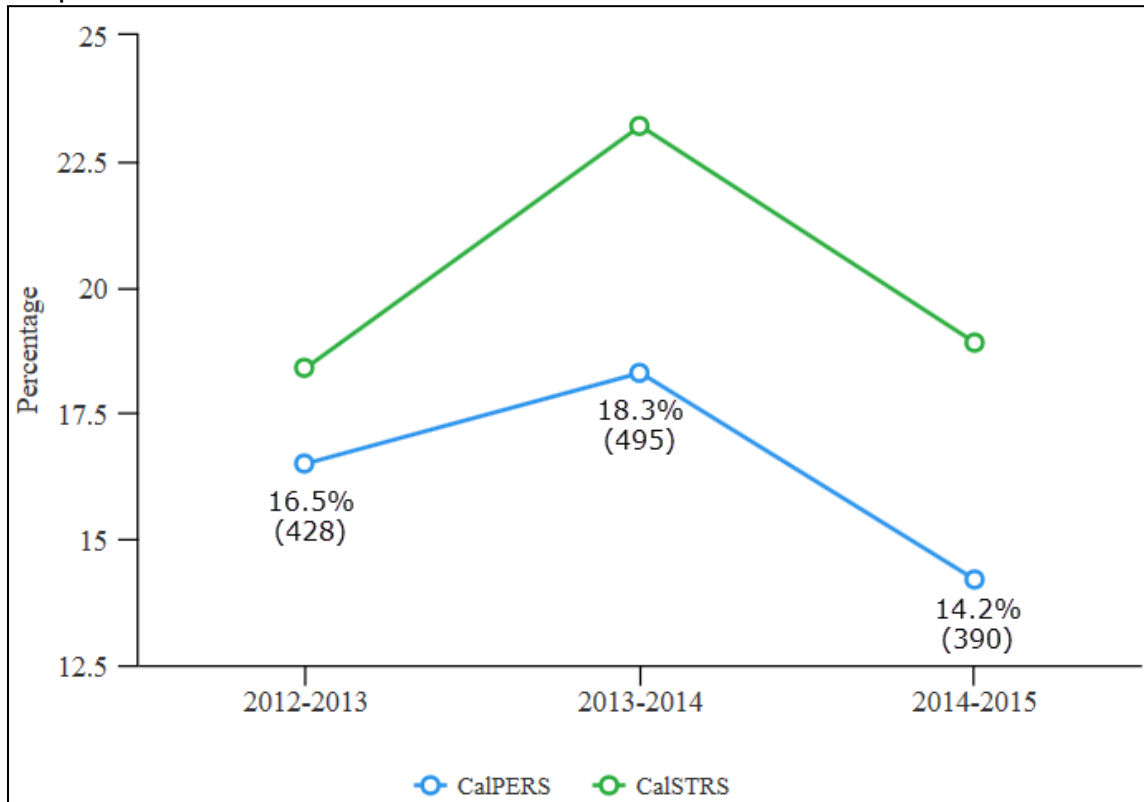
Sources: PeopleSoft HCM, my|CalPERS, CalSTRS.

CalPERS takes pride in our ability to recruit, retain, develop, and empower a broad range of talents to deliver promised retirement and health benefits to our members and beneficiaries. Human Resources offers a variety of talent management and employee engagement programs, as well as oversees succession planning, mentoring, and knowledge transfer strategies in order to retain our employees and transfer critical institutional knowledge. CalPERS is one of the leading departments in succession planning and has long recognized our employees are our greatest asset. These initiatives attest to our high 3-year average retention rate of approximately 92.4 percent for the period of July 1, 2012 through June 30, 2015. We have made attracting and retaining a well-qualified workforce an organizational priority to ensure CalPERS continues to be a destination employer.

Strategic Measure: Employee assessment of CalPERS Organizational Health
The outcome of the work done by the Enterprise Internal Innovation (EII) Team has culminated in the development of an employee-driven innovation program. The EII Program was established as a result of feedback from the Organization Health Index (OHI) survey that was delivered to all CalPERS staff in 2013. Survey results show that staff is interested in the organization fostering innovation and creativity on the front lines, specifically giving staff a sense of individual responsibility for results and empowering them to share ideas.

The purpose of the EII Program is to inspire staff to share innovative ideas and solutions that will improve performance and service. The program supports increasing employee-driven (bottom-up) innovation and awareness, cross-functional collaboration, and innovative business solutions shared across business areas, while promoting a culture of openness for staff.

The EII Team has spent the past year piloting the program in three phases. At present, they are preparing to wrap up the third phase, which involves knowledge sharing and implementation of top-voted ideas that were submitted during the first phase and evaluated during the second phase. Other developments that have taken place during this time include the development and implementation of the EII Toolkit, a resource for staff that wish to submit an innovative idea or solution and, the EII Library, a tool that will allow quick reference to innovative ideas and solutions submitted throughout the program's lifetime which was created with the help of the Information Technology Services Branch.

The team has completed work on the EII Program implementation plan, and they continue to work with the Office of Public Affairs (PAOF) to identify appropriate communication channels for the launch of the program. Throughout the three phases of piloting the program, the team has promoted EII Program awareness and education at several all staff venues this year, such as the CalPERS Information Technology Showcase in June, the Career and Education Fair in July, and at the All-Staff Forum in August. The EII Team has been and will continue to utilize the Spark to increase program awareness enterprise-wide by providing ongoing broadcasts to create employee-driven innovation. The Spark is an enterprise-wide social network platform designed to promote innovation, collaboration, openness, and transparency. The Spark empowers employees at all levels to share their ideas and expertise, promotes knowledge transfer, and builds relationships across the organization. The Spark provides an online setting for employees to communicate about the projects and topics that are important to CalPERS. As a social media tool, it enables us to collaborate, discuss and exchange ideas in real time.

Incremental launch is scheduled to begin in January 2016 and the program will be available enterprise-wide by June 2016.

BUDGET AND FISCAL IMPACTS
Not Applicable.

BENEFITS/RISKS
Strategic Measure: Employee Turnover
Monitoring risks and trends in employee turnover may provide management with an indicator to increase and develop additional talent acquisition and talent management initiatives to address turnover and minimize the impacts of exiting staff.

Failure to monitor trends, potential risks, and mitigations may have negative impacts to the availability of an adequate knowledgeable workforce with sufficient training and skills to meet organizational goals and objectives.

Strategic Measure: Employee assessment of CalPERS Organizational Health
Innovation is an important component for the continued growth and success of
CalPERS in meeting the needs of our members, employers, stakeholders, and
employees. The benefits of creating an innovative culture include empowering staff to
share ideas which may lead to improved service and performance and allowing
greater openness in sharing new ideas across the enterprise.

The risks of not incorporating innovation into our culture are that it may lead to a
stagnant environment which lacks creativity and new ideas and may hinder our ability
to meet our organizational goals and objectives. Employee turnover may also be
impacted as employees look for opportunities with other employers that are more
progressive and dynamic in looking for new ways of improving operations and
services.

ATTACHMENTS
Attachment 1 – Strategic Measure Summary

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