

ICMA Conference Briefing: Local Government Employment, Benefits, and Retirement Issues



Fall 2012



ICMA Conference Briefing: Local Government Employment, Benefits, and Retirement Issues

Introduction

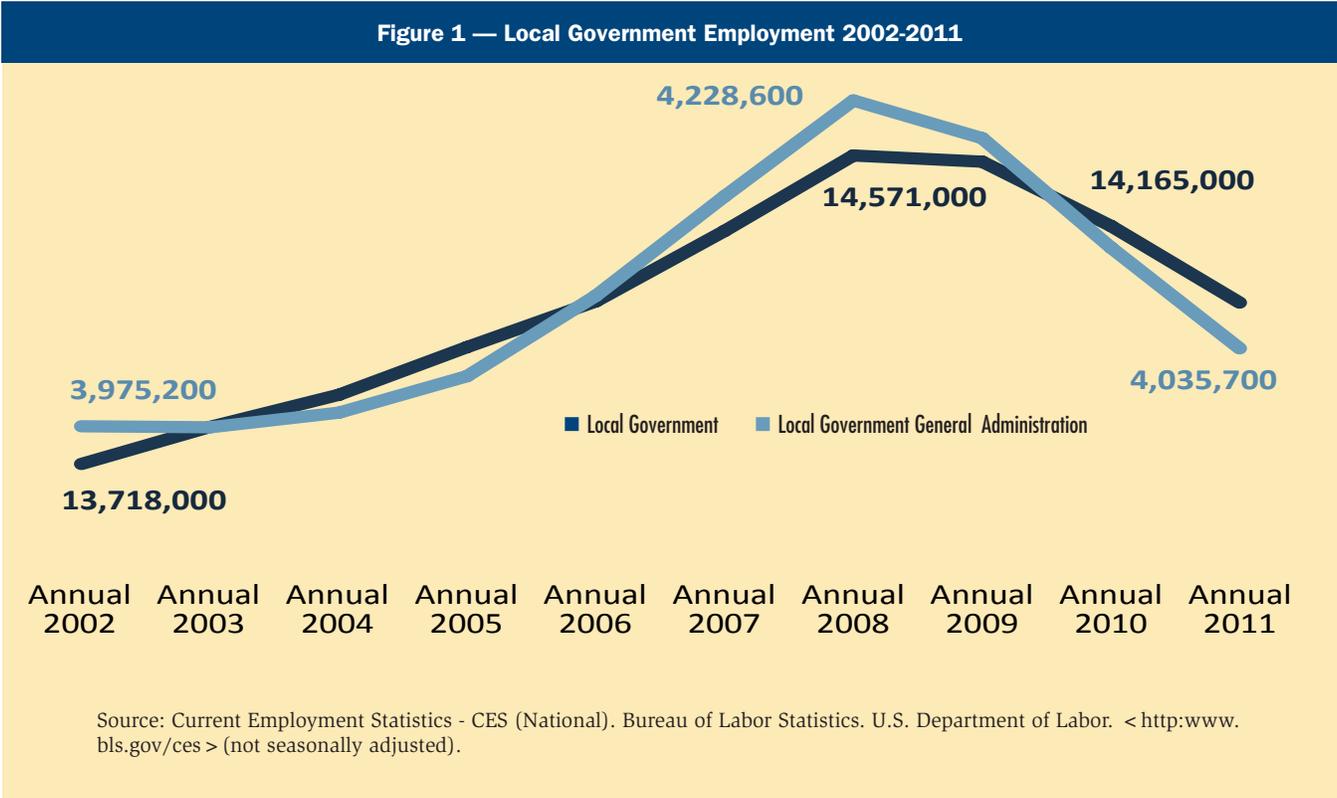
With some governments in their fourth year of pay and hiring freezes, according to surveys by the Center for State and Local Government Excellence (SLGE), local governments are facing a wide range of workforce challenges. Their workforce is aging and many still have a pay freeze and are adjusting retirement and health care benefits, according to SLGE's 2012 survey report: *State and Local Government Workforce: 2012 Trends*. At the same time, the pace of layoffs has slowed, with 28 percent reporting layoffs this year compared with 43 percent in 2009.

The top workforce issue cited by survey respondents in 2012 is the public perception of government workers. Issues that continue to rank as most important are: retaining staff for core services, addressing employee morale and workload problems, staff development, and reducing employee health care costs. See slge.org for survey details.

Local Government Employment and Demographics

There were 14,165,000 local government workers in the U.S. in 2011, of which 4,035,700 (28 percent) were gen-

Figure 1 — Local Government Employment 2002-2011



eral administration employees. These numbers are down 3 percent for all local workers and 5 percent for general administration workers from their 2008 ten-year peak.ⁱ

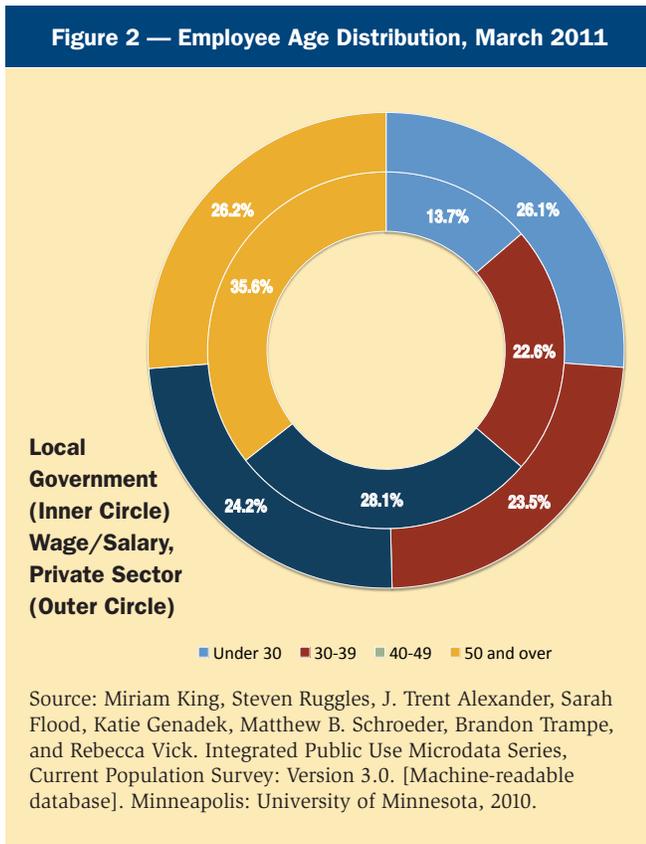
The average age for local government employees, as of March 2011, was 44 years old, similar to the averages for state (age 44) and federal (age 45) employees, but higher than the average (age 40) for wage/salary private sector workers. Related to this, almost 36 percent of local government workers are over the age of 50, compared to 26 percent of wage/salary private sector workers. See Figure 2 below for the full age distributions. On the other end of the spectrum, over a quarter of all wage/salary private sector workers are under 30, while only about 14 percent of local government workers are in this segment.ⁱⁱ

As a cohort, local public sector workers are more educated than their private sector counterparts. For 30 percent of wage/salary private sector workers, their highest level of education is high school; this is the case for 20 percent of local government employees. Twenty-six percent of local government employees, relative to 19 percent of wage/salary private sector employees, have achieved a bachelor’s degree as their highest level of education. Also, 23 percent of local government workers have a master’s, professional, or doctorate degree; 8.3 percent of wage/salary private sector workers have the same level of education.ⁱⁱⁱ

Local Government Workforce Changes, 2009-Present

As the economy began to come out of the December 2007 – June 2009 recession^{iv} in November and December 2009, local (and state) human resource executives were surveyed about workforce, compensation, and benefit changes that their governments had implemented.^v Sixty-five percent of the local government executives reported that their government had implemented pay and hiring freezes, forty-three percent of their governments had implemented layoffs, and 27 percent had used furloughs. These policies were being put into place at a time when, as the executives reported, 44 percent of retirement-eligible local workers were delaying retirement, with 12 percent accelerating their retirement plans.

The 2012 version of this study^{vi} finds the same policies in place, but shows modest signs of improvement. Forty-eight percent of local government human resource executives reported that their governments had pay freezes in place over the past year. Forty-two percent reported that their government had hiring freezes, 28 percent had layoffs, and 15 percent continued to implement furloughs. However, retirement delays remained high, with 47 percent of local respondents reporting that their retirement-eligible colleagues were delaying their retirement. Twenty percent were accelerating their retirement plans.



Local Government Workforce Benefits: Retirement Plans and Health Care

Aside from wages and salaries, two key components to local government employee compensation are retirement savings benefits and health care. As of March 2011, 89 percent of local government workers had access to some form of retirement benefit, with 95 percent of those with access participating. More specifically, 83 percent of local government employees had access to a traditional, defined benefit pension plan; 95 percent of this group participated. A much smaller portion of local government employees have access and participate in a defined contribution (DC) plan. Around a quarter (26 percent) of local workers have access to a DC plan, with about half (53 percent) of those with access participating.^{vii}

Eighty-six percent (86 percent) of local government employees had access to health care as of March 2011.

Eighty-nine percent (89 percent) of those with access chose to participate. Breaking health care out into categories, 85 percent of local workers had access to medical care, 54 percent had access to dental care, 36 percent had access to vision care, and 84 percent had access to outpatient prescription drug coverage. For all of these health care categories, participation among those who had access ranged from 81 to 84 percent.^{viii} In retirement, 66 percent of local workers can access retiree health benefits before they reach 65 years of age; 59 percent receive these benefits at age 65 or older.^{ix}

Looking at these benefits in a broader context, in a 2007 survey of Americans the importance of these benefits was affirmed, with health insurance plans and retirement plans being at the top of the list for important characteristics when choosing a job. As can be seen in Figure 3, both of these benefits are prioritized as very or somewhat important by virtually all respondents.

Figure 3 — Importance of Job Characteristics	Very Important %	Somewhat Important %	Not too/Not At All %	Don't know/Refused %
The health insurance plan	84	12	3	1
Having job security	82	14	3	1
Being in an environment with clear policies and procedures	82	15	2	1
The retirement or pension plan	76	19	3	1
A flexible, family-friendly workplace	71	22	5	2
Getting quick decisions on issues at work	69	26	4	2
Working with talented managers	68	25	5	2
Having the potential for promotions	66	29	5	1
Being creative and intellectually stimulated	66	29	4	2
How much one is paid, the total compensation	65	31	2	1
Making a contribution to society	64	31	5	1
Having a reasonable commute to work	63	30	5	2
Having independence and personal autonomy	57	34	4	4
Working with others from a diverse set of backgrounds	50	32	15	2
The amount of vacation time	46	43	11	1

Source: Security: What Americans Want from a Job. Center for State and Local Government Excellence. < <http://slge.org/publications/center-for-excellence-poll-security-what-americans-want-from-a-job> > .

Local Government Benefit Changes, 2009-present

As has been the case with workforce changes, in the wake of the Great Recession, local governments have made many changes to retirement and health care benefits offered to employees. In 2009, 21 percent of local government human resource executives surveyed reported that their government had made changes to employee retirement benefits since the beginning of the recession^x; 53 percent reported having made changes to health care benefits. In 2012, 33 percent of local government human resource executives reported changes to retirement plans within the past year, and 59 percent reported making health care changes.^{xi}

More specifically, regarding the top retirement plan changes, in 2012, 23 percent of respondents reported that their government increased new employee contributions to pension plans, 14 percent increased age and service requirements for normal retirement for new hires, and 9 percent reported that pension benefits were reduced for new hires. For current workers, 23 percent of those surveyed from local government answered that current employee contributions to pension plans had been increased over the past year, 8 percent said that employer contributions had been increased for current

workers, and 3 percent had reduced/eliminated cost of living adjustments within the past year.^{xii}

There have been many changes to the provision of health benefits as well. Among the top three changes, 50 percent of the local government human resource executives reported that their government shifted more health care costs from employer to employees (examples: higher premiums, co-payments, and deductibles) over the past year. Twenty-seven percent of the respondents' governments had created wellness programs, and 11 percent had shifted more costs from employer to retirees within the past year.^{xiii}

Conclusion

Local governments are experiencing a wave of retirements in an era of sustained fiscal constraints. They recognize that they will need a competitive benefits package to attract and retain the talent they need to deliver essential services. They also need to identify any looming skills gaps and develop workforce strategies for the future. Such strategies includes professional development for current workers so they can fill certain key positions, as well as adjustments in human resources practices that will appeal to the next generation of public servants.

Endnotes

- ⁱ Current Employment Statistics - CES (National). Bureau of Labor Statistics. U.S. Department of Labor. < <http://www.bls.gov/ces/> > . (not seasonally adjusted).
- ⁱⁱ Miriam King, Steven Ruggles, J. Trent Alexander, Sarah Flood, Katie Genadek, Matthew B. Schroeder, Brandon Trampe, and Rebecca Vick. Integrated Public Use Microdata Series, Current Population Survey: Version 3.0. [Machine-readable database]. Minneapolis: University of Minnesota, 2010.
- ⁱⁱⁱ *ibid*
- ^{iv} Business Cycle Dating Committee, National Bureau of Economic Research. National Bureau of Economic Research. < <http://www.nber.org/cycles/sept2010.html> > .
- ^v Survey Findings: The Great Recession and the State and Local Government Workforce. Center for State and Local Government Excellence. < http://slge.org/wp-content/uploads/2011/12/Great-recession-and-govt-workforce_10-150.pdf > .
- ^{vi} Survey Findings: State and Local Government Workforce: 2012 Trends. Center for State and Local Government Excellence. < http://slge.org/wp-content/uploads/2012/04/S-L-Govt-Workforce-2012_12-195_web.pdf > .
- ^{vii} Table 2. Retirement benefits: Access, participation, and take-up rates, State and local government workers, National Compensation Survey, March 2011. Bureau of Labor Statistics. U.S. Department of Labor. < <http://www.bls.gov/ncs/ebs/benefits/2011/ownership/govt/table02a.pdf> > .
- ^{viii} Table 9. Health care benefits: Access, participation, and take-up rates, State and local government workers, National Compensation Survey, March 2011. Bureau of Labor Statistics. U.S. Department of Labor. < <http://www.bls.gov/ncs/ebs/benefits/2011/ownership/govt/table05a.pdf> > .
- ^{ix} Table 42. Health-related benefits: Access, State and local government workers, National Compensation Survey, March 2011. Bureau of Labor Statistics. U.S. Department of Labor. < <http://www.bls.gov/ncs/ebs/benefits/2011/ownership/govt/table39a.pdf> > .
- ^x Survey Findings: The Great Recession and the State and Local Government Workforce. Center for State and Local Government Excellence. < http://slge.org/wp-content/uploads/2011/12/Great-recession-and-govt-workforce_10-150.pdf > .
- ^{xi} Survey Findings: State and Local Government Workforce: 2012 Trends. Center for State and Local Government Excellence. < http://slge.org/wp-content/uploads/2012/04/S-L-Govt-Workforce-2012_12-195_web.pdf > .
- ^{xii} *ibid*
- ^{xiii} *ibid*

ICMA Conference Briefing: Local Government Employment, Benefits, and Retirement Issues

The Center for State and Local Government Excellence gratefully acknowledges support from ICMA-RC to undertake this project.

About the Center for State and Local Government Excellence

The Center for State and Local Government Excellence helps state and local governments become knowledgeable and competitive employers so they can attract and retain a talented and committed workforce. The Center identifies best practices and conducts research on competitive employment practices, workforce development, pensions, retiree health security, and financial planning. The Center also brings state and local leaders together with respected researchers and features the latest demographic data on the aging work force, research studies, and news on health care, recruitment, and succession planning on its web site, www.slge.org.



About ICMA-RC

Founded in 1972, ICMA-RC is a non-profit independent financial services corporation focused on providing retirement plans and related services for more than a million public sector participant accounts and approximately 9,000 retirement plans. Our mission is to help build retirement security for public employees. We deliver on our mission by focusing on service, quality and value. All of our retirement programs, administrative services and educational tools have been developed specifically for public sector retirement plan administrators and participants. For more information, visit www.icmarc.org.

