

Audit Report

Citywide Retention: The City should use employee feedback to guide its employee retention efforts

August 2024



When an employee leaves the City, their department loses an experienced individual. As a result, the quality of services provided to the public may be impacted while the department devotes time and resources to hiring and training a replacement.

The City of Austin, like many government entities, is facing retention challenges. While employees generally like the City's benefits, such as medical care and paid time off, they cite uncompetitive compensation, limited career progression opportunities, and unpopular telework rules as some of the City's biggest challenges to retention. By listening to its employees, the City may be able to address the areas of greatest concern to its workforce and better retain its staff. The City should also monitor and evaluate the success of its retention efforts.

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Objective

Do the City’s employee retention policies and practices reduce turnover and compare to peer cities?

Background

Employee retention refers to efforts employers make to keep their employees. Each department in the City of Austin has a role to play in retaining their staff. The Human Resources Department (HRD) in partnership with departments is responsible for Citywide retention. HRD’s mission is to engage, attract, develop, support, and retain the best workforce in the country to serve Austin’s residents.

Employee turnover is costly for employers. According to the Society for Human Resources Management (SHRM), the cost of replacing an employee can be three to four times the employee’s salary. That means the City may spend more than \$150,000 in lost productivity, hiring, and training costs to replace an employee earning \$50,000 per year.

Exhibit 1: The City’s turnover rate has fluctuated over the last few years

Citywide Turnover Rate by Year	
Fiscal Year	Percent
2018	8.19%
2019	8.44%
2020	7.55%
2021	8.80%
2022	11.77%
2023	9.88%
2024 as of July	8.02%
7-Year Average	8.95%

Source: OCA analysis of the City of Austin’s turnover rates, July 2024

All of Plan A's employees will be able to retire by 2035.

Austin has roughly 14,500 employees that report to the City Manager. Between 2018 and 2023, an average of 9% of employees left City employment each year. This number represents all employee separations, including voluntary separations, involuntary separations, and retirements. For context, the turnover rates for Dallas, El Paso, Fort Worth, and San Antonio varied from around 10% to 15% annually.

The City may continue to see higher than average turnover rates in the future due to retirements. The City has two pension plans for its civilian employees: Plan A and Plan B. Employees who were hired before January 1, 2012, are in Plan A. Roughly 25% of the City's employees are in Plan A. Of these Plan A employees, over 20% are currently eligible for retirement. Employees hired after January 1, 2012, are in Plan B. Only around 3% of Plan B employees are currently eligible for retirement. The first Plan B employees will not have contributed 30 years of service until 2042.

Exhibit 2: Employees under Plan A are generally able to retire sooner than employees under Plan B

City of Austin Pension Plans
Plan A
Can retire after 23 years regardless of their age.
Can retire at age 62 with 5 years of service.
Can retire at age 55 with 20 years of service.
Plan B
Early Retirement with reduced benefits: At age 55 with 10 years of service.
Can retire at age 65 with 5 years of service.
Can retire at age 62 with 30 years of service.

Source: OCA analysis of the City's Pension Plans, July 2024

With competition for employees from public¹ and private companies, Austin should take steps to create and maintain a dedicated workforce that can provide Austin with high quality services for the long-term.

¹ Austin is home to other major public sector employers like the University of Texas at Austin, State of Texas, Travis County, and many nearby municipalities.

What We Found

Summary

Like our peers, Austin is facing retention challenges. Close to 25% of surveyed employees report applying for a job outside of the City within the last 6 months.

The City's Human Resources Department views all compensation and rewards offered to employees as the City's employee retention strategy. Employees like parts of this package, such as benefits. Other parts are pushing people to look for jobs outside the City. These parts include worker pay, chances for advancement, and recent changes to the City's telework policy.

By listening to its employees, the City may be able to address the areas of greatest concern to its workforce and better retain its staff. The City should also monitor and evaluate the success of its retention efforts.

Finding 1

Employees are generally satisfied with the City of Austin's benefits, but say uncompetitive compensation, limited career progression opportunities, and unpopular telework rules are some of the City's biggest challenges to retention.

The City of Austin sends out exit surveys to employees who leave City employment. Based on the responses to these surveys, most departing employees were satisfied with the City's benefits. The City's benefits include medical, dental, and vision insurance plans, paid leave, a variety of wellness programs, and many other benefits. Over the past several years, the City regularly reviewed and added to the benefits it offered. The following are examples of recent changes to employee benefits:

- Adding a third personal holiday.
- Recognizing Juneteenth as an official holiday.
- Increasing paid parental leave from 6 to 12 weeks.²
- Increasing income limits for childcare assistance, allowing more employees to take advantage of the program.
- Adding a maternity support program.

When compared to other large cities in Texas, Austin offered similar and often better benefits.

Despite these efforts, the City's turnover has fluctuated over the years. In early 2024, our office conducted a survey of all City employees to better understand their wants and needs. Roughly 45% of City employees responded to our survey. We learned that some of the City's main challenges to retention are uncompetitive pay, limited career advancement opportunities, and unpopular changes to the City's telework policy.

² Austin will increase parental leave to 12 weeks in October 2024.

Uncompetitive Compensation

According to our survey, 94% of employees said that compensation was essential to retention. However, the vast majority of survey comments about compensation were negative. Employees said the market studies were incomplete. They also said pay was uncompetitive and cost of living adjustments were lagging.

The Human Resources Department (HRD) structures employees pay to align with the wages of our competitors. There are two exceptions to this rule. First, in positions that are hard-to-fill, the City may offer higher wages in order to hire and retain needed personnel. Second, the City Council has approved a “living wage” for all City of Austin employees. This is the minimum hourly wage that any City of Austin employee can earn. Since 2018, the City’s living wage has increased from \$14 to \$20.80 per hour. The City’s living wage is higher than the minimum wages set by the state and federal government. As a result, Austin’s living wage may be high compared to the wages offered by its competitors for some positions.

We compared the minimum salary for five positions in Austin to those in other large Texas cities to get a better sense of how Austin’s compensation compared.³ We found, as seen in Exhibit 3, that other Texas cities paid more than Austin for three of these five positions.

Exhibit 3: Comparison of Entry-Level Compensation for Certain Positions in Austin and Other Large Texas Cities

Job Titles and Entry Compensation by City					
	911 Call Taker	Admin Specialist	Carpenter	Electrician II	Planner I
Austin	\$47,923	\$49,421	\$45,302	\$56,493	\$52,832
Dallas	\$45,947	\$47,326	\$43,310	\$50,208	\$51,714
El Paso	\$40,250	\$52,420	\$33,550	\$43,790	\$46,060
Fort Worth	\$49,335	\$45,800	\$45,800	\$45,800	\$45,800
Houston	\$36,712	\$50,596	\$36,712	\$45,734	\$50,596
San Antonio	\$43,985	\$42,376	\$41,382	\$56,138	\$50,222

Source: OCA analysis of wages across Texas, July 2024

However, data from the Economic Policy Institute shows that Austin and its region have the highest cost of living in Texas. Austin’s high cost of living may make it difficult for employees to live, work, and play in the City they serve, further decreasing the City’s competitiveness. Many respondents to our survey said that their decision to stay with the City depended on their ability to afford to live in Austin.

³ We selected the five positions from a list of positions reviewed in Austin’s most recent Citywide market study.

83% of surveyed employees expressed satisfaction with City benefits.

The City increased the living wage from \$14 to \$20.80 per hour between 2018 and 2024.

Furthermore, the City's wages have not kept up with the cost of inflation in recent years. The City regularly provides cost of living adjustments (COLAs) to its employees each year to keep up with rising costs.

In recent years, these COLAs have ranged from an increase of 2% to 4% of an employee's annual salary. However, as seen in Exhibit 4, over the past 3 years, the City's COLAs have not kept up with the pace of inflation.

Exhibit 4: Employees effectively earn less when wages don't keep up with inflation

Year	Employee wage with COLA	Employee wage matching US inflation rate	Difference
Baseline	\$50,000	\$50,000	\$0
2018	\$51,250	\$51,200	\$50
2019	\$52,531	\$52,122	\$409
2020	\$53,845	\$52,747	\$1,098
2021	\$54,921	\$55,226	-\$305
2022	\$56,020	\$59,644	-\$3,624
2023	\$58,261	\$62,089	-\$3,828

Source: OCA analysis, July 2024

If COLAs are consistently less than inflation, employees may not make enough to keep up with the increasing cost of food, housing, utilities, and other necessities. This can push employees to look for work elsewhere.

HRD conducts market studies every 3 to 4 years to ensure pay remains competitive. They aim to review all Citywide job titles. Department-specific titles like "Veterinarian" or "Parks Grounds Assistant" are not regularly reviewed. This could lead to slower wage growth for many City employees. Departments can request market studies for specific job groups but may be asked to fund those studies themselves.

We spoke to eight departments about their retention challenges. All eight departments mentioned compensation. Three departments expressed a desire for more flexibility to address financial challenges. They want to offer merit-based pay for high performers. They also want to offer higher pay for people with specific skills, licenses, or certifications. The City of Austin does not generally offer pay for performance or offer merit-based raises.

Roughly a third of all City departments have retention incentives to help keep employees in "hard-to-fill positions."

In the past two fiscal years, changes to the living wage, career progression plans, and market studies have impacted roughly a third of City Employees.

These incentives range from one-time payments made when an employee meets certain milestones to 10% of their annual base salary as a stipend. However, it's not always clear why some departments have these incentives while others do not.

From 2018 to 2023, over 20 departments had an average turnover rate above the Citywide average of 9.11%. Only 7 of them have retention incentives.

As seen in Appendix A, most departments with high turnover do not have incentives. HRD explained that they expect individual departments to propose their desired retention incentive. However, some City of Austin departments do not have dedicated HR staff. These departments may not be aware that they can request a retention incentive.

Austin should reevaluate its current compensation strategy's impact on retention. As previously noted, it can cost an employer up to three times an employee's salary to replace them.

Meanwhile, according to Pew Research Center, most employees are only leaving for a 10% raise. This suggests that it may be more cost-effective to try to keep an employee than it is to try to replace them.

Limited Career Progression Opportunities

Career progression refers to the process of advancing in one's career. It can include increasing one's skill or promoting to higher levels in the organization.

According to our survey, 81% of respondents need career progression opportunities to stay. The City's exit survey data also shows the importance of career progression opportunities. According to that data, over half of the employees that left the City were dissatisfied with the City's career progression opportunities.

HRD has 19 career progression plans across 10 of the City's 34 departments. These plans allow employees to grow in their department and increase their pay once they meet certain milestones. All other employees must apply for a new position in their current department, move to a new department, or leave the City to progress.

The top three reasons that people move to another department are career advancement opportunities, better compensation, and better management/coworkers/culture.

As it relates to employee retention, HRD's goal is to keep City of Austin employees. They encourage employees to seek job opportunities in other City departments as they advance through their career. This means smaller departments with less opportunities to grow may lose employees to larger departments.

Roughly 25% of respondents to our survey reported moving between City departments. However, the loss of an employee, whether to another employer or to another City of Austin department, harms the losing department.

Most departments we spoke to expressed concern about the number of employees they were losing to other departments. Some departments have seen over 10% of their workforce transfer in a year. The institutional knowledge lost through transfers can impact City services as it takes time for employees to adjust to their new department and role.

Exhibit 6: City employees desire upward mobility

I'm in my late 20s and feel the pressure to explore a career in the private sector to gain experience faster, have higher compensation, and have more room for growth.

Without an upward career plan, positions start to feel stagnant.

It seems that right now the only way to receive a promotion is to apply for a new job.



Source: Direct quotes from City employees in our Citywide Retention survey, July 2024

New Telework Policy

Most employees report to a City workspace at least two to three days a week.

Telework refers to the ability to work from various locations, such as from your home. Roughly half of City employees, like lifeguards and vehicle technicians, are unable to perform their duties remotely. For those who can, many began teleworking on a regular basis in 2020 as a safety measure during the COVID-19 pandemic.

However, in 2023, the City of Austin revised its telework policy. The new policy requires most of these employees to report to the office half of the time. Before the policy change, department directors could decide how to best use telework for their staff. After the policy changes, department directors cannot approve telework more than 3 of 5 workdays a week.⁴ 69% employees in our survey who commented on telework had negative feelings about the City's new policy.

According to the American Federation of Government Employees, telework decreases in-office distractions, increases productivity, reduces stress, reduces use of sick time, and increases work-life balance.

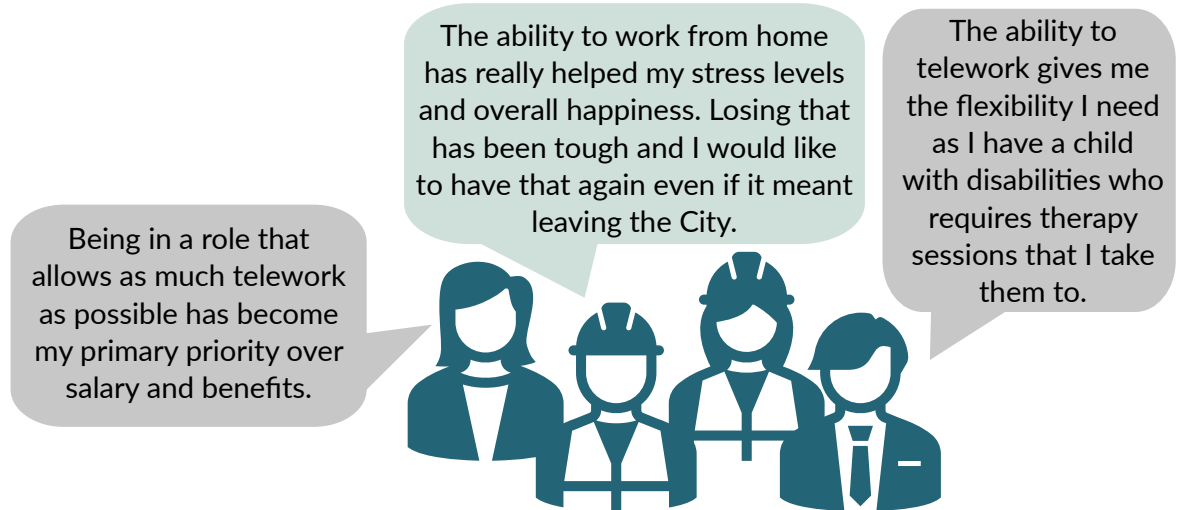
In our survey, 73% of City employees said that telework opportunities and flexible work schedules are important, and key when deciding whether to continue working for the City. We spoke with multiple departments that mentioned that when telework is an option, they use it to recruit and keep staff.

Telework is often cited as a low-cost recruitment and retention incentive. For example, Travis County has a plan to allow 75% of their eligible workforce to work remotely. They report seeing about 7,000 more job applications than normal since passing their telework plan in 2020. They also report saving over \$1.3 million in utility costs between 2021 and 2022. Austin's Joint Inclusion Committee on Telework reports in the long-term Austin could save "over a billion dollars" by leasing less office space.⁵

⁴ Department Directors can request exemptions to this policy for specific job titles.

⁵ According to the Joint Inclusion Committee on Telework, Austin spends over \$48,126,000 annually on building leases alone.

Exhibit 7: Employees feel telework is a critical benefit and have seen strain on mental health, productivity, finances, and work-life balance upon returning to the office



Source: Direct quotes from City employees in our Citywide Retention survey, July 2024

Additionally, employers may use telework to help offset the costs of living in expensive cities. It can make it easier for employees to live in less expensive areas while maintaining employment. Approximately 50% of the City's employees currently live outside the city of Austin. This number increased during the pandemic when telework was more widely available. The ability to telework may be a necessary option to keep employees that live outside the City.

Finding 2

The City is not effectively using data to target the most important areas for its workforce or to measure the success of its retention efforts.

25% of all removed questions from the Listening to the Workforce survey were related to pay and benefits.

Top reasons employees say they left:

1. Retirement
 2. Personal reasons (family, moving, etc.)
 3. Salary
 4. Dissatisfied with management/department
 5. Other
-

The City's most recent Strategic Plan says that it cannot meet its goals without strong investments in its employees. However, the City is not effectively using its data to shape its investment and retention efforts or to measure the success of these efforts.

Employee Surveys

Best practices recommend organizations capture information from both current and departing employees. The City captures current employee perspectives through its Listening to the Workforce Survey. It captures departing employees perspectives through exit surveys. These surveys ask about many topics like employee compensation, benefits, training, and career progression. However, it is not clear that the City is using this data to make decisions, and recent investments are not addressing employees' most pressing topics.

Historically, HRD regularly conducted the Listening to the Workforce survey. However, since 2019, City management has reduced the frequency of these surveys. They also removed over half of the survey's questions, many of which related to topics of concern to City employees. For example, City management cut 14 of 16 questions related to pay and benefits. They also cut all 11 questions related to employee performance appraisals, all 9 safety questions, and all 8 department ethics questions. Our understanding is that part of the reason for removing these questions was to make the survey shorter so that more employees would fill it out. However, the response rate to the survey since the changes were made has roughly stayed the same. Regardless, HRD and departments said that they do not generally use the survey's results when making decisions that may affect employee retention.

Similarly, the City does not generally use the results of its employee exit interview surveys. We spoke to staff in eight departments and found that just one of them uses the City's data. Many departments created their own exit surveys for employees who leave. The main reason these departments are not using HRD's exit interview survey data is that too few people are taking the survey. They say the data isn't helpful without more responses. The response rate for HRD's exit surveys has decreased from 33% in 2018 to 27% in 2022.

Additionally, departments said that data from HRD's exit survey was often too vague to be helpful. For example, two of the top reasons employees cited for leaving City employment were "personal reasons (family, moving, etc.)" and "other." The survey does not ask for clarification for these options. Clarifications would allow the City to know whether there were any steps it could have taken to keep these employees.

Measuring the Success of Retention Efforts

The City does not have a stated goal for employee turnover, though the City's turnover rate in recent years was generally under 10%. Many of our peer cities have more formal goals.

For example, El Paso has a turnover goal of 10%, Fort Worth has a goal of 12%, and San Antonio has a turnover goal of 8%. According to City of Dallas staff, they have goals for each industry type. They do not have one goal for the whole City. Were the City of Austin to take this approach, we might have, for example, separate turnover goals for utility staff in Austin Energy, utility staff in Austin Water, and aviation staff at the airport.

As previously discussed, a third of departments have retention incentives. Staff believe these incentives are helping them reduce their turnover. However, the City is not tracking the effectiveness of these incentives to confirm. For example, HRD was unable to tell us when the incentives started. So, we could not determine if the incentives caused a drop in employee turnover.

We asked employees that received a retention incentive whether the incentives impacted their decision to stay. Many employees liked these incentives. However, 40% of surveyed respondents in departments that offered them to every employee were not aware of the incentive. This shows that HR staff are not effectively telling employees about these benefits. This also suggests that employees may not know that these benefits are temporary. If turnover rates decrease and the incentives are no longer needed, employees may feel as if they are getting a pay cut.

Recommendations and Management Response

1

The HR Director should assess the impact of our current HR approach on retention and make recommendations to the City Manager. This should include:

- Conducting a cost benefit analysis to determine if paying employees at the market average and not offering merit-based raises is still the appropriate strategy for the City.
- Creating and implementing a plan to review positions not typically captured in Citywide market studies.
- Working with departments to determine if they could benefit from and fund a career progression plan or retention incentive.
- Assigning responsibility to monitor and evaluate the success of career progression plans and retention incentives across the City to identify and address areas of improvement.
- Identifying opportunities to increase flexibility in the City's telework policy while maintaining a high quality of resident services.

Management Response: Agree

Proposed Implementation Plan: The Human Resources Department is securing a master agreement on the August 29, 2024, Council agenda to work with several vendors on Compensation items. Planned work includes evaluating the City's compensation structure, philosophy, and pay practices. The information in the recommendations related to pay, market studies, career progression, and retention incentives will be addressed in the evaluation. This work will be ongoing and based on findings from the selected vendor. Those findings may not align with the pay recommendations above, but will address the overall topics of the various recommendations.

The City Manager's Office is evaluating the City's Flexible Work Arrangement policy, which includes the ability for employees to telework.

Proposed Implementation Date: September 2025

Recommendations and Management Response

2

The HR Director should coordinate with the Chief Learning Officer to collect and use the data they need to measure the success of the City's retention strategy and to make necessary changes. Specifically, they should:

- Revise survey tools and methods to ensure the City consistently collects clear and meaningful data on the topics important to employees.
- Use collected employee satisfaction data to create and implement an employee engagement plan to increase job satisfaction and employee retention.
- Work with departments to interpret its survey data, identify areas of concern, and address these issues.
- Dedicate a team to periodically monitor and evaluate retention efforts.

Management Response: Agree

Proposed Implementation Plan: Over the past decade, there has been a significant shift in how employee surveys are approached. Traditionally, employee satisfaction surveys focused on factors such as, the items noted in the Audit related to pay, benefits, safety, performance appraisals, and ethics. However, the [Society of Human Resources Management \(SHRM\)](#) now emphasizes that:

Measuring employee engagement and employee experience provides a more complete picture of job satisfaction and retention.

The first step is to define what employee experience means for your organization, how to measure it, and how to take action to shape it. Positive change is impossible without agreement on the end goal.

Creating a positive culture is crucial. The four criteria that HR professionals and workers agree are most important in creating the employee experience can help form the basis of an action plan for improvement. They are:

- *Being part of a team.*
- *Having a sense of purpose.*
- *Being treated fairly.*
- *Being valued for your contributions.*

Recognizing the importance of shifting the focus from employee satisfaction to a broader emphasis on employee engagement and experience, the City Manager established the Learning, Engagement, and Development (LEAD) Office, led by the Chief Learning Officer. This office is charged with assessing organizational needs and designing, implementing, and evaluating programs that facilitate the professional development and continuous learning of all employees, including executives and emerging leaders.

The LEAD Office is currently evaluating survey vendors to enhance and improve the measurement of employee engagement and to benchmark the City of Austin against other similar organizations. This approach will help the City gather meaningful feedback from our employees, supporting the improvement of job satisfaction, the overall employee experience, and retention.

Proposed Implementation Date: In Discussions Regarding Implementation Date

Appendix A: Departments with Retention Incentive by Turnover

From 2018 to 2023, over 20 departments had an average turnover rate above the Citywide average of 9.11% for that period. Only 7 of them have a financial retention incentive. Departments with retention incentives are highlighted in green.¹

Average Turnover by Department from 2018-2023	
Animal Services	19.24%
Office of the City Clerk	14.39%
Office of Real Estate Services	12.71%
Law	12.28%
Management Services	12.27%
Austin Public Health	11.27%
Austin Public Library	11.18%
Fleet Mobility Services	11.06%
Human Resources	10.70%
Economic Development	10.69%
Austin Resource Recovery	10.66%
Aviation	10.63%
Information Security Office	10.58%
Housing Department	10.48%
Building Services	10.34%
Office of the City Auditor	10.17%
Convention Center	9.82%
Municipal Court	9.64%
Austin Code	9.59%
Development Services	9.42%
Small & Minority Business Resources	9.27%
Financial Services	9.12%
Citywide Average	9.11%
Planning and Zoning	8.96%
Austin Water	8.94%
Wireless Communication Services	8.52%
Austin Transportation	8.38%
Parks and Recreation	8.28%
Communications & Public Information	7.65%
Watershed Protection	7.46%
Communications & Tech Management	7.43%
Austin Energy	7.24%
Public Works	6.43%
Telecom & Regulatory Affairs	5.23%

Source: OCA departmental turnover analysis, July 2024

¹ This analysis excluded Mayor and Council and public safety departments. We considered department turnover rates above the Citywide average as departments with high turnover.

Scope

The scope of this audit included the City of Austin's retention policies and practices between the fiscal years of 2018 and 2024. Our office plans to conduct an audit of public safety recruitment and training in 2024.

Methodology

To complete this audit, we performed the following steps:

- Conducted background research on retention and turnover.
- Reviewed policies and procedures related to Citywide retention, including posted retention incentives and career progression plans.
- Interviewed staff from multiple City departments.
- Analyzed the City's data related to Citywide retention, including Listening to the Workforce surveys, Exit Interview surveys, and interdepartmental transfer data.
- Analyzed changes to the City's benefits between FY2018 and FY2024.
- Conducted peer city research to understand how the City of Austin compares to its peers.
- Compared City of Austin's Cost of Living Adjustments to inflation between FY2018 and FY2024.
- Created, distributed, and analyzed a Citywide survey for employees to understand the City's strengths and challenges related to employee retention. The survey was emailed to every active City employee and posted on the City's intranet site and had a response rate of roughly 45%.
- Evaluated internal controls and the risk of fraud, waste, and abuse related to the City's retention practices.

Audit Standards

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Office of the City Auditor was created by the Austin City Charter as an independent office reporting to City Council to help establish accountability and improve City services. We conduct performance audits to review aspects of a City service or program and provide recommendations for improvement.

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