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## OFFICE OF THE CITY ADMINISTRATOR

TO: Mayor & City Council (F&A Committee)

Date: 6/20/2023

RE: Other Employee Policies and Practices

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The labor market has evolved and become difficult to identify, attract, and recruit new qualified employee candidates. One of the recommended practices necessary to improve employee recruitment and retention, is simply to initiate an employee referral program.

Reduce employee probation period from one year, to six months.

While this may seem to be a minor change, it has fairly dramatic implications for new or promoted employees, as well as managers.

For any candidate, a one-year probationary period, which limits employee rights, is a daunting and intimidating job condition. More importantly, it is no longer a competitive work condition. Each of our managers are capable and confident of determining whether or not they desire to terminate a probationary employee's employment at six months. In fact, the one-year probationary period has, in some cases, caused managers to defer such decisions early, in hopes that additional time will cause a change in employee behavior. It rarely improves, and often worsens.

Secondarily, the impact of a one-year probation is significant for employees when awarding annual merit increases. It has long been a significant issue for probationary employees who were hired at the bottom of the compensation scale, to not receive any increase when the compensation plan is adjusted annually, and the City hires new employees in at a salary higher than they are receiving with a year's tenure. While not curing the underlying issue, it reduces the number of occurrences and shortens the tenure conflict by six months.

Initiate an employee referral & retention incentive program.

If a candidate for any position within the City is referred by a current City employee, the employee will be eligible for referral compensation at three levels.

## Other Employee Benefits and Policies

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The employee who referred the candidate, would receive up to \$3,500, as follows:

\$1,000	1/3 <sup>rd</sup> after new employee's first year anniversary
\$1,200	1/3 <sup>rd</sup> after new employee's second year anniversary
\$1,300	1/3 <sup>rd</sup> after new employee's third year anniversary

Unlike many employee referral programs, this structure rewards longer term commitments. By linking the incentive to a three-year retention, new employees have a financial incentive to continue their employment, as they can realize the value of the City's 401 retirement contribution and recognize that they are within reach of full vesting.

After completion of the employee's third year, they have a significant financial investment that has accrued due to the City's 8% contribution to their defined contribution retirement plan. As you know, the City has a five-year cliff vesting schedule. If an employee leaves the City prior to completing their fifth year of employment, they forfeit 100% of those City contributions to the 401 retirement program. After only three years, this amounts to more than \$12,000 if hired at the initial minimum.

An additional benefit to the referral and retention incentive program is employee "buy in". Not only will an existing employee benefit financially by directing candidates to the City of Chesterfield, but they become part of the recruitment process. When referring friends or family, the existing employee associates themselves with and are being an ambassador for the City of Chesterfield. They assume a degree of personal responsibility for their candidate and have a stake in creating a positive, supportive environment. The cost of recruitment, interviewing, hiring, training, and retention can be very costly. In essence, this practice results in no direct budgetary impact. Employ incentive payments only result if there are position vacancies, which result in amounts more than sufficient to compensate the referral payments.

Obtain updated actuarial evaluation for LAGERS

While it is clearly understood that there is no appetite by Council to consider a defined benefit pension plan, it is very important that we obtain an updated actuarial study such that the City is be able to communicate the actual required premiums and benefits derived from LAGERS, versus speculation with current workforce. Estimated cost \$2,500

Executive Staff Committee to Evaluate and make recommendations regarding Health care premium tiers and distribution

- City contribution versus Employee Contribution
- Survey employees to determine efficacy of multi-tiered premiums.