

# Issue Brief

## Millennial State & Local Government Employee Views on Their Jobs, Compensation & Retirement

By Tyler Bond & Kelly Kenneally

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NATIONAL INSTITUTE ON  
**Retirement Security**

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In 2016, Millennials became the largest generation in the U.S. labor force. More than one in three participants in the workforce are Millennials, born between 1980 and 1995. As of 2017, 56 million Millennials in the U.S. were working or seeking employment, surpassing Generation X and Baby Boomers.<sup>1</sup>

Millennials are employed in both the public and private sectors. According to the U.S. Bureau of Labor Statistics, more than 22.5 million U.S. workers are government employees. As of December 2019, 2.8 million workers serve at the federal level, 5.1 million are at the state level, and 14.6 million work for local government.<sup>2</sup> In 2019, 32 percent of state and local employees were Millennials.<sup>3</sup>

At the same time, a key challenge facing employers—including state and local employers—is recruiting and retaining employees, who increasingly are Millennials. Keeping jobs filled at the state and local level is particularly important given that these workers perform crucial job functions that serve the public—in fields from public safety to healthcare to education. A recent report calculated a widening gap between the number of open jobs in state government and the number of applicants. From 2013 through 2017, job postings in 27 states increased 11 percent, while the number of applicants plummeted 24 percent. This report also identified several factors contributing to the widening gap, including changes in workforce expectations among younger generations, less-competitive government salaries, rising competition from the private sector, and negative perceptions about working for government.<sup>4</sup>

Another complicating factor for state and local employers is the U.S. labor market. The unemployment rate remains at historic lows. In December 2019, the U.S. Labor Department reported the unemployment rate held at 3.5 percent, which is even lower than the 3.9 percent jobless rate a year earlier.<sup>5</sup>

In fact, state and local governments report that they continue to face steep challenges filling a wide array of positions, with policing, engineering, information technology, and emergency

dispatch as the positions that are hardest to fill. Moreover, public workforce needs are predicted to increase, with a projected growth of 3.8 percent among state employees and 7.4 percent among local employees from 2016 to 2026.<sup>6</sup>

A tool that both public and private sector employers utilize to attract and retain workers is the employee benefits package. Most state and local government employees are offered healthcare and retirement benefits. In 2019, retirement benefits were available to 91 percent of state and local government workers, including defined benefit (DB) and defined contribution (DC) plans, and some 89 percent have access to medical care benefits.<sup>7</sup>

These benefits can be appealing for those seeking a career in state or local government and could position employers to be more competitive as compared to salaries in the private sector, particularly for Millennials. But, state and local government employers are not necessarily improving health and retirement benefits to address public sector workforce challenges. Instead, many jurisdictions have changed their health or retirement plans, shifting more risks and/or costs to employees.<sup>8</sup>

Against this backdrop, the National Institute on Retirement Security (NIRS) commissioned a national public opinion survey to develop a deep understanding of the views of state and local public employees regarding their jobs, pay and benefits. Released in November 2019, *State and Local Employee Views on Their Jobs, Pay and Benefits* found that retirement and healthcare benefits are critically important job features for state and local employees, more so than salary. It also found that these benefits are viewed as a powerful recruitment and retention tool, with nearly all state and local workers (93 percent) saying that pensions incentivize public workers to have long public service careers, and 94 percent agreeing that a pension is a good tool for both attracting and retaining employees.<sup>9</sup>

This issue brief provides a deeper analysis of the November 2019 NIRS research, drilling down to examine the views of Millennials working in state and local government.

The Millennials survey data reveals that:

1. Despite knowing they could earn a higher salary in the private sector, Millennials working in state and local government are satisfied with their jobs and total compensation.
2. State & local government Millennial employees are planning to stick with their current job, but changing their benefits might push some out the door.
3. Millennials working in state and local government are highly supportive of pensions, and they see the advantages of their benefits beyond retirement.

4. State and local government Millennial employees feel confident about their retirement, but worry about cuts or changes to benefits.
5. State and local government Millennial workers say eliminating pensions has negative consequences.

Conducted by Greenwald & Associates, information for this study was collected from online interviews between August 22 through September 12, 2019, of public sector employees aged 18 and older. All employees surveyed were required to be currently participating in a pension plan at their job.

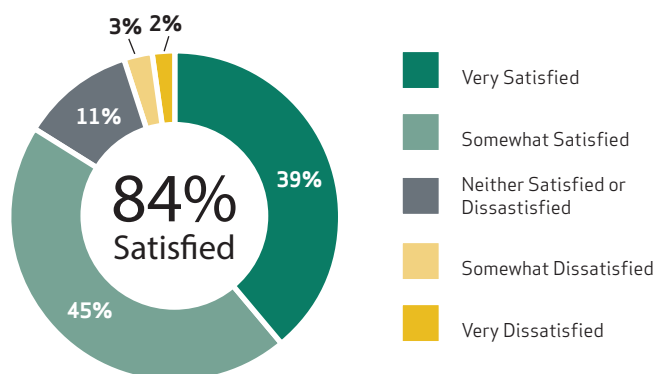
## I. DESPITE KNOWING THEY COULD EARN A HIGHER SALARY IN THE PRIVATE SECTOR, STATE & LOCAL GOVERNMENT MILLENNIAL EMPLOYEES ARE SATISFIED WITH THEIR JOBS AND TOTAL COMPENSATION.

Among a sample of Millennials working in state and local government, the vast majority (84 percent) are satisfied with their job (**Figure 1**). In contrast, a 2016 Gallup poll found that among the broader population of Millennials, only 29% are engaged at work, which means that “only about three in ten are emotionally and behaviorally connected to their job and company.” That same Gallup poll found the majority of millennials (55 percent) are not engaged in their jobs.<sup>10</sup>

This high job satisfaction number at the state and local level might be explained by the fact that Millennials say they want a purpose when it comes to their jobs, which often comes with public service positions. Millennials say their work must have meaning, that they want to work for organizations with a mission and purpose, and they want more than a paycheck.<sup>11</sup>

**Figure 1: 84 percent of Millennials working in state and local government are satisfied with their current job.**

Overall, how satisfied are you with your current job?



When asked about job features that are important when making jobs decisions, there were five job features that more than 60 percent of Millennials working in state and local government rated as very important: job security (72 percent); health insurance (69 percent); salary (68 percent); work-life balance (67 percent); personal satisfaction (66 percent); and retirement benefits (65 percent) (**Figure 2**).

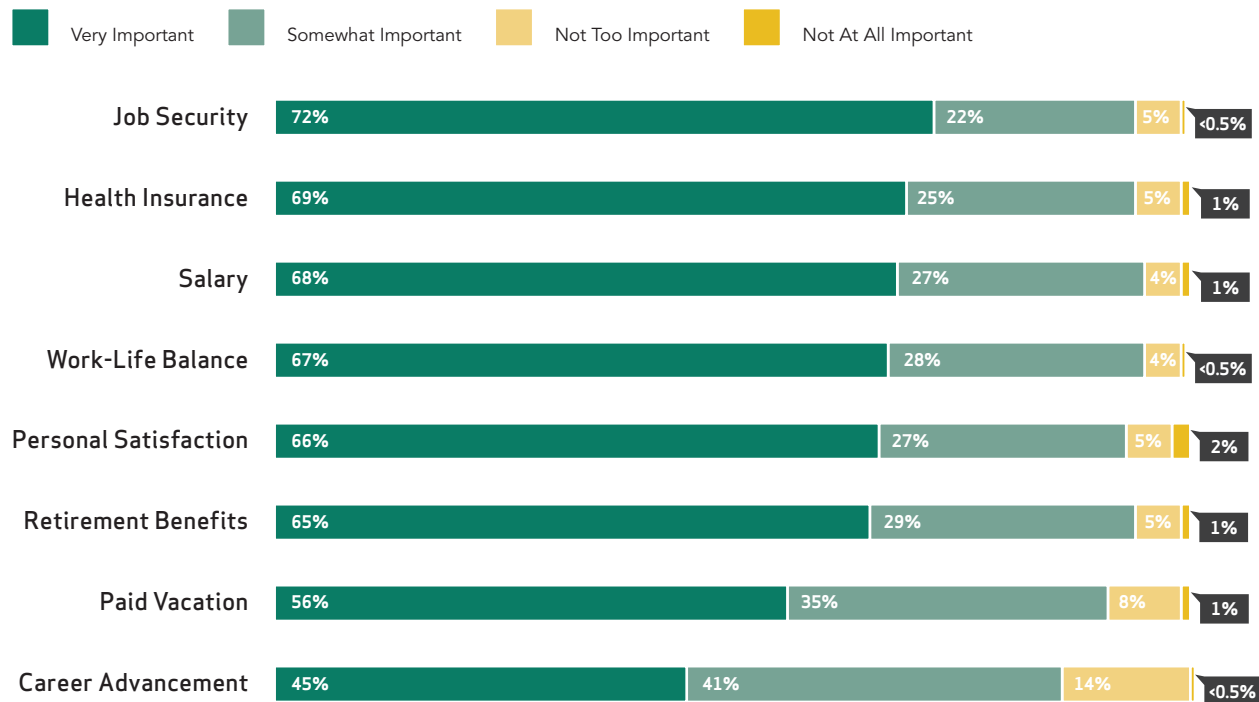
In the public sector, salaries typically are lower than those in the private sector for employees with comparable education and experience, which can make it difficult for state and local government employers to compete with the private sector

for talent.<sup>12</sup> According to the Center for State and Local Government Excellence, only about half of state and local employers reported that they offer competitive pay.<sup>13</sup>

When it comes to public sector benefits, most state and local employers offer healthcare and retirement benefits. Retirement benefits are available to 91 percent of state and local government workers, including pensions and individual savings accounts, and some 89 percent had access to medical care benefits in 2019.<sup>14</sup> These benefits can be considered attractive to those working in state or local government, often times compensating when salaries are less competitive than in the private sector.

**Figure 2: Job security, salary, health insurance and work-life balance are very important job features for Millennials in state and local government when making job decisions.**

When making job decisions, how important are the following job features to you?



When asked about their total compensation (salary plus benefits), the vast majority of Millennials (80 percent) in state and local government say that their compensation package is competitive (**Figure 3**).

However, only about one-fourth of Millennials in state and local government see their salary as very competitive (**Figure 4**).

In fact, most Millennials in state and local government (80 percent) believe they could earn a higher salary working in the private sector (**Figure 5**).

When it comes to retirement benefits, state and local Millennials say their retirement benefits are more competitive than salaries offered by state and local governments. Some 90 percent of Millennials see their public sector retirement benefits as competitive (**Figure 6**).

**Figure 3: Most Millennials (80 percent) working in state and local government say their total compensation is competitive.**

Do you think the overall compensation package (including salary, retirement benefits, and other benefits) offered by your current employer is competitive with the labor market?



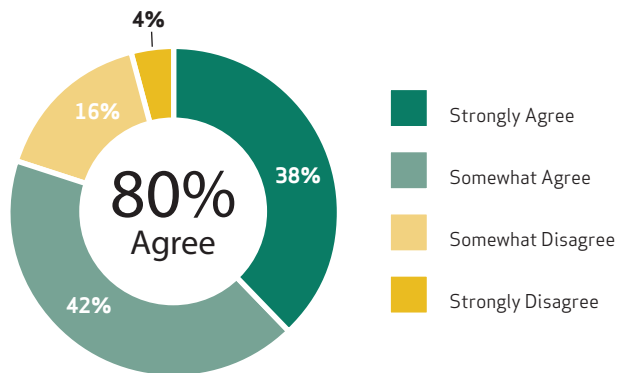
**Figure 4: About one quarter of Millennials in state and local government view their salary as very competitive.**

Do you think the salaries offered by your current employer are competitive with the labor market?



**Figure 5: Most Millennials (80%) in state and local government believe they could earn a higher salary in the private sector.**

To what extent do you agree or disagree with each of the following statement? I could make a higher salary working in the private sector.



Moreover, state and local Millennials have a high level of satisfaction with their retirement benefits—at 87 percent. This is substantially higher than their salary satisfaction (60 percent). (Figure 7). Importantly, pensions are a key factor in making the compensation package competitive for Millennial employees (Figure 8).

Despite this employee satisfaction with retirement benefits, state and local government employers are not necessarily improving or increasing retirement benefits to address growing public sector workforce needs. Instead, many jurisdictions have changed their health or retirement plans, shifting more costs to employees.<sup>15</sup>

**Figure 6: The vast majority of Millennials (90 percent) see their retirement benefits as competitive.**

Do you think the retirement benefits offered by your current employer are competitive with the labor market?

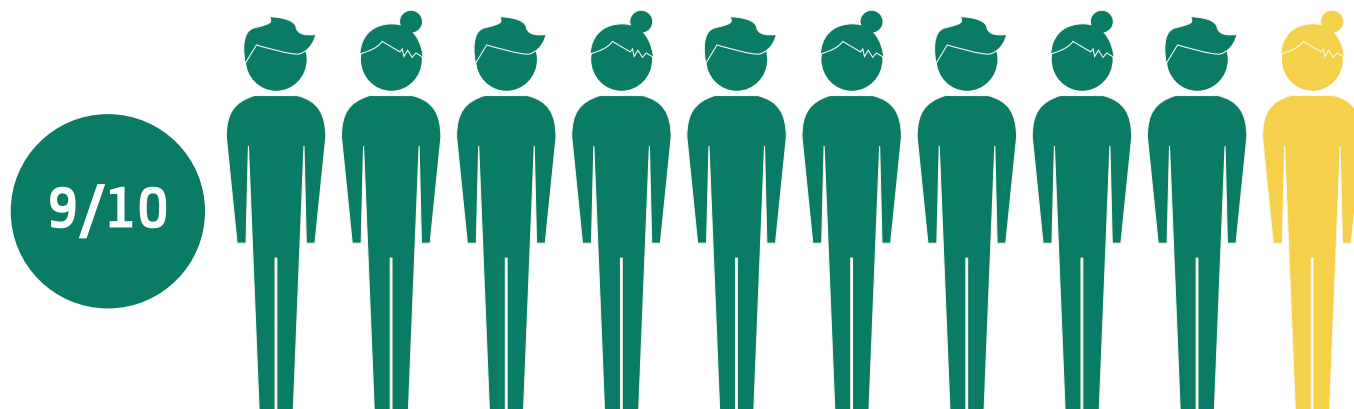


Figure 7: **Millennials working in state and local government are satisfied with their job security and benefits, but less satisfied with their salary and career advancement.**

How satisfied are you with the following aspects your current job?

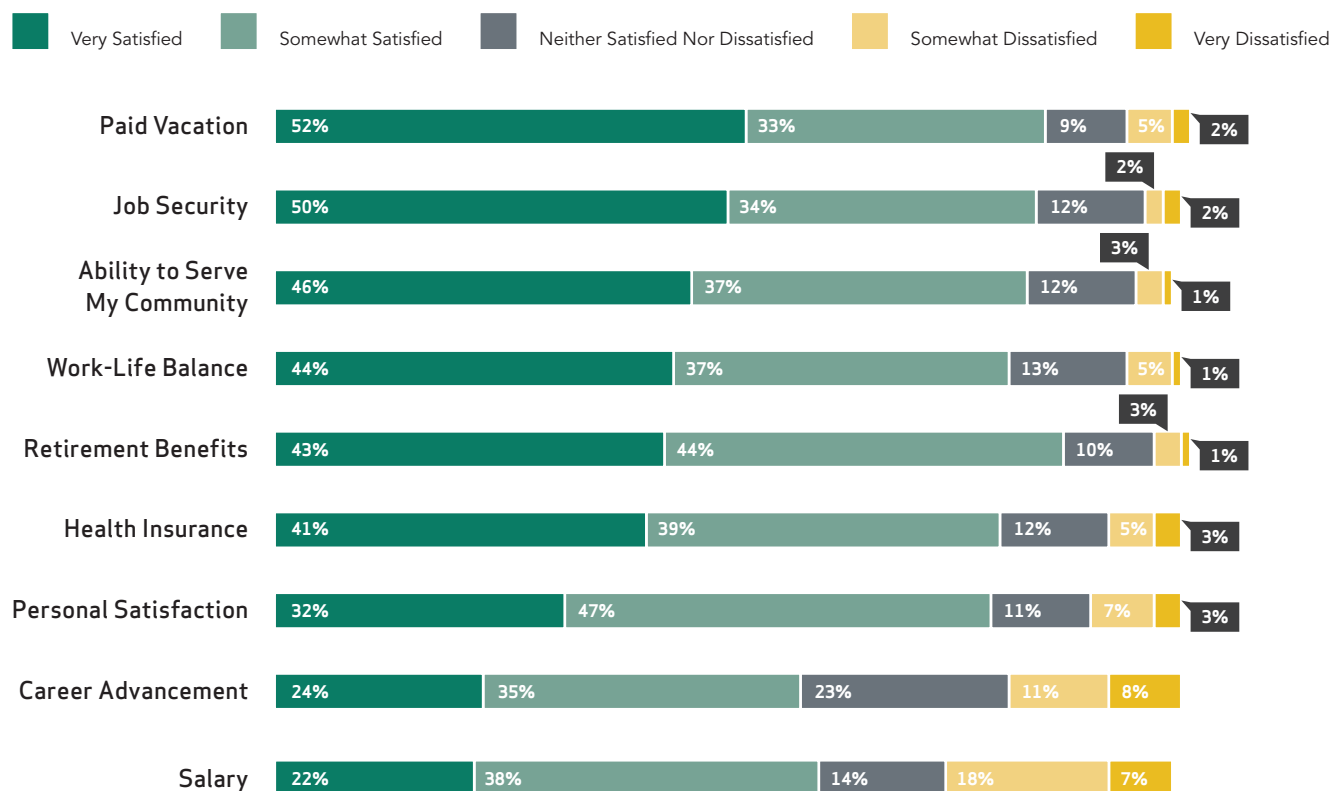
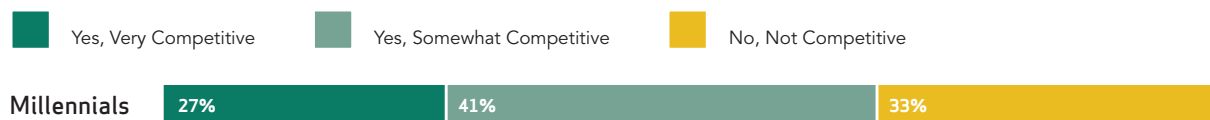


Figure 8: **Only 27% of Millennial state and local employees say a compensation package without a pension is very competitive.**

Do you think the overall compensation package offered by your current employer would be as competitive as it is if it did not include a pension and instead provided a retirement plan where the responsibility was on you to save for retirement?



## II. STATE & LOCAL GOVERNMENT MILLENNIAL EMPLOYEES ARE PLANNING TO STICK WITH THEIR CURRENT JOB, BUT CHANGING THEIR BENEFITS MIGHT PUSH SOME OUT THE DOOR.

A narrative has emerged that Millennials are “job hoppers,” constantly changing jobs in search of better job satisfaction, career advancement or other reasons. However, data indicate that such a characterization of this generation seems to be unfounded.

A Pew analysis finds that Millennials are just as likely to stick with their employers as compared to their GenX counterparts. And among Millennials who are college-educated, this generation has longer track records with their employers as compared to that of GenX workers when accounting for age.<sup>16</sup>

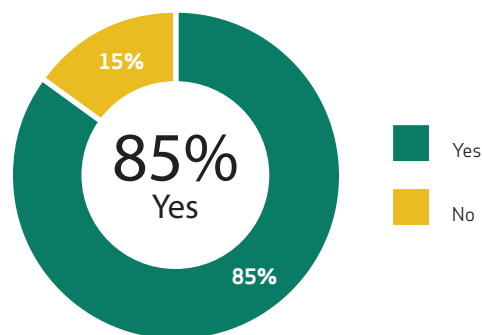
When looking at Millennials working in state and local government, it appears that Millennials intend to stick with their jobs for the long-term. Most Millennials (85 percent) in state and local government say that they plan to stay in their job until they retire or can no longer work (**Figure 9**).

It is important to note that many public sector jobs—law enforcement, firefighting and teaching—often are considered to be career professions. More than half (58 percent) of state and local public employees work in education, while 13 percent work in public safety, and 12 percent work in health and safety.<sup>17</sup> It also is important to note that most state and local workers have defined benefit pensions, and those benefits are structured to encourage employees to stay in their jobs for a career.<sup>18</sup>

As discussed earlier, state and local employees are satisfied with their retirement benefits, and Millennials say benefits are a reason they chose their jobs and why they stay. Some 78 percent of Millennials working in state and local government say their healthcare benefits is one reason they chose a position in the public sector. And if those benefits were cut, 77 percent (**Figure 10**) say they would be more likely to leave their job (**Figure 11**).

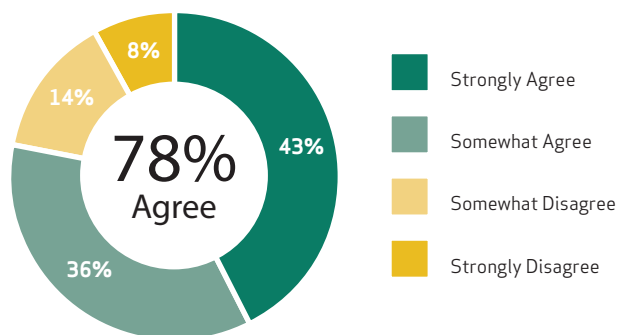
**Figure 9: Most Millennials (85%) in state and local government plan to stay in their job until they retire or can't work.**

Are you planning to stay with your current employer until you are either eligible for retirement or can no longer work?



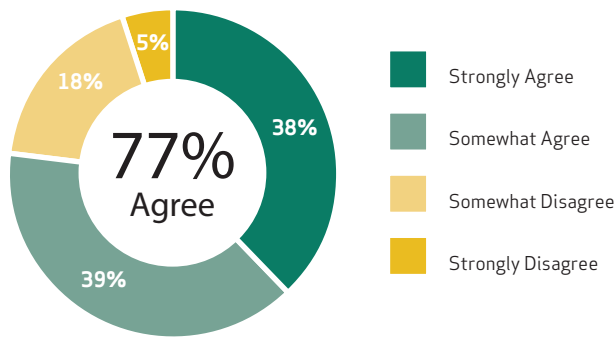
**Figure 10: Healthcare benefits is a reason why 78 percent of Millennials chose to work in the public sector.**

Healthcare benefits is one reason I selected a public sector job.



**Figure 11: 77 percent of Millennials working in state and local government say they would be more likely to leave their job if their healthcare benefits were cut.**

If my healthcare benefits were cut, I would be more likely to leave my job.



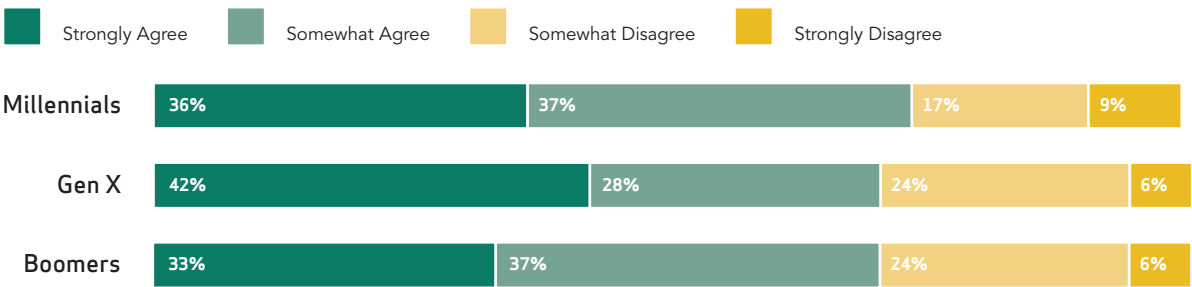
Interestingly, nearly three-fourths of Millennials in state and local government (73 percent) indicate that pensions also are a significant reason they selected their job, slightly higher than Generation X and Baby Boomers—both at 70 percent (Figure 12).

Similarly, a high number of Millennials (84 percent) say that a pension benefit is the reason they stay in a state and local government job. Those numbers are similar for Generation X (91 percent) and Boomers (84 percent) (Figure 13).

Similar to healthcare benefits, Millennials say that cutting their pension benefits would make them more likely to leave their state or local government job (71 percent) (Figure 14).

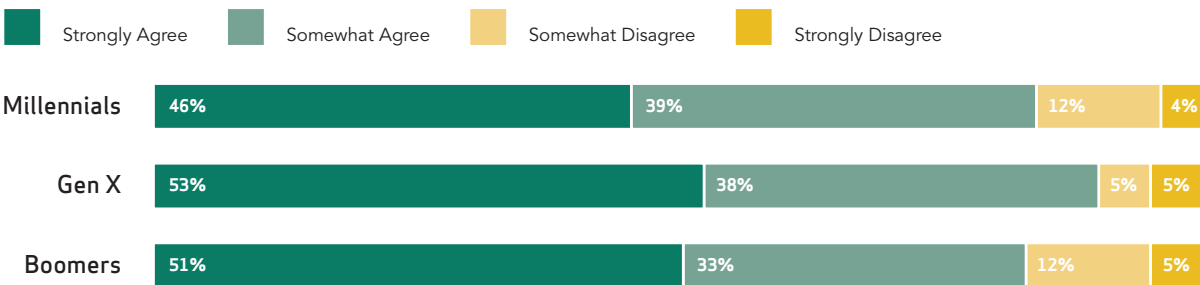
**Figure 12: Similar to other generations, a pension is a reason that 74 percent of Millennials in state and local government selected a public sector job.**

A pension benefit is a major reason I chose a public sector job in the first place.



**Figure 13: Similar to previous generations, a pension is a reason 84 percent of Millennials stay in their state/local jobs.**

A pension benefit is a major reason why I stay in the public sector job I have now.



Also, the overwhelming majority of Millennials in state and local government (92 percent) say that pensions are an effective means for keeping them on the job (Figure 15).

A few states have looked at switching public employees from defined benefit pensions to defined contribution 401(k)-style accounts. This issue played out in Palm Beach, Florida, when substantial changes were made to the pension plans offered to the town's employees. Case study research details the 2012 decision by the Palm Beach Town Council to close its existing defined benefit pension systems for its employees, including police officers and firefighters. The new retirement plans offered dramatically lower pension benefits and new individual 401(k)-style defined contribution accounts. Following a large, swift exodus of public safety employees to neighboring employers, the town reconsidered the changes and voted to abandon the defined contribution plans and to improve the pension plan.<sup>19</sup> Another example is West Virginia, a state that closed its teacher pension plan and switched to 401(k)-style plans, only to re-open it when the switch failed to resolve plan funding issues and teachers were falling far short in their retirement savings targets.<sup>20</sup>

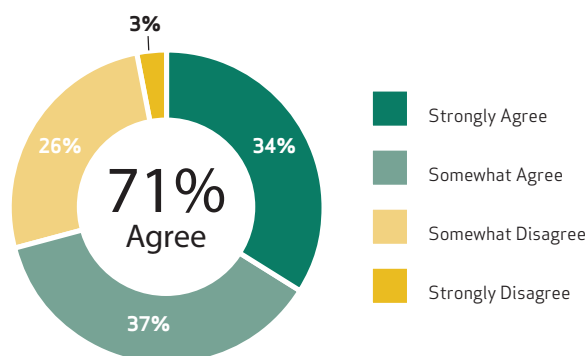
Thus, it makes sense that the majority of state and local Millennials (59 percent) say that significant changes to their pension benefit would increase the likelihood that they would leave their job (Figure 16).

This support for pensions can perhaps be attributed to the fact that Millennials value these retirement benefits given that most Millennials are falling short when it comes to saving for retirement. When looking at the broader population of Millennials, many have nothing saved for retirement, and most of those who are saving are not saving nearly enough. Many factors are contributing to Millennials' retirement savings challenges—from low wages and college debt to the lack of eligibility to participate in employer retirement plans.<sup>21</sup>

In contrast, most state and local government positions provide employees with access to retirement plans, and contributions are made by employees and employers throughout an employee's career. Once retired, most state and local employees receive a stable and modest retirement benefit for a pension each month, and that benefit does not run out.

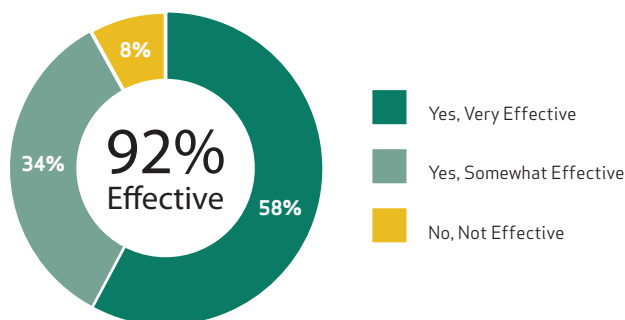
**Figure 14: 71 percent of Millennials say they would be more like to leave their state/local job if their pension were cut.**

If my pension benefit were cut, I would be more likely to leave my job.



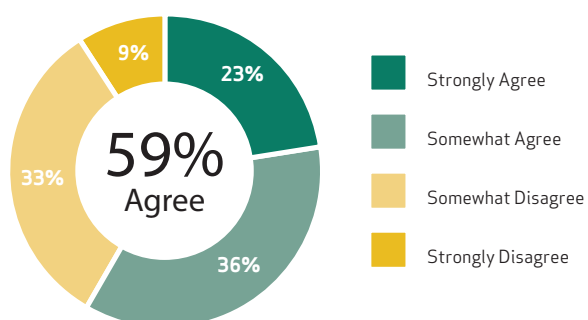
**Figure 15: Pensions are an effective way to retain state and local employees according to 92 percent of Millennial state and local employees.**

Do you think offering a pension is an effective way for an employer to retain current public employees?



**Figure 16: If a pension benefit were switched to an individual savings account, most Millennials (59 percent) in state and local government would be more likely to leave their job.**

If my pension benefit were switched to an individual savings-based account, I would be more likely to leave my job.



### III. MILLENNIALS WORKING IN STATE AND LOCAL GOVERNMENT ARE HIGHLY SUPPORTIVE OF PENSIONS, AND THEY SEE THE ADVANTAGES OF THEIR BENEFITS BEYOND RETIREMENT.

Pensions are group-based retirement plans that are widely available in the public sector, and also available in the private sector. In 2016, 27.9 million U.S. retirees and their beneficiaries received pension benefits, of which 10.7 million receive state and local pension income.<sup>22</sup> Most state and local employees contribute to their pension each pay period throughout their career, and they receive a monthly retirement benefit that lasts throughout retirement. For about 25 percent of state and local workers, their pension benefit is particularly important because they are not eligible for Social Security.<sup>23</sup>

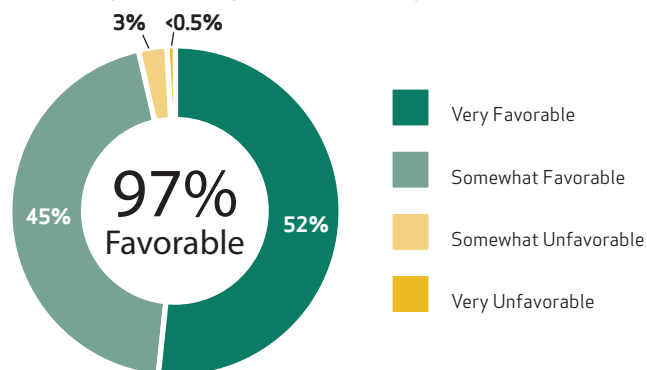
When asked their views on pensions, recent research found that Americans are highly positive on the role of pensions in providing retirement income. In March 2019, national polling found that 77 percent of Americans have a favorable view of pensions. Americans also saw the value of pensions in terms of their role in ensuring American workers can be self-reliant and independent in retirement, rather than turning to families or government to help meet their basic needs.<sup>24</sup>

When examining Millennials' views on pensions, the views again were highly favorable. Some 97 percent of Millennials in state and local government have favorable views of pensions (**Figure 17**).

When asking Millennials in state and local government about the features of pensions, they say that income that lasts through retirement (82 percent) and monthly checks (79 percent) are very important features (**Figure 18**). Other features of pensions that rank particularly high amongst Millennials are that pensions allow employees to focus on their jobs rather than worrying about retirement (67 percent), participation is automatic via payroll deduction (66 percent), and pensions offer survivor benefits (64 percent) and death and disability benefits (61 percent).

**Figure 17: Nearly all Millennials (97 percent) working in state and local government have a favorable view of pensions.**

How would you describe your overall view of pensions?

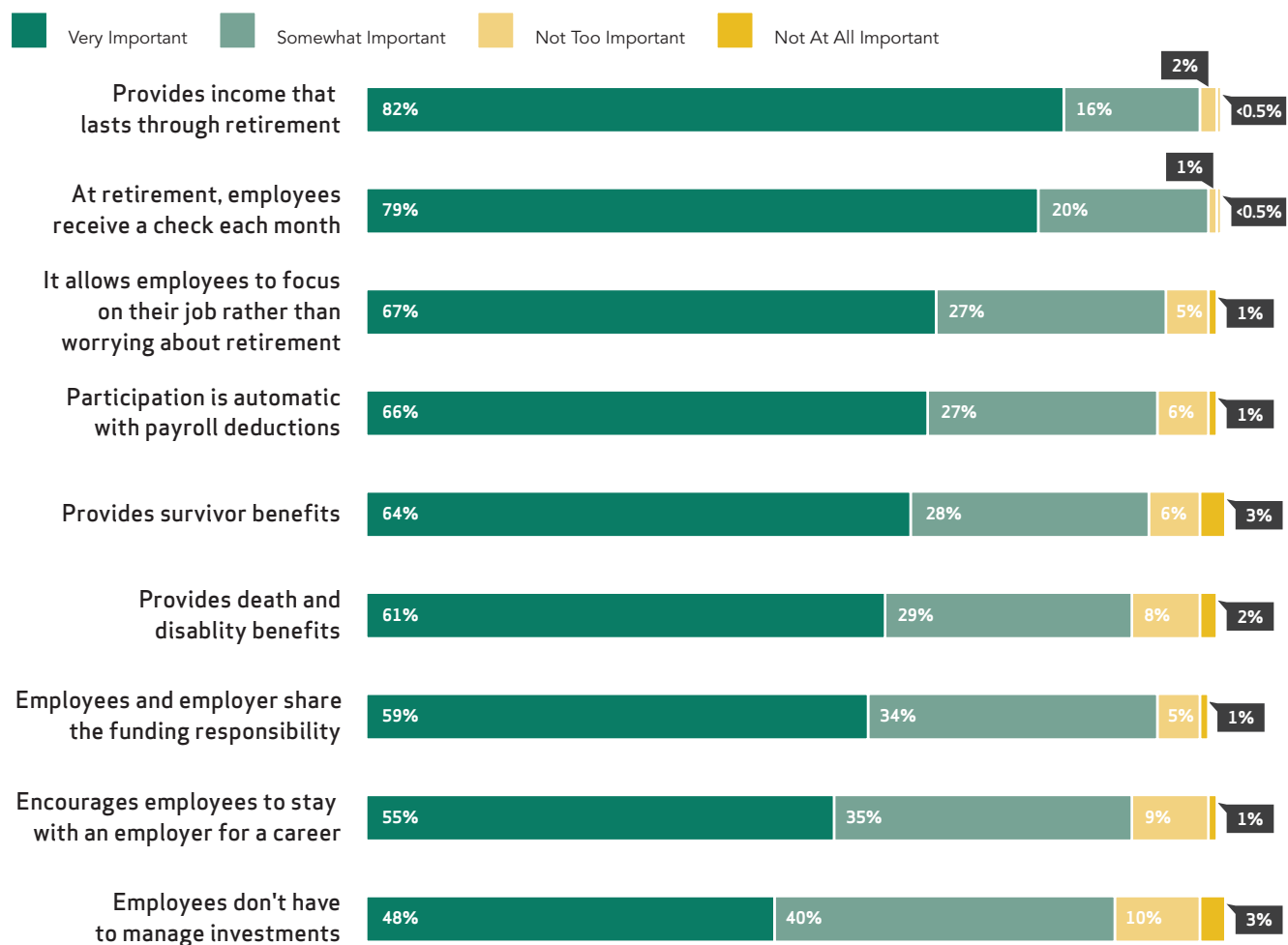


Research conducted by Milliman found that public employees with retirement plan choice overwhelmingly choose defined benefit pension plans over defined contribution 401(k)-type individual accounts. Among the eight states studied that offer employees such a choice, the pension take-up rates in 2015 were 80 percent or higher in six states. Two of the plans

studied had pension take-up rates higher than 95 percent, while Florida and Michigan had take-up rates of 76 percent and 75 percent, respectively. This research also found that even when the retirement plan default option favors a DC plan, most employees still select a pension plan.<sup>25</sup>

**Figure 18: Lasting income, and a monthly check are the most important features of pensions for Millennials in state and local government.**

How important are these features of pensions?



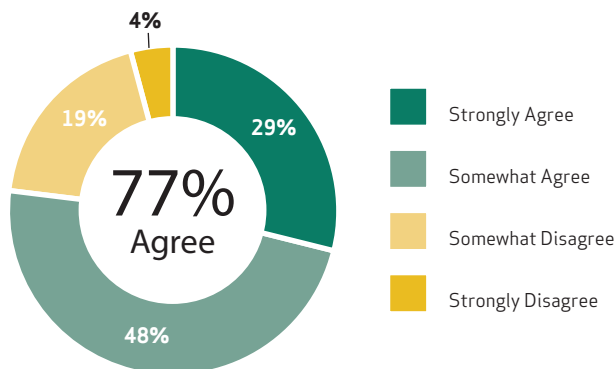
Given this and other research that finds public employees value their pension, it is not surprising that more than three-fourths of Millennial state and local employees (77 percent) say that they prefer pensions over 401(k) accounts (**Figure 19**). As state and local employers face issues recruiting and retaining employees to deliver important public services, the issue of benefits comes into play. As discussed earlier, benefits are highly valued by state and local workers. But how much of a factor are they when it comes to recruiting and retaining

Millennials in the public workforce? According to employees, these benefits play a significant role.

Clearly, Millennials see the value of pensions beyond providing retirement security. Some 92 percent of state and local Millennials agree pensions serve a role in incentivizing long public service careers (**Figure 20**). Additionally, 94 percent say that pensions serve as effective tools for recruiting new employees to state and local government jobs (**Figure 21**).

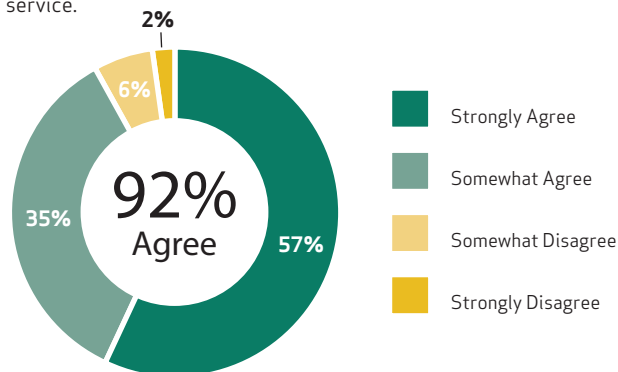
**Figure 19: More than three-fourths of Millennials working in state and local government say that a pension is better than a 401(k).**

To what extent do you agree or disagree with each of the following statement? A pension is better than a 401(k) at maintaining one's standard of living in retirement.



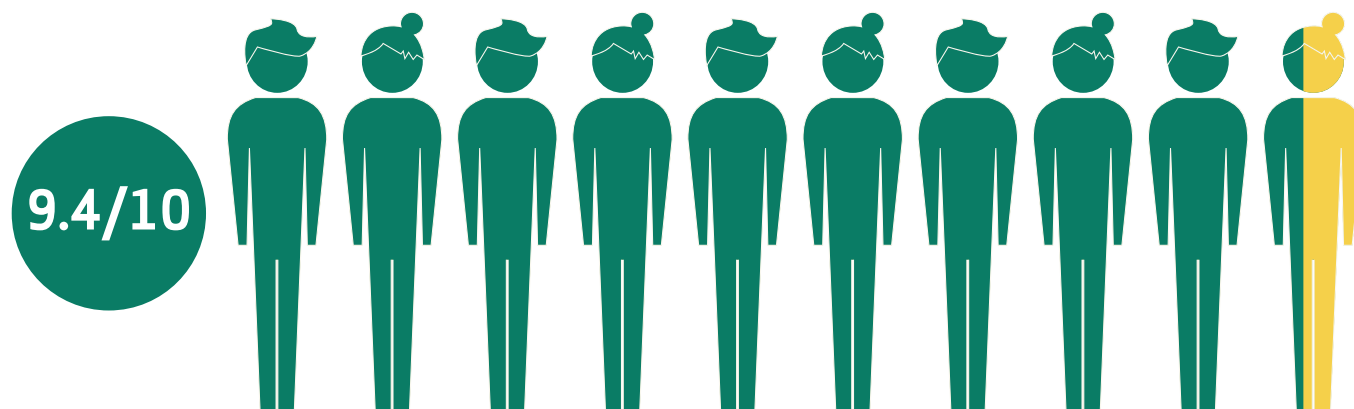
**Figure 20: The vast majority (92 percent) of state and local government Millennial employees say a pension incentivizes a long public service career.**

To what extent do you agree or disagree with the following statement? Pensions incentivize public workers to have long careers in public service.



**Figure 21: Nearly all Millennials (94 percent) working in state and local government say a pension is a good tool to recruit new employees.**

Do you think offering a pension is an effective way for an employer to recruit new public employees?



## IV. STATE AND LOCAL GOVERNMENT MILLENNIAL EMPLOYEES FEEL CONFIDENT ABOUT THEIR RETIREMENT, BUT WORRY ABOUT CUTS OR CHANGES TO BENEFITS.

Public opinion research conducted in March 2019 found that, in overwhelming numbers, Americans are worried about their ability to attain and sustain financial security in their older years. Three-fourths of Americans said that the nation faces a retirement crisis, 70 percent said the average worker cannot save enough on their own to guarantee a secure retirement, and 65 percent said it is likely they will have to work past retirement age to have enough money to retire.<sup>26</sup>

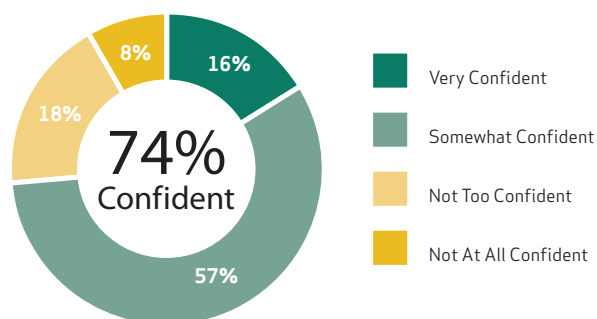
That same research found that Millennials are the most pessimistic generation, with 72 percent concerned about achieving financial security in retirement. Also, Millennials are the generation most likely to believe they will have to work past normal retirement age (77 percent) to have a secure retirement. The polling also revealed that more than half of Millennials are willing to save five percent or more to help ensure a financially secure retirement, which is more than double the response for that level of savings from Boomers and GenX.

And those worries aren't unfounded. Changes to the U.S. retirement infrastructure during the past several decades have put retirement in peril for many working Americans. When all working individuals are included, the typical American has zero dollars saved for retirement.<sup>27</sup>

Moreover, only a small percentage of older Americans, seven percent, receive income from Social Security, a defined benefit pension, and a defined contribution account. Retirement income from these three sources is widely considered to be the ideal situation to ensure retirement security, particularly for the middle class. Retirees with these three sources of income are far less likely to face poverty and economic hardship. Also, a large portion (40 percent) of older Americans only receive Social Security income in retirement. Social Security alone is not considered sufficient for a secure retirement, and it was not intended to stand alone. Typically, benefits from Social

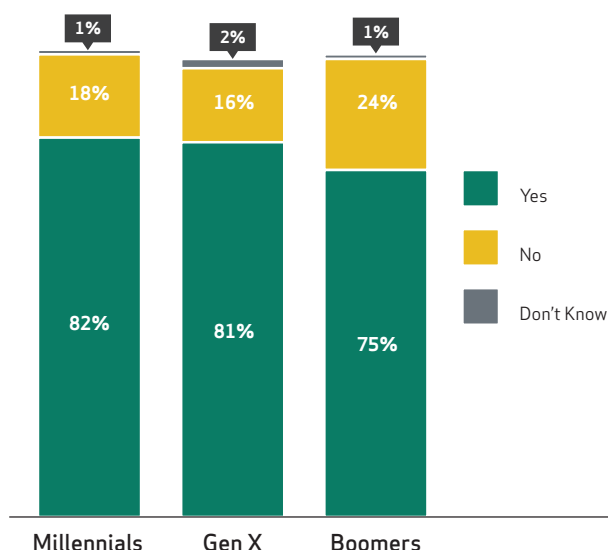
**Figure 22: Most Millennials (74 percent) working in state and local government say they will be financially secure in retirement.**

How confident are you that you will be financially secure in retirement?



**Figure 23: Millennials and GenXers working in state and local government are contributing to supplemental savings at a higher level than Baby Boomers.**

Are you currently contributing money to an employer-based retirement savings plan that allows you to make contributions from your salary to an individual account set up in your name, such as a 401(k), tax-deferred annuity or 403(b), 457, or thrift savings plan?



Security replace approximately 40 percent of pre-retirement income. Most financial planners recommend at least a 70 percent income replacement rate for retirees, while others say this should be even higher given longer lifespans and rising health costs.<sup>28</sup>

In contrast, most Millennials (74 percent) working in state and local government say they are confident that they will be financially secure in retirement (Figure 22). This may be because state and local employees typically have access to pensions, individual savings and Social Security (although about 25 percent of state and local employees are not eligible to participate in Social Security).

Interestingly, Millennial state and local employees seem to be committed to saving for retirement beyond their pension benefit. Some 82 percent are saving in supplemental defined contribution savings plans offered by their employers, more than even Baby Boomers who are approaching retirement (75 percent) (Figure 23).

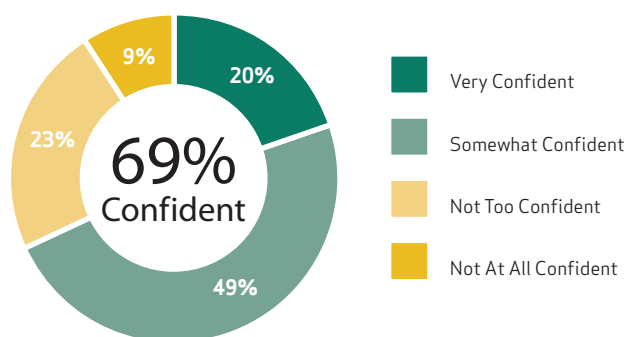
Most Millennials in state and local government (69 percent) also are confident that they will be able to maintain their standard of living in retirement (Figure 24). Also, nearly all Millennial state and local employees (92%) agree that a pension with guaranteed lifetime provides peace of mind in retirement (Figure 25). Millennials also say that to ensure

they will have a secure retirement, they plan to pay down debt (Figure 26).

But one area of retirement concern for state and local Millennials is potential cuts to their pension. For state and local pensions, substantial changes to the plans and their financing were made to ensure their sustainability following the Great Recession. Since 2009, nearly all states have enacted reforms to their pension plans.<sup>29</sup> The changes included pension benefit cuts such as reducing benefit multipliers, increasing the retirement

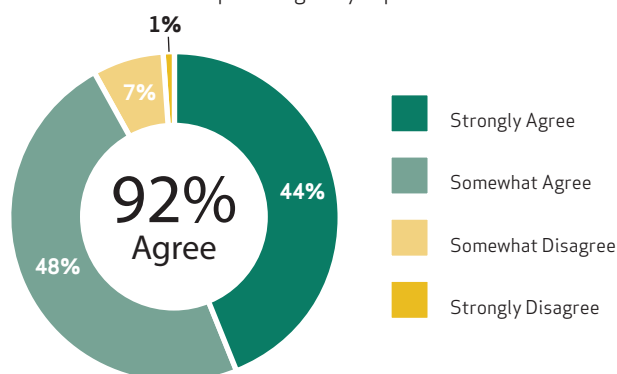
**Figure 24: Most Millennials (69 percent) working in state and local government are confident they will be able to maintain their standard of living throughout retirement.**

How confident are you that you will be able to maintain your standard of living throughout retirement?



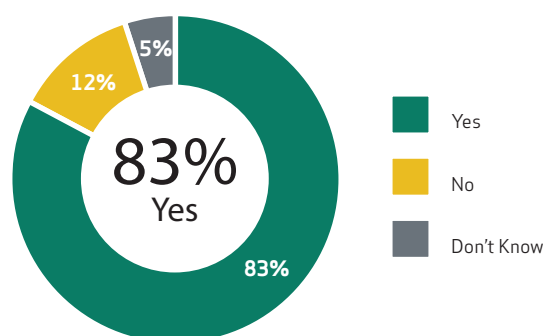
**Figure 25: Nearly all state and local government Millennial employees (92 percent) agree that a pension with guaranteed lifetime income provides peace of mind in retirement.**

To what extent do you agree or disagree that having guaranteed lifetime income from a pension gives you peace of mind?



**Figure 26: Most Millennials (83 percent) working in state and local government plan to pay down debt to ensure financial security in retirement.**

Which of the following, if any, do you plan to do to help ensure a financially secure retirement? Paying down debt.



age, reducing cost-of-living adjustments, or increasing the employee contribution rate. So, it is not surprising that state and local employees express concern about cuts to their retirement benefits. Some 85 percent say they are concerned about potential pension benefit cuts (**Figure 27**).

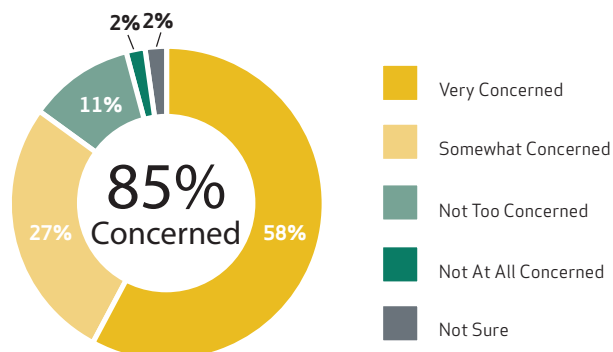
Most state and local public pension plans are well-funded and on course to pay retirement benefits for decades into the future. A recent analysis from the Boston College Center for Retirement Research found that the top third of state and local pension plans have an average funded ratio of 90 percent, and the average funded ratio for the middle third of plans has remained relatively steady at about 70 percent since the financial crisis. The average funded ratio for the bottom third of state and local pension plans is 55 percent.<sup>30</sup>

Often times when plans run into funding challenges, the culprit is the failure of policymakers to consistently pay the required contributions to the retirement plans, even though employees are required to make their contributions. Accordingly, state and local government Millennial employees express concern about government officials underfunding their pension contributions, with some 84 percent concerned about the funding of their pensions (**Figure 28**).

Also, more than three-fourths of state and local Millennial employees (77 percent) say they are concerned about cuts to their cost-of-living adjustments (COLAs) (**Figure 29**). COLAs are changes in a monthly retirement benefit to account for increasing prices that help sustain the purchasing power of a pension benefit throughout retirement. Rising prices and inflation can quickly erode retirement income, even to the point that a retirement benefit that is adequate to pay monthly expenses at the beginning of retirement can become inadequate over time.<sup>31</sup> According to the National Association of State Retirement Administrators (NASRA), three-fourths of state and local government pension plans provide some form of an automatic cost-of-living-adjustment. Other types of public sector plans have “ad hoc” COLAs that require specific action by the plan sponsor or “investment-based” COLAs that increase benefits when the pension fund’s investment performance surpasses a designated benchmark.<sup>32</sup>

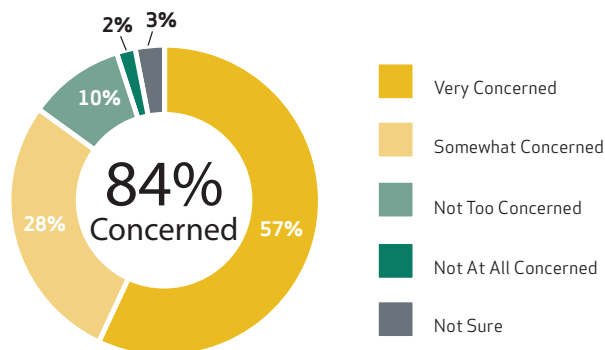
**Figure 27: Most Millennials (85 percent) working in state and local government are concerned about possible pension cuts.**

How concerned are you about the following issues as related to pensions? Cuts to retirement benefits.



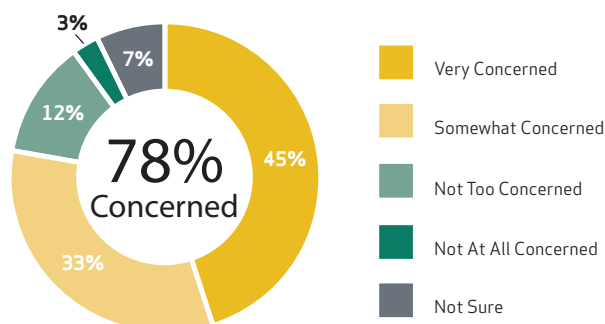
**Figure 28: Most Millennials (84 percent) working in state and local government are concerned about government officials underfunding pension plans.**

How concerned are you about the following issues as related to pensions? Government officials underfunding the plans.



**Figure 29: More than three-fourths (78 percent) of Millennials working in state and local government are concerned about COLA cuts.**

How concerned are you about the following issues as related to pensions? Cuts to Cost of Living Adjustment (COLA).



## V. STATE AND LOCAL MILLENNIALS SAY ELIMINATING PENSIONS HAS NEGATIVE CONSEQUENCES.

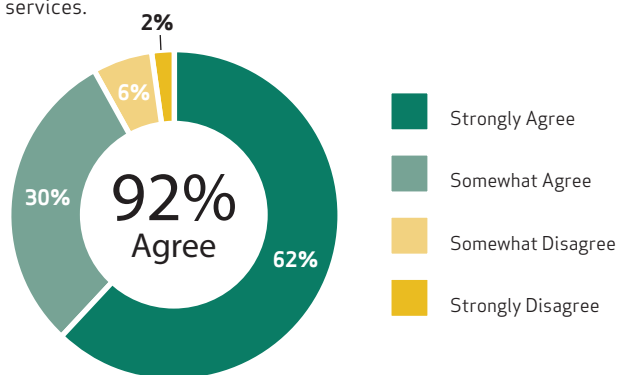
Pensions do more than provide employees with retirement security. They also serve as workforce tools to recruit and retain employees.

Pension plans have existed in the United States since the 19th century. In the private sector, the first pension plan was introduced in 1875 by the American Express Company, and over time, many private sector employers saw the value of offering pensions as a human resource tool to recruit and retain employees.<sup>33</sup> In the public sector, research finds that pensions are unique in that they provide a financial incentive for employees to stay on the job. As a result, employers have more experienced workers to deliver important services, which ultimately benefits taxpayers.<sup>34</sup>

Millennials working in state and local government overwhelmingly agree that eliminating pensions has consequences. Nearly all agree (92 percent) that eliminating pensions will weaken government's ability to recruit and retain workers to deliver public services (**Figure 30**). Also, the vast majority of these Millennials surveyed (86 percent) say that eliminating pensions will weaken public education (**Figure 31**). And most Millennials (82 percent) in state and local government agree that eliminating pensions will weaken public safety (**Figure 32**).

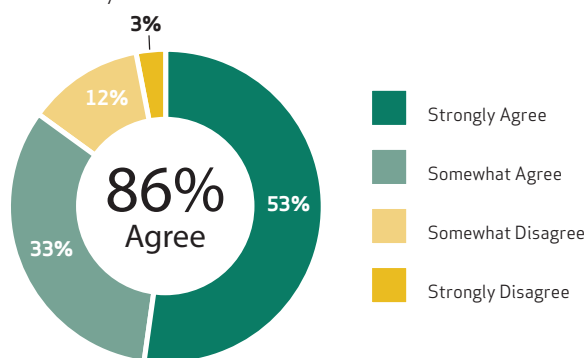
**Figure 30: Nearly all Millennials (92 percent) in state and local government say eliminating pensions will weaken government's ability to recruit and retain workers to deliver public services.**

Eliminating pensions for public sector employees will weaken the ability of governments to attract and retain qualified workers to deliver public services.



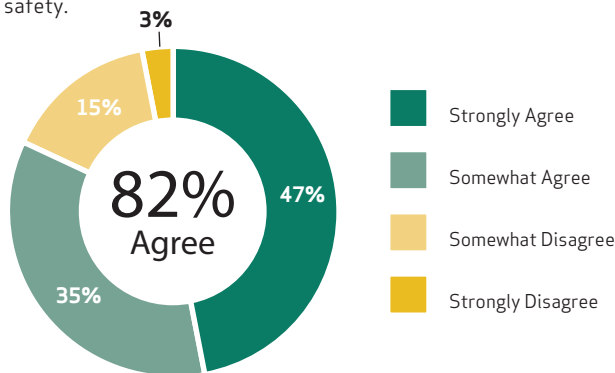
**Figure 31: The vast majority of Millennials (86 percent) in state and local government say eliminating pensions will weaken public education.**

Eliminating pensions for public sector employees will weaken the U.S. education system.



**Figure 32: The vast majority of Millennials (82 percent) in state and local government say eliminating pensions will weaken public safety.**

Eliminating pensions for public sector employees will weaken public safety.



## CONCLUSION

In 2016, Millennials became the largest generation in the U.S. labor force. More than one-in-three participants in the workforce are Millennials, born between 1980 and 1995. It is vital to be aware of the views of these Millennials, as they now account for nearly 32 percent of the U.S. state and local government workforce.

Simultaneously, employers—including state and local government employers—are facing challenges recruiting and retaining employees, including Millennials, in a tight labor market. For state and local employers, attracting and retaining workers is fundamental to delivering public services in fields from public safety to healthcare to education. Further complicating workforce issues for state and local governments is that it is hard to compete with the private sector on salary, retirements are increasing, and there is a growing demand for public services.

A national survey on Millennials working in state and local government reveals that job benefits are a key tool employers can rely upon to recruit and retain Millennials. More specifically, the research finds that Millennials are:

- Satisfied with their jobs and total compensation despite knowing they could earn a higher salary in private sector
- Planning to stick with their current job, but changing their benefits might push some out the door.
- Highly supportive of pensions, and they see the advantages of these benefits beyond retirement.
- Confident about their retirement outlook, but worry about cuts or changes to their benefits.
- In agreement that eliminating pensions has negative consequences.

This research is intended to help government employers and policymakers make informed decisions related to the public workforce and their employee benefits. Given the value that Millennials place on their benefits, policymakers should use caution when modifying benefits, as such changes could have the unintended consequence of driving Millennials out the door and harming public services.

## METHODOLOGY

Conducted by Greenwald & Associates, information for this study was collected from online interviews between August 22 through September 12, 2019. Sample was selected using two online panel providers: Dynata and OpinionRoute. A total of 1,118 public sector employees aged 18 and older completed the survey, including 362 teachers, 284 police officers, 204 firefighters and 268 other public sector employees. All employees surveyed were required to be currently participating in a pension plan at their job.

The final data were weighted by age, gender, and personal income to reflect the demographics within each of these professions according to the Census Bureau's 2018 Annual Social and Economic Supplement to the Current Population Survey. The results were also weighted to reflect the distribution of these professions within the public sector workforce as a whole.

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