

# Retirement Attitudes

## Part III: Attraction and Retention

In Parts I and II of our series on employee [retirement attitudes](#), we discussed employees' dwindling confidence in their ability to retire and their propensity to avoid risk in favor of guaranteed benefits in retirement. Given the growing importance employees place on retirement security, it comes as little surprise that they are beginning to view competitive retirement and health plans as a significant differentiator when making decisions about where to work and how long to stay. In an environment in which talented employees are difficult to lure from stable jobs, the right benefit plans could give employers the edge they need.

### About the Survey

The Towers Watson Retirement Attitudes survey was conducted in May and June 2010 and includes responses from 9,080 full-time U.S. employees at nongovernment organizations. The primary results reported in this brief report reflect a subset of questions about retirement and health care programs completed by 3,099 respondents.

### Key Findings

The survey found:

- One-fourth of employees cite their company's retirement program as an important factor in their decision to work for their current employer; 41% cite it as an important factor in their decision to stay with their employer.
- One-third of employees at companies that sponsor a defined benefit (DB) plan cite the retirement program as an important reason they decided to work for their current employer, compared to only one-fifth (21%) of those at organizations that sponsor a defined contribution (DC) plan.
- 60% of recent hires at companies that sponsor a DB plan say that their company's retirement program is an important reason they chose to work for their current employer (up from 27% in 2009); 72% say it is an important reason they will stay with their current employer (up from 51% in 2009).

### Retirement and health care programs are an increasingly important reason why employees stay with their current employer.

Sixty-seven percent of employees would like to work for their current employer until retirement, up from 56% in February 2009 (*Figure 1*). On the heels of the economic recession, and the 14th consecutive month of unemployment rates above 9.5%, employees are still wary about the job market.

**Figure 1. Importance of retirement and health care plans for attraction and retention**

|  | February 2009 |                | June 2010 |                |
|--|---------------|----------------|-----------|----------------|
|  | Agree         | Strongly agree | Agree     | Strongly agree |
| My company's retirement program was an important reason I decided to work for my current employer  | 17%           | 7%             | 18%       | 7%             |
| My company's retirement program is an important reason I will stay with my current employer        | 24%           | 14%            | 26%       | 15%            |
| My company's health care program was an important reason I decided to work for my current employer | —             | —              | 21%       | 9%             |
| My company's health care program is an important reason I will stay with my current employer       | —             | —              | 32%       | 16%            |
| I would like to continue working for my current employer until I retire                            | 25%           | 31%            | 28%       | 39%            |
| I will probably leave my employer within the next two years  | 12%           | 8%             | 11%       | 12%            |

Employees today are even less willing to leave their current employer than they were 15 months ago.

In short, employees prefer the reliability of their jobs and are reluctant to take a chance on another opportunity. These findings are consistent with the results of the Towers Watson Global Talent Management and Rewards Study (see sidebar, “Global Talent Management and Rewards Study”).

While this current employee mindset makes retention easier for employers, it creates some challenges when it comes to attracting key talent. That’s why it’s important for employers to recognize the value employees currently place on retirement and health care programs, particularly in the today’s environment.

**Employees with a DB plan are most likely to continue to work with their current employer.**

Not surprisingly, DB plans are much more likely to be a strong factor in both attracting and retaining employees than DC plans. One-third of employees in organizations that sponsor a DB plan say these plans are an important reason they decided to join their current employer, compared to only one-fifth (21%) of employees at organizations that sponsor a DC plan. Similarly, almost three in five (59%) employees at organizations that sponsor a DB plan cite their retirement program as an important reason they decided to stay with their current employer, compared to only 32% of those that sponsor a DC plan.

The vast majority (80%) of employees at organizations that sponsor a DB plan also plan to continue working for their current employer until they retire, compared with only 62% of employees at organizations that sponsor a DC plan (Figure 2).

These findings are particularly telling in light of our previous survey results, which showed that employees

## Global Total Management and Rewards Study

The economic crisis forced companies around the globe to take cost management or cost-cutting measures, such as hiring and salary freezes, layoffs and bonus reductions. The Towers Watson Global Talent Management and Rewards Survey, which included 1,176 companies globally, including 314 from the United States, found that U.S. employers took the most aggressive measures, with more than 60% implementing at least four cost-cutting actions. These steps exacted a toll on workers. Six in 10 (61%) employers believe their cost-cutting actions increased employees’ workloads, while 53% said they adversely impacted employees’ ability to manage work-related stress. One-half (50%) said these measures had a negative impact on employee engagement and workers’ ability to balance their work and personal lives.

According to the survey findings, more than one-half (52%) of U.S. companies reported problems attracting critical-skill employees, and 45% of U.S. companies reported similar difficulty attracting top-performing, talented employees. On the other hand, companies in most regions, including the U.S., reported less difficulty retaining employees than attracting them — only 11% of U.S. firms reported retention issues.

The Global Talent Management and Rewards Study survey was conducted in May and June 2010. Participants included human resource professionals with responsibilities in compensation and benefits or talent management. For more information, please visit: [www.towerswatson.com/talent-management-rewards](http://www.towerswatson.com/talent-management-rewards)

currently enrolled in DB plans are more likely to be satisfied with their financial situation today (40% compared with 27% of those with DC plans) and are significantly more confident about their retirement savings (see *Retirement Attitudes Part I: Confidence in Retirement*, October 2010).

**Figure 2. Importance of retirement and health care plans for attraction and retention**

|  | DB plan       |           | DC only       |           |
|--|---------------|-----------|---------------|-----------|
|  | February 2009 | June 2010 | February 2009 | June 2010 |
| My company's retirement program was an important reason I decided to work for my current employer  | 31%           | 33%       | 21%           | 21%       |
| My company's retirement program is an important reason I will stay with my current employer        | 52%           | 59%       | 33%           | 32%       |
| My company's health care program was an important reason I decided to work for my current employer | —             | 36%       | —             | 28%       |
| My company's health care program is an important reason I will stay with my current employer       | —             | 55%       | —             | 45%       |
| I would like to continue working for my current employer until I retire                            | 67%           | 80%       | 53%           | 62%       |
| I will probably leave my employer within the next two years  | 16%           | 20%       | 22%           | 24%       |

For employees with a DB plan, retirement and health care plans are comparably important as factors in their decision to work for their current employer.

Note: Percentages indicate responses of “somewhat agree” or “strongly agree.”

**Greater retirement security is increasingly attractive to the youngest employees.**

Notably, it is not just older employees who are most attracted to their company’s retirement program. As shown in *Figure 3*, 43% of employees who are less than 40 years old (at organizations that sponsor DB plans) say their company’s retirement program was an important reason for deciding to join their current employer, versus just 28% in 2009 — a 15-percentage-point increase. At organizations that sponsor a DC plan, the percentage of younger employees citing retirement programs as an attraction factor dropped by two points since 2009.

Retirement programs also serve as a key retention tool — 63% of employees who are less than 40 years old at organizations that sponsor a DB plan cite their company’s retirement program as a reason for staying with their current employer, versus 37% in 2009. However, the percentage of these employees at organizations that sponsor a DC plan that view their retirement program in this way dropped by three percentage points since 2009.

It is somewhat surprising that employees in their 40s in companies that sponsor a DB plan show declines in considering their company’s retirement plan as a reason to join or stay with their current employer. This could reflect the fact that mid-career workers who were hard hit by the recent economic downturn are burdened by higher levels of debt and financial responsibility, and least satisfied with their current financial situation. On another note, employees in their 40s say their employer’s retirement program was a top reason for joining the organization, as shown in *Figure 6*, page 4.

Younger employees at organizations that sponsor a DB plan are also much more interested in staying with an employer until retirement — an increase of 26 percentage points since 2009 — while those in their 40s and 50s have not seen as significant a change. This reinforces our earlier findings that employees, particularly younger employees with a DB plan, are much more risk-averse about many aspects of their finances and their careers, and are willing to pay more for greater certainty in their retirement and health care benefits.

**Figure 3. Importance of retirement plan for attraction and retention**

|   | Age          | DB Plan       |           |                         | DC only       |           |                         |
|---|--------------|---------------|-----------|-------------------------|---------------|-----------|-------------------------|
|   |              | February 2009 | June 2010 | Percentage point change | February 2009 | June 2010 | Percentage point change |
| My company’s retirement program was an important reason I decided to work for my current employer | Less than 40 | 28%           | 43%       | 15%                     | 19%           | 17%       | -2%                     |
|   | Age 40 – 49  | 38%           | 24%       | -14%                    | 21%           | 24%       | 3%                      |
|   | Age 50+      | 30%           | 35%       | 5%                      | 27%           | 20%       | -7%                     |
| My company’s retirement program is an important reason I will stay with my current employer       | Less than 40 | 37%           | 63%       | 26%                     | 29%           | 26%       | -3%                     |
|   | Age 40 – 49  | 61%           | 51%       | -10%                    | 32%           | 37%       | 5%                      |
|   | Age 50+      | 61%           | 61%       | 0%                      | 37%           | 32%       | -5%                     |
| I would like to continue working for my current employer until I retire                           | Less than 40 | 44%           | 70%       | 26%                     | 37%           | 39%       | 2%                      |
|   | Age 40 – 49  | 74%           | 76%       | 2%                      | 58%           | 66%       | 8%                      |
|   | Age 50+      | 81%           | 87%       | 6%                      | 80%           | 76%       | -4%                     |

Note: Percentages indicate responses of “somewhat agree” or “strongly agree.”

**Figure 4. Importance of retirement plan for attraction and retention**

|   | Tenure       | DB Plan       |           |                         | DC only       |           |                         |
|---|--------------|---------------|-----------|-------------------------|---------------|-----------|-------------------------|
|   |              | February 2009 | June 2010 | Percentage point change | February 2009 | June 2010 | Percentage point change |
| My company's retirement program was an important reason I decided to work for my current employer | <2 years     | 27%           | 60%       | 33%                     | 16%           | 20%       | 4%                      |
|   | 2 – 5 years  | 18%           | 30%       | 12%                     | 19%           | 19%       | 0%                      |
|   | 5 – 10 years | 38%           | 38%       | 0%                      | 23%           | 22%       | -1%                     |
|   | 10+ years    | 33%           | 31%       | -2%                     | 24%           | 21%       | -3%                     |
| My company's retirement program is an important reason I will stay with my current employer       | <2 years     | 51%           | 72%       | 21%                     | 26%           | 26%       | 0%                      |
|   | 2 – 5 years  | 34%           | 51%       | 17%                     | 28%           | 24%       | -4%                     |
|   | 5 – 10 years | 45%           | 53%       | 8%                      | 31%           | 32%       | 1%                      |
|   | 10+ years    | 60%           | 61%       | 1%                      | 41%           | 36%       | -5%                     |
| I would like to continue working for my current employer until I retire                           | <2 years     | 66%           | 83%       | 17%                     | 45%           | 45%       | 0%                      |
|   | 2 – 5 years  | 47%           | 59%       | 12%                     | 34%           | 49%       | 15%                     |
|   | 5 – 10 years | 56%           | 74%       | 18%                     | 52%           | 63%       | 11%                     |
|   | 10+ years    | 77%           | 85%       | 8%                      | 70%           | 70%       | 0%                      |

The percentage of employees enrolled in DB plans that factored in the retirement program in their decision to work for their current employer jumped by 33 percentage points, compared to those enrolled in DC plans, which jumped by only four percentage points.

Note: Percentages indicate responses of "somewhat agree" or "strongly agree."

**Retirement programs are viewed as particularly important by new hires.**

Strikingly, an employer's DB plan also factored into recent hires' decisions to join their company. Sixty percent of new hires at companies that sponsor DB plans say their company's retirement program was an important reason they chose to work for their current employer (up from 27% in 2009). Almost three-quarters (72%) of new hires cite their company's retirement program as an important reason to stay with their current employer, up from 51% in 2009 (Figure 4).

**Base pay and vacation are more important to younger employees, while health and retirement benefits are more important to mid-career employees.**

In general, although health and retirement benefits are high on the list regardless of company plan, younger employees' decisions to join an organization are more influenced by base pay and vacation time. However, health care and retirement benefits are more important to young employees at organizations that sponsor a DB plan (Figures 5, 6 and 7).

Predictably, benefits are far more important in older workers' decisions to join an organization. For this group, it appears that retirement benefits are viewed as slightly less important in organizations that sponsor a DC plan than in organizations that sponsor a DB plan. Health care benefits appear to be equally important regardless of plan type.

**Figure 5. Most important factors that influence employees' decisions to join an organization**

| Less than 40            | Under 40 with DB plan   | Under 40 with DC only   |
|-------------------------|-------------------------|-------------------------|
| 1. Base pay             | 1. Base pay             | 1. Base pay             |
| 2. Vacation/PTO         | 2. Vacation/PTO         | 2. Career advancement   |
| 3. Career advancement   | 3. Flexible schedule    | 3. Vacation/PTO         |
| 4. Flexible schedule    | 4. Career advancement   | 4. Flexible schedule    |
| 5. Work location        | 5. Health care benefits | 5. Work location        |
| 6. Health care benefits | 6. Reputation           | 6. Health care benefits |
| 7. Reputation           | 7. Work location        | 7. Reputation           |
| 8. Other benefits       | 8. Learn new skills     | 8. Other benefits       |
| 9. Challenging work     | 9. Other benefits       | 9. Challenging work     |
| 10. Workload            | 10. Retirement benefits | 10. Workload            |

Note: Based on top five most important factors with 27 options

**Figure 6. Most important factors that influence employees' decisions to join an organization**

| Age 40 – 49             | Age 40 – 49 with DB plan | Age 40 – 49 with DC only |
|-------------------------|--------------------------|--------------------------|
| 1. Base pay             | 1. Base pay              | 1. Base pay              |
| 2. Vacation/PTO         | 2. Health care benefits  | 2. Vacation/PTO          |
| 3. Flexible schedule    | 3. Vacation/PTO          | 3. Flexible schedule     |
| 4. Health care benefits | 4. Flexible schedule     | 4. Health care benefits  |
| 5. Work location        | 5. Retirement benefits   | 5. Work location         |
| 6. Career advancement   | 6. Work location         | 6. Career advancement    |
| 7. Retirement benefits  | 7. Career advancement    | 7. Caliber of coworkers  |
| 8. Caliber of coworkers | 8. Challenging work      | 8. Retirement benefits   |
| 9. Financial health     | 9. Caliber of coworkers  | 9. Financial health      |
| 10. Reputation          | 10. Other benefits       | 10. Workload             |

Note: Based on top five most important factors with 27 options

**Figure 7. Most important factors that influence employees' decisions to join an organization**

| Age 50+                  | Age 50+ with DB plan    | Age 50+ with DC only    |
|--------------------------|-------------------------|-------------------------|
| 1. Base pay              | 1. Base pay             | 1. Base pay             |
| 2. Health care benefits  | 2. Health care benefits | 2. Health care benefits |
| 3. Vacation/PTO          | 3. Retirement benefits  | 3. Vacation/PTO         |
| 4. Retirement benefits   | 4. Vacation/PTO         | 4. Work location        |
| 5. Work location         | 5. Work location        | 5. Retirement benefits  |
| 6. Flexible schedule     | 6. Flexible schedule    | 6. Flexible schedule    |
| 7. Challenging work      | 7. Challenging work     | 7. Financial health     |
| 8. Financial health      | 8. Financial health     | 8. Workload             |
| 9. Workload              | 9. Other benefits       | 9. Reputation           |
| 10. Caliber of coworkers | 10. Reputation          | 10. Challenging work    |

Note: Based on top five most important factors with 27 options

## Conclusion

Amid continuing uncertainty about an economic recovery, employees, including top talent, are reluctant to leave secure jobs. On the one hand, this is good news for employers when it comes to retaining critical-skill employees. But as businesses grow and evolve, they will need workforces that are flexible enough to change with them.

In this environment, competitive benefit programs can be a strong differentiator. As our survey findings suggest, employees place a higher value on retirement benefits at companies that sponsor a DB plan than employees at companies that sponsor a DC plan. This is not surprising, given that DB plans provide workers with a greater level of security than DC plans. This

preference is consistent across all employee groups — including new and younger employees. For the latter group in particular, which is typically more open to risk taking than their older colleagues, this trend marks a significant departure from their usual attitudes. As our previous survey findings have shown, over half of younger employees saw significant declines in their retirement savings during the economic crisis. This experience undoubtedly plays a large role in their current preferences.

In a sluggish economy, a talented workforce may be the competitive edge organizations need to boost performance and drive results. That's why companies looking to attract top talent would be wise to take a second look at all of their benefit programs.

## About Towers Watson

Towers Watson is a leading global professional services company that helps organizations improve performance through effective people, risk and financial management. With 14,000 associates around the world, we offer solutions in the areas of employee benefits, talent management, rewards, and risk and capital management.