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AIM

1. The Royal Canadian Air Force (RCAF) is currently undergoing a crisis in experience as 49% of its personnel (as of fiscal year (FY) 2014/2015) have 10 years or less of service. This recognized deficit in mature, skilled individuals filling middle to senior leadership roles means that the RCAF will not have the requisite experiential knowledge to resolve more complex and nuanced issues nor will it have the necessary organizational wisdom to mentor and guide younger members of the organization. The aim of this paper is to examine the use of periodic retention bonuses for completed years of service to determine whether or not such an incentive has utility in stemming the flow of departures from the RCAF.

INTRODUCTION

2. Forecasted (i.e. reaching compulsory retirement age (CRA)) and unexpected releases from the RCAF have left telling gaps in the organization. With CRA set at age 55 (with an option to go to CRA 60) and pension eligibility at 20 years of service (YOS) (25 YOS for those who enrolled after 2007), the RCAF has seen an exodus of its middle management and senior personnel leaving for alternate employment or just simply retiring. Losses at the senior non-commissioned member (NCM) and senior officer ranks in the RCAF are jeopardizing the ability of the institution to perform at optimum operational levels and adequately prepare the younger generation to develop into the leaders that the military needs them to be. This issue was identified specifically in the

RCAF's FY2014/2015 business plan.¹ Subsequently, an option for mitigating attrition was inserted into the suggested research topic list of the Air Force Vectors: AIRPower publication for 2016. Specifically, it called for an examination of the introduction of retention bonuses for years of military service rendered in order to mitigate attrition rates.

3. Retention bonuses are common practice in the civilian private sector; SNC-Lavalin paid out some \$15.3 million worth of retention bonuses in 2013 in order to prevent the departure of key personnel during a crisis period for the company.² The AbitibiBowater merger in 2007 also resulted in a significant amount of bonuses paid out to executives to retain their expertise during the merger. These are just two high profile Canadian examples where private sector companies have used financial incentive to retain key personnel.

DISCUSSION

4. In addition to the private sector examples, more relevant for the RCAF is the fact that various countries around the world have introduced similar measures (retention bonuses) to address their own attrition problems within their militaries. They have, by all accounts, achieved their aim. The armed forces of Australia³, the United Kingdom (UK) and the United States of America (USA)⁴ have all met with quantifiable success in

¹ David Pugliese, "Retirements Leave RCAF Young But Inexperienced." *Ottawa Citizen* (2015), <http://ottawacitizen.com/news/politics/retirements-leave-rcaf-young-but-inexperienced>

² Nicolas Van Praet. "SNC-Lavalin Paid Out Millions in Retention Bonuses in Midst of Ethics Scandal." *Financial Post*, <http://business.financialpost.com/news/snc-lavalin-paid-out-millions-in-retention-bonuses-in-midst-of-ethics-scandal>

³ Jim O'Hara, Damian Roche, Darren Moore. "Review of the Australian Defence Force Retention and Recruitment Strategy." Australia: Noetic Solutions Pty Limited, 2010.

⁴ Beth J. Asch, Paul Heaton, James Hosek, Francisco Martorell, Curtis Simon, John T. Warner. "Cash Incentives and Military Enlistment, Attrition and Re-Enlistment." USA: RAND Corporation, 2010.

improving retention rates through the use of bonuses. This reinforces the results achieved within the private sector and lends credence to the assumption that a similar effect would be attained with the RCAF. Given the overwhelming literature on the subject, with respect to the specific question, “Would periodic bonuses for years of service rendered mitigate attrition rates?” the unqualified response is “Yes”.

Retention Bonuses Advantages and Disadvantages

5. Given this overwhelming evidence, there is no doubt that the introduction of such a financial incentive would also achieve the aim of stemming the tide of releases of senior RCAF personnel. The follow-on and more relevant question is whether or not such measures are appropriate for the RCAF. Studies have shown that while retention bonuses succeed in keeping key personnel for the agreed period, staying beyond this specified time (for which they received the bonus) is doubtful at best. More than half the people who were paid to stay on for a set time departed the organization as soon as the contract was fulfilled.⁶ If the intent is to create a stable, mature work environment for the near/short term in order to allow the younger generation to grow in their trades and professions while still surrounded by senior leaders with experience, then it would appear that retention bonuses would be a logical and rational option. The organization should be mindful of the fact that by inducing mature and experienced officers and senior NCMs to stay through financial remuneration, we fundamentally alter the culture of service; “pay

⁵ Justing Joffiron, Nathan Wozny. "Military Retention Incentives: Evidence from the Air Force Selective Reenlistment Bonus." USA: W.E. Upjohn Institute for Employment Research Working Papers, 2015.

⁶ Claudine Kapel. "Do Retention Bonuses Deliver Value?" Canadian HR Reporter (2014), <http://www.hrreporter.com/blog/compensation-rewards/archive/2014/12/09/do-retention-bonuses-deliver-value>

to stay” becomes the norm and what develops is a mercenary mindset that only gets reinforced and further ingrained each cycle the bonus is paid.

6. Based on the experience of other militaries, the payment of retention bonuses for YOS rendered works. Monetary gain motivates individuals to remain with the organization for at least the duration of the agreement and there is no expectation that the RCAF will be significantly any different or deviate in this regard. On the one hand, paying extra money by way of bonuses will allow the organization to retain much needed personnel and provides immediate relief to an urgent problem. Retaining senior members also decreases the resources and time required and the costs related to recruiting, training and growing replacements. For serving RCAF members, the retention bonus augments their normal salary and underlines their value to the organization. The payment of the retention bonus for the RCAF is deemed to be a win-win proposition for the short term.

7. On the other hand, the RCAF should be cognizant of the fact that there are negative consequences, in addition to the one already mentioned (development of mercenary mindset); for instance, once the bonuses are paid there are no guarantees of job performance from these employees. Also, payment of retention bonuses, unless given to all (i.e. not just for specific, distressed trades), will cause dissatisfaction and unhappiness in those members not receiving the extra money, resulting in perhaps the very thing the organization sought to address: departures from the RCAF.

The Real Issue

8. Given current economic factors (i.e. forecasted government deficits for the next several years), the long term sustainability of paying out retention bonuses for YOS completed is questionable. A more realistic expectation is that this additional financial

incentive to mitigate attrition rates would be palatable to the government for the short-term (five to 10 years); if the Canadian Armed Forces (CAF) were to make a submission that had any hope of approval, it must be based on the fact that it would be for only a finite period. Any submission to government for this extra funding must stress that while part of the solution, the monetary inducement would only be a part of the strategy for success. That is, a permanent fix cannot be predicated on continued pay out of retention bonuses. A more holistic approach has to be taken to address the issue of current lack of experienced, mature members in the RCAF.

9. Traditionally, the military as an organization undergoes cycles of “boom and bust” with respect to recruiting and retention. So too with the RCAF; whenever the airline industry suffers from an economic downturn, recruiting and retention are relatively easy. In hard economic times, employment alternatives are simply not available. Conversely, when the economy is booming, the RCAF competes for a limited talent pool that will inevitably see a decline in recruiting and a surge in releases as pilots, airmen and airwomen depart for civilian careers in a favourable job (aviation) market. While there will always be a demographic that will want to serve in the military for nationalistic/patriotic reasons, the remainder require more motivation to join, and even greater reasons to stay. The training and experience gained by an individual in learning a skill or trade in the RCAF is extremely marketable in the civilian sector. Pilots and aircraft technicians are just some of the highly sought after professions by civilian aviation companies. As such, if mitigating attrition by improving retention is the goal, a real and profound understanding of the personnel in the RCAF is key; this means coming to the realization that there are currently three distinct and very different generations

employed within the RCAF, and that success in retaining its experienced people will be wholly dependent on crafting a strategy that will appeal to the unique characteristics and traits of each demographic.

Generational Cohorts and Motivation

10. Sociological studies have confirmed that there are distinct demographic groupings in society; most relevant to this service paper are the Baby Boomers (personnel born between the years of 1946-1964), Generation X (those persons born in the early to mid-1960s – commonly 1966 – to late 1970s to early 1980s), and Generation Y (also known as the “Millennials” – persons born in the early 1980s to the early 1990s). Each generation has generally accepted traits and characteristics which translate into different motivations for employment and for remaining in an organization.

11. The Baby Boomers are known to be highly motivated and exceptionally hardworking people who subscribe to the belief that reward and the good things in life are earned. Characterized by their work ethic, this generation believes in sacrifice and the satisfaction that comes from a job well done. They are committed to the workplace and will not hesitate to spend their entire working years with one company. Independent in thought and action, Baby Boomers caused and lived through the social upheaval in the 1970s and so are not above challenging the norm and questioning the status quo. This is the current demographic that is releasing as a result of reaching CRA or attaining their pension point. This is also the cohort for whom the retention bonus is most applicable.⁷

⁷ Karen Auby. "A Boomer's Guide to Communicating with Gen X and Gen Y." Bloomberg Businessweek, February 28, 2008.
http://www.businessweek.com/magazine/content/08_34/b4097063805619.htm

12. Generation X (Gen Xers) is characterized by individuals who grew up in a family where both parents worked, more often than not came from broken homes and lived through tough economic times. Overall, this demographic group does not like being over-managed and prefer a laissez-faire management style. Gen Xers are technologically proficient having witnessed the explosion of technology in everyday life. As such they are highly adaptable and extremely flexible and not afraid incorporate new technology and processes into their lives. This lack of fear of new things leads this generation more likely to change employment or careers. This is the cohort which is at the middle management levels of the RCAF and are taking their voluntary release to look for employment elsewhere; having completed their initial periods of service, and some having reached pension point, they still have remaining years to work before retirement. The retention bonus is most definitely applicable to this generational cohort.

13. Generation Y or Millennials are multi-taskers who respond well to handling any number of challenges at the same time. This means they have a tendency to also be easily distracted and hard to focus on one thing at a time. They are highly connected and use social media extensively; more technologically proficient than any other generation, they are growing up in an age of expected tech advancement and are quick to adopt emerging trends. Millennials are also known for their want for immediate fulfillment and instant gratification; along the same vein they respond well to encouragement and recognition. They value their work-life balance and do not believe in giving up their personal or social life for a career; employment must be flexible to accommodate their schedules. Millennials are team-oriented and collaborate well in projects they believe in. More liberal than the other generations before them, they accept diversity and are

politically active. This generation is the current junior ranks and junior officers in the RCAF.⁸

CONCLUSION

14. Offering financial incentive to retain experienced RCAF personnel is a proven and logical solution for the near/short term, but it cannot be the only solution. Retention bonuses are only effective for the short term so a more permanent solution must be found to address the attrition issue. The utility of retention bonuses is that they buy the RCAF time to close the experience gap and grow junior members into senior leaders.

15. For the more complete solution, the RCAF and the CAF as a whole must better understand and leverage the traits and characteristics of each generational cohort that currently exist within its workforce. This will require the re-structuring of existing rigid administrative and financial frameworks to accommodate the different needs of each generation. It is not enough to appeal to the extrinsic motivational factors (pay, benefits, bonuses and rewards) but the RCAF and the CAF needs to appeal to the intrinsic factors as well: self-actualization, fulfillment and job satisfaction.

16. While financial remuneration (pay) is a common theme, there are other factors that vary by generational cohort that influence people to leave the RCAF. If the organization means to stem the outflow of its experienced personnel, it must do a better job at providing these people with the kind of work environment that appeals to them and positioning itself as an employer of choice for its current workforce. During the years Canada was actively engaged in the Afghanistan war, the recruiting effort was

⁸ Melissa H. Sandfort and Jennifer G. Haworth. "Whassup? A Glimpse into the Attitudes and Beliefs of the Millennial Generation." *Journal of College and Character* 3, no. 3 (2002)

significantly revitalized with a vibrant campaign that featured captivating advertisements and catchy commercials across media platforms. The same level of effort should be expended to keep the men and women the RCAF has invested its valuable resources into training.

RECOMMENDATION

17. Target retention of senior RCAF members by implementing a retention bonus program similar to what other allied countries have done. Further study should be conducted to best create such a program but connecting the retention bonus to signing on to CRA 60 would be a logical start point. Furthermore, it is recommended that for those personnel who are currently serving and entitled to an immediate annuity be induced to remain by offering a percentage of pay as monetary incentive to remain for a fixed time period (e.g. five years beyond 20 YOS) beyond their nearest offramp/gateway.

18. Amend the RCAF posting (assignment) process to establish a “home station” and allow personnel to remain within this geographic area for extended periods of time. Further to this, create a more predictable career path for RCAF trades that would allow members to better plan for the longer term and assist in managing work-life balance. Instituting something similar to the Army Managed Readiness Program (MRP) would enhance job satisfaction.

19. In trying to appeal to the Gen Xers and Millennials serving in the RCAF to remain with the organization for a long and meaningful career, it is recommended that a program which would allow members the flexibility to take a hiatus from active service when required, with no detriment to career, be studied for implementation. Furthermore, it is recommended that an initiative be explored whereby RCAF personnel such as pilots and

technicians partner with the civilian aviation industry to better learn their trade and hone their skills when not deployed. This would provide diversity in employment and benefit both the RCAF and civilian industry.

20. Finally, it is recommended that the evaluation process be modified to incorporate a more relevant, more accurate assessment of an individual's performance and leadership potential. Use of 360 degree feedback or other more relevant review systems should replace the current, dated process known as the Canadian Forces Personnel Appraisal System. The new system should allow for timely recognition of exceptional performance, identify areas for improvement, more concretely guide a member to becoming a better service member. Using this new appraisal system, promotions should also be better justified, eliminating artificial barriers (e.g. minimum time in rank) and basing promotion on merit and proven ability to lead.

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