



A Precious Resource: How Changes to Contracts, Retention, Bonuses, and Improved Career Management Practices Will Increase Core CAF Capabilities

Lieutenant-Commander Anonymous

JCSP 49

Service Paper

Disclaimer

Opinions expressed remain those of the author and do not represent Department of National Defence or Canadian Forces policy. This paper may not be used without written permission.

© His Majesty the King in Right of Canada, as represented by the Minister of National Defence, 2023.

PCEMI n° 49

Étude militaire

Avertissement

Les opinions exprimées n'engagent que leurs auteurs et ne reflètent aucunement des politiques du Ministère de la Défense nationale ou des Forces canadiennes. Ce papier ne peut être reproduit sans autorisation écrite.

© Sa Majesté le Roi du chef du Canada, représenté par le ministre de la Défense nationale, 2023.

CANADIAN FORCES COLLEGE - COLLÈGE DES FORCES CANADIENNES

JCSP 49 - PCEMI n° 49
2022 - 2023

Service Paper – Étude militaire

**A Precious Resource: How Changes to Contracts, Retention, Bonuses, and
Improved Career Management Practices Will Increase Core CAF Capabilities**

Lieutenant-Commander Anonymous

“This paper was written by a candidate attending the Canadian Forces College in fulfilment of one of the requirements of the Course of Studies. The paper is a scholastic document, and thus contains facts and opinions which the author alone considered appropriate and correct for the subject. It does not necessarily reflect the policy or the opinion of any agency, including the Government of Canada and the Canadian Department of National Defence. This paper may not be released, quoted or copied, except with the express permission of the Canadian Department of National Defence.”

« La présente étude a été rédigée par un stagiaire du Collège des Forces canadiennes pour satisfaire à l'une des exigences du cours. L'étude est un document qui se rapporte au cours et contient donc des faits et des opinions que seul l'auteur considère appropriés et convenables au sujet. Elle ne reflète pas nécessairement la politique ou l'opinion d'un organisme quelconque, y compris le gouvernement du Canada et le ministère de la Défense nationale du Canada. Il est défendu de diffuser, de citer ou de reproduire cette étude sans la permission expresse du ministère de la Défense nationale. »

A PRECIOUS RESOURCE: HOW CHANGES TO CONTRACTS, RETENTION BONUSES, AND IMPROVED CAREER MANAGEMENT PRACTICES WILL INCREASE CORE CAF CAPABILITIES

AIM

1. In Canada's Defence Policy - Strong, Secure, Engaged (SSE) the Chief of Defence Staff (CDS) and Deputy Minister (DM) outlined, "the success of the CAF and DND is completely dependent on our people; thus, Defence will be an employer of choice, renowned for delivering excellence at home and abroad by anticipating and adapting to new requirements...enabling the CAF to produce a resilient warfighting force."¹ The CAF is at a crossroads in its current state, balancing increased operational demands with internal personnel resource pressures to fulfill those tasks. If new retention practices are not implemented, the CAF will lose the one thing that is currently maintaining its credibility, its ability to deliver on operations. Future research should be done to examine the primary reasons why members depart, as well as the mitigations required to address distinct career roadblocks to ensure maximum retention of highly skilled and specialized personnel. CAF members go above and beyond to answer the needs of their country every single day, the initiatives outlined in this paper need to be implemented if the CAF is going to keep them in uniform and fulfilling life-long careers.

INTRODUCTION

2. This service paper is being written to address the current personnel exit crisis. The CAF must consider generational differences in the present workforce composition and adjust how we manage and compensate our members to retain them. By changing contract lengths, implementing deliberate career management-related retention methods (i.e. strategic bonuses aligned with key Career Decision Points (CDPs), and better communication of overall career path plans, the CAF will be in a better position to keep individuals serving longer. Without personnel, the CAF will lose its ability to meet current operational demands not only abroad but at home.

DISCUSSION

3. Generational differences should be seen not solely as generational differences but as life stage differences. Three distinct groups comprise the majority of currently serving members: Gen X (1965-1976), Millennials (1977-1995), and Gen Z (1996-2015). It is important to note that while some are at the end of their careers, others are just beginning.² Due consideration needs to be taken as a member's life stage is critical to understanding what each person values and since Millennials make up the lion's share of the present CAF workforce their motivations and notions of loyalty are key to retaining them. "Membership of a particular generational group and career stage did exert some influence over how employees perceive their Psychological Contract (PC), obligations to an organization and how employees respond to different levels of

¹ Government of Canada, Strong, Secure, Engaged: Canada's Defence Policy. Ottawa: DND Canada, 2017, 4.

² "Generations FAQ," accessed January 13, 2023. <https://jasondorsey.com/about-generations/generations-birth-years/>

PC fulfillment.”³ In transactional exchange theory, businesses provide financial incentives as the primary motivator for workers to complete specific activities within a specified time. On the other end of the spectrum, in ‘relational’ exchange theory it is an open-ended relationship where **trust, security, and loyalty** are the primary exchanged values.⁴ The CAF finds itself often in the middle of this continuum, where they balance between compensating members for employment on a contractual basis as well as using relational elements to gain trust and loyalty through purpose-driven employment, job security, and career opportunities. Currently, the CAF does not strategically use contracts or bonuses to purchase member loyalty.

4. The CAF should offer a balanced solution if they are going to address its current personnel shortages. These balanced obligations include, “career development, wide scope of responsibility, and support to learn which ensures continued employability. Therefore, employees are more satisfied, committed, and motivated to stay when these socially balanced obligations have been met.”⁵ This is better known as social exchange theory, where costs and rewards are considered and calculated; when the perceived rewards are met employees are incentivized to remain in the relationship.⁶ On the contrary, when the perceived costs outweigh the potential benefits the member must reflect on their PC and decide to stay or leave. So, when generational aspects are factored into this, those who are in the later stages of their lives are inherently more concerned with ensuring they have enough to retire, whereas those in a middle life stage have a greater focus on career development, progression, challenges, and family. Thus, Generation X is less focused on employer obligations than their predecessors.⁷ To address these disparities it is important to take into consideration what each generation values throughout their careers.

5. Generation X looks for salary, job security, and job challenges/excitement in their employment, and when either of these come into conflict this will force a CDP where they may look at other employment options or weigh the pros and cons of remaining in an organization. For Millennials, salary plays a key role in what they value, as do professional challenges and excitement. The ability to pursue a passion within a chosen field and be afforded the opportunity for personal growth is critical to keeping them engaged and active in the workforce. While enthusiasm and job stability are once again at the top of Generation Z's list of priorities, they focus on striking a balance between passion and pay along with being fairly compensated for their work. Therefore, it is important to understand that depending on the life stage in their career, each employee will have a varying subset of motivators to remain in an organization and if one of those motivators is challenged or is misaligned this will force them to weigh their options and decide, to remain or depart.

³ Hess, Narelle and Denise M. Jepsen. "Career Stage and Generational Differences in Psychological Contracts." *Career Development International* 14, no. 3 (2009): 261-2.

⁴ Hess, Narelle and Denise M. Jepsen. "Career Stage and Generational Differences in Psychological Contracts." *Career Development International* 14, no. 3 (2009): 262.

⁵ Hess, Narelle and Denise M. Jepsen. "Career Stage and Generational Differences in Psychological Contracts." *Career Development International* 14, no. 3 (2009): 275.

⁶ Hess, Narelle and Denise M. Jepsen. "Career Stage and Generational Differences in Psychological Contracts," 275.

⁷ Hess, Narelle and Denise M. Jepsen. "Career Stage and Generational Differences in Psychological Contracts." *Career Development International* 14, no. 3 (2009): 275.

6. Generational groups have differing opinions on how long they are willing to remain in any given role. The notion of loyalty should be considered when it comes to how the CAF manages its contracts. For example, Generation X: deems loyalty to be in the realm of 7 years, whereas, Millennials and Generation Z see this as 5 and 3 years, respectively.⁸ These generational differences highlight the requirement to look at how the CAF implements and manages contracts. The current generation of workers is one of choice; they are driven by passion, and gainful employment, and the notion of a 25-year contract intimidates them. A more cost-effective solution to close the generational gap and keep members beyond the 5-year mark would be to introduce more agile 3-5-year service contracts and revert the eligibility for a pension to 20 years. In the US, after the completion of West Point, the average loss was 30.4% after five years.⁹ These numbers in Canada would be catastrophic. After 5 years, members are just reaching Occupational Functional Point (OFP) and have finished serving their obligatory service period so the CAF has not even seen a return on investment. This is a clear area where the CAF must align itself to address obvious CDPs and get to the root of why they depart if they are going to create future sustainability. According to a 2021 service study, “the top reason [US] soldiers want to continue their Army career is retirement pay, which soldiers typically can earn after 20 years of service.”¹⁰ After the member reaches 20 years of service, if their trade requires continued service this is where Career Managers (CM) can employ strategic retention bonuses to garner additional periods of service. Retention bonuses, staying in the same location for stability, and retirement pay after 20 years appear to be significant motivators of retention in the US Army.¹¹ With the changes made in the US Army, “the service has surpassed more than 100% of its retention goals every year since 2017, including new numbers for 2022... meaning more active-duty soldiers are sticking around than the service intended.”¹²

7. The CAF offers recruitment bonuses to, “meet [personnel] shortfalls in under-strength military occupations, specific recruitment allowances are available as an incentive to attract eligible applicants and provide compensation for the unique skills and qualifications they bring to the Canadian Forces.”¹³ This is only useful to get members in the door. Once trained it is keeping these members in the organization which proves a much greater challenge. “The commonly accepted first-order effect of a retention bonus is that it will reduce the likelihood that individuals in a particular target group—whether it be rank, trade or experience level—will choose to resign.”¹⁴ At critical CDPs in a member's career, the CAF should have the flexibility to offer retention bonuses if members are required for further employment to fill positions. The amount of the bonus should depend on the current numbers, job experience, and priority for

⁸ “How Different Generations Approach Work,” accessed January 15, 2023, <https://www.visualcapitalist.com/generations-approach-workplace/>

⁹ Wharton, Jaron, ‘The Real Story of Army Junior Officer Retention’, accessed January 12, 2023, <http://www.humanevents.com/article.php?id=26525>.

¹⁰ “Army having no issue retaining soldiers,” accessed January 14, 2023, <https://www.military.com/daily-news/2022/09/26/army-having-no-issue-retaining-soldiers-amid-crisis-recruiting-new-ones.html>

¹¹ “Army having no issue retaining soldiers,” accessed January 14, 2023, <https://www.military.com/daily-news/2022/09/26/army-having-no-issue-retaining-soldiers-amid-crisis-recruiting-new-ones.html>.

¹² “Army having no issue retaining soldiers,” accessed January 14, 2023.

¹³ “Compensation and Benefits Instructions,” Chapter 205, accessed January 16, 2023.

¹⁴ “Retention of Military Personnel,” Report Number 35 (1999–2000), Australian National Audit Office, Canberra,

employment. Above all this process needs to be a collaborative engagement between the needs of the service and the needs of the member to ensure the retention of skilled and motivated individuals for a designated period. The CAF offers a significant amount of recruitment bonuses¹⁵ but little effort has been made to promote retention bonuses. The CAF continues to allow crucial institutional leaders and members to depart with little to no effort to retain them and continues to be seen as disloyal. Additionally, members who have completed their obligatory service, and then choose to sign up again **should be incentivized to re-sign not resign**. Later, in a member's career, larger bonuses can be strategically implemented when a member completes the Intermediate Engagement (IE25) to sign additional Continuing Engagements (CEs) of 5 years. A retention bonus is to offset not only competition but express that the member is invaluable to the institution. Where trust and commitment in the CAF are paramount to its social structure, this needs to be a reciprocal endeavour. Offering individuals a bonus forces them to compare the pros of cons of remaining in an organization.¹⁶

8. A retention bonus should not be seen as the singular remedy to current retention issues, rather it should be used to address unplanned attrition, decreased recruitment, and resolve poor force structure. The reason behind a bonus is to address the problems that have likely been the reason the deficiency was created in the first place. The instantaneous effect of a bonus will only satisfy individuals in the near to short-term, and this does not negate the requirement to address the more systemic underlying issues of personnel management in the CAF. However, this mitigation could be useful in the near term to course-correct currently forecasted shortfalls until new trainees are available for employment. A more holistic analysis of the workforce, in general, is going to be required to address retention long-term.

9. Improved retention in the CAF will surely result from considering a member's generational considerations but also the strategic CDPs that correspond directly to their current life stage. CDPs are decisive points represented throughout a member's career where they have an increased likelihood of leaving as their role in an organization becomes challenged.¹⁷ CDPs often coincide with career milestones (i.e. specific courses, promotions, postings, and personal situations). These situations force members to contrast where they see themselves in the greater military construct with where their CM views them. "The greater the discrepancy between the individuals' thoughts on postings, promotions, lifestyle, and career progression from that of the career management agency, the greater the propensity to leave is likely to be."¹⁸ This disparity can challenge a member's sense of belonging, purpose, and identity in the CAF.

10. By better-aligning trust, loyalty, and security with the needs and aspirations of employees the CAF will be better suited to plan, communicate, and manage a member's career from the time they join until they depart. When members reach OFP and are promoted to Captain—ensuring they have stability, gainful employment, career possibilities, and advancement is critical

¹⁵ CANFORGEN 014/23 CMP 008/23 31928Z JAN 23 TEMPORARY RECRUITMENT INCENTIVE TO QUALIFYING OCCUPATIONS.

¹⁶ "Retention of Military Personnel," Report Number 35 (1999–2000), Australian National Audit Office, Canberra, 160.

¹⁷ "Retention of Military Personnel," Report Number 35 (1999–2000), Australian National Audit Office, Canberra, 160.

¹⁸ "Retention of Military Personnel," Report Number 35 (1999–2000), Australian National Audit Office, Canberra, 164.

as these are significant dissatisfiers are areas of high turnover. In the US Army members typically leave for the following reasons: (#1) desire to remain in the same location, (#7) better civilian opportunities, (#17) insufficient developmental opportunities, and (#29) limited promotion prospects.¹⁹

11. If the CAF can learn anything from the retention successes of the US Army it is that people crave security and with that comes consistency and the ability to plan for the future. Better management and forecasting of career movements are key to job satisfaction. The desire to remain in the same place is a key dissatisfier amongst all serving members. This is further amplified when a member is reaching a CDP where they are considering their options. When family and life stability outweigh the benefits the military offers, the member chooses to depart. Better communication of a career plan and career path of a member would ensure family stability, and the ability to plan for the future. This would also provide increased fidelity on the required number of moves an individual would be potentially be forecasted to undertake throughout their career. This would remove some of the surprises and resulting instability of service life. There will always be unforecasted requirements that arise and opportunities presented outside the scope of the initial plan, but these are generally expected with this type of employment. Early communication and routine follow-up can prevent member dissatisfaction and the feeling of a total loss of control.

12. “The high number of vacancies in a particular trade does not necessarily mean that separation rates are high; in fact, high vacancies are more likely to be a symptom of a poor structure.”²⁰ This can occur for a variety of reasons; however, better career forecasts and the ability to employ retention bonuses would mitigate any unforecasted losses. As well, this offers more flexibility for the organization if career forecasts are not accurate enough to provide the appropriate numbers at the required rank and experience levels in any given year.²¹ It is commonly understood that the costs associated with retention are much less than that of training and recruiting a new member.²² Bonuses should be structured around permitting more time for the trade itself to course correct.

CONCLUSION

13. Getting to the root of why members depart the institution is key to resolving the attrition issues of the CAF. CAF CMs must understand generational nuances, life stages, and what members value to build career management strategies that support and communicate the expectations of each trade and respective career paths. When this does not go to plan, our Allies, the USA, and Australia have both proven that “the deliberate application of a well-timed bonus can potentially contribute to a decrease in the number of CDPs, which would result in fewer

¹⁹ Jacka, (2006), Australian Defence Force Exit Survey Report – Reasons for Leaving.

²⁰ “Retention of Military Personnel,” Report Number 35 (1999–2000), Australian National Audit Office, Canberra, 161.

²¹ “Retention of Military Personnel,” Report Number 35 (1999–2000), Australian National Audit Office, Canberra, 160.

²² “Retention of Military Personnel,” Report Number 35 (1999–2000), Australian National Audit Office, Canberra, 27.

periods where a member considers discharge, thereby marginally improving retention.”²³ By reducing the time required to receive a pension this will increase overall intake, keep members who are potentially on the fence about releasing longer, as well as better align the generational perceptions of loyalty with the current demands of the CAF. The widespread implementation of better management and clear member-specific career plans will not only improve transparency (i.e. trust) but allow members to work within the needs of the service. This will provide members with a clear picture so they can plan the big moments in their lives.

RECOMMENDATION

14. This paper has demonstrated that reducing initial contract lengths, reinstating 20-year pensions, and applying retention bonuses are much more cost-effective measures than relying on recruiting. Retention bonuses can force members to re-think release and make it ultimately more expensive for them to depart. For those members whose pension is still a while off, the utilization of retention bonuses could be a decisive factor in retaining them. Our US Allies have used Reenlistment Bonuses for over 40 years and it is still considered to be the primary means of achieving their retention goals.²⁴ To effectively manage its employees, the CAF must integrate relational theory components and build trust with its members. These incentives and changes, although important, can only buy time—loyalty needs to be earned. By implementing these changes and improving the overall experience of members using clear communication, and allowing them some degree of career control will undoubtedly build institutional trust. This leads to fewer CDPs and thus, fewer opportunities for them to leave the organization.

²³ “Retention of Military Personnel,” Report Number 35 (1999–2000), Australian National Audit Office, Canberra, 164.

²⁴ Hoglin, Philip, “The Burden of Bonuses,” accessed February 24, 2023, <https://search.informit.org/doi/pdf/10.3316/ielapa.200907512>, 164.

BIBLIOGRAPHY

- “Army having no issue retaining soldiers.” Accessed January 14, 2023.
<https://www.military.com/daily-news/2022/09/26/army-having-no-issue-retaining-soldiers-amid-crisis-recruiting-new-ones.html>.
- CANFORGEN 014/23 CMP 008/23 31928Z JAN 23 TEMPORARY RECRUITMENT INCENTIVE TO QUALIFYING OCCUPATIONS.
- “Generations FAQ.” Accessed January 13, 2023. <https://jasondorsey.com/about-generations/generations-birth-years/>.
- Government of Canada, Strong, Secure, Engaged: Canada’s Defence Policy. Ottawa: DND Canada, 2017.
- Hess, Narelle and Denise M. Jepsen. "Career Stage and Generational Differences in Psychological Contracts." *Career Development International* 14, no. 3 (2009): 261-283.
- Hoglin, Philip. “The Burden of Bonuses.” Accessed February 24, 2023.
<https://search.informit.org/doi/pdf/10.3316/ielapa.200907512>.
- “How Different Generations Approach Work.” Accessed January 15, 2023.
<https://www.visualcapitalist.com/generations-approach-workplace/>
- National Defence and the Canadian Armed Forces. “Compensation and Benefits Instructions.” Chapter 205. Accessed January 16, 2023.
- “Retention of Military Personnel.” Report Number 35 1999–2000. Australian National Audit Office, Canberra, 2001. “Retention of Military Personnel.” Report Number 35 (1999–2000), Australian National Audit Office, Canberra.
<https://www.anao.gov.au/work/performance-audit/retention-military-personnel-follow-up-audit>.
- Wharton, Jaron. “The Real Story of Army Junior Officer Retention.” Accessed January 12, 2023.
<http://www.humanevents.com/article.php?id=26525>.