

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 4/24/2024

Staff Report No. 24-088

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager/Chief Executive Officer
SUBJECT: Update on Hiring and Employee Referral Incentive Pilot Programs

BRIEFING ITEM

AGENDA PLANNING REQUEST: ☐

RECOMMENDED ACTION(S):

Consider approving Resolution No. 24-016 continuing the District's current hiring incentive and employee referral pilot programs for the remainder of calendar year 2024.

Staff Contact:
Sebron Flenaugh III, Executive Director of Human Resources

STRATEGIC IMPORTANCE:

Goal - High-Performing Workforce
Initiative - Employee Recruitment, Training and Retention

Well-designed and implemented hiring and employee referral incentive programs may serve as powerful methods to both attract new talent and retain existing employees, particularly in the transportation and maintenance channels. It is essential to evaluate and adjust these programs to ensure they align with the District's evolving talent management goals and address employees' needs and expectations.

BUDGETARY/FISCAL IMPACT:

The hiring incentive and employee referral programs are included in the current and requested for the upcoming fiscal year's budget. The cost through the end of calendar 2024 will be approximately \$250,000.

BACKGROUND/RATIONALE:

In March of 2020, at the on-set of the COVID-19 pandemic, the District temporarily adjusted service in response to state and local mandates. This included pausing recruitment efforts, notably for bus operators, due to uncertainty regarding the pandemic's duration. As vaccination efforts progressed in spring 2021, service restoration planning commenced. However, the District faced challenges filling new operator training classes compared to pre-pandemic levels.

Within a year of the pandemic, the job market landscape had undergone significant changes, swinging from heavy layoffs and job losses in 2020 to becoming highly competitive with low unemployment rates. This shift provided candidates with numerous opportunities across diverse industries, particularly evident in driving and

transit positions. Private delivery companies were aggressively recruiting to meet the rising consumer demand for delivery services, and as transit agencies relaunched hiring efforts, intense competition for candidates became very apparent. Candidates increasingly prioritized safety and flexibility opting for positions offering these features. To address these challenges, staff actively explored strategies adopted by other agencies and delivery companies, recognizing the prevalence and effectiveness of sign-on bonuses/hiring incentives as potential solutions to attract and retain candidates.

Collaborative efforts involving Finance, Human Resources, Amalgamated Transit Union Local 192 leadership and the General Manager/CEO led to the development and implementation of the Hiring Incentive and Employee Referral Programs in January 2022 for newly hired bus operators.

Recognizing a comparable demand for journey level mechanics, the position was integrated into the incentive and referral programs starting in October 2022.

Hiring Incentive Program

Hiring incentives or sign-on bonuses are payments to new employees who join an organization. Typically, payments are cash and are structured to be distributed over time, usually through the first few months to first year of employment. Hiring incentives are utilized to create interest in an organization's openings and encourage more job seekers to apply for openings and remain at an organization. Hiring incentive programs provide organizations with a competitive edge, helping with retention and providing a fixed, controlled cost that can be easily forecasted.

The District's original Hiring Incentive Program, initiated in January 2022, consisted of two payments for new bus operators who have completed the required milestones within their first year of employment. Eligible operators could receive up to \$1500 in incentive payments, in addition to their regular pay. The payments were structured as follows:

- \$500 upon completion of 3 months driving after graduation from New Bus Operator Training.
- \$1000 upon completing 12 months of employment from the date of hire.

The purpose of the program was to attract a greater number of applicants for bus operator positions and encourage new operators to remain in the role for at least one year, recognizing that the first year of driving is typically the most challenging, leading to high turnover rates.

In October 2022, the program was expanded to include the journey level mechanic positions and the incentive amount was increased to \$2000. Below details the current incentive payments for bus operators and journey level mechanics.

Bus Operator

- \$500 upon graduation from New Bus Operator Training
- \$500 upon completion of 3 months driving after graduation from New Bus Operator Training
- \$1000 upon completion of 12 months employment from date of hire

Journey Level Mechanic

- \$500 upon hire date at the District

- \$500 upon completion of 3 months of employment
- \$1000 upon completion of 6 months of employment

Employee Referral Program

Employee referral programs are a cost effective and an efficient method to source candidates. Referral programs transform each employee into a recruiter, leveraging employees' professional and social networks to provide exposure to an organization's employment opportunities. Additionally, employee referral programs can improve employee morale and engagement as well as enhancing organizational culture. Current employees perceive their contribution to the organization's success through referrals of high-quality candidates, which fosters a vested interest in the referred candidate's success. As mentioned above, the Employee Referral Program for the District was introduced as a recruiting strategy to encourage current employees to refer qualified candidates for bus operator and journey level mechanic roles. The payments for employee referrals are detailed below:

Bus Operator

- \$500 payment is granted to the current employee should the referred bus operator candidate meet the following milestones: graduation from new bus operator training and completion of 3 months driving after graduation from New Bus Operator Training.

Journey Level Mechanic

- \$500 payment is granted to the current employee should the referred journey level mechanic candidate meet the following milestone: completion of three months of employment with the District.

Summary of Programs' Performance and Data

Since January 2022, 422 new bus operators and Journey Level Mechanics have been hired, and a total of \$369,500 has been distributed in hiring incentives and employee referral payments.

The following statistics illustrate the impact of the hiring incentive and employee referral programs on recruitment and retention:

Bus Operator Employment Applications

- The number of applicants for bus operator has been trending higher, year over year, since January 2022, when both programs started.
 - 12% increase in bus operator applications from 2021 to 2022
 - 6% increase in bus operator applications from 2022 to 2023.
- The number of bus operator applicants being referred by current employees has increased since January 2022, when the employee referral program began.
 - 4% increase in employee referrals when comparing 2021 to 2022
 - 10% increase in employee referrals when comparing 2022 to 2023

Bus Operator Hiring Incentives

- During the hiring incentive period from January 2022 to March 2024:

- 410 new operators were hired.
 - 264 received a \$500 payment after graduation and three months of driving post-training.
 - 129 received the final \$1000 payment after one year of employment.
- The graduation rate from new bus operator training increased slightly with the onset of the incentive program
 - 71% of new bus operators graduated from new bus operator training after the hiring incentive program began
 - 69% of new bus operators graduated from new bus operator training prior to the hiring incentive program
- The incentive program has had no impact on the one-year retention of new bus operators. Prior to the hiring incentive program, the one-year retention rate of new bus operators was 60%, and it has remained at 60% after the hiring incentive program began.

Influence of Hiring Incentives Bus Operator Recruitment and Retention

- In March 2024, a survey of 220 bus operators was conducted to determine the influence of the hiring incentives on employees' choices to apply and to remain with the District for one year. The hiring incentive program has had somewhat of an impact on new hires coming to the District, but very little impact on new bus operators staying with the District through one year.
 - 26% of new hires cited the hiring incentive as a factor in joining the District.
 - 16% of the survey respondents stated that the incentive influenced their decision to stay through the first year.
- However, the majority of those polled cited career opportunities, stability, and generous benefits as the primary reasons for choosing to join and remain with the District.

Bus Operator Referral Incentives

- There were 92 new bus operators hired through an employee referral, indicating that 22% of new bus operators have been hired through employee referrals. Prior to the employee referral program, the new hire employee referral rate was 13.5%.
- The graduation rate of employees hired through employee referrals is higher than employees not referred.
 - 76% of new bus operators who have been hired through an employee referral have graduated new bus operator training.
 - 69% of new bus operators who did not have an employee referral graduated new bus operator training.

Journey Level Mechanic Employment Applications

- The number of applicants for journey level mechanic has increased significantly since 2022.
 - 48% increase in Journey Level Mechanics applications from 2022 to 2023

- The number of journey level mechanic applicants being referred by current employees has increased since October 2022, when the journey level mechanic employee referral program began
 - 17% increase in employee referrals in the first eight months after referral program started
 - 40% increase in employee referrals in the past eight months

Journey Level Mechanic Hiring Incentives

- For the period from October 2022, when the incentive program for mechanics began, 12 new mechanics were hired
 - 7 mechanics received all payments
 - 5 mechanics received the first payment and are still awaiting the 2nd and 3rd payments

Journey Level Mechanic Employee Referral Incentives

- 2 current employees have been paid for referring mechanics
- 17% of new mechanics since the employee referral program began were from employee referrals.
- Prior to the employee referral program, approximately 15% of new mechanics were employee referrals.

Conclusion and Recommendations

Overall, both the hiring incentive and employee referral programs appear to mostly positively affect both bus operator and journey level mechanic recruitments. Consequently, staff recommends extending both initiatives until end of the year as a part of, and in conjunction with, other strategic recruiting and retention efforts. These efforts include District-sponsored hiring events and informational tours, extensive and targeted marketing campaigns, effective and customized bus operator onboarding, and ongoing new bus operator mentorship.

The hiring incentive and employee referral programs serve as valuable marketing tools to attract candidates, especially as employment applications and bus operator graduation rates are trending up, and a large upcoming District hiring event is being planned. Furthermore, the District stands out as one of the few Bay Area transit agencies continuing these programs post-pandemic, offering a distinct employee benefit not available elsewhere. With unemployment in Bay Area counties rising, the District can position itself as one of the more desirable and attractive employers in the region with these programs. Additionally, marketing and promoting these programs to current employees as a reminder that these programs are available will also energize the District's recruiting and publicizing of careers at the District.

At the close of this calendar year, these programs will be reviewed, and a recommendation will be submitted for consideration to retire or continue the incentive programs.

ADVANTAGES/DISADVANTAGES:

The advantage to continuing these programs is that the District can continue to use these programs as marketing tools for recruitment of new bus operators and journey level mechanics. The disadvantage of continuing these programs is the additional cost; however, these programs have been included in the upcoming fiscal year budget. These programs are finite and are not ongoing, which makes the cost a one-time

cost over this year and next fiscal year.

ALTERNATIVES ANALYSIS:

The only alternative analysis is to not continue these programs. This course of action is not recommended by staff due to the urgent need for bus operators and mechanics at the District. With the current development of the Realign plan, new bus operators will be a critical aspect to increasing bus operator availability as planning continues. These programs provide an extra appeal to working at AC Transit and to stop the programs now may interfere with the progress that is being made towards filling critical vacancies and moving the District towards achievement of its strategic goals and initiatives.

PRIOR RELEVANT BOARD ACTION/POLICIES:

None

ATTACHMENTS:

1. Resolution No. 24-016

Prepared by:

Emily Sutkus Cruz, Human Resources Manager

Anne Kennedy Hayes, Acting Senior Management Analyst

In Collaboration with:

James Radosevich, Project Manager II, HRIS

Approved/Reviewed by:

Janis Picket-Lacy, Director of Human Resources

Sebron Flenaugh III, Executive Director of Human Resources

Chris Andrichak, Chief Financial Officer

Shayna van Hoften, Interim General Counsel/Chief Legal Officer