

GAO

Briefing Report to the Ranking
Minority Member, Subcommittee on
Federal Services, Post Office, and Civil
Service, Committee on Governmental
Affairs, U.S. Senate

October 1990

PAY AND BENEFITS

Data on Energy Employees Who Retired or Resigned in Fiscal Year 1989





United States
General Accounting Office
Washington, D.C. 20548

General Government Division

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October 25, 1990

The Honorable Ted Stevens
Ranking Minority Member
Subcommittee on Federal Services,
Post Office, and Civil Service
Committee on Governmental Affairs
United States Senate

Dear Senator Stevens:

At your request, we obtained information on former Department of Energy (DOE) employees at grade 13 and above who retired or resigned during fiscal year 1989. Specifically, you wanted to know if employees were leaving DOE to take jobs with government contractors or grantees and earning salaries higher than their government pay. We briefed your office on the responses to a questionnaire we developed for the purpose of responding to your request and agreed to summarize the briefing in a report.

Background

Questions are continually being raised about the federal government's ability to hire and retain a high-quality workforce. Numerous GAO and other studies have concluded that noncompetitive federal salaries contribute to federal recruitment and retention problems. For example, reports by the White House Science Council (1983), the President's Blue Ribbon Commission on Defense Management (1986), and the President's Commissions on Compensation of Career Federal Executives and on Federal Pay (1988) all concluded that the inadequacy of federal compensation seriously affects the government's ability to attract and retain a high-quality workforce. In a June 1988 report, Civil Service 2000, the Hudson Institute concluded that this problem was expected to worsen over the next decade.

Similarly, in 1989 we reported that (1) to recruit and retain a quality workforce, the federal government must pay competitive salaries and benefits and (2) the competition from the private sector was hurting the federal government's ability to maintain the quality it needs to be effective. In addition, the 1989 report by the President's pay advisors cautioned that the federal government's continued ability to recruit and retain qualified employees is dependent upon pay comparability adjustments. In August 1990, the pay advisors reported a comparability gap ranging from about 22 percent at GS-1 to over 39 percent at GS-15.

number, 186 responded to the questionnaire for a response rate of 76 percent.

To test the validity of some of the salary data provided by respondents, we randomly selected 5 (about 10 percent) of the 43 respondents who reported higher salaries and judgmentally selected 3 additional respondents who reported salary increases of \$45,000 or more. We sent verification letters to the personnel offices in those cases where the respondent gave us the name of his or her employer and to the individual respondent when the name of the employer was not available. We also asked the personnel offices to send us information on employee benefits. In analyzing the information on benefits, we focused on costs to the employer/employee and generally did not make a value or level of benefits analysis.

Finally, we were able to interview the supervisors of 14 of the DOE employees who reported receiving higher pay to determine what kind of performers they were and what effect their leaving had on the organization.

We did our work from April 1990 to September 1990 in accordance with generally accepted government auditing standards. As agreed with your office, we did not obtain written comments from DOE. We did, however, discuss the contents of the report with a DOE personnel office official who agreed with the facts presented.

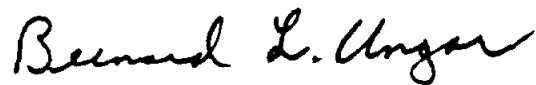
Results

The responses to our questionnaire by 186 of the 246 grade 13 and above former employees who left DOE in fiscal year 1989 showed that:

- 98 employees retired and 88 resigned (see p. 8);
- 91 of the 127 who were employed after leaving federal service were employed by government contractors or grantees (see p. 11);
- 78 of the 91 said that either their work was funded by contracts or grants or they were uncertain if this was the case (see p. 11);
- 58 of 77 (1 of the 78 did not answer) said they were doing the same type of work as they had done at DOE (see p. 16);
- 43 of the 78 said their pay was higher than their government pay (see pp. 12);
- 28 of the 43 were in scientific/technical positions at DOE and 15 were in administrative/managerial positions (see p. 12);
- 31 of the 39 who reported the amount of the increase, received up to \$15,000 more, with an average of \$8,258 (see p. 13); and

The major contributors to this briefing report are listed in appendix II. If you or your staff have any questions about the report, please call me on 275-5074.

Sincerely yours,



Bernard L. Ungar
Director, Federal Human Resource
Management Issues

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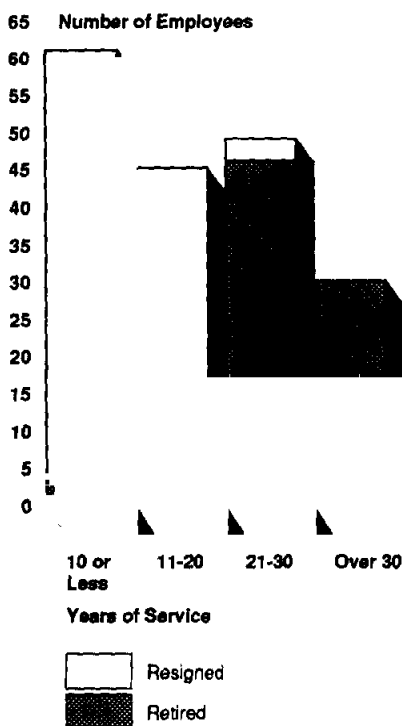
Abbreviations

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|------|--------------------------------|
| DOE | Department of Energy |
| MSPB | Merit Systems Protection Board |

Is DOE Losing Experienced Employees?

Of the 186 former DOE employees who responded to our questionnaire, 106 left during their first 20 years of federal service. Most of these 106 employees resigned, and they did so during their first 10 years of federal service. Of the 61 employees who retired or resigned during their first 10 years, 85 percent had at least 2 years of experience when they left DOE. Resignees accounted for 93 percent of those who left DOE during the first 10 years of service and 62 percent of the 45 employees who left during the second 10 years of service. After 20 years of service, retirees accounted for almost all separations.

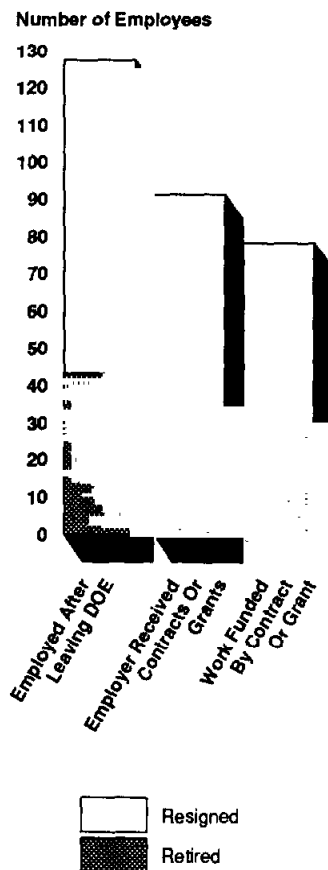
Figure I.2: DOE Employees Who Retired and Resigned—Years of Service



Did Employers of Most Former DOE Employees Receive Federal Contracts or Grants?

Of the 127 respondents who said they were employed after leaving DOE, 91 (72 percent) said their employers received funding in the form of federal contracts or grants. Of these 91, 71 said their work was federally funded at least in part and 7 said they were not sure. For the purposes of further analysis, we included all 78 of these former employees as having their private employment federally funded. We did this because the possibility existed that since they were employed by federal contractors, their work also was federally funded.

Figure I.4: Former DOE Employees Employed by a Federal Contractor/Grantee

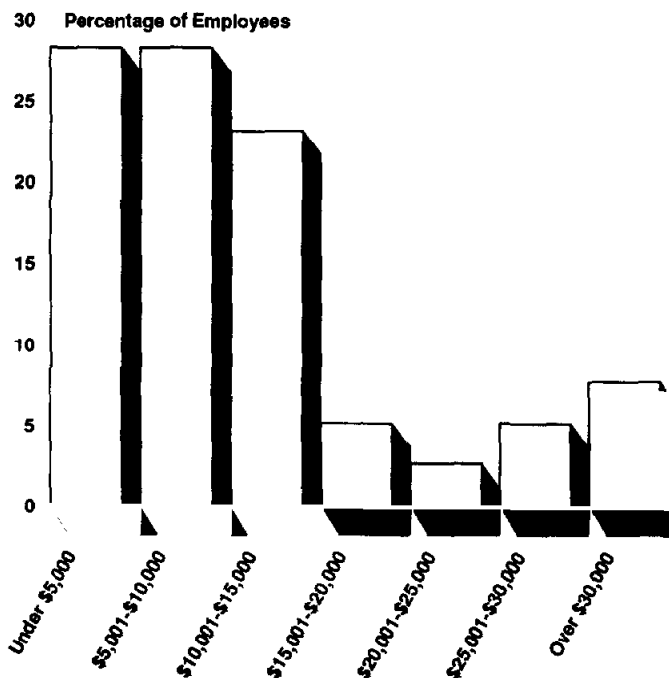


How Much of a Pay Increase Did Former DOE Employees Receive?

Of the 43 former DOE employees who reported an increase in pay, 39 told us the amount of the increase. Almost 80 percent (31) received an increase of \$15,000 or less, an average of \$8,258 per employee. Of those reporting a pay increase, 27 (60 percent) said that had a very major effect in their deciding to leave DOE.

In verifying the amount of the salary increases for eight employees, we were able to verify two but found that one understated the increase by \$4,500, and two overstated it by \$1,500 and \$10,500. We did not attempt to resolve these discrepancies because the verified amounts still represented increases over the former employees' DOE salaries. In the remaining three cases, the employee's personnel office or the employee did not respond to our request for verification of salary increases of \$5,000, \$45,000, and \$130,000.

Figure I.6: Pay Increases of Former DOE Employees



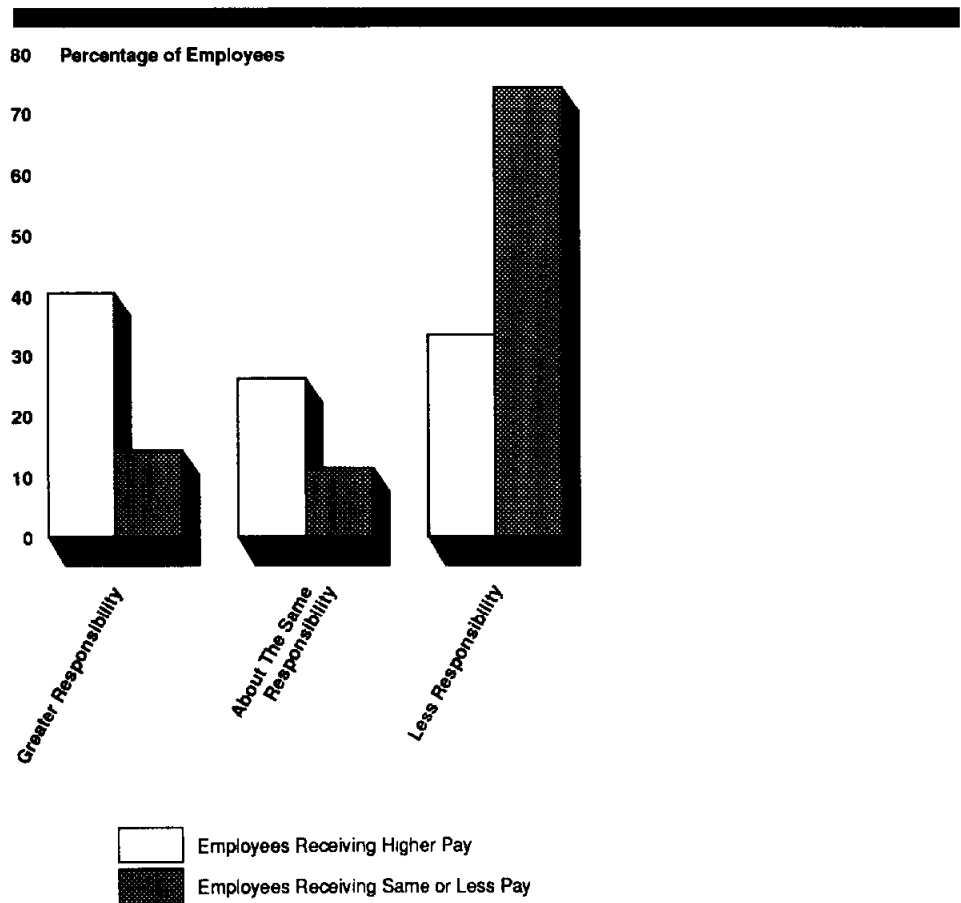
Note: Computations are based on 39 responses. Although 43 respondents reported higher pay, 4 did not provide an amount. The above amounts do not reflect the results of our verification of respondents' salary information.

How Do Former Employees' Duties and Responsibilities Compare With Those of Their Last Position at DOE?

Most former employees had less responsibility in their new jobs than they had at DOE. While this applied primarily to the employees who received the same or less pay, 33 percent of the employees who received higher pay also reported they had less responsibility.

Of the 42 employees receiving higher pay who responded to this question, 17 (41 percent) had greater responsibilities and 11 (26 percent) had the same responsibilities as they had at DOE.

Figure I.8: Comparison of Former Employees' New Duties and Responsibilities With Their Last Position at DOE

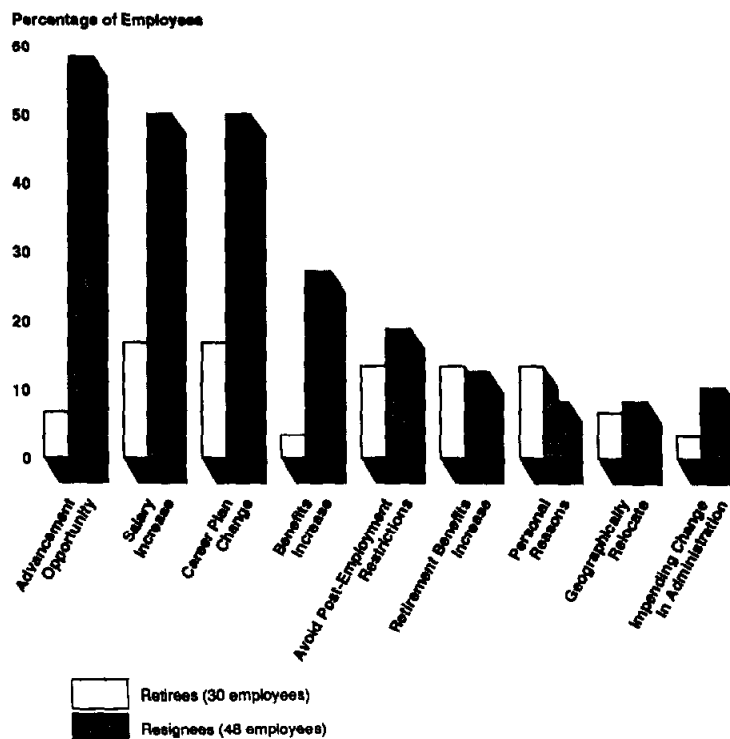


Note. Computations for employees receiving (1) higher pay and (2) same or less pay are based on 42 and 35 responses, respectively

Why Did DOE Employees Retire or Resign During Fiscal Year 1989?

The reason former DOE employees cited most frequently as having a major impact on their decision to retire or resign was to increase their opportunity for advancement. Overall, of the 78 employees who left and whose work was then funded by a federal contract or grant, 30 (38 percent) said this reason had a major impact on their decision. It was also the more prevalent reason among resignees as slightly more than 58 percent of the resignees compared with 7 percent of the retirees said the opportunity for advancement had a major impact on their decision to leave DOE. The next two most frequently cited reasons having a major impact were the desires to increase salaries and change personal career plans. Overall, 37 percent said these two reasons had a major impact on their decisions to leave DOE. In addition to the reasons shown in figure I.10, several employees also offered other reasons that affected their decisions to leave DOE. The reasons cited most frequently involved problems they had with agency management and policies and with their role in the agency.

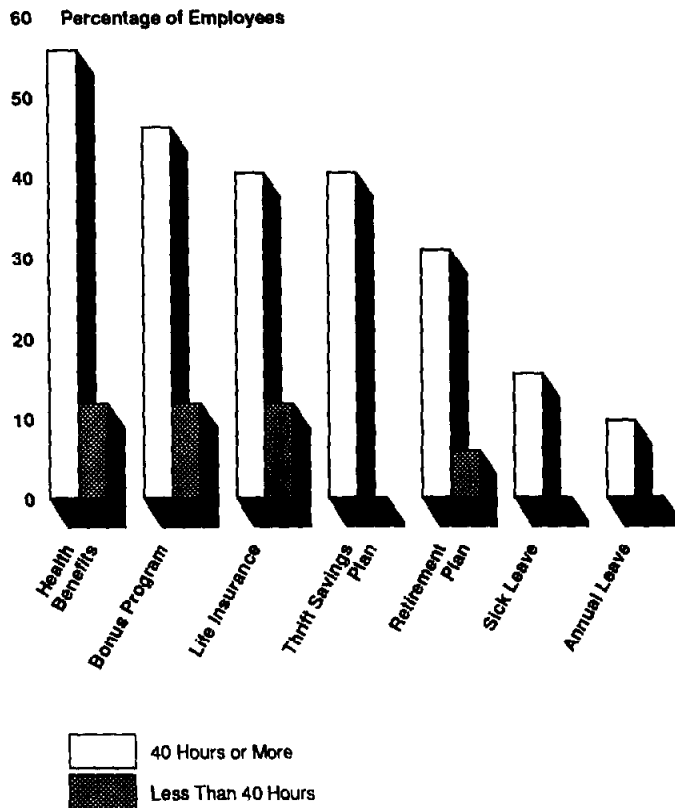
Figure I.10: Factors Having a Major Impact on Decision to Leave



Note. The percentages were computed based on how many of the 78 former employees cited each factor as having a major effect on their decision to leave DOE, not on the 69 to 72 employees who cited individual factors as having at least some effect.

Appendix I
 Analyses of DOE Employees Who Retired and
 Resigned During Fiscal Year 1989

Figure I.11: Extent That Benefits Were
 Cited as Being Better Than Those
 Provided by DOE



Note: The percentages were computed based on the 52 and 17 employees working 40 hours or more or less than 40 hours respectively who cited each benefit as being better than the same benefit provided by the federal government

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Are Benefits in Private Industry Better Than the Benefits in the Federal Government?

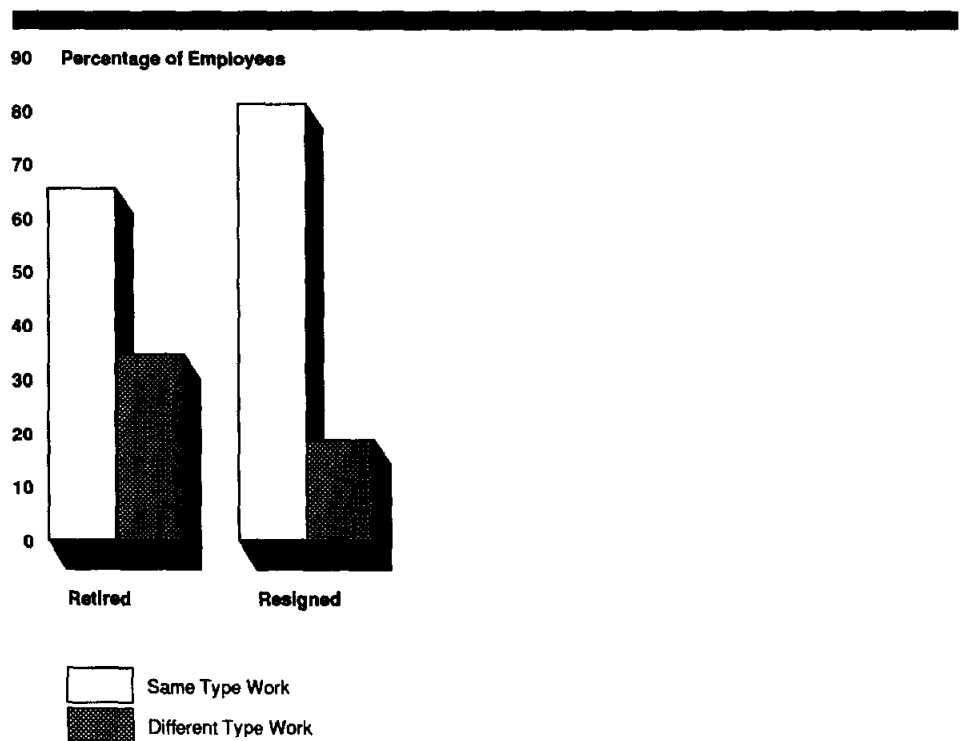
More than half of the 52 former DOE employees who worked 40 hours a week or more said that health benefits were better in private industry than they were at DOE. Following that, the benefits cited most frequently by these employees included company bonus programs, life insurance, and thrift savings plans. Not many of the 17 employees who worked less than 40 hours a week cited any of the benefits as being better than they were at DOE. However, the benefits cited most frequently closely paralleled benefits cited by those working 40 or more hours a week. None of these employees said annual and sick leave or thrift savings plans were better than at DOE.

In reviewing some of the employers' benefit programs, we noted that one company paid 100 percent of employees' health insurance premiums and 72 percent of dependents' premiums. Another employer paid the entire premium for two pre-paid health care plans and for a dental and optical plan. In another instance, where life insurance was cited as a better benefit, the company paid the entire premium. In the case of retirement plans, advantages included lower employee contributions; the ability to deduct contributions from gross pay, thereby deferring taxable income; the ability to retire at age 50 with 5 years of service; and the formula used for computing retirement benefits. For one of the employees who cited a thrift savings plan as better, we noted that employees could contribute up to 20 percent of their income versus 10 percent under the Federal Employees Retirement System and 5 percent under the Civil Service Retirement System. Annual leave was cited as being better in one instance where all employees received 5 weeks of vacation regardless of length of service.

Are Employees Doing the Same Type of Work in Their New Jobs as They Did at DOE?

Most employees were doing the same type of work in their new jobs as they had done at DOE. Almost 66 percent of the retirees and 81 percent of the resignees reported that they were doing the same general type of work that they did at DOE.

Figure I.9: Comparison of Former
Employees' New Type of Work With Their
Work at DOE

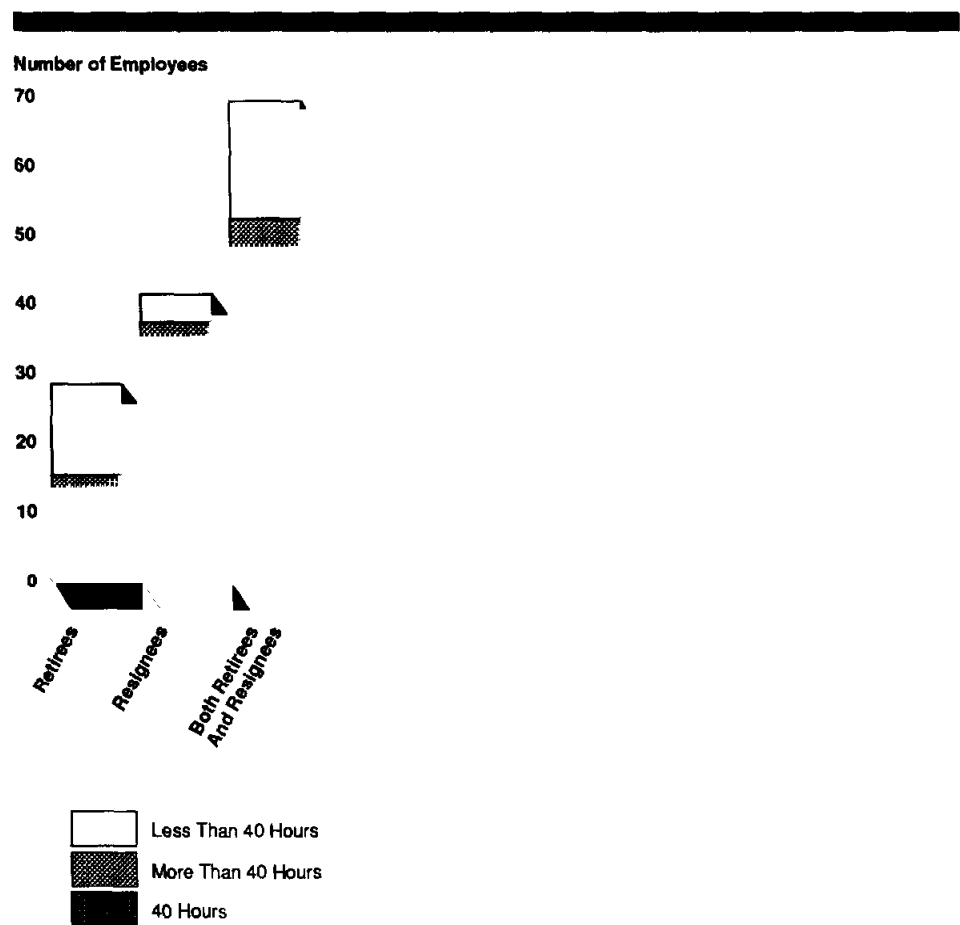


Note: Computations for employees who retired and resigned are based on 29 and 48 responses, respectively.

Are Former DOE Employees Paid Based on a 40-Hour Work Week?

Most former DOE employees whose work was federally funded were paid based on a 40-hour work week. Of the 69 employees who reported their hours, 48 (70 percent) said their pay was based on a 40-hour work week. This was more applicable to resignees than it was to retirees. Slightly more than 85 percent of the resignees and 46 percent of the retirees reported their pay was based on a 40-hour work week.

Figure I.7: Former DOE Employees: Number of Hours on Which Weekly Pay Is Based



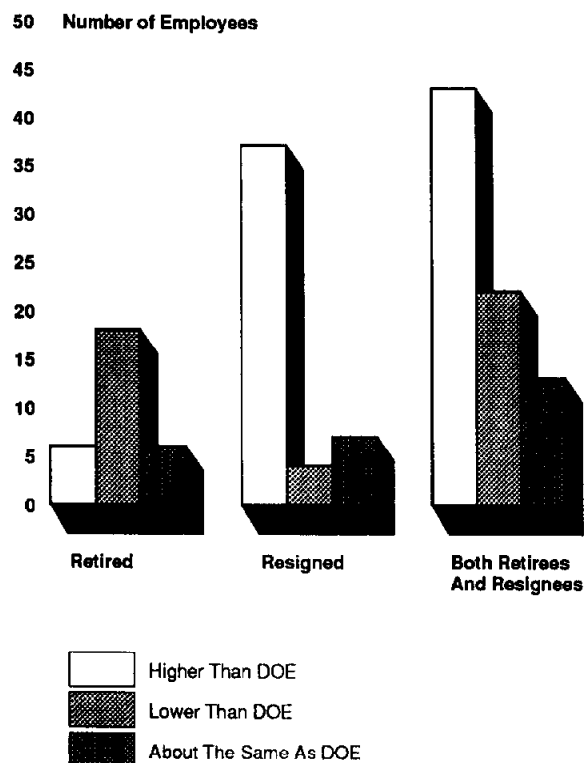
Note. Computations are based on 69 responses

How Did the Former DOE Employees' Nonfederal Pay Compare With Their DOE Pay?

Of the 78 former DOE employees whose work was funded or may have been funded under a government contract or grant, 43 said they received higher pay after leaving DOE. Higher pay was more prevalent among employees who had resigned as compared to retired former employees. Of the 43 employees reporting higher pay, 37 were resignees and 6 were retirees. Also, 28 of the 43 were in scientific/technical positions at DOE and 15 were in administrative/managerial positions.

To get an indication of whether the employees who left DOE and who were receiving higher pay were good performers and thus a loss to their DOE units, we contacted the DOE supervisors for 14 of them. Their performance was cited as "very good" by 12 supervisors and "good" by 2 of the supervisors. Twelve of the 14 supervisors also considered the loss of these employees as detrimental to DOE. For the remaining 2 employees, one supervisor said the employee was not in the newly created position long enough for the loss to have an impact on DOE, and the other supervisor said the employee's work was picked up by another employee.

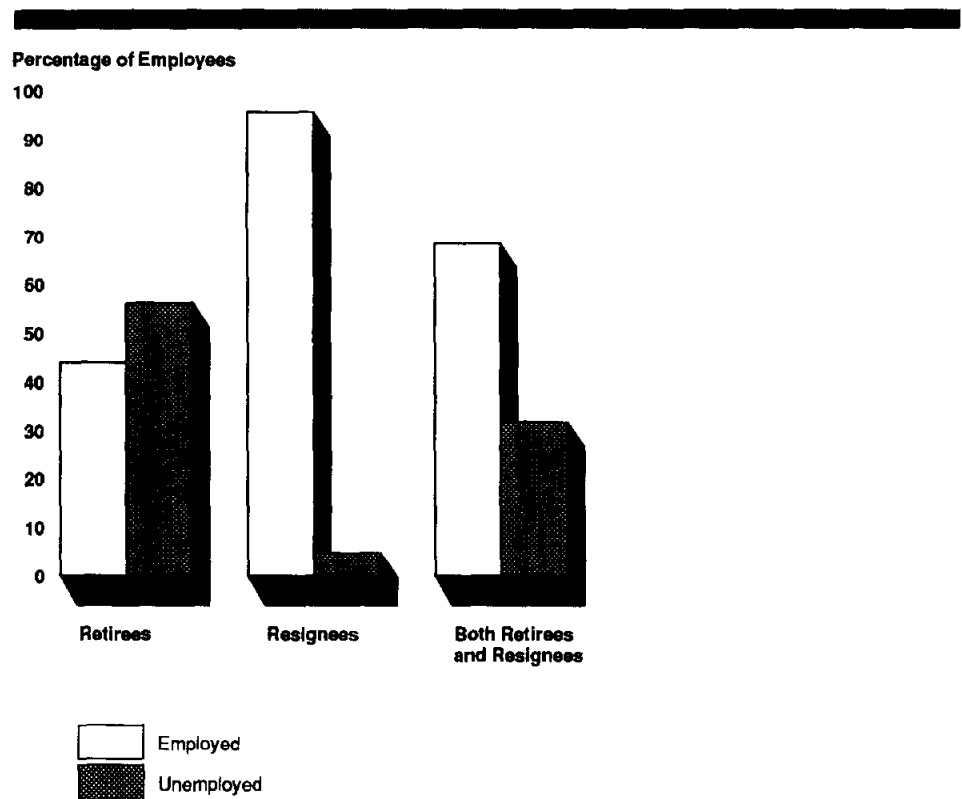
Figure I.5: Pay of Former DOE Employees



Were Most Former DOE Employees Employed After Leaving Federal Service?

Of the 186 questionnaire respondents, 127 (68 percent) said they were employed after separating from DOE. As one would expect, this was most prevalent among the 88 resignees, of whom 96 percent were employed. Interestingly, however, almost one-half (44 percent) of the 98 retirees were employed.

Figure I.3: Subsequent Employment Status of DOE Employees Who Retired and Resigned

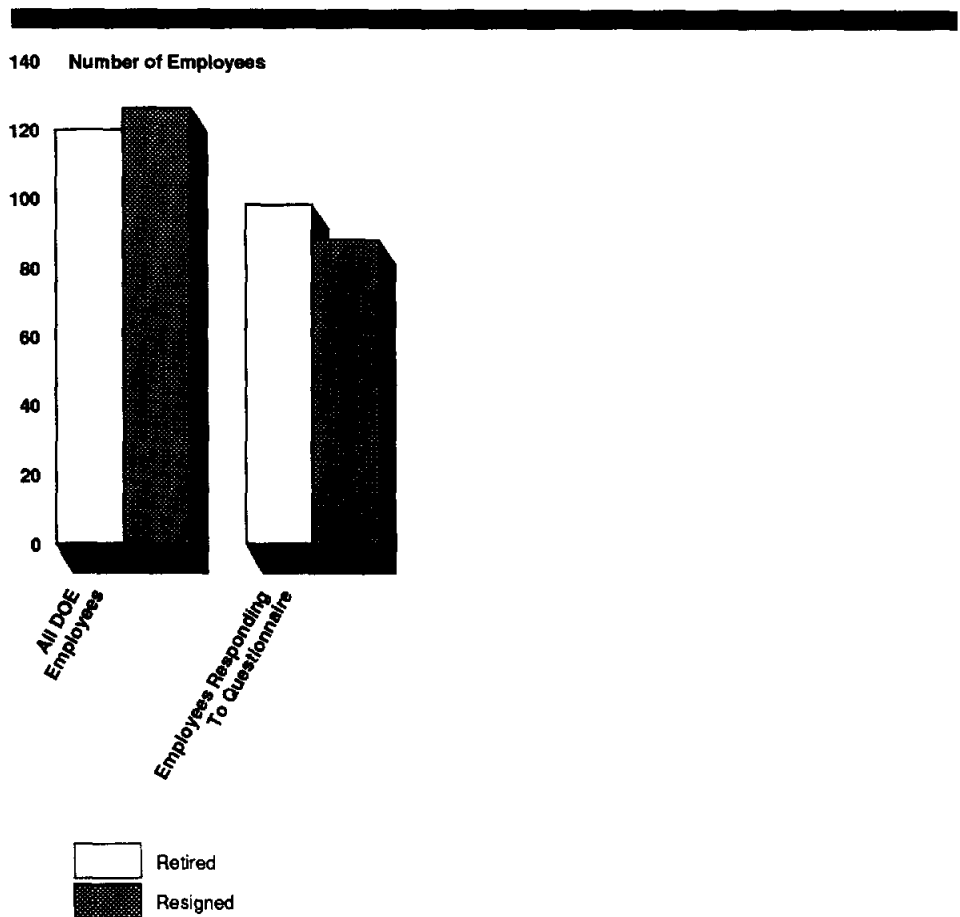


Analyses of DOE Employees Who Retired and Resigned During Fiscal Year 1989

How Many DOE Employees Retired and Resigned During Fiscal Year 1989?

During fiscal year 1989, 246 DOE employees either retired or resigned. The breakout between retirees and resignees was almost the same, with 120 employees retiring and 126 resigning. A similar proportion existed among those retirees and resignees who responded to our questionnaire. Of the 186 respondents, 98 retired and 88 resigned.

Figure I.1: DOE Employees Who Retired and Resigned During FY 1989



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- 17 of the 43 who received higher pay said their duties and responsibilities were greater than they were at DOE, 25 said they were the same or less, and 1 did not answer the question (see p. 15).

Respondents also indicated that many of their benefits were better in the private sector and most frequently cited health and life insurance, bonus programs, and thrift savings plans (see pp. 18-19).

Respondents gave many reasons for leaving DOE. Of the 70 who said they left to increase their opportunities for advancement, 30 said this had a major effect on their decision. This was the reason most frequently cited as having a major effect; the next two most frequent reasons, cited by 29 employees, were to increase salaries and to change personal career plans (see p. 17).

Responding employees who retired and resigned during fiscal year 1989 were experienced and, according to those supervisors we contacted, were good performers. Approximately 67 percent of the 186 employees left with over 10 years of experience. Of the 61 employees who left during the first 10 years, 85 percent had at least 2 years of experience (see p. 9). As far as performance was concerned, the 14 DOE supervisors we contacted said that 12 of the former employees were "very good" performers, and 2 were "good" performers (see p. 12).

In discussing the responses to our questionnaire, a DOE personnel office official expressed the opinion that more than 43 of the 78 former employees would have reported higher salaries had they been working full rather than part time after leaving DOE. We have no basis for agreeing or disagreeing with this assertion. We note, however, that 19 of the 35 former employees, who reported receiving the same or less pay, worked 40 hours or more a week.

Appendix I contains more detailed information on the responses by the former DOE employees.

As arranged with your office, we plan no further distribution of this document until 30 days after the date of issuance unless you publicly announce its contents earlier. At that time, we will send copies to the Secretary of Energy and other interested parties and make copies available to others upon request.

The U.S. Merit Systems Protection Board (MSPB) recently issued three reports that continue to demonstrate the extent of this problem. In the first report, MSPB found that 9 percent of the employees—6 percent at DOE—left the federal workforce during calendar year 1987.¹ Of those who left, 25 percent retired, 58 percent resigned, and 17 percent separated for other reasons. The turnover rate was 25 percent among employees during their first year of service. This rate decreased to 4 percent for employees with 16 to 20 years of service. After 20 years of service, the rate increased again, reaching 22 percent for employees with 30 or more years of service, a time when most employees become eligible for retirement.

In its next two reports, MSPB found that compensation is an important factor in employees' decisions to leave the federal workforce.² For Senior Executive Service members, the single most often cited reason for leaving was the ceiling on salaries. For white-collar employees who resigned, 28 percent cited compensation and advancement as the most important reasons for leaving the federal workforce. In contrast, for white-collar employees who retired, 20 percent said concern about changes in the retirement system was the single most important reason for retiring. The next most important reason, cited by 18 percent, was a desire to pursue nonwork interests. Only 11 percent said compensation and advancement were factors in retiring.

As of September 30, 1989, DOE's estimated employment was almost 17,000 employees. In addition, DOE had about 132,000 contractor employees at its laboratories and plants throughout the country.

Objective, Scope, and Methodology

Our objective was to determine if employees at grade 13 and above were leaving DOE to take jobs with government contractors or grantees and earning salaries higher than their government pay. To accomplish this objective, we obtained from DOE a listing of the 246 employees at these grades who retired or resigned during fiscal year 1989. Because DOE did not have any post-employment information on these employees, we developed and sent a questionnaire to all 246 employees. Of this

¹Who Is Leaving The Federal Government? An Analysis of Employee Turnover, the U.S. Merit Systems Protection Board (Aug. 1989).

²The Senior Executive Service: Views of Former Federal Executives, the U.S. Merit Systems Protection Board (Oct. 1989); and Why Are Employees Leaving the Federal Government? Results of an Exit Survey, the U.S. Merit Systems Protection Board (May 1990).

