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May 20, 1997

The Honorable Alfonse M. D'Amato
Chairman, Committee on Banking,
Housing, and Urban Affairs
United States Senate

Subject: Federal Workforce: Attrition Rates at Ex-Im Bank and Similar Agencies

Dear Mr. Chairman:

This letter responds to your September 4, 1996, request for information on the extent of employee attrition at the Export-Import Bank (Ex-Im Bank) and similar agencies. Specifically, we agreed to determine the number of employees who left Ex-Im Bank during the last 5 years, the number of these employees who were in core professional positions, and how Ex-Im Bank's attrition rates compared with those of similar agencies. We also agreed to determine how many employees who left Ex-Im Bank received retention allowances. Our results are summarized below, and detailed information on turnover rates at the Ex-Im Bank, the United States Agency for International Development (AID), and the Overseas Private Investment Corporation (OPIC) are presented in Enclosure I.

BACKGROUND

The Ex-Im Bank's mission is to assist U.S. exporters by offering a wide range of financing at terms competitive with those of other governments' export financing agencies and absorbing risks that the private sector is reluctant to cover. Financing and protection provided by Ex-Im Bank includes (1) loans to foreign buyers of U.S. exports, (2) loan guarantees to commercial lenders providing repayment protection for loans to foreign buyers of U.S. exports, (3) working capital guarantees for pre-export production, and (4) export credit insurance to exporters and lenders protecting them against the failure of foreign buyers to pay their credit obligations.

Ex-Im Bank had a staff of about 440 employees in fiscal year 1996, and identifies its core professional positions as economists, engineers, attorneys, business development officers, financial analysts, and loan specialists. Prior to being authorized to use retention allowances in fiscal year 1991, Ex-Im Bank officials expressed concerns that the agency experienced difficulty retaining qualified staff because of its inability to compete with private firms and some federal agencies in employee compensation. Ex-Im Bank officials also cited concerns over high performing employees' attractiveness to other employers as a primary reason for awarding retention allowances to almost 50 percent of its employees in fiscal year 1995. Ex-Im Bank officials continue to believe that employee losses in core job series hamper the Bank's ability to maintain critical continuity of essential programs and policies because of the institutional knowledge lost and the time required to hire and train replacements. Ex-Im Bank officials said that unlike large federal agencies with a reservoir of personnel to maintain continuity of programs and operations, Ex-Im Bank does not have such resources to draw upon.

AID and OPIC have missions and employee occupations similar but not identical to those of Ex-Im Bank. AID is an independent federal agency that manages foreign economic and humanitarian assistance programs around the world and has several objectives, including promoting broad-based economic growth. In fiscal year 1996, AID had about 2,300 employees worldwide who worked with domestic and foreign organizations and governments to assist in sustaining economic development in foreign countries through financial aid and technical assistance.

OPIC assists in financing and insuring political risks for business enterprises in developing countries. OPIC's mission is to promote U.S. investment overseas. In fiscal year 1996, OPIC had about 200 employees who assisted businesses to identify and reach foreign markets through three principal activities: (1) insuring foreign investments against a broad range of political risks, (2) financing businesses and investment funds through loans and loan guaranties, and (3) engaging in outreach activities designed to inform the American business community of investment opportunities in developing countries.

Both AID and OPIC have professional and administrative employee occupations similar to those of employees at Ex-Im Bank. These include economists, attorneys, program analysts, business and industrial specialists, accountants, and secretarial staff.

AID had provided physician comparability allowances to six physicians during fiscal years 1992 through 1996, and OPIC had awarded one retention allowance during the

same period.[1] AID and OPIC officials both said that they did not offer any other types of retention incentives to their civil service employees during fiscal years 1992 through 1996. AID officials said that they did not believe other retention incentives were needed, and OPIC officials said that while turnover hampers productivity, they believed the use of retention allowances would neither be fully effective nor supportable under the current justification requirements.

RESULTS

During fiscal years 1992 through 1996, 220 employees left Ex-Im Bank; 15 of these employees had received retention allowances, 58 were in core professional occupations, 38 were in noncore professional occupations, and 124 were in administrative occupations.[2] During this period, Ex-Im Bank had attrition rates for all of its employees that ranged from 0.4 to 12.7 percentage points lower than AID's and OPIC's rates for all their employees. (See fig. I.1.)

During these five fiscal years, Ex-Im Bank also experienced lower attrition rates of core professional employees than did AID and OPIC for employees in the same occupational series. During fiscal years 1992 through 1996, Ex-Im Bank experienced core employee attrition rates ranging from 7.0 to 17.9 percentage points lower than AID's and 3.7 to 22.0 percentage points lower than OPIC's rates for the same occupational series. (See fig. I.2.)

Ex-Im Bank experienced losses of 7, 9, 15, 11, and 16 employees from its core professional occupations during fiscal years 1992 through 1996, respectively.[3] The

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[1]Physician comparability allowances are additional biweekly payments for federal physicians serving in areas or specialties with documented recruiting or retention problems.

[2]Ex-Im Bank awarded 2, 2, 98, and 217 retention allowances in fiscal years 1992 through 1995, respectively. In fiscal year 1996, Ex-Im Bank had 200 retention allowances in effect until January 19, 1996, when the allowances were terminated. In March and April 1996, eight of the allowances were reinstated and were in effect for the remainder of the fiscal year.

[3]Ex-Im Bank's core job series, which experienced the highest attrition rates over the 5 fiscal years, varied. Economists had the highest attrition rates in fiscal years 1992 and 1993, 16.7 and 18.2 percent, respectively. In fiscal years 1994 and 1996, business

number of employees in the core positions, however, remained relatively constant due to new hires and transfers from other occupational series within Ex-Im Bank. During fiscal years 1993 through 1996, Ex-Im Bank had 159, 184, 183, and 188 employees, respectively, in its core professional occupations. In fiscal year 1992, Ex-Im Bank had significantly fewer core employees–129–but Ex-Im Bank also had 103 fewer total employees at that time. (See fig. I.3.)

The three agencies' attrition rates for their other employees–noncore professional and administrative–varied in relation to one another during fiscal years 1992 through 1996. Ex-Im Bank and AID had the highest rates in fiscal years 1992 and 1994, respectively, and OPIC had the highest rates in the other 3 fiscal years. Ex-Im Bank's higher attrition rates for the other employees were primarily due to higher attrition rates for its administrative employees. (See fig. I.4.)

SCOPE AND METHODOLOGY

On the basis of discussions with the Committee staff and Ex-Im Bank officials, and our knowledge of agencies' missions and workforces, we identified two agencies with missions and employee occupations similar to those of Ex-Im Bank.[4] To develop information on the attrition rates at those agencies and Ex-Im Bank, we obtained and analyzed raw data from Ex-Im Bank, AID, and OPIC dealing with employment totals, separations, new staff hires, and reassignments by occupation for the period October 1, 1991, through September 30, 1996. We did not verify this information with agencies' source documents, such as personnel files.

Ex-Im Bank's Director of Personnel categorized its various occupational series as core professional and other–noncore professional and administrative. We used these categorizations for occupational series that were the same at AID and OPIC. When either agency had a series not existing at Ex-Im Bank, we assigned it to the "other" grouping and judgmentally placed it in either the noncore professional or administrative category. We did this to provide a consistent grouping and comparison of AID's and OPIC's occupational series with those of Ex-Im Bank.

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development officers had the highest attrition rates, 16.1 and 14.9 percent, respectively. In fiscal year 1995, general engineers had the highest attrition rates of 33.3 percent.

[4]The U.S. Trade and Development Agency was not included because it had only 38 employees and therefore, the attrition rates could be misleading.

Also, to make the agencies' employee groups as comparable as possible, we compared only civil service employees who were covered by title 5 of the U.S. Code. We did this because AID had about 1,300 foreign service employees covered by title 22 of the U.S. Code in fiscal year 1996 who had different benefits, such as retirement eligibility at age 50 with 20 years of service. AID officials said that excluding foreign service employees was appropriate because the ability to retire at an earlier age may be a significant inducement for such employees to stay with AID at earlier years in their careers.

In determining the agencies' attrition rates, we controlled for the effect of expansions or downsizing by the agencies. To calculate the agencies' annual attrition rates by job series and in the two groupings--core professional, and noncore professional and administrative--for fiscal years in which buyouts and Reductions-in-Force (RIF) were not effective, we first determined the number of full-time employees by series and grouping at the beginning of each fiscal year.[5] We then determined the number of employees who separated by series and grouping during each fiscal year and calculated the percentages of total employees that the number of separated employees represented.[6] To determine the annual attrition rates in fiscal years in which the agencies' employees received buyouts or were RIFed, we deducted the number of employees who took buyouts or were RIFed from the number of employees in each job series at the beginning of the fiscal year and from the number of employees who separated from the agencies.[7] Buyouts and RIFs inflate attrition rates because they include positions that the agency has chosen to abolish. We then calculated the percentages the remaining separated employees represented. We also did not include replacement employees, such as new hires, in our attrition calculations because that would deflate an agency's attrition rate during a period of expansion. Including

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[5]RIFs involve separating an employee from his/her position due to a lack of funds, reorganization, or other reasons.

[6]Employees retiring from the three agencies are included in the attrition rates. With the exception of fiscal year 1996, as discussed above, the retirement rates at the three agencies were similar. Ex-Im Bank's, AID's, and OPIC's retirement rates as a percentage of total separations for fiscal years 1992 through 1995, represented 15.0, 12.6, and 11.5 percent, respectively.

[7]AID conducted a major RIF in fiscal year 1996 after several years of downsizing. From September 30, 1992, to March 31, 1997, the number of civil service employees in AID has decreased by 383 employees from 1,659 to 1,276 employees. Neither Ex-Im Bank nor OPIC had any RIFs during fiscal years 1992 through 1996.

buyouts, RIFs, and replacements would have created a biased comparison of attrition rates since Ex-Im Bank's employment levels generally grew during the 5 fiscal years and AID and OPIC experienced some downsizing.

We also compared the names of the Ex-Im Bank employees leaving the Bank during this period, to the names of Ex-Im Bank employees who had received retention allowances, to determine the number of employees leaving the Bank who had received retention allowances.

We did our work in Washington, D.C., from February to April 1997 in accordance with generally accepted government auditing standards. We provided a draft of this letter to the Acting President and Chairman of Ex-Im Bank, the Administrator of AID, and the Acting President and Chief Executive Officer of OPIC for their review and comment.

AGENCY COMMENTS

Ex-Im Bank and AID provided written comments on a draft of this letter. Ex-Im Bank said that our methodology used to determine annual attrition rates for core employees does not fully reflect the Ex-Im Bank's losses of these employees. Ex-Im Bank believes that the attrition rates should be calculated using the total number of separations during a fiscal year, including employees who receive buyouts, because each employee who is lost affects Ex-Im Bank's ability to carry out its mission. While we do not disagree that the loss of an employee may affect an agency, we do not believe that employees who receive buyout incentives to leave an agency should be reflected in attrition rates in the same manner as employees who are not induced to leave and leave due to reasons not within an agency's control. In administering buyouts, Ex-Im Bank had the authority to exclude specific occupational series, including core series, and thus could control who received the buyout incentives to retire. Thus, as discussed in our scope and methodology section, we purposely eliminated from our calculations employees who took buyouts to minimize their impact on attrition rates.

Ex-Im Bank also noted that our review included attrition figures through the end of fiscal year 1996, and stated that based on current and projected losses of Ex-Im Bank employees in core occupations, they estimated the attrition rate for core employees in fiscal year 1997 will exceed 10 percent.

AID expressed concern that we did not sufficiently highlight the fact that our attrition rates do not include replacements. We have modified our scope and methodology section to clarify this issue and have added a note to each of the relevant figures that the rates do not include replacement employees. We also added a footnote, as suggested by AID, pointing out that AID had a major RIF in 1996.

We received oral comments from the Directors for Legislative Affairs and Human Resources Management, OPIC, on May 14, 1997. These officials agreed that the information provided in the letter is accurate.

Ex-Im Bank, AID, and OPIC also provided technical comments, which we incorporated in our letter where appropriate. Ex-Im Bank's and AID's comments are reprinted in Enclosures II and III.

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We are sending copies of this letter to the Ranking Minority Member of the Senate Committee on Banking, Housing, and Urban Affairs; the Acting Chairman, Ex-Im Bank; the Administrator, AID; the President and Chief Executive Officer, OPIC; and other interested parties. We will also make copies available to others upon request.

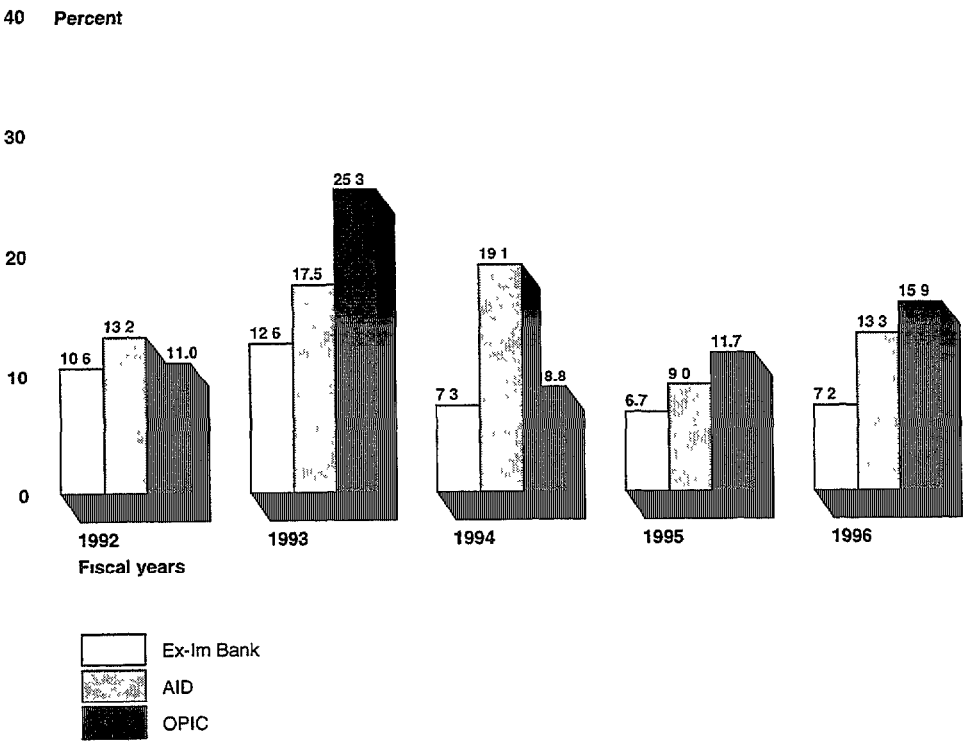
Major contributors to this letter were Larry Endy, Tom Davies, and Jeff Dawson. We trust that this information satisfactorily responds to your request. If you have any questions concerning this letter, please contact me at (202) 512-8676.

Sincerely yours,

L. Nye Stevens
Director
Federal Management
and Workforce Issues

Enclosures - 3

Figure I.1: Comparison of Attrition Rates for All Employees at Ex-Im Bank, AID, and OPIC, Fiscal Years 1992-1996



Note: Attrition rate calculations do not include replacement employees

Figure I.2: Comparison of Attrition Rates for Core Employees at Ex-Im Bank, AID, and OPIC, Fiscal Years 1992-1996

Note: Attrition rate calculations do not include replacement employees.

Figure I.3: Total and Core Employment at Ex-Im Bank for Fiscal Years 1992-1996

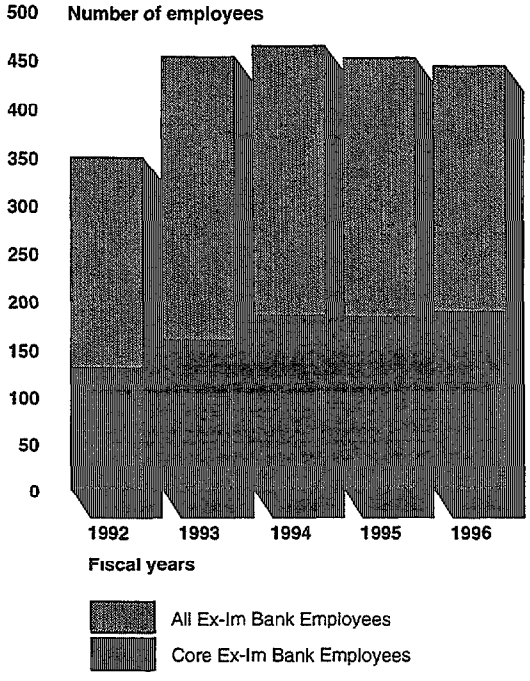
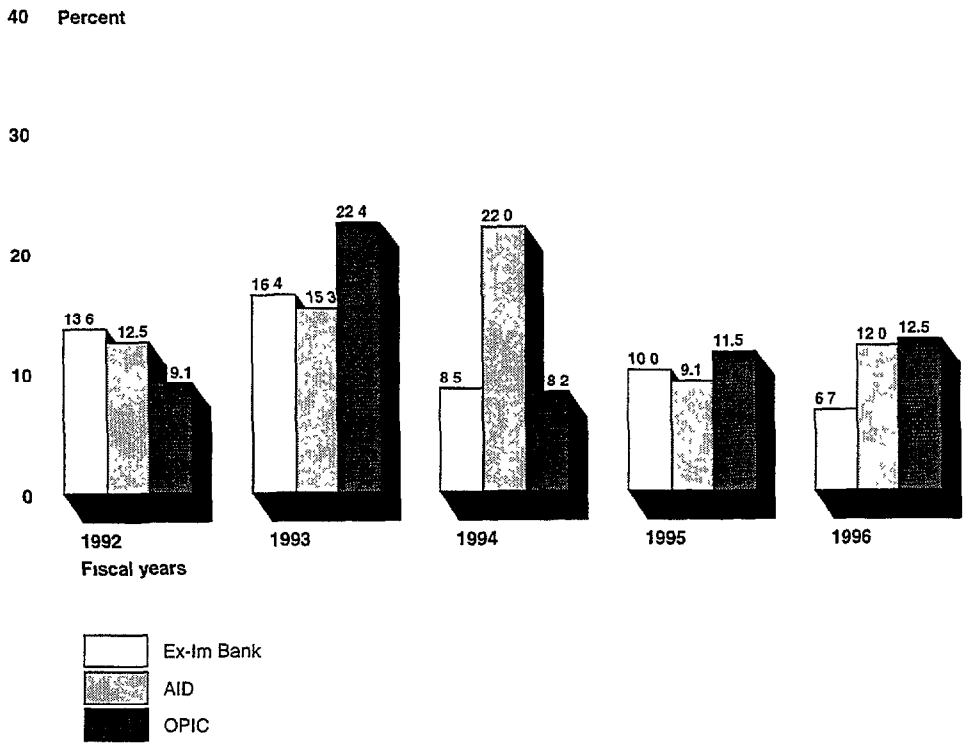


Figure I.4: Comparison of Attrition Rates for Noncore and Administrative Employees at Ex-Im Bank, AID, and OPIC, Fiscal Years 1992-1996



Note: Attrition rate calculations do not include replacement employees.

COMMENTS FROM THE EXPORT-IMPORT BANK

May 7, 1997

United States General Accounting Office
Mr. L. Nye Stevens, Director
Federal Management and
Workforce Issues
Washington, D.C. 20548

Dear Mr. Stevens:

This letter responds to your draft report to the Chairman, Committee on Banking, Housing, and Urban Affairs, United States Senate, on Attrition Rates at Ex-Im Bank and Similar Agencies.

The "Background" section of the report, states that Ex-Im officials believe employee losses in core job series hamper the Bank's ability to deliver services because of the institution knowledge lost and the time required to hire and train replacements. We would like to emphasize further that staff losses in mainline occupation series hamper the Bank's ability to maintain critical continuity of essential programs and policies. Unlike large Federal departments and agencies with a reservoir of support personnel to maintain continuity of programs and operations, Ex-Im Bank does not have the luxury of such staff.

We believe that the methodology used to determine annual attrition rates for core employees does not fully reflect the Bank's losses. In fiscal years where the Bank offered buyouts, it appears that the number of buyouts in core positions has not been considered in calculating the percentage of attrition. We believe that actual attrition rates better

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reflect the impact on the Bank and its operation. Virtually each and every loss in the mainline occupations impacts upon the Bank's ability to carry out its mission.

Your report includes figures up to September 30, 1996. You should also be aware that thus far in FY 1997 there have been eleven (11) core professional losses and ten (10) administrative losses in the Bank. We are currently projecting an additional loss of 8-10 core professional employees before the end of the year, an attrition rate for core employees of over 10%.

Thank you for the opportunity to comment on the draft report.

Sincerely,

James K. Hess
Chief Financial Officer

COMMENTS FROM THE AGENCY FOR INTERNATIONAL DEVELOPMENT

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

MAY 14 1997

L. Nye Stevens
Director
Federal Management and
Workforce Issues
US General Accounting Office
Washington, D. C. 20548

Attn: Mr. Thomas Davies, Evaluator-in-Charge

Dear Mr. Stevens:

I am writing on behalf of J. Brian Atwood, Administrator, U.S. Agency for International Development (USAID), regarding your draft report "Federal Workforce: Attrition Rates at Ex-Im Bank and Similar Agencies."

On first reading, USAID's Civil Service attrition rates looked overstated in figures 1.1, 1.2 and 1.4 of the draft. Through discussions with Mr. Davies, Evaluator-in-Charge, we have learned that, for purpose of this study, attrition represents exits only, not net change (exits plus replacements.) This needs to be highlighted in the report and on the figures so that the reader has a clearer understanding of what the data are reporting.

USAID conducted a major reduction-in-force (RIF) in Fiscal Year 1996. This makes USAID unique with regards to the other agencies in this study. This RIF happened after several years of downsizing. From September 30, 1992, to March 31, 1997, USAID's Civil Service has gone from 1659 to 1276, a decrease of 383 or 23.1 per cent. I would like this information included in the report. It provides necessary context.

Thank you for providing USAID with the opportunity to comment on the draft report.

Sincerely,

Linda N. Lion
Deputy Assistant Administrator
for Human Resources

(410118)

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