Evaluation of Voluntary Early Retirement Authority/Voluntary Separation Incentive Payment (VERA/VSIP) as Workforce Restructuring Tools at the Nuclear Regulatory Commission (NRC)

Background

The purpose of this evaluation is to assess the value of VERA/VSIPs as workforce restructuring tools at the NRC. In conducting this evaluation, the NRC reviewed program costs between 2015 and 2017, as well as historical attrition rates to determine if the use of VERA/VSIP was a cost-effective solution to achieving our workforce goals, and the extent to which the VERA/VSIP impacted employees' decision to separate. The agency further evaluated the timing of the VERA/VSIP windows and employee separations, and the impact the losses had on the agency's long-term restructuring goals and workforce needs.

VERA/VSIP Requests

The NRC requested VERA/VSIP authority in 2015 for 105 slots, and again in 2016 for 211 slots. In 2017, the NRC amended its 2016 request to include an additional 64 slots. The 2015 VERA/VSIP request was based on the Commission's direction in Staff Requirements Memorandum (SRM)-SECY-15-0015 to rebalance resources devoted to corporate management, supervisory, and senior project management work consistent with the agency's strategic plan and future direction. The rationale for the agency's 2016 VERA/VSIP request was to address functions that could be shed, de-prioritized, or performed with fewer resources as a result of a 2016 re-baselining review. The 2017 amendment reflected a need for further reductions in corporate support resources in light of the agency re-baselining reductions and other restructuring initiatives.

Cost Analysis

A total of 380 slots were offered between 2015-2017, and the NRC offered VERA/VSIP windows in both Fiscal Year (FY) 2016 and FY 2017. A cost analysis comparing the costs associated with paying out a VSIP versus a severance payment in conjunction with a reduction-in-force (RIF) is described below:

	VSIP	Severance Payment
Estimated Cost Per Slot[1]	$25,125	$114,200
Number of slots	380	380
Total	$9,547,500	$43,396,000

By offering a VERA/VSIP versus having to pay out any severance payments in conjunction with a RIF, the NRC realized a savings of $33,848,500. This savings far outweighed the program

[1] Estimated VSIP cost = maximum VSIP payment of $25,000 + $125 for the approximate fee charged by OPM for processing. Estimated severance pay calculation was determined using NRC average 2016 figures: grade/step of 13/7 ($130,666), 17 years of federal service, and 49 years old (employee's age) since it is unknown the exact details of who would be separated without running a RIF.

costs. In addition, the estimated cost savings of eliminating the positions specified in the VERA/VSIP request is projected to be at least $39 million[2].

Timing of Separations

An examination of the timing of each round of VERA/VSIPs indicates that the timing was appropriate. While financial benefits can be a factor in timing employee separations through the VERA/VSIP, it is not the only factor to consider. OPM's guidance also encourages agencies to allow sufficient time to maximize the benefit of VSIP and to factor in the additional workload for the agency's human resources staff, as well as providing employees sufficient time to make a decision. While the second VERA/VSIP window was conducted later in the FY, it covered the largest number of slots and groups in recent years. The agency thoughtfully considered the timing of the separations, taking into account: 1) the resources required to process such a large group, 2) the amount of time necessary to ensure employees had a fair and reasonable amount of time to consider the impact of their decisions, and 3) the time needed to allow a smooth transfer of knowledge management prior to any separations. Ultimately, the timing of the VERA/VSIP was instrumental in avoiding involuntary separation of any NRC employee as a result of a RIF in FY 2016 or FY 2017, which was the driving factor for offering these incentives.

Analysis of Attrition and Impact of VERA/VSIPs on Employees Decisions to Separate

The NRC also analyzed the historical average attrition data for the agency from FY 2013 through FY 2017. In both the years that VERA/VSIPs were offered, there was a higher rate of attrition than in previous years for permanent positions. In particular, in FY 2016, which included two VERA/VSIP windows, the attrition rate was almost double the rate in previous years. Further analysis also revealed that offices/regions that offered VERA/VSIP opportunities in FY 2016 and/or FY 2017 generally had higher than normal individual attrition rates than offices/regions that did not. This infers that the VERA/VSIP played a significant factor in the employees' decision to separate. Specific details are provided below:

[2] The amount was calculated by multiplying $162,000 (the average FTE salary and benefits rate budgeted in FY 2016) by 241 positions identified to be abolished in VERA/VSIP requests from 2015-2017. This figure does not include any savings which resulted from restructuring positions to a lower full performance level.

Historical Average Attrition Data

Office	FY 2013			FY 2014			FY 2015			FY 2016*			FY 2017*		
	External Perm Losses	Avg Perm Appts	External Perm Attrition	External Perm Losses	Avg Perm Appts	External Perm Attrition	External Perm Losses	Avg Perm Appts	External Perm Attrition	External Perm Losses	Avg Perm Appts	External Perm Attrition	External Perm Losses	Avg Perm Appts	External Perm Attrition
COMM	0	44	0.00%	3	38	7.89%	3	33	9.09%	0	26	0.00%	0	22	0.00%
CFO	5	107	4.67%	5	116	4.31%	7	120	5.83%	16	115	13.91%	7	106	6.60%
OGC	8	107	7.48%	3	106	2.83%	10	101	9.90%	13	101	12.87%	3	106	2.83%
CA	0	10	0.00%	3	9	33.33%	0	10	0.00%	0	11	0.00%	2	11	18.18%
CAA	0	7	0.00%	0	8	0.00%	1	9	11.11%	1	8	12.50%	0	7	0.00%
PA	0	17	0.00%	0	17	0.00%	0	17	0.00%	2	17	11.76%	0	16	0.00%
SECY	3	19	15.79%	2	19	10.53%	1	20	5.00%	1	19	5.26%	2	18	11.11%
IP	1	40	2.50%	1	40	2.50%	1	38	2.63%	5	41	12.20%	5	38	13.16%
ASLBP	3	22	13.64%	4	21	19.05%	6	19	31.58%	3	18	16.67%	5	17	29.41%
ACRS	0	27	0.00%	0	27	0.00%	0	27	0.00%	2	27	7.41%	2	26	7.69%
OIG	8	56	14.29%	6	56	10.71%	4	57	7.02%	8	55	14.55%	3	56	5.36%
EDO	0	36	0.00%	2	35	5.71%	3	35	8.57%	3	30	10.00%	1	23	4.35%
NRR	21	526	3.99%	28	528	5.30%	22	554	3.97%	50	545	9.17%	25	494	5.06%
NRO	21	411	5.11%	19	389	4.88%	16	359	4.46%	30	329	9.12%	28	303	9.24%
NMSS	12	172	6.98%	6	173	3.47%	21	336	6.25%	40	313	12.78%	21	295	7.12%
FSME	8	196	4.08%	11	185	5.95%									
RES	9	229	3.93%	8	218	3.67%	11	219	5.02%	17	218	7.80%	10	206	4.85%
NSIR	5	193	2.59%	6	195	3.08%	9	198	4.55%	16	190	8.42%	9	178	5.06%
R-I	16	238	6.72%	15	237	6.33%	16	233	6.87%	12	225	5.33%	15	214	7.01%
R-II	16	312	5.13%	13	309	4.21%	18	302	5.96%	29	291	9.97%	15	276	5.43%
R-III	12	223	5.38%	15	216	6.94%	13	217	5.99%	27	208	12.98%	5	198	2.53%
R-IV	14	204	6.86%	12	204	5.88%	16	203	7.88%	18	197	9.14%	14	184	7.61%
OE	1	30	3.33%	0	31	0.00%	1	32	3.13%	4	34	11.76%	3	35	8.57%
OI	3	36	8.33%	4	38	10.53%	2	38	5.26%	7	37	18.92%	4	38	10.53%
IS (CIO)	9	160	5.63%	15	173	8.67%	16	177	9.04%	21	183	11.48%	20	165	12.12%
CSO	2	15	13.33%	1	15	6.67%	1	16	6.25%						
ADM	11	189	5.82%	10	198	5.05%	16	199	8.04%	30	179	16.76%	17	152	11.18%
SBCR	1	17	5.88%	3	17	17.65%	1	18	5.56%	0	19	0.00%	0	17	0.00%
OCHCO	0	122	0.00%	8	130	6.15%	9	129	6.98%	10	120	8.33%	11	108	10.19%
AGENCY	189	3,765	5.02%	203	3,748	5.42%	224	3,716	6.03%	365	3,556	10.26%	227	3,309	6.86%

*EO/BO Year

Impact of VERA/VSIP on Agency's Long-term Restructuring Goals

With the VERA/VSIP, the NRC was able to reduce its number of employees from a high of 3,619 permanent employees at the end of FY 2015, to 3,116 permanent employees at the end of FY 2017, a total reduction of 503 positions. Specific details are provided below:

FY	On Board Totals
2015	3,619
2016*	3,376
2017*	3,116

**VERA/VSIP year*

A review of external new hires during FY 2016 and FY 2017 reveal that the agency did not replace any positions that were eligible for the VERA/VSIP. This strongly suggests that the agency excluded the appropriate positions so that it did not create a critical skills gap.

Consistent with our workforce planning, the NRC's most recent iteration of the grade distribution demonstrates that NRC has been successful in workforce restructuring efforts. The agency's grade structure is moving toward being better balanced, more conducive to succession planning and knowledge management, and better reflects the levels of expertise currently needed in the organization.

Conclusion

Overall, our evaluation found that VERA/VSIP was an appropriate and cost-effective workforce restructuring tool. As a result of the VERA/VSIP offerings, the agency was able to mitigate the impact of a corporate support RIF and the cost of paying out a VSIP. When compared to offering severance packages in conjunction with RIF, the savings were substantial. In addition, the historical average attrition data supports that the decision to offer, and the timing of the

VERA/VSIP offerings, impacted employees' decisions to separate, reflected in the significant increases in the attrition rates during the years VERA/VSIPs were offered. Finally, the NRC accurately identified positions where we needed to increase attrition as well as positions that needed to be abolished/restructured. We successfully excluded the positions that would require us to hire externally because the agency did not currently have the skillset to replace those individuals if they were to leave. Since offering VERA/VSIP, a report of external hires confirms that no one was hired externally to replace a position that was identified to be abolished/ restructured. Ultimately, the use of VERA/VSIPs was instrumental in avoiding involuntary separation of any NRC employee as a result of a RIF in FY 2016 or FY 2017, which was the driving factor for offering these incentives.