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Report to the Ranking Democratic Member, Committee on Veterans' Affairs, House of Representatives

April 2003

VETERANS BENEFITS ADMINISTRATION

Better Collection and Analysis of Attrition Data Needed to Enhance Workforce Planning

GAO-03-491

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GAO Accountability • Integrity • Reliability

Highlights

Highlights of GAO-03-491, a report to the Ranking Democratic Member, Committee on Veterans' Affairs, House of Representatives

Why GAO Did This Study

By the year 2006, the Veterans Benefits Administration (VBA) projects it will lose a significant portion of its mission-critical workforce to retirement. VBA has hired over 2,000 new employees to begin to fill this expected gap. GAO was asked to review: (1) the attrition rate at VBA, particularly for new employees who examine veterans' claims, and the agency's methods for calculating attrition; and (2) the adequacy of VBA's analysis of attrition data, including the reasons for attrition. To answer these questions, GAO analyzed attrition data from VBA's Office of Human Resources, calculated attrition rates for VBA and other federal agencies using a governmentwide database on federal employment, and interviewed VBA officials about their efforts to measure attrition and determine why new employees leave.

What GAO Recommends

To ensure that VBA collects and analyzes information on the reasons for attrition, particularly for new hires, GAO recommends that the Secretary of Veterans Affairs (VA) direct the Under Secretary for Benefits to develop a strategy for the systematic collection and analysis of attrition data, including attrition rates, reasons for leaving, and cost data; and that VBA integrate the results of its attrition analysis into its workforce plan. VA concurred with GAO's recommendation.

www.gao.gov/cgi-bin/getrpt?GAO-03-491.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Cynthia A. Bascetta at (202) 512-7101 or bascettac@gao.gov.

What GAO Found

About 16 percent of new examiners hired in fiscal year 2001 left VBA within 12 months of their hiring date, more than double the 6 percent rate for all VBA employees who left that year. In general, new hire attrition tends to exceed the rate for all other employees, and VBA's 16 percent rate is similar to the attrition rate for all new federal employees hired in recent years, when as many as 17 percent left within 12 months of being hired.

VBA does not have adequate data on the reasons why employees, particularly new employees, choose to leave the agency. VBA has descriptive data on whether employees leave the agency through resignation, termination, retirement, or transfer, but does not yet have comprehensive data on the reasons employees resign. While VBA collects some data on the reasons for attrition in exit interviews, these data are limited because exit interviews have not been conducted consistently, and the data from these interviews are not compiled and analyzed. Without such data, VBA cannot determine ways to address why employees are leaving. Furthermore, VBA has not performed analysis to determine whether it can reduce its staff attrition. Despite recent steps to improve the collection and analysis of data on the reasons for attrition, an overall strategy for the collection and analysis of attrition data could help guide workforce planning and determine the extent to which attrition and its costs could be reduced.

Percentage of Examiners Who Left Within 2 Years of Their Hiring Date, FY 1998-2001

Source: OPM's Central Personnel Data File.

Note: Data for fiscal year 2001 do not reflect a full 24-month time period.

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Abbreviations

CPDF	Central Personnel Data File
OMB	Office of Management and Budget
OPM	Office of Personnel Management
SSA	Social Security Administration
VA	Department of Veterans Affairs
VBA	Veterans Benefits Administration

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GAO
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United States General Accounting Office
Washington, DC 20548

April 28, 2003

The Honorable Lane Evans
Ranking Democratic Member
Committee on Veterans' Affairs
House of Representatives

Dear Mr. Evans:

The Veterans Benefits Administration (VBA) projects that 21 percent of its employees who examine veterans' claims and are eligible to retire will do so by the year 2006. To prevent the potential disruptions in service to veterans applying for disability compensation that could result from these retirements, as well as to address a large claims backlog, VBA hired over 2,000 new examiners between fiscal years 1998 and 2002. While VBA recognizes the importance of retaining its new employees, until 2001 it was not regularly calculating an attrition rate for its newly hired employees.

Because of the concern that VBA maintain a sufficient workforce, you asked us to examine (1) the attrition rate at VBA, particularly for new employees who examine veterans' claims, and the agency's methods for calculating attrition; and (2) the adequacy of VBA's analysis of attrition data, including the reasons for attrition.

To do our work, we obtained and analyzed attrition data from VBA's Office of Human Resources and interviewed VBA officials. We focused our analysis on new employees because of the investment in training they need to reach full productivity. We calculated VBA's attrition rates and compared them to those for other federal new hires, using a governmentwide database on federal civilian employment. We also interviewed Office of Personnel Management (OPM) officials to identify generally accepted methods of calculating attrition and to determine how federal agencies develop and analyze data on attrition and the reasons for attrition. We conducted our work between October 2002 and February 2003 in accordance with generally accepted government auditing standards.

Results in Brief

Using OPM data for fiscal year 2001, we calculated the attrition rate at VBA for newly hired examiners at about 16 percent, more than double the 6 percent rate for all VBA employees. The attrition rate for newly hired

examiners is similar to the attrition rate for all new federal employees hired in recent years. Specifically, between fiscal years 1998 and 2001, as many as 17 percent left within 12 months of being hired. While it is typical for new hire attrition to exceed overall attrition, the new hire attrition rate was much higher in certain VBA regional offices located in major urban areas than it was in other regional offices. For example, in the Newark regional office, 40 percent of examiners hired in fiscal year 2001 left within the first year of employment, while no newly hired examiners in Wichita left. VBA calculates attrition by counting employees who leave the agency and comparing that number to either total employees or a subgroup of total employees. The methods VBA uses to calculate attrition are consistent with those used by OPM and other federal agencies, and VBA's calculations are similar to those we used for this report.

While VBA has descriptive data on whether employees leave the agency through resignation, termination, retirement, or transfer, it does not yet have adequate analytic data on the reasons why employees, particularly new examiners, leave the agency. VBA has also not conducted the types of analysis that would help the agency determine whether its attrition, particularly for newly hired examiners, is excessive. Efforts to collect better data on the reasons for attrition, for example by using exit interviews, are under way, but it will take some time before the results can be fully analyzed. Without such analysis, VBA cannot determine ways to address the reasons employees are leaving. Furthermore, VBA has not fully analyzed the cost implications of its attrition, nor has it performed the types of analysis, such as comparisons of its own attrition to that of other federal employees who perform similar work, that would help the agency determine the significance of its attrition rate, particularly for newly hired examiners. However, recent requirements approved by the Department of Veterans Affairs (VA) will begin to provide VBA the opportunity to enhance the collection and analysis of attrition data. For example, a VA-wide policy approved in January 2003 requires the use of attrition data to guide workforce planning.

Because information on staff attrition is essential for effective workforce planning, we are recommending that the Secretary of Veterans Affairs direct the Under Secretary for Benefits to develop a strategy for the systematic collection and analysis of attrition data at VBA. Furthermore, we recommend that the results be integrated into the agency's workforce plan. VA concurred with our recommendation.

Background

VBA provides benefits to about 2.7 million veterans and about 579,000 surviving spouses, children, and parents. These benefits and services include disability compensation and pension, education, loan guaranty, and insurance. VBA employs about 5,000 examiners,[1] and they represent about 40 percent of the agency's entire workforce. Most examiners are located at 57 regional offices and are responsible for reviewing and processing veterans' disability claims. Typically, they begin service at GS-5 or GS-7 and can be promoted to GS-10.[2]

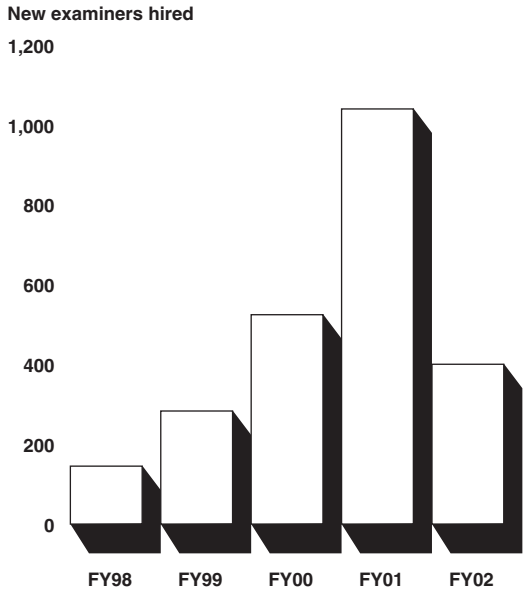
Between 1998 and 2002, VBA hired over 2,000 new examiners (see fig. 1). According to VBA officials, this was the first time VBA had the authority to hire significant numbers of examiners. These examiners were hired in anticipation of a large number of future retirements. For example, in 2000, VBA was expecting the retirement of 1,100 experienced examiners in the subsequent 5 years. The hiring of these new examiners coincided with a growth in the backlog of claims awaiting decisions. Between 1998 and 2001, the backlog increased by 74 percent from about 241,000 to about 420,000. VBA has since implemented an initiative to reduce this backlog.[3]

[1]According to VBA, these positions carry the title of Veterans Service Representative. These positions and similar ones, such as rating specialists, are classified as job series 996, veterans claims examiner. For our analysis, we focused on the 996 job series. For this report, we are referring to jobs in this series as examiners.

[2]According to a VBA official, in some cases, they can also start at GS-9. In 2003, basic starting salaries for GS-5 and GS-7 are about $23,400 and $29,000, respectively, not counting locality pay, and for those hired at the GS-9 level, the corresponding starting salary is about $35,500. VBA is planning to extend competitive promotion potential for this job series to GS-11.

[3]VBA began to implement this initiative, called Claims Process Improvement, at all of its regional offices in July 2002. For more information, see U.S. General Accounting Office, *Veterans' Benefits: Claims Processing Timeliness Performance Measures Could Be Improved*, GAO-03-282 (Washington, D.C.: Dec. 19, 2002).

Figure 1. Examiners Hired by VBA, Fiscal Years 1998-2002



Source: VBA.

According to VBA, it takes 2 to 3 years for a newly hired examiner to become fully productive. After being hired, new examiners receive a combination of formal training in a central location and on-the-job training in one of VBA's regional offices. Once on the job, these workers perform a variety of critical tasks, such as compiling medical evidence, assessing the extent of the disability, determining the level of benefit, handling payment, and considering appeals.

Workforce planning, which can be guided by different types of data, is a key component to maintaining a workforce that can carry out the tasks critical to an agency's mission. Strategic workforce planning focuses on developing and implementing long-term strategies—clearly linked to an agency's mission and programmatic goals—for acquiring, developing, and retaining employees. In addition to data on attrition rates and the reasons for attrition, data that can guide workforce planning include size and composition of the workforce, skills inventory, projected retirement eligibility and retirement rates, and feedback from exit interviews.[4] These

[4]For more information, see U.S. General Accounting Office, *A Model of Strategic Human Capital Management*, *Exposure Draft*, GAO-02-373SP (Washington, D.C.: Mar. 15, 2002).

data can be analyzed to identify gaps between an agency's workforce and its current and future needs. This insight can, in turn, become the basis for developing strategies to build a workforce that accommodates those needs.

Attrition at VBA Is Higher for Newly Hired Examiners Than for the Agency Overall

We calculated the fiscal year 2001 attrition rate for new examiners at VBA at about 16 percent, more than twice as high as the 6 percent rate for all employees who left that year. About 16 percent of new examiners hired in fiscal year 2001 left the agency within 1 year of being hired. According to human resources experts, it is typical for new employees to leave at higher rates than all other employees. However, minimizing attrition is important because of the high costs of hiring and training new examiners. VBA calculates attrition by counting employees who leave the agency and comparing that number to either total employees or a subgroup of total employees. The methods VBA uses to calculate attrition are consistent with those used by OPM and other federal agencies.

Attrition for New Employees at VBA Is More Than Twice as High as the Agency's Overall Rate of About 6 Percent

Attrition rates for new VBA examiners were generally higher than those for all VBA examiners and other employees. As shown in table 1, in fiscal years 2000, 2001, and 2002, overall attrition rates for VBA examiners and other VBA employees ranged from about 4 percent to 8 percent. However, among all new examiners hired in fiscal year 2001, about 16 percent left the agency within 12 months, as shown in figure 2.[5] These attrition rates, for all employees as well as for newly hired examiners, reflect all types of attrition—including resignation, retirement, and termination.[6] New hire attrition consists predominantly of resignations.

[5]Since we issued our statement, *Veterans Benefits Administration: Better Staff Attrition Data and Analysis Needed* GAO-03-452T (Washington, D.C.: Feb. 11, 2003), OPM issued 2002 data, which we used to update this analysis. For further information about our methodology, see appendix I.

[6]We did not include in our analysis of new hire attrition staff who left the examiner position but remained in VBA, nor did we include transfers within VA.

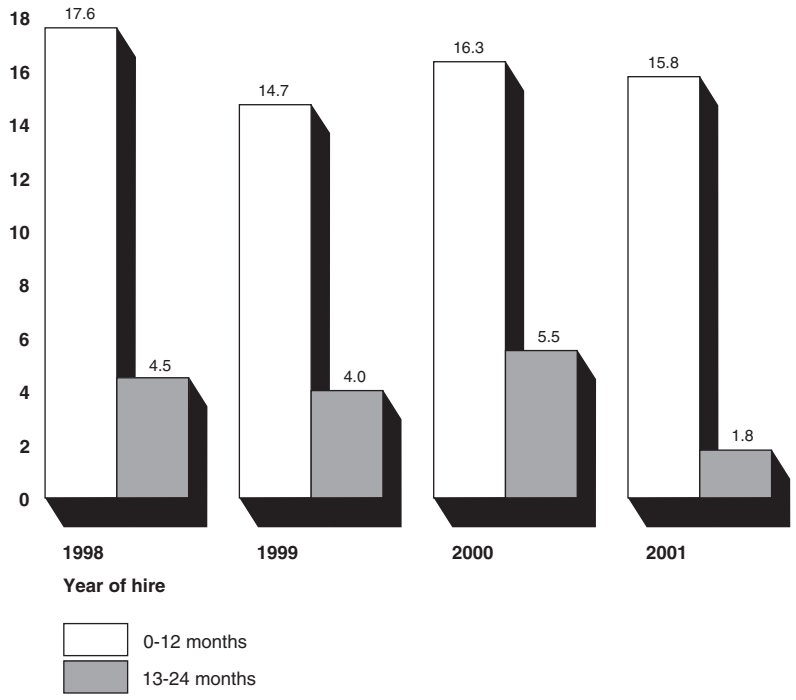
Table 1: Overall Attrition Rates for VBA Examiners, Other VBA, Other Department of Veterans Affairs, and Other Federal Employees, Fiscal Years 2000-2002

	VBA				
Fiscal year	Examiners	All other employees	Agencywide	All other VA	All other federal government
2000	4.6	6.9	6.0	8.2	7.4
2001	6.0	6.6	6.4	7.8	7.0
2002	7.0	8.1	7.6	7.6	6.5

Source: OPM's Central Personnel Data File.

Note: GAO performed these calculations by dividing separations by an average of the total workforce on board at the beginning and end of each year. The averages could only be calculated for the years shown. For all categories of employees shown, attrition rates were calculated based on white-collar employees only.

Figure 2: Percentage of Examiners Who Left VBA within 2 Years of Their Hiring Date, Fiscal Years 1998-2001



Source: OPM's Central Personnel Data File.

Note: Data for fiscal year 2001 do not reflect a full 24-month time period. A comparable analysis could not be done for fiscal year 2002 because comparable data were not available to reflect a full 24-month time period.

According to human capital experts, in general, new employees tend to leave at higher rates than all other employees, and some of this attrition may even be desirable. Higher attrition among new hires has been the experience for federal agencies historically and, according to our analysis of OPM's data, is generally the case governmentwide. The attrition rate for all federal employees, both new hires and senior staff, was 7 percent in fiscal year 2001.[7] However, for all new federal employees—those hired in fiscal years 1998, 1999, 2000, and 2001—as many as 17 percent left within 12 months of being hired. In some instances, according to a VBA official, such attrition may even be desirable. For example, a newly hired employee may turn out not to be a good fit for the agency.

The attrition rates we calculated for VBA's newly hired examiners are similar to those that the Social Security Administration (SSA) found among its own new hires doing comparable work. As part of its own workforce planning efforts, SSA has collected data on new hire attrition. Of its employees who examine and process benefit claims, SSA found attrition rates that ranged from about 15 percent for those hired in 1998 to about 14 percent for those hired in 2000.[8]

VBA calculations show, and agency officials acknowledge, that attrition for newly hired examiners is particularly high or particularly low in certain locations.[9] Specifically, VBA found attrition rates of 38 percent to 49 percent for new examiners hired over a 3-year period at four regional offices—Baltimore (38 percent), Chicago (39 percent), Newark (41 percent), and New York (49 percent). By contrast, some offices—such as Phoenix, Louisville, Huntington, and Wichita—experienced no attrition among new examiners hired during this period.

[7]These attrition rates represent employees at all federal agencies except VA.

[8]SSA's analysis focused on claims representatives, service representatives, and teleservice representatives. We could not duplicate this analysis because OPM's Central Personnel Data File does not break out job series into the kinds of subcategories that SSA was able to use by accessing its own records. According to SSA officials, SSA plans to issue a report including its attrition and other workforce analyses in spring 2003.

[9]According to VBA officials, attrition rates could also be calculated for certain subgroups of newly hired examiners such as veterans or minorities. VBA has not calculated attrition rates for these subgroups.

VBA Uses Accepted Methods to Calculate Attrition

The two basic methods VBA uses to calculate attrition are consistent with methods used by OPM and other federal agencies. Each method, the "annual calculation" and the "cohort calculation," compares employees who leave the agency to either total employees or a subgroup of total employees. They provide different ways of looking at attrition trends. The annual calculation indicates broad attrition patterns from year to year. In contrast, the cohort calculation follows a particular group of employees over time to see how many leave the agency, and the group or the timeframe can vary to suit the needs of the analysis. VBA's calculations using this method are similar to ours. For example, VBA found that, of all examiners hired in 2001, 18 percent had left within 2 years of their hiring date, while our calculations using OPM data showed a corresponding rate of 17.6 percent. The following are the two methods VBA uses:

- **Annual calculation**. This method calculates attrition by dividing all employees who left in a given year by an average of employees working at the agency at the beginning of the year and at the end of the year.

- **Cohort calculation**. This method calculates attrition by following a specified group or "cohort" of employees to see how many leave the agency. The cohort can be defined as all those hired (new hires only) during a specific timeframe. These new hires are tracked for selected intervals (3 months, 6 months, etc.). This method can be adapted by defining the cohort differently (e.g., to track attrition among a subgroup of new hires) and by using different timeframes for the tracking (e.g., 12 months, 18 months, etc.). This calculation differs from the annual calculation in that it does not use an average of the total workforce. VBA used this method to determine the attrition rate of certain newly hired examiners for a presentation in 2001 and for additional, more comprehensive calculations in 2002. VBA plans to use this method to calculate attrition rate for new examiners at least annually starting in 2003.

  According to OPM officials, the annual method is a generally accepted method used to calculate attrition by federal agencies. OPM officials also recognized the value of the cohort method for calculations that require specific time frames or groups of employees and added that tracking the attrition of new employees is an important practice. OPM does not mandate the use of a particular method for the calculation of attrition, but officials said that any method used should be clearly explained.

VBA Lacks Adequate Data on Reasons Employees Leave and Analysis of Staff Attrition

While VBA has descriptive data on whether employees leave the agency through resignation, termination, retirement, or transfer, it does not yet have adequate information to analyze the reasons why employees, particularly new employees who examine veterans' claims, leave the agency. While efforts to collect these data—for example, through an automated exit interview process—are under way, it will take some time before the results can be fully analyzed. Furthermore, VBA has not performed the types of analysis on its data, such as an analysis of the costs of attrition, that would help the agency determine whether its attrition, particularly for new examiners, is excessive. VBA is taking steps to ensure that attrition data will be available to guide its workforce planning.

VBA Collects Some Data on Types of Separations, but Data on Reasons Are Limited

While VBA systematically collects descriptive data on whether employees leave the agency through resignation, termination, retirement, or transfer, the data on the reasons employees leave have not been systematically collected or analyzed. Without such analysis, VBA cannot determine the extent to which its attrition of newly hired examiners could be reduced. As at other federal agencies, when employees leave VBA, a standard federal "Form 52" is filled out.[10] This form records whether the employee is leaving due to a resignation, termination, retirement, or transfer. Because this information appears on the form in discrete fields, VBA human resources staff can easily enter it into the agency's computer system to aggregate information on the types of separations.

The Form 52 also includes a blank space for narrative comments on the reasons for leaving. This space is primarily intended to be used in the case of resignation, and its use is optional on the part of the employee. According to VBA officials, this area is frequently left blank. When this area is filled out, it is up to a human resources employee to decide how to label an employee's reason for leaving in the computer system. Several "quit codes" exist to help in this labeling process. For example, reasons for leaving can be coded as relating to pay and benefits, supervisory relationship, opportunity for advancement, or personal reasons, including family responsibilities, illness, or household relocation. All forms are sent to one of four human resource centers to be entered into the agency's computer system. Human resources employees in these centers are instructed to code the reasons for leaving to the best of their ability. However, these staff members cannot clarify reasons when the

[10]The Form 52, Request for Personnel Action, is used by all federal agencies, including VBA.

information is blank or ambiguous because they do not have access to either the separated employee or the regional human resources staff who actually processed the employee's separation. Therefore, VBA officials do not consider the Form 52 to be a complete or reliable source of information on the reasons employees resign from VBA.

Another source of information on reasons why examiners leave VBA is exit interviews. However, according to VBA officials, exit interviews have not been consistently conducted for all separating employees. VBA officials said that the downsizing of human resources staff in regional offices is at least partly responsible for the inconsistency with which exit interviews have been conducted in the past. In addition, the data from the interviews that were conducted have not been forwarded to national headquarters to be aggregated and analyzed. Existing VA policy has recognized the importance of exit interviews for determining the reasons an employee leaves, but it has not explicitly required the department to conduct them. To ensure more systematic collection of information about the reasons employees leave, as of February 2003, VA planned to change existing policy to require the department to offer exit surveys to separating employees, according to a VA official. Both VA and VBA told us they have plans to require that exit surveys be offered by spring 2003.

Some offices and staff members within VBA have made special efforts to compile or collect information on the reasons examiners leave the agency by producing special studies or reports. These include the following:

- **High-Performing Young Promotable Employees (HYPE)**. In September 2002, a group of employees, representing six regional offices, prepared a report based on 72 exit interviews conducted at seven regional offices. The exit interviews had been conducted over 3 fiscal years: 1999, 2000, and 2001. The report included recommendations that the agency develop a comprehensive strategic plan to address attrition and retention and improve and centralize its exit interview process.

- **Loss of New Hires in Veterans Service Centers**. At the request of the head of VBA, the newly organized Office of Performance Analysis and Integrity (OPAI) issued a report in September 2002 that examined new hire attrition rates for regional offices individually. The report also looked at reasons for leaving, based on interviews with the directors of two regional offices.

- **Review of attrition data at certain regional offices**. At least two regional offices have investigated the reasons for attrition in their own

offices. For example, in October 2002, senior management at the Newark regional office compiled information on the attrition of examiners over a 3-year period and the reasons these examiners left. This study was prompted by concern about high attrition rates at the Newark office. Portland did a similar review in September 2001.

These special efforts had several common findings. For example, three reported that inadequate opportunity for training was one of the reasons examiners left VBA. Two reported dissatisfaction with workload or employees' descriptions of the job as too difficult as reasons for leaving. Two also identified instances in which examiners resigned as a result of pending termination for poor performance or conduct. Reports associated with these efforts touched on other reasons for resignation, including inadequate opportunity for full utilization of skills and various personal reasons.

The other source of information on reasons examiners left VBA was anecdotal information provided by regional and other senior human resources officials. For example, senior human resources officials said that reasons for leaving included factors such as inadequate work space and computer equipment as well as insufficient pay. According to a VBA official, certain regional offices are aware of the types of employers with whom they are competing. For example, some regional offices report losing employees to a range of employers in both the public sector, including other federal agencies (such as SSA and the Department of Labor), and the private sector, including information technology firms. In addition, these officials reported that some newly hired examiners left when they discovered that the job tasks were not what they had expected. Certain regional offices have taken steps to respond to some of these findings. For example, some have offered job candidates opportunities to observe the work place before being hired.

While all of these sources of information provide examples of reasons why examiners left VBA, no comprehensive analysis of the reasons for attrition has yet been conducted, due in large part to the inconsistency with which exit interviews have been conducted and the fact that data on reasons for leaving have not been compiled nationwide. Without such analysis, VBA cannot yet determine the extent to which attrition among newly hired examiners involves reasons that could be addressed by the agency, such as work environment, or the reasons the agency cannot control, such as personal reasons and market conditions. As a result, VBA has lacked important information that could help the agency determine the extent to which attrition could be reduced.

VBA Has Not Fully Analyzed Data to Determine Whether Attrition Is Excessive

VBA has not performed the types of analysis on its data that would help the agency determine the extent to which an attrition problem may exist. To better understand its own attrition, an agency can take advantage of a range of analyses. These include the following:

- **Comparisons**. To understand the degree to which its attrition is a problem, an agency can compare its own attrition to the attrition of other federal agencies, especially to the attrition of agencies with employees who do similar work. While one of VBA's special reports did some broad comparisons of VBA's attrition to the attrition at other federal agencies, VBA has not compared the attrition of newly hired examiners to the attrition of employees in other parts of the federal government with comparable job series, nor has it coordinated with other agencies to share attrition data.

- **Attrition modeling**. To understand the degree to which attrition is a problem, an agency can estimate the attrition rates it expects in the future, providing a baseline against which to measure the actual attrition it experiences.[11] This allows officials to determine if attrition rates are higher or lower than expected. While VBA has projected retirement rates for planning purposes, according to VBA officials, there was no formal or informal process to estimate the expected attrition rates of the examiners who joined the agency since 1998. In 2002, VA projected future attrition trends for examiners in a restructuring plan submitted to the Office of Management and Budget (OMB), and officials expect to compare these projections to actual attrition rates for examiners in the future.

- **Cost analysis**. To understand the degree to which attrition is a problem, an agency can estimate the cost of recruiting and training new employees who leave and the cost of recruiting and training their replacements. While VBA's Office of Human Resources conducted a partial estimate of attrition costs in 2001, this estimate did not include all associated costs. For

[11]For more information on attrition modeling, see U.S. General Accounting Office, *Air Traffic Control: FAA Needs to Better Prepare for Impending Wave of Controller Attrition*, GAO-02-591 (Washington, D.C.: June 14, 2002). For additional information on how attrition data can be used by federal agencies, see *Human Capital: A Self-Assessment for Agency Leaders*, GAO/OCG-00-14G (Washington, D.C.: Sept. 2000) and, for the importance of valid and reliable data in assessing an agency's workforce requirements, see *A Model of Strategic Human Capital Management, Exposure Draft*, GAO-02-373SP (Washington, D.C.: Mar. 15, 2002).

example, the investment lost when a trained employee leaves was not included, although it is one of the most important and potentially expensive costs.

- **Labor market analysis**. To understand the degree to which its attrition is a problem, an agency can evaluate labor market conditions in locations where it operates. Such an evaluation can provide context for understanding if an attrition rate is higher than might be expected in those locations. Using general labor market data, VBA has identified several locations where it faces significant competition from other employers, both public and private. This information could be used to better understand its attrition rate in those locations in the future. However, this information is not based on the actual employment plans of separating employees, and VBA does not routinely collect or document this information. According to a VBA official, collecting data on where VBA's separating employees find employment after VBA would be useful for developing a more accurate understanding of the employers with whom VBA is competing.

  VBA is taking steps to ensure that attrition data will be available to guide workforce planning. First, according to a VBA official, VBA developed a workforce plan, following a workforce policy approved by VA in January 2003.[12] In a related document, VA stated its expectation that, in the current economy, attrition among examiners may stabilize. However, VBA cannot test that assumption without continued monitoring of attrition rates and improved data on reasons for attrition. Second, VBA has recently designated an official to head strategic planning efforts. While these efforts will address attrition and other human capital issues, a VBA official told us that its Office of Human Resources is expected to assume primary responsibility for human capital issues and to coordinate with the strategic planning office. Third, VA's new automated exit survey, which VA officials expect to be available in spring 2003, has the potential to aid VBA in its attrition data gathering and analysis. Separating employees will be able to answer a series of questions about the reasons they decided to leave the agency. The survey will provide confidentiality for the employee, potentially allowing for more accurate responses. The survey will also facilitate electronic analysis that could be broken down by type of job and

[12]The new VA policy requires workforce plans from all three of VA's administrations—VBA, the Veterans Health Administration, and the National Cemetery Administration. VA first identified the need for a workforce policy following a workforce analysis required of all executive branch agencies by OMB in May 2001.

region. As of March 2003, VBA had created and filled a new position intended to help VBA implement the automated exit survey, among other responsibilities.

Conclusions

VBA's ability to effectively serve veterans hinges on maintaining a sufficient workforce through effective workforce planning. While attrition data are just one part of workforce planning, the data are important because they can be used to anticipate the number of employees and the types of skills that need to be replaced. While VBA officials told us about plans under way to better manage new hire attrition, the agency currently lacks useful analysis of the reasons new employees leave. Furthermore, while it is typical for new hires to leave their jobs at higher rates than other employees, and this phenomenon is not unique to VBA, VBA has not yet analyzed whether its new hire attrition is excessive, nor has it analyzed the cost implications of such attrition to the agency. Such analysis can help an agency determine the extent to which attrition could be reduced. Sustained attention to both attrition rates and reasons for attrition, particularly for new employees, can help VBA conduct more effective workforce planning. Understanding the reasons for attrition could also help the agency minimize the investment in training lost when a new employee leaves.

Recommendation

To ensure that VBA collects and analyzes information on the reasons for attrition, particularly for new employees, we recommend that the Secretary of Veterans Affairs direct the Under Secretary for Benefits to develop a strategy for the systematic collection and analysis of attrition data. This could include the calculation of attrition rates, analysis of the reasons for leaving, and estimation of the costs associated with new hire attrition. Furthermore, we recommend that VBA integrate the results of its attrition analysis into its workforce plan.

Agency Comments

In its written comments on a draft of this report (see app. II), VA agreed with our findings and conclusions and concurred with our recommendation. VBA is targeting July 1, 2003 for the implementation of an exit survey process to develop data on reasons for employee turnover and the costs of new hire attrition. VBA is also in the process of developing its workforce plan as part of overall departmental efforts. This should better position VBA to integrate the results of its analysis of attrition into its workforce plan.

As agreed with your office, unless you publicly release its contents earlier, we will make no further distribution of this report until 10 days after its issue date. At that time, we will send copies of this report to the Secretary of the Department of Veterans Affairs, appropriate congressional committees, and other interested parties. We will also make copies of this report available to others on request. The report will also be available at no charge on GAO's Web site at http://www.gao.gov.

If you or your staff have any questions about this report, please call me at (202) 512-7101. Other contacts and contributors to this report are listed in appendix III.

Sincerely yours,

Cynthia A. Bascetta
Director, Education, Workforce,
and Income Security Issues

Appendix I: Objectives, Scope, and Methodology

Objectives

The objectives of our review were to determine: (1) the attrition rate at the Veterans Benefits Administration (VBA), particularly for new employees who examine veterans' claims, and VBA's methods for calculating attrition; and (2) the adequacy of VBA's analysis of attrition data, including the reasons for attrition. We conducted our work between October 2002 and February 2003 in accordance with generally accepted government auditing standards.

Scope and Methodology

To determine the attrition rate for newly hired veterans claims examiners at VBA, we analyzed data from the Office of Personnel Management's (OPM) Central Personnel Data File (CPDF). Using the CPDF data, we identified the newly hired veterans claims examiners and followed them over time to see how many left VBA. We identified all new hires for fiscal years 1998 through 2002 by using personnel action codes for accessions and conversions to career or career conditional positions. Accessions include new hires and hires of individuals returning to the government. Conversions are primarily temporary federal government employees whose positions are made permanent. Next, we determined whether these individuals had personnel actions indicating they had separated from VBA. Separation (attrition) included resignations, retirements, terminations, and deaths. We did not include a small percentage of individuals with inconsistent data such as multiple or different hiring or separation dates. The small percentage of employees with inconsistent data is congruent with the generally reliable data in the CPDF we have reported previously. (See U.S. General Accounting Office, *OPM's Central Personnel Data File: Data Appear Sufficiently Reliable to Meet Most Customer Needs*, GAO/GGD-98-199 (Washington, D.C.: Sept. 30, 1998)). By subtracting the hire date from the separation date, we determined how long individuals worked before separating. We also noted those individuals who had not separated within specific time periods such as 0 to 12 months and 13 to 24 months. We calculated the attrition rate for a specific time period by dividing the number of individuals who left within that time period by the total number of new hires tracked for that time period. Since we issued our statement,[1] OPM issued 2002 data, which we used to update this analysis. The additional year of data resulted in a small number of additional employees who had multiple, different separation dates. Because we excluded all instances of employees with multiple records and because some of these instances corresponded to records previously

[1] GAO-03-452T.

included in our original analysis, the additional year of data resulted in some revisions to our original analysis.

To determine overall attrition rates for veterans claims examiners at VBA (not just new hires), we analyzed data from the CPDF for fiscal years 2000 through 2002. For each fiscal year, we counted the number of permanent employees with personnel actions indicating they had separated from VBA. We divided the total number of separations for each fiscal year by the average of the number of permanent employees in the CPDF as of the last pay period of the fiscal year before the fiscal year of the separations and the number of permanent employees in the CPDF as of the last pay period of the fiscal year of separations. To place the overall attrition rates for VBA claims examiners in context, we compared VBA's rates to those for employees in other occupations and agencies (all other white-collar VBA employees, all other white-collar employees in the Department of Veterans Affairs, and all other white-collar employees in the executive branch of the federal government).

To determine VBA's methods for calculating attrition, we interviewed VBA officials and reviewed VBA's calculations. We also interviewed OPM officials to identify generally accepted methods of calculating attrition. To determine the adequacy of VBA's data on the reasons for attrition and its analysis of attrition data, we reviewed VBA reports with information about the reasons for attrition, interviewed VBA officials to determine how VBA collects data on the reasons employees leave the agency, and interviewed a VA official about a new initiative to develop and implement an automated exit survey. To determine the adequacy of VBA's analysis of its attrition, we reviewed VBA efforts to analyze attrition, interviewed VBA officials, and interviewed OPM officials and relied on our prior reports on federal human capital issues to determine how federal agencies develop and analyze data on attrition and the reasons for attrition.

Appendix II: Comments from the Department of Veterans Affairs

THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

April 16, 2003

Ms. Cynthia A. Bascetta
Director, Education Workforce
and Income Security Issues
441 G Street, NW
Washington, DC 20548

Dear Ms. Bascetta:

The Department of Veterans Affairs (VA) has reviewed your draft report, ***VETERANS BENEFITS ADMINISTRATION: Better Collection and Analysis of Attrition Data Needed to Enhance Workforce Planning*** (GAO-03-491). VA agrees with your findings and conclusions and concurs with your recommendation. In fact, the recommendation is consistent with initiatives already underway in the areas of data collection, data analysis, and workforce planning.

The Veterans Benefits Administration's (VBA) Office of Human Resources (OHR) is implementing an exit interview survey process to develop data on the reasons for employee turnover. Implementation target is July 1, 2003. VBA is partnering with the Departmental Office of Human Resources Management to conduct data analysis centrally. The analysis will review overall attrition and stratification by grade and/or tenure. While initial analysis will address reasons for losses on a national level, VBA expects that by accumulating additional data, the analysis will yield area and regional office rates and trends. Analysis of the costs of new hire attrition will also be included. Subsequently, training will be offered to VBA field managers on hiring and retaining employees.

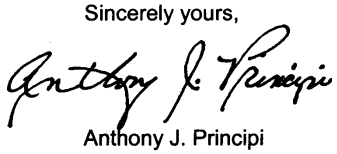
The Veterans Health Administration maintains a robust payroll data system through its VISN Support Service Center (VSSC). VBA is obtaining attrition data through the VSSC. Additionally, recurring reports and local access to data are being tracked so that management officials may monitor attrition rates in their workforce.

As part of the overall Departmental efforts, VBA has recently completed its initial workforce plan. The plan analyzed workforce needs and trends, including retirement and non-retirement losses in the aggregate and by key occupations. VBA understands that successful workforce planning includes managing the hiring, training, and retention of talented employees. Findings and recommendations in the plan are now under review. VBA will revise its plans according to the

Departmental schedule and VBA's needs. The workforce plan will be addressed at VBA's Directors' Conference in June 2003 and its Human Resources Conference in August 2003.

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

Sincerely yours,



Anthony J. Principi

Appendix III: GAO Contacts and Staff Acknowledgments

GAO Contacts

Irene Chu, (202) 512-7102
Chris Morehouse, (202) 512-7214

Acknowledgments

In addition to those named above, others who made key contributions to this report are Ronald Ito, Grant Mallie, Corinna Nicolaou, and Gregory Wilmoth.

Related GAO Products

General Human Capital Reports

High-Risk Series: Strategic Human Capital Management. GAO-03-120. Washington, D.C.: January 2003.

Human Capital: Effective Use of Flexibilities Can Assist Agencies in Managing Their Workforces. GAO-03-2. Washington, D.C.: December 6, 2002.

Air Traffic Control: FAA Needs to Better Prepare for Impending Wave of Controller Attrition. GAO-02-591. Washington, D.C.: June 14, 2002.

A Model of Strategic Human Capital Management, Exposure Draft. GAO-02-373SP. Washington, D.C.: March 15, 2002.

Federal Employee Retirements: Expected Increase Over the Next 5 Years Illustrates Need for Workforce Planning. GAO-01-509. Washington, D.C.: April 27, 2001.

Human Capital: A Self-Assessment Checklist for Agency Leaders. GAO/OCG-00-14G. Washington, D.C.: September 2000.

Department of Veterans Affairs

Major Management Challenges and Program Risks: Department of Veterans Affairs. GAO-03-110. Washington, D.C.: January 2003.

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Veterans' Benefits: Claims Processing Timeliness Performance Measures Could Be Improved. GAO-03-282. Washington, D.C.: December 19, 2002.

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Veterans Benefits Administration: Problems and Challenges Facing Disability Claims Processing. GAO/T-HEHS/AIMD-00-146. Washington, D.C.: May 18, 2000.

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