

# ***Managing a Situation of Over-Hire in a Government Research Development and Engineering Agency without Firing Employees***

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**Abstract** – *This project shows a situation many managers face, a reduction drill. May it be in private industry or a government agency; it is not easy for any manager to have to be part of a Reduction in Force (RIF). On the government side, there are many rules, regulation and levels of authority government managers have to follow, but nevertheless there are a number of available tools to use when reducing personnel to avoid firing employees. The project simulates a Research Development and Engineering Agency (RDEA) with 3000 employees. Characteristics of comparable agencies have been studied from 2013 and 2014 data in order to determine proper numbers and distributions to superimpose in the simulation. The numbers show that it is possible to reduce a number of employees if given enough time to plan and implement the available tools.*

**Key Terms** – *Authority, Budget, Table of Distributions and Allowances, VERA/VSIP.*

## **Introduction**

Managing a government agency is very different from a private corporation. In the recent years there has been much talk on the news about the high expenditures of government agencies. Scrutiny has exponentially grown and proper documentation is now required to be presented and ran through proper or new channels in order to grant many authorizations that were one time unscrutinized. Even some drastic measures

like reduction in travel and elimination of conference approvals have been imposed in order to depict a better cost awareness in agencies.

With the different “authorities” government agencies have to follow, a lot of confusion may arise. Many times employees panic thinking that the only way to reduce personnel is through a forced Reduction in Force (RIF). How can an organization reduce their human resource without having to fire personnel? This project shows how effective and realistic are the options available to managers to make changes to their workforce.

The projects goals are to:

- Show the basic difference and similarities if any, between how a corporation and a government agency balance their human capital (structure, budget & authority).
- Show several techniques/tools managers use to manage “over hire” situations in government agencies.
- Show an example of a transition of an organization to go from an “over hire” situation to “normal or compliant” using available

tools while avoiding firing showing at least a 10% reduction in their human resource.

### **Historical Background**

In March 1 2013 the federal government began sequestration which mandate automatic spending cuts. As part of the budget cuts, sequestration came with a reduction in the spending authority of approximately 85 billion dollars for the 2013 fiscal year and similarly for 2014. Following the sequestration, almost all federal agencies were placed under administrative furlough.

Even before all the budget discussions took effect, many government agencies were placed under “hire freeze”. The culmination of all these could be the order to reduce the work force. This project analyzed, looking into the future the effects of a properly planned and executed reduction plan.

This project presents information from the National Defense Authorization Act sections in order to clarify the proper authorities that govern resources. Also, information from the Table of Distributions and Allowances (TDA) were analyzed. The TDA is the requirements and authorization document which prescribes the organizational structure, personnel and equipment authorizations, and requirements of a military unit to perform a specific mission. Subsequently, documentation

from the Office of Personnel Management OPM, was presented.

### **The Reduction Drills**

A simulated TDA for Human Resource management was used to balance the workforce. The simulation had 3,000 employees TDA and reflected proportionately the same work force distribution of a Research Development and Engineering agency. As a guideline, the goal of the simulation was to reach a 10% reduction in a calendar year. Several scenarios were run, one at a time, using historical numbers as a guideline. The numbers used for the scenarios were representative of real numbers in current comparable government agencies. The individual contribution of each scenario through time was shown. Scenarios were continuously added until 10% goal is reached “compliant” status.

#### **Research Development and Engineering Agency (RDEAs)**

At a glance, the first thing to understand was how the current operational pictures of real RDEAs are. Understanding what key elements describe a particular RDEA helps make a better model. Once the simulation was completed, understanding the background behind the data helped reaching better conclusions.

The work force composition of an RDEA is different from a laboratory that does basic research and different from its counterparts, the Program

Executive Offices (PEOs), and the Lifecycle Management Companies (LCMCs). The key difference is in the mission, RDEA's mission is to transition capabilities from the basic research laboratories into the PEOs. The Line of Authority (LOA) shows proper separation between all parties involved in the cycle. This LOA describes the budgetary authority each organization has and it is very important that there are no repetitions. A good example of a basic research laboratory is the Army Research Lab. Its mission is to only do basic research. The LOA that describes basic research is the "6.1 Mission money in RDT&E". After the basic research is completed then the technology or capability moves to the RDEA. Their mission is to perform applied research, develop capabilities, engineer solutions and mature the technology/capability. The LOA that define such tasks are "6.2, 6.3, 6.4 Mission RDT&E". After the RDEA has completed its mission a program of record is created and it transitions to a PEO. The PEO's mission is to deploy the technology and capabilities to the soldier. Their LOA is "6.5 and 6.6 Mission in RDT&E" and also they are given a complete LOA in Procurement. After the PEOs have completed their

mission, the technology or capability moves into regular operation and maintenance to include demilitarization. This is when the LCMCs take over, their LOAs are "6.7, 6.8, 6.9 mission in RDT&E". Also, LCMCs are given a complete Procurement LOA.

The depth and knowledge of the RDEAs allows them to sell their engineering services to the PEOs and the LCMCs which they can pay with their Procurement budget. This augments the importance of the RDEAs as they are present in virtually all the Life Cycle of the Technology/Capabilities. When the RDEAs receive money in return for their engineering support, it is called "Reimbursable Funds". In order to be able to cover all of these responsibilities, the RDEA must have great knowledge and have a work force with the proper background and experience.

Figure 1 shows a great representation on how the engineering is distributed in an RDEA. Data shows more than 20 areas of engineering are present in every RDEA studied. Figure 2 shows the distribution of the experience per category.

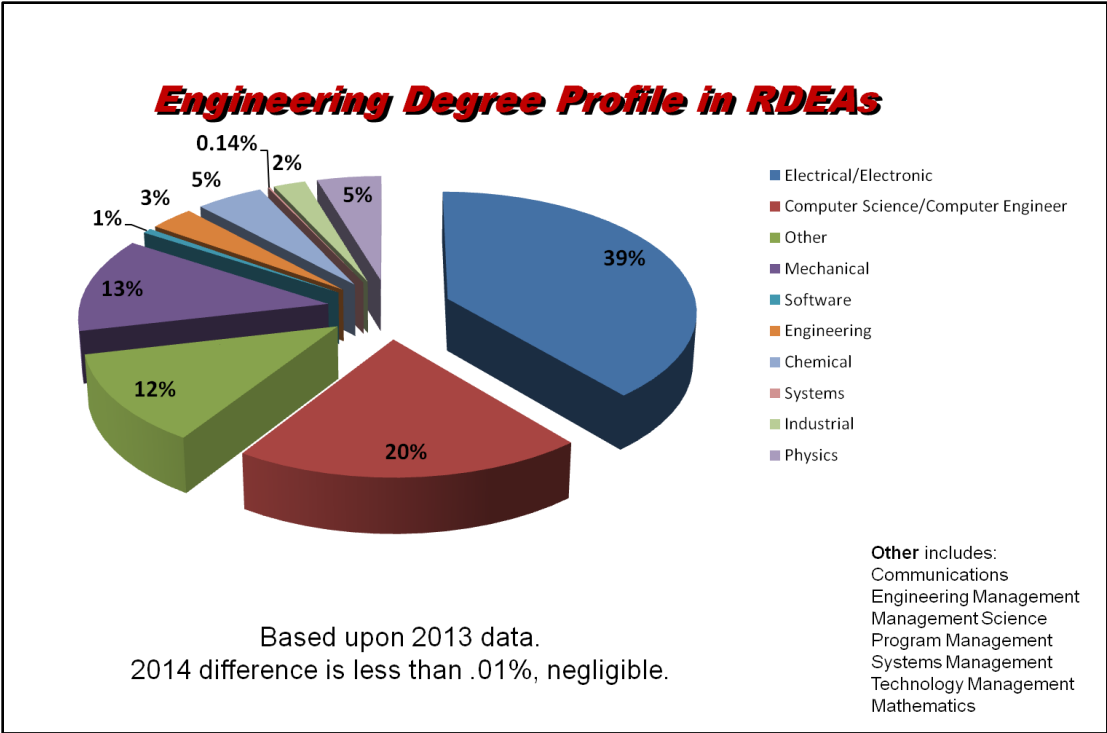


Figure 1: Figure of the Engineering distribution in RDEAs

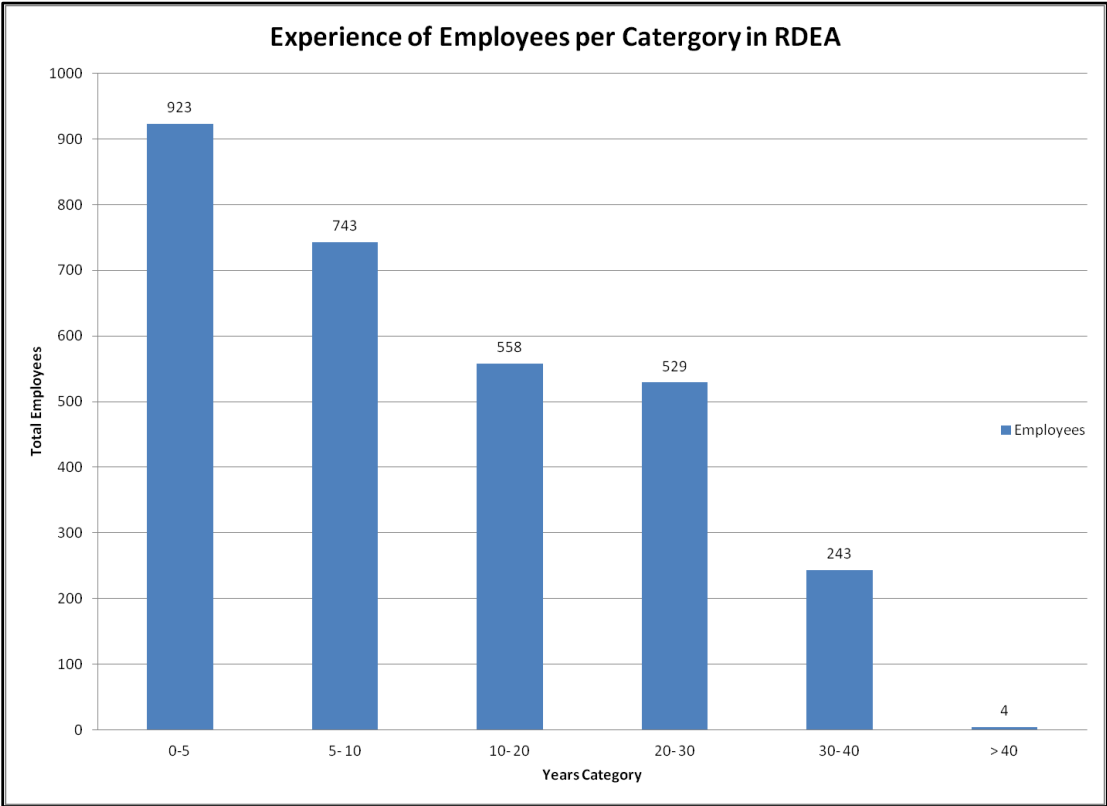


Figure 2: Work Experience by Category

### Do Nothing Drill

The Do Nothing Drill shows the effect of the regular retirement rates on the population of comparable agencies through several years. After examining several agency records from 2012, 2013 and 2014, the data shows several trends. In an agency that has been in business as long as the Research, Development and Engineering Agencies (RDEAs) studied for comparison, all have been in business for more than 40 years. This means that this agency is “solid in their core competency” it has stood the changes of many market fluctuations, many changes in politics and many changes in authority. Also it has given

enough time to grow in size, expand in capabilities in programs and acquire technical knowledge that is unique to them. The books show the trends presented on Table 1. These trends show that the longer the organization is in the “Hiring Freeze” the more employees actually submit for retirement.

Table 1: Table of retirement rates per year

Retirement Rates per Year	
Year	# Retirees
2012	43
2013	55
2014	66

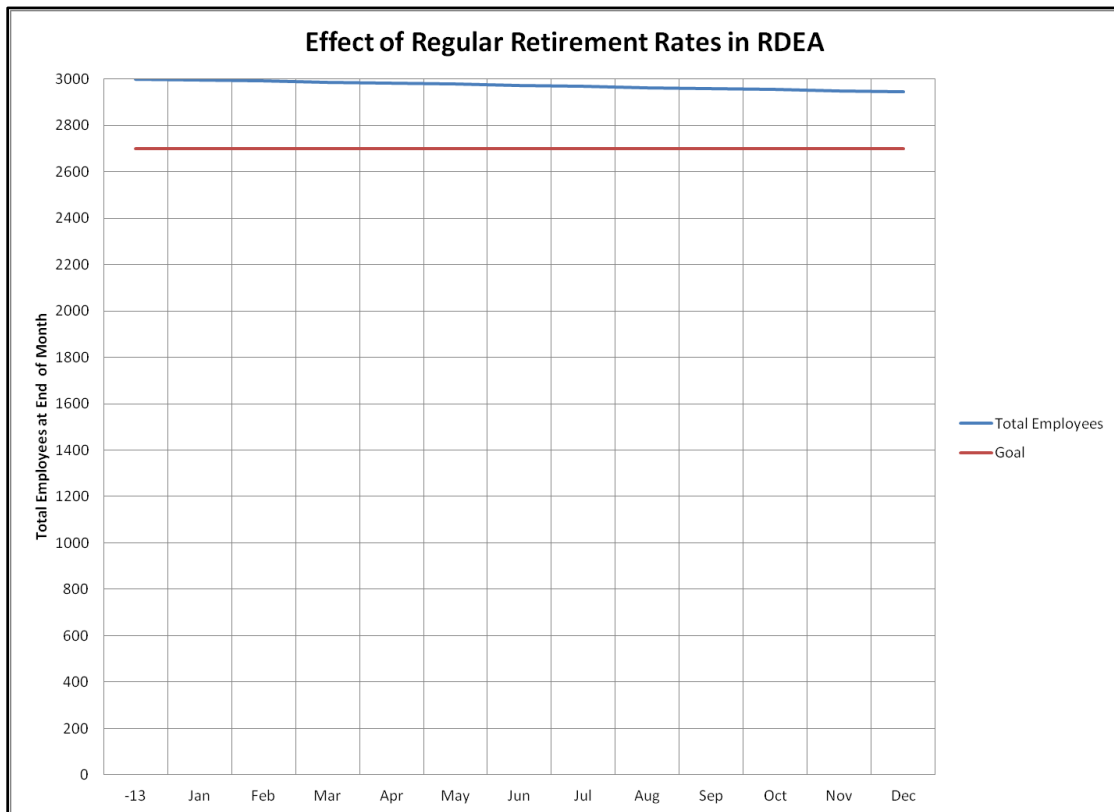


Figure 3: Effect of Regular Retirement Rates

The total number of people eligible for retirement in 2014 is 346. This means that only 19% of the eligible people are actually retiring. Figure 3 shows the average of the three years used, 55 retirees per year.

#### **VERA/VSIP Drill**

VERA/VSIP drill shows two tools that may boost the numbers of people retiring by incentivizing them to take early retirement. The terms VERA/VSIP are always used in conjunction, but they are truly separate tools: Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Payment (VSIP). In 2002 the Office of Personnel Management (OPM) made changes to both tools in the Chief Human Capital Officers Act of 2002. Some of the most important changes were: VERA can be requested for reasons of de-layering, restructuring or reshaping, before an order of downsizing had to be in effect. As for VSIP, it can be requested for also to OPM and both can be offered together to employees; before the authorizations could only be given by congress and agencies had to choose one to offer. Before 2002, agencies had to seek legislative authority independently to offer voluntary separation incentive payments.

VERA Eligibility:

- Employees in Civil Service Retirement System (CSRS) and Federal Employee Retirement System (FERS)
- Employees have to meet the minimum age and time in service: 50 years old and 20 years of service or any age with 25 years of service
- Have served in the approved OPM position the minimum time required (typically 30 days)
- Serve in an agency position covered by the approved VERA
- Separate by the Close Early Out Period

CSRS Annuity:

- Annuity formula is calculated using high-3 salary & year of service.
- Unused Sick Leave can be credited for time in service
- If employee is under 55 calculation annuity is reduced by 1/6 of 1% for every month under 55 (2% yearly)

FERS Annuity:

- Annuity formula Calculated based on high-3 salary and years of service.
- FERS employees were not entitled to credit unused Sick Leave before 28 October 2009
- Between 28 October 2009 and 31 December 2013 FERS employees could credit 50% of their Sick Leave

- After 31 December 2013 FERS employees are entitled to 100% of credit for Sick Leave
- No penalty on the annuity if employee is under 55
- There could be an annuity supplement when the employee reaches Minimum Retirement Age (MRA), 55 to 57 depending on birth date that will end when the employee is eligible for Social Security at age 62

Historically, when agencies offer VERA alone, receive low responses from the employees because it will ultimately affect the total annuity amount by reducing the number of service years. This is where VSIP comes in.

VSIP eligibility:

- Be currently employed by the Executive Branch of the Federal Government for a continuous period of at least 3 years
- Be serving in a position covered by an agency VSIP plan
- Apply for and receive approval for a VSIP from the agency making the VSIP offer; and Not be included in any of the ineligibility categories listed below:
  - Are reemployed annuitants;
  - Have a disability such that the individual is or would be eligible for disability retirement;

- Have received a decision notice of involuntary separation for misconduct or poor performance;
- Previously received any VSIP from the Federal Government;
- During the 36-month period preceding the date of separation, performed service for which a student loan repayment benefit was paid, or is to be paid;
- During the 24-month period preceding the date of separation, performed service for which a recruitment or relocation incentive was paid, or is to be paid; and
- During the 12-month period preceding the date of separation, performed service for which a retention incentive was paid, or is to be paid.

Severance pay consists of:

- A basic severance allowance computed on the basis of 1 week's basic pay at the rate received immediately before separation for each year of civilian service up to and including 10 years for which severance pay has not been received under this or any other authority and 2 weeks' basic pay at that rate for each year of civilian service beyond 10 years for which

severance pay has not been received under this or any other authority; and

- An age adjustment allowance computed on the basis of 10 percent of the total basic severance allowance for each year by which the age of the recipient exceeds 40 years at the time of separation.
  - An amount determined by the agency head, not to exceed \$25,000.

Historically when an agency offers VERA the numbers are quite low until they offer VSIP. This relaxes the burden of losing potentially hundreds of dollars by retiring early. Many employees see this incentive as a cushion while they can find another job or as a good start on cash at hand for their retirement.

Loss/Penalty are employees that can take VERA/VSIP but will suffer a loss in their calculation of their annuity based on years of service for FERS or due to the 2% penalty per year for CSRS. Historically for an RDEA of 3,000 employees, the average VERA/VSIP package that used to be sent forward to congress and the legislature consisted of 145 authorizations. This shows that from the total 920 eligible employees only 16% take the offer. This shows a comparable percentage to regular retirement rates accepted.

Table 2: Table of Total Eligible VERA/VSIP Candidates

Employee Eligibility for VERA/VSIP		
	FERS Eligible	CSRS Eligible
Immediately	199	153
Loss/Penalty	130	438
Total	329	591

Table 2 shows the total employees that are eligible for VERA/VSIP. Note that Immediate includes the people that are fully retirement eligible or have reached the Minimum Retirement Age (MRA) and are not penalized in any way for taking VERA/VSIP. The row showing



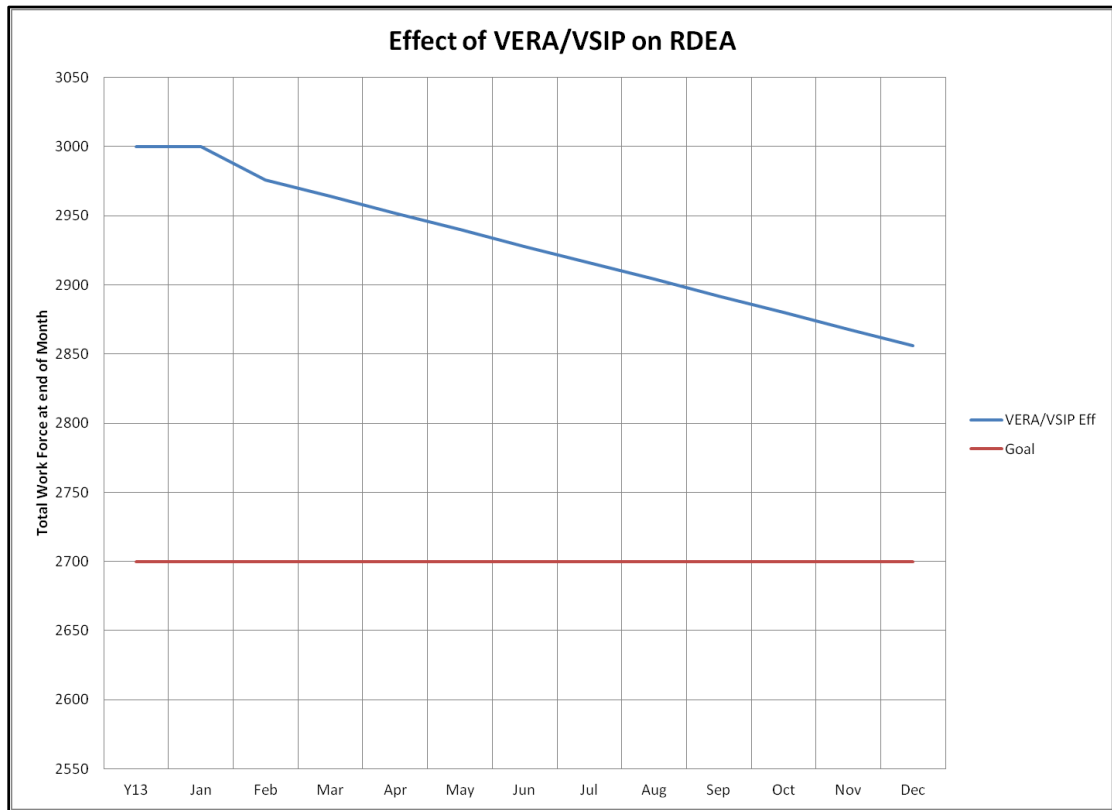


Figure 4: Effect of VERA/VSIP Acceptance

**Matrixed Support Drill**

The matrixed support analyzes who in the TDA can and should be moved in and out of the agency, depending on the type of support they provide. On the other side, it also analyzes what type of support is needed to be brought in by using a different type of money in order to maintain current support. This portion of the project focuses on the employees that throughout a full year they support the reimbursable customers.

2	263	283
3	67	72
4	44	47
5	38	41
<b>TOTAL</b>	849	913

The trends show that the work support from the reimbursable customers has not gone down. For the drill, a conservative average from the two years shown was used. The total support that was used for the simulation was 880 employees. Historical numbers show great variance of matrixed personnel under the customer. The data shows anywhere from 10 to 100% of branches and divisions have matrixed support to customers. All of these employees can move from their current

Table 3: Table of Reimbursable Support of RDEA

Matrixed Support in RDEAs		
	Year/ Matrix Support	
Customer	2013	2014
1	437	470

TDA to their customer's TDA, depending on the availability of the TDA allowances on the receiver side and, job requirements. This movement can be done with minimum impact on the employee's job duties (only

considering employees that support 100% customer). For the drill a conservative 15% was used and the ratio of movement was 11 employees per month.

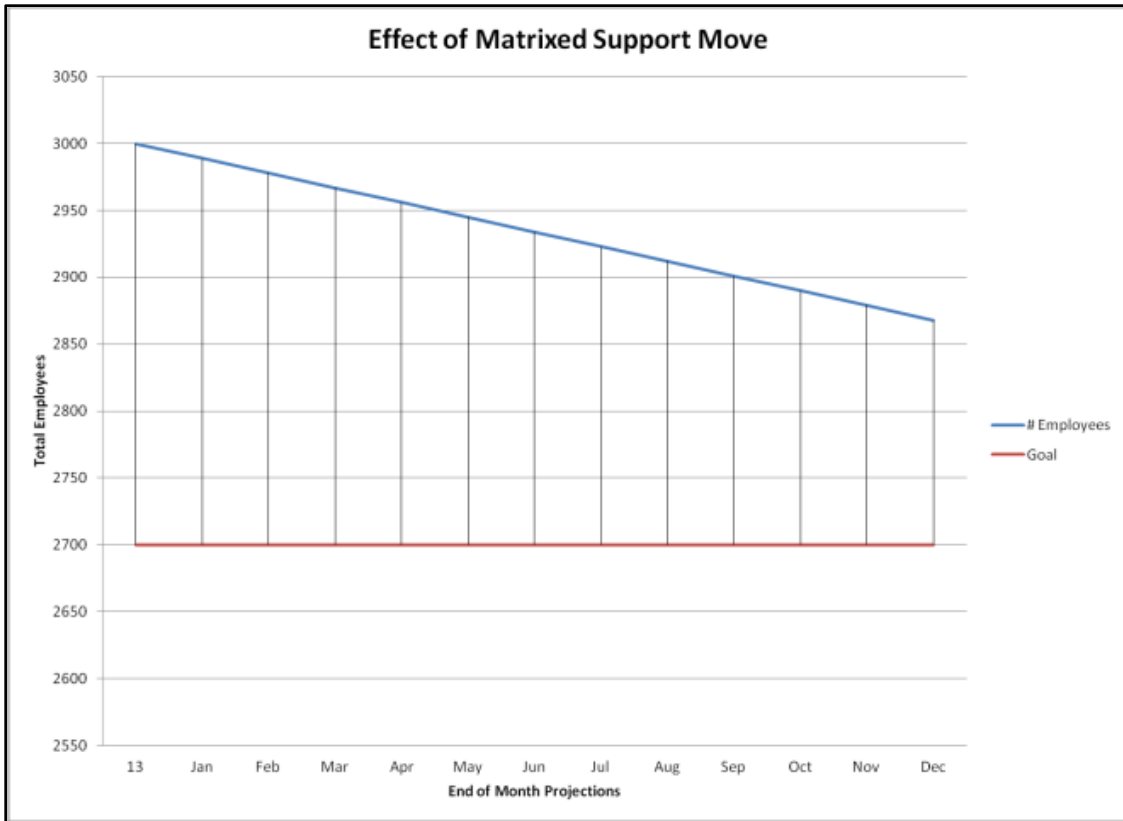


Figure 5: Effect of Matrixed Support Movement Outward

### Results

In the “Do Nothing Drill” trends showed how going deeper into a hiring freeze affects the amount of people who retire. Data also showed that only 19% of the available people to retire were actually retiring. On the other side, the VERA/VSIP drill showed that it can almost triple the amount of people eligible for retirement, but it didn't show percentage-wise an augmentation from the regular retirement

rates. Only 16% of the workforce historically takes the offer to retire early.

The great variability of the matrixed support brings a higher value of uncertainty. The factors that aid the movement outward are not necessarily controlled by the RDEA. In contrast, it is beneficial for the PEOs and LCMCs to accept the matrixed support into their TDA count because it will save the total amount of money they spend in the procurement category plus they will be saving from not having to pay overhead costs on the support. Figure 5 shows the

effect of using the conservative 15% of available employees to shift from RDEA to the customers work force count.

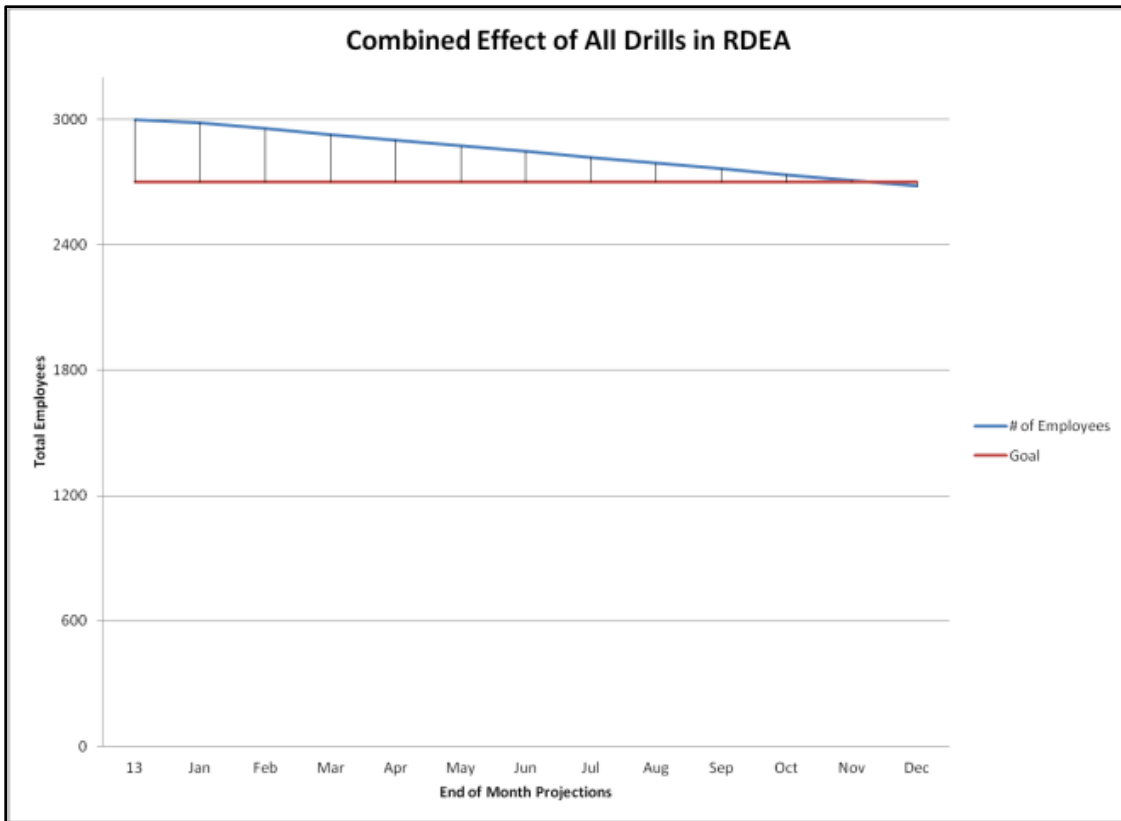


Figure 6: Total Combined Effect of all Drills

Figure 6 shows the total combined drills as employees shift outward from the RDEA's TDA. As the simulation shows, by the end of November the goal is reached.

### Analysis

The initial assessment of the RDEA shows the age distribution of the workforce. Data shows a big disproportion between the newly employed and the eligible to retire. This creates a big stress at the time when people begin to retire. This disparity also creates many problems when growing the

future workforce because the knowledge flow is affected by the big hole in the middle between the vastly experienced and the inexperienced.

Also, it is worth mentioning that the morale of the workforce decreases when confronting a situation of reduction. Typical historical figures show work does not go down. This puts a higher burden on the remaining employees creating a double whammy on their emotional status.

### Conclusion

The simulation shows that a 10% reduction is possible with the available tools. VERA/VSIP, Matrixed support and Regular retirement rate have the capability of reducing the workforce by 10% in a calendar year without forcefully firing employees. For this to happen it is crucial that the management chain keeps the workforce informed of future actions and helps employees make the correct decision. Also, it is very important that the managers understand which employees qualify and which employees fit the model. Understanding of government budget and government authority is crucial for this model to work. Proper documentation and timing facilitates the calendar year time of the simulation. In order for this to happen, the agency's human resources department must be properly trained to handle an infrequent rise in very specific paperwork in order to avoid delays and returned forms.

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