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**The EEO Implications of
Reductions-In-Force**

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THE EEO IMPLICATIONS OF
REDUCTIONS-IN-FORCE

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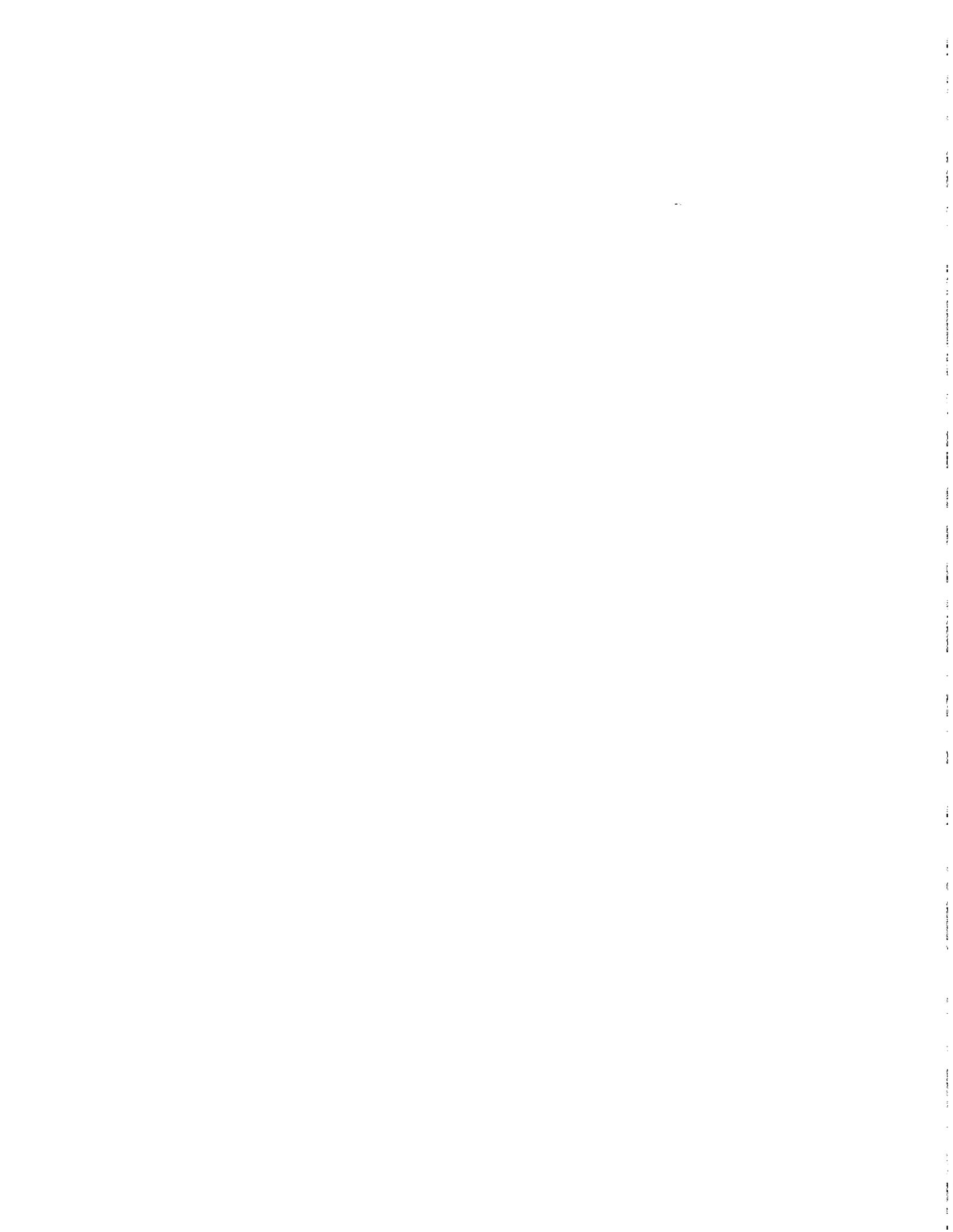
GAO recently completed a review of the impact of reductions-in-force (RIFs) at three Department of Defense installations on groups covered by equal employment opportunity (EEO) laws. GAO focused on DOD RIFs because DOD was the only federal agency to conduct RIFs of significant size in fiscal year 1991, the most recently completed fiscal year at the time GAO started its work.

Once initial management decisions are made that define the numbers, types, and locations of positions to be abolished, determination of the retention status of employees and their exercise of assignment rights to other positions is a relatively mechanical process. Employee's retention status and assignment rights are essentially determined by their tenure, veterans' preference, and length of service with additional years of service credit provided based on their performance ratings.

GAO found that the RIFs resulted in separations of minorities in numbers disproportionate to the numbers in the workforce at the three locations reviewed. Women were separated in disproportionate numbers at two of the locations. In some cases, disproportionate numbers of separations occurred largely because members of these groups did not have the tenure, veterans' preference, or performance-adjusted seniority of nonminorities or men. In other cases, the disproportionate separations occurred because minorities occupied a large proportion of the positions abolished and the employees had no assignment rights to other positions.

GAO analysis of the retention factors for civilian workers employed by the military services at the end of fiscal year 1991 showed that minorities and women ranked lower than their nonminority and male counterparts in all retention factors. Thus, they may continue to be vulnerable to disproportionate separation rates in any future RIFs.

Conducting workforce reductions by RIFs may, as our work demonstrates, also result in lessening the gains made by minorities and women in the workforce, particularly at the mid and higher levels. On the other hand, downsizing alternatives which emphasize encouraging voluntary retirements and resignations with separation incentives, may have the effect of relatively larger numbers of white males leaving voluntarily, and the overall diversity of the smaller workforce may improve. Such was the case in GAO's recent workforce reduction which included a cash separation incentive.



Mr. Chairman, Madam Chair and Members of the Subcommittees:

We are pleased to be here this morning to assist the Subcommittees in your consideration of the impact on the federal workforce of eliminating significant numbers of positions during the next few years as proposed by the Vice President's National Performance Review.

As you know, we recently completed a review of the impact of reductions-in-force (RIFs) in selected Department of Defense (DOD) installations on groups covered by equal employment opportunity (EEO) laws. Specifically, we examined (1) whether, in three fiscal year 1991 RIFs, minorities and women were disproportionately affected, and if so why; and (2) whether future RIFs are likely to have a disproportionate impact on EEO groups. I will summarize our preliminary findings from this work this morning.

Our analysis focused on RIFs at installations in the three military services because DOD was the only federal agency to conduct RIFs of significant size in fiscal year 1991, the most recent fiscal year at the time we started our work. RIFs which separated 50 or more employees occurred at six Air Force, one Army, and seven Navy installations. We selected one location from each of the three services; for each of the two services with more than one RIF, we selected the location that had the largest percentage of women and minorities before the RIF to maximize our chances of having sufficient data for statistical analyses.

In addition to our review of specific RIFs, we also analyzed data on Army, Navy, and Air Force civilian employees who would compete during any future RIFs to evaluate the future vulnerability of the EEO groups.

Under OPM regulations, RIFs are accomplished in two phases. First, management determines the numbers and types of positions to be abolished and the "competitive area" affected by that decision. Second, management identifies the employees within the competitive area and their relative status in the competition for retention, as determined by factors such as tenure (type of appointment, e.g., career, career-conditional, or temporary); and, within these tenure or appointment groupings, their veterans' status and seniority adjusted for performance.

When the identified positions are abolished, incumbents of those positions may have assignment rights to other positions, depending on their retention status and qualifications. The complex process of exercising assignment rights creates a cascading effect which may affect numbers of employees much larger than the numbers of positions abolished. Because data on the exercise of assignment rights were not readily available, we were unable to evaluate that aspect of RIFs' effects.

Once the initial decisions are made that define the numbers, types, and locations of positions to be abolished, determination of the retention status of employees and their exercise of assignment rights is a relatively mechanical process with little flexibility.

Employees with the lowest retention status are the ones separated from federal employment in a RIF. We analyzed separation rates and, consistent with guidance and statistical measures used by the Equal Employment Opportunity Commission (EEOC), we considered an EEO group's separation rate to be disproportionate if the rate of separation for the predominant group was less than 80 percent of the separation rate for the EEO group. We also performed tests to determine the statistical significance of our results.¹

1991 RIFs HAD DISPROPORTIONATE IMPACTS ON MINORITIES AND WOMEN

Fiscal year 1991 RIFs resulted in separations of minorities in numbers disproportionate to their numbers in the workforces at the three locations we reviewed--Alameda, California, Naval Aviation Depot; Kelly Air Force Base, San Antonio, Texas; and Watervliet, New York, Army Arsenal. Women were separated in disproportionate numbers at Watervliet and Alameda. In some cases, disproportionate numbers of separations occurred largely because members of these groups did not have the tenure (career appointments), veterans' preference, or seniority² of nonminorities or men. In other cases, the disproportionate separations occurred because minorities occupied a large proportion of the positions abolished and the employees had no assignment rights to other positions.

At Alameda and Watervliet, minorities and women were separated in disproportionate numbers largely because they ranked lower than other employees in retention factors--career tenure, veterans' preference, and performance-adjusted seniority. For example, at Alameda, although 73 of 147 (50 percent) of wage grade 10 (WG-10) machinists were minorities, 9 of 13 (69 percent) of those separated were minorities. Similarly, at Watervliet, although only 15 of the 182 (8 percent) WG-8 machine tool operators were women, 13 of 56 (23 percent) of those separated were women.

¹ Using the chi-square statistical significance test, a finding that meets the .05 level of significance is sufficiently strong as to have a probability of no more than 1 in 20 to have occurred by chance.

²Up to 20 years of service credit is added for fully successful to outstanding performance.

Overall, minorities at Alameda had slightly lower career tenure status (87 percent compared to 88 percent); 39 percent had veterans' preference status compared to 46 percent of nonminorities; and 42 percent of minorities had above-average adjusted seniority compared to 52 percent of non-minorities. A variation among the groups in even one of the three retention factors could cause a marked influence on the groups' relative separation rates. In the WG-10 machinist example above, tenure was the most significant factor: all 9 minorities released in this case lacked career tenure, whereas more than 100 of the employees retained had career tenure.

Similarly, women at Watervliet Army Arsenal were separated in disproportionate numbers largely because they did not match the retention standing of their counterparts in their competitive levels. In this case, all 13 of the released women lacked veterans' preference.

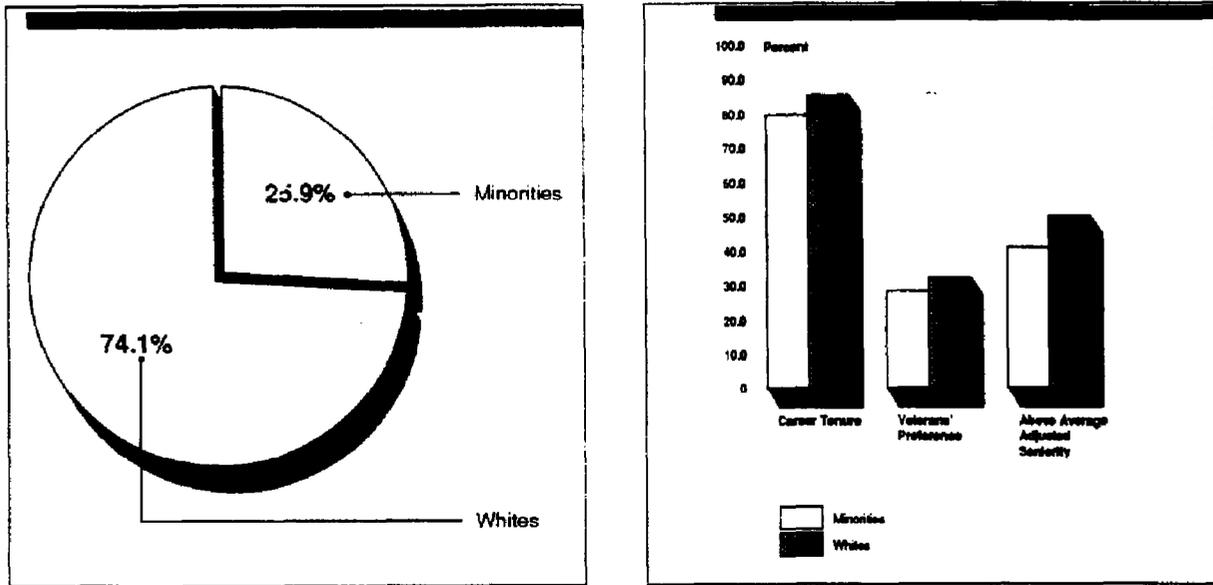
Management decisions to abolish certain positions were a major factor in the disproportionate separation rates for minorities at Watervliet and at Kelly Air Force Base. At Watervliet, minorities made up only 6 percent of the total workforce, but they held 24 of 182 (13 percent) of the WG-8 machine tool operators' positions--and that group of positions experienced about 64 percent (56 of 88) of the separations at Watervliet. At Kelly, Air Force Materiel Command policy required the elimination of all on-call³ positions before any release of employees with regular work schedules. Minorities made up 69 percent of Kelly's workforce, but they occupied 76 percent of the on-call positions. Retention factors played no role in these separations because on-call employees had no assignment rights to other positions.

MINORITIES AND WOMEN MAY HAVE DISPROPORTIONATE SEPARATION RATES IN FUTURE RIFS

We also analyzed the retention factors for all civilian workers employed by the military services at the end of fiscal year 1991 who would be likely to compete in future RIFS. Our analysis indicated that minority and women employees may continue to be vulnerable to higher layoff rates than their male and white counterparts. Overall, the services' minorities made up 26 percent of employees who would compete in future RIFs, and they ranked lower than whites in all retention factors (see figure 1).

³An on-call employee has a permanent appointment (tenure groups I or II) and works on an as needed basis, usually during periods of increased workload.

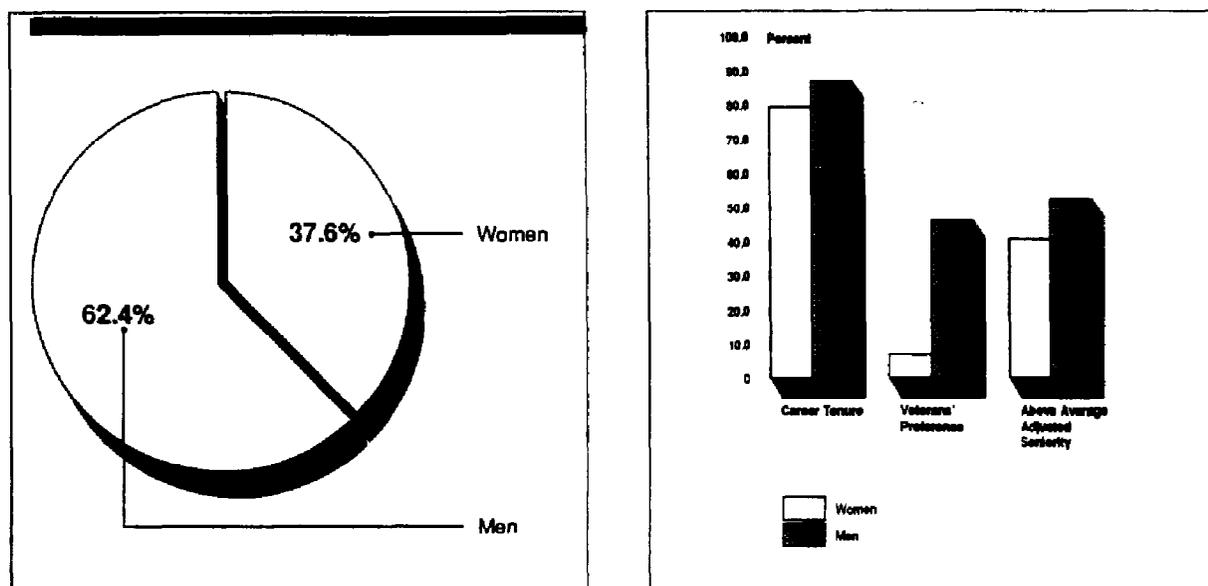
Figure 1: Percentage of Employees and Comparison of Retention Factors for Minorities and Whites



Source: U.S. Navy, Air Force and Army servicewide civilian personnel databases.

As shown in figure 2, women represented 38 percent of employees who could compete in future RIFs, and likewise, as a group, did not match the retention factors of men. Womens' lack of veterans' preference is a particularly significant disadvantage in the RIF process.

Figure 2: Percentage of Women and Men and Comparison of Retention Factors



Source: U.S. Navy, Air Force, and Army servicewide civilian personnel databases.

We recognize that this is an aggregate analysis and that the effects of any future RIFS on women and minorities may vary greatly among different locations. Depending on the local workforce profile and the positions abolished, women and minorities may or may not be disproportionately affected at any given location.

ALTERNATIVES TO REDUCTIONS-IN-FORCE MAY BETTER PRESERVE RECENT EEO GAINS

We have issued several reports in recent years which document the improvements that have occurred in the federal government in achieving the national policy of employing a workforce from all segments of society. Although more needs to be done to achieve a representative federal workforce, especially at the higher levels, the underlying national policy should apply not only in the exercise of hiring and promotion decisions, but in devising strategies on how to downsize the government.

Achieving workforce reductions through hiring freezes limits agencies' abilities to improve workforce diversity through the hiring of minorities and women, and may also result in a workforce which does not meet agency needs. Conducting workforce

reductions by RIFs may, as our work demonstrates, result in a disproportionate number of minorities and women being separated, and it is likely that the process of implementing assignment rights (called "bumping and retreating") could also result in lessening the gains made by minorities and women at the mid and higher grade levels.

On the other hand, downsizing alternatives which emphasize encouraging retirements may have the effect of relatively larger numbers of white males separating voluntarily, and the overall diversity of the smaller workforce may improve. For example, GAO was given authority recently to encourage separations of retirement-eligible and other staff through the use of separation incentives. At the end of calendar year 1993 (the end of our incentive period), 407 staff members had been separated, 232 of whom, or 57 percent, were white males. This separation rate for white males is higher than the proportion of white males in the GAO workforce at the start of our incentive period (45 percent). Overall, these separations permitted us to move rapidly toward our own downsizing goals, without sacrificing recent gains in the representation of women and minorities.

This approach to downsizing has also slightly improved the representation of women and minorities in the upper levels at GAO. For example, eighty five percent of those who separated from our SES corps were white males. This reduction in the numbers of white males at senior positions, coupled with recent additions of women and minorities into the SES, has yielded an improvement in our diversity profile at the most senior level.

Finally, in a separate review of how nonfederal employers carry out downsizing initiatives, we are finding that attention to the morale and fears of the "survivors" is often a major consideration in the strategies these employers use. Workforce reductions involving involuntary separations are certainly traumatic to the employees who lose their jobs, but they can also make those who remain feel very uncertain about their futures as they wonder, "Will I be next?" Thus, although not always successful, many of the employers we visited tried very hard to avoid involuntary separations in developing their downsizing strategies.

Some major employers were able to use retirement and separation incentives. When retirement and separation incentives were not possible, a number of nonfederal employers emphasized clear communications with all employees about where they stood and what was being done to assist those who were being separated as well as those who were being retained. We were told that clear communications to employees about the availability of employer programs such as placement assistance within and without the organization, counselling to help employees cope with change, and job retraining were invaluable in helping the workforce deal with

the downsizing. Targeting the downsizings to avoid the loss of needed and skilled staff was also an important part of some employers' downsizing strategies.

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This concludes my prepared statement. I will be pleased to answer any questions you or the Members of the Subcommittees may have.

RELATED GAO PRODUCTS

EEOC: Federal Affirmative Planning Responsibilities (GAO/T-GGD-94-20, Oct. 13, 1993).

Hispanic Employment at USPS (GAO/GGD-93-58R, Sept. 3, 1993).

Assessing EEO Progress at INS (GAO/GGD-93-54R, July 15, 1993).

Federal Employment: Progress of Women and Minorities in Key Federal Jobs and Handling of EEO Complaints at the Bureau of Alcohol, Tobacco, and Firearms (GAO/T-GGD-93-33, May 26, 1993).

Affirmative Employment: Assessing Progress of EEO Groups in Key Federal Jobs Can Be Improved (GAO/GGD-93-65, Mar. 8, 1993).

Federal Affirmative Employment: Status of Women and Minority Representation in Federal Law Enforcement Occupations (GAO/T-GGD-93-2, Oct. 1, 1992).

Federal Workforce: Agencies' Estimated Costs for Counseling and Processing Discrimination Complaints (GAO/GGD-92-64FS, Mar. 26, 1992).

Federal Workforce: Continuing Need for Federal Affirmative Employment (GAO/GGD-92-27BR, Nov. 27, 1991).

Federal Affirmative Employment: Status of Women and Minority Representation in the Federal Workforce (GAO/T-GGD-92-2, Oct. 23, 1991).

Federal Affirmative Action: Better EEOC Guidance and Agency Analysis of Underrepresentation Needed (GAO/GGD-91-86, May 10, 1991).

EEO at Justice: Progress Made but Underrepresentation Remains Widespread (GAO/GGD-91-8, Oct. 2, 1990).

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