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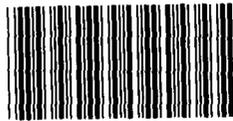
United States General Accounting Office

GAO

Transition Series

December 1992

The Public Service



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United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

December 1992

The Speaker of the House of Representatives
The Majority Leader of the Senate

In response to your request, this transition series report discusses a topic that is critical to the successful implementation of the government's programs—the need to acquire and retain a competent and motivated federal workforce. The issues described in this report include modernizing employment practices, enhancing federal workforce management, fully implementing pay reform, and rebuilding a positive public image for the public service to restore public confidence in government and make it an attractive career choice.

The GAO products upon which this report is based are listed at the end of the report.

We are also sending this report to the President-elect, the Republican leadership of the Congress, the appropriate congressional committees, and the Director-designate of the Office of Personnel Management.

A handwritten signature in cursive script that reads 'Charles A. Bowsher'.

Charles A. Bowsher

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Public Service Issues

In our 1988 transition series, we reported that the government was faced with a people problem that impeded agencies in their efforts to achieve their missions. We said that the negative image of public service—due largely to years of criticism of federal employees and unethical conduct by government officials—and the inadequacy of federal compensation were significant barriers to attracting and retaining a high-quality workforce.

Important progress has been made in the past 4 years. Criticism of federal employees has subsided somewhat, major ethics reform legislation has been enacted, and a new pay-determining process has been put into place to help narrow the ever-widening gap between federal and private sector pay.

If the government is to be able to attract and retain high-quality people, meet the public's performance expectations, and regain a positive public image, it is important not only to sustain the initiatives begun during the past 4 years but also to respond to other emerging issues.

One such issue is reducing the size of workforces. Federal managers do not always have the flexibility, systems, or processes

they need to downsize effectively while both meeting their mission requirements and treating employees fairly.

Modernizing Employment Practices

Clearly, the federal government faces stiff competition from other employers, who also want the best and brightest. Competitive dimensions (in addition to pay) include recruiting and hiring processes, benefits structures, and approaches to downsizing when workforces must be reduced. Many employers have more progressive approaches in these areas than the federal government.

Improving Recruiting and Hiring

The Office of Personnel Management (OPM) is improving many aspects of the government's recruiting and hiring programs, but significant problems remain.

Federal recruitment efforts at the nation's colleges and universities have been most notable for their absence. Federal employment information at colleges and universities is often inadequate, and service has sometimes been poor at OPM's job information centers. Information on federal job openings is not always available or easy to locate, and the application process remains a mystery to many. OPM needs to continue working with agencies to strengthen federal recruiting efforts, particularly at colleges and universities, and to make information on federal employment

readily accessible nationwide. Closer working relationships among OPM, federal agencies, and college placement personnel and increased involvement by agency program managers in recruitment would also help greatly.

Federal hiring mechanisms are burdensome and complex. Many personnel officers and program managers believe that the time it takes to hire someone is a significant problem. Rules have been designed to ensure merit; increase the employment of women, minorities, and veterans; and give managers some flexibility. However, these rules often do not meet their objectives; sometimes they conflict and overwhelm both managers and applicants.

The government needs a new hiring process, but designing one will not be easy. Federal agencies, the Congress, and other interested parties must all work together to solve this problem. We have ongoing efforts aimed at identifying potential solutions.

**Meeting the
Changing Needs
of Our Workforce**

Dramatic changes in the demographic composition of the nation's workforce are presenting serious challenges to all organizations in their efforts to be effective,

competitive employers. More and more women are working, and the proportion of families with both spouses in the labor force has increased greatly. Furthermore, the workforce is aging. The median age of the workforce rose by more than 2 years from 34.3 in 1980 to 36.6 in 1990 and is predicted to increase by another 4 years by 2005.

Progressive nonfederal employers are ahead of the federal government in adapting to changing times. For example, flexible benefits are becoming increasingly available in nonfederal organizations but are generally not available to federal employees. Also, unlike employees in many nonfederal organizations, federal employees are generally not permitted to use any portion of accumulated sick leave to care for family members who are ill unless they have a contagious disease. Some companies have begun programs to extend older employees' careers and rehire retirees to fill temporary needs. Other programs that appear to have wide applicability, such as adoption assistance or sick-child care, are available in only a few agencies or for certain employees.

OPM has established a new office to concentrate on work/family issues. This office needs to monitor demographic

changes and develop and promote proposals that will not only enable the government to catch up with other employers but also enable it to become a leader in the work/family arena.

Equipping
Agencies to
Downsize the
Federal
Workforce

Organizations often rely on attrition when they need to reduce their workforces. When the size of the reduction needed is relatively small and sufficient time is available, attrition can work well for both the employer and the employee. However, when significant reductions are needed over relatively short time frames, attrition alone may not be enough.

Such is the situation facing the federal government. The Department of Defense (DOD) is in the process of reducing its workforce by over 200,000 by fiscal year 1997 from its level in 1987. Given the federal budget deficit, many civilian agencies could face large reductions as well.

Federal workforce downsizing of the magnitude expected will create a major challenge to delivering quality programs and services to the public. Federal approaches to achieve voluntary reductions have met with limited success. Both managers and

employees have criticized methods for dealing with involuntary employee separations as costly, unfair, and possibly discriminatory.

What is the problem? Unfortunately, there are many. The government has not created sufficient incentives to induce voluntary moves; the process for reductions in force (RIF) is inflexible and has multiplier effects on the number of persons affected; and job placement programs are likely to be hard pressed to place a high proportion of registrants in jobs. Federal managers also claim that the rigid rules for offering early retirement and conducting RIFs often frustrate their attempts to shape a workforce needed to accomplish their agencies' missions.

Recent legislation dealing primarily with DOD downsizing provides new financial incentives to encourage early retirements and resignations; advance notice, expanded job training, and placement assistance to employees facing involuntary separations; and various other forms of transition assistance. It is important that these additional tools be implemented to lessen the financial and emotional effects on displaced employees and minimize adverse

organizational impacts. Civilian agencies also need to be given appropriate tools to deal with downsizing, and all downsizing approaches need to be evaluated to see if they are equitable and do not adversely affect mission accomplishment.

More specifically, the new administration and the Congress will have to address several questions.

- Are additional incentives needed to induce separations among those persons already eligible for early retirement?
- Will the implementation of voluntary separation incentives recently authorized for DOD effectively increase attrition without being discriminatory while allowing managers the flexibility to shape their workforces to meet their needs?
- Should voluntary separation incentives recently authorized for DOD or other incentives be provided to civilian agencies?
- Will current job placement programs be able to match sufficient numbers of displaced employees with other government vacancies

without placing new restrictions on civilian agency managers' discretion in hiring?

- Are statutory and/or regulatory changes needed to minimize the expected adverse impact of involuntary separations on women and minorities?

Enhancing Federal Workforce Management

The public expects and has every right to receive high-quality services at reasonable costs from a government workforce that (1) reflects the people it serves, (2) operates efficiently and effectively, and (3) is held accountable for results. Too often, limited top-management attention or complex and restrictive laws, regulations, and processes have hampered the government's ability to effectively manage its workforce toward meeting these objectives.

Intensifying Efforts to Diversify the Federal Workforce

The federal government has made strides toward attaining a workforce that reflects the nation's diverse population, but much more needs to be accomplished. Although women and minorities comprise the majority of the federal workforce at grades 2 through 11, their presence decreases to about 30 percent for grade 13 positions and continues downward to about 17 percent for the Senior Executive Service (SES). Moreover, 1990 federal workforce data show that one or more women or minority groups were underrepresented in 97 percent of 261 key jobs—jobs that lead to middle- and upper-level management positions.

Management commitment at all levels of government and continued monitoring are

needed if the federal government is to achieve a diverse workforce. Agencies frequently do not set measurable affirmative employment goals. At agencies we have reviewed, SES performance workplans do not specifically hold managers accountable for meeting affirmative employment objectives. Specificity is needed to truly gauge how successfully the executives are carrying out their affirmative employment responsibilities. Furthermore, many agencies have submitted late or incomplete program plans to the Equal Employment Opportunity Commission (EEOC). EEOC has often approved these plans even though they lacked such important elements as certain workforce analyses needed to determine progress in achieving a representative workforce.

EEOC must provide stronger leadership. It must work with federal agencies to help them better identify and address barriers to the entry and progression of women and minorities. We have made a number of recommendations to EEOC for improving the government's affirmative employment program. These include the need for better guidance to agencies on required workforce analyses and the need for EEOC to withhold approval of agency plans until substantive requirements are met. EEOC has begun to

address our concerns. It needs to continue to work with agencies to strengthen accountability for results.

Although stronger leadership from EEOC is essential, the President and the Congress need to emphasize to agency heads that they must have programs in place and hold their senior managers accountable for achieving a representative workforce, particularly at higher grade levels.

Allowing
Agencies to
Manage
Performance
More Flexibly

The government's performance management system is commonly perceived as not working well. Often, it does not meet its objectives to improve and motivate employees' performance, achieve individual accountability, and instill employees' trust in the assessment process.

One reason is that the government's performance management system has been and continues to be too rigid. Consistent with private sector trends, many federal agencies are beginning to move away from rigid, centralized, and individual-oriented management approaches to the more flexible, decentralized, team-oriented, and customer-based approaches similar to those embodied in the principles of total quality

management (TQM). The government needs to continue moving toward a flexible performance management system that agencies can tailor to their own missions, work environments, and workforces.

Another reason the system is not working well is that the link between performance and pay is considered by many to be too weak to motivate, reward, or penalize employees. For example, many employees believe that the amount of money provided through performance awards is not sufficient to serve as a motivator, and employees who continue to perform poorly over a long period are often not penalized through reductions in pay. Consistent with the principles of TQM, some managers would like to have greater ability to reward team efforts.

In addition, as we noted in our 1988 transition series report on the Public Service, the lack of measurable goals and objectives makes it difficult to know whether important programs and initiatives are succeeding. Our more recent work shows this to be a continuing problem. It is difficult to hold organizations or people accountable without clear results-oriented

goals and good performance measures to gauge progress in achieving those goals.

Performance management is one of the most difficult and complex issues in human resource management. While there appears to be a consensus on what the specific problems are, there does not appear to be a consensus on specific solutions. Thus, the executive and legislative branches need to work on an approach for (1) giving agencies the flexibility they need to develop solutions that will work for them, (2) linking performance and pay in a manner that will better motivate and reward employees, and (3) establishing results-oriented goals and better using performance measures to gauge progress.

**Improving Labor-
Management
Relations**

Labor-management relations experts as well as agency and union representatives across the country agree that the federal labor-management relations program is not working well. They say that the program is too adversarial and that it suffers from excessive litigation over procedural and minor matters. In addition, processes used to resolve disputes are viewed as too slow and complex.

Comprehensive reform is essential to the effective conduct of the public's business, including implementation of the quality improvement initiatives that emphasize employee involvement and teambuilding being sought by federal agencies. Because the perceived problems are systemic and widespread, convening a panel of participants in the federal program and nationally recognized experts in labor relations could be the best approach for developing a viable reform proposal.

Reforming Health Benefits

The Federal Employee Health Benefits Program (FEHBP) is the largest employer-sponsored health insurance program in the United States. In fiscal year 1993, it will provide health benefits for about 9 million federal employees, annuitants, and their dependants at an estimated cost of \$16 billion. Over the years, the Congress, OPM, federal employees, and employee unions have expressed concerns about FEHBP's structure and cost and have called for reform.

The debate on FEHBP reform has appropriately focused on issues related to program design, availability of choice among plans, and cost of health benefits. At the

Congress' request, others have examined and reported on these issues, essentially reinforcing the call for reform. Also at the Congress' request, we have looked at the program's administrative costs, almost all of which are incurred by contractors.

At a cost of over one-half billion dollars annually, contractors' administration of FEHBP is an important consideration. We believe that as much as \$200 million annually could be saved if FEHBP's administrative costs were reduced to the levels of other large health benefits programs we reviewed. However, to achieve savings of that magnitude, it would be necessary to legislate a more uniform benefits structure and allow for the procurement of administrative services under competitive, fixed-price contracts that would periodically be rebid. Currently, benefits vary widely among plans, and OPM uses essentially noncompetitive, self-renewing contracts with carriers.

The new Congress and administration need to continue the debate on FEHBP and reach consensus on reform, including the potential for saving up to \$200 million annually in administrative costs. In the meantime, OPM could save up to \$35 million yearly by better managing administrative costs under the

current FEHBP structure. We believe that more thorough OPM analyses and comparisons of operational costs among plans could identify opportunities for cost savings.

OPM has been responsive to our recommendations but has been hampered by limited staffing in its efforts to better oversee program administrative costs as well as combat fraud and abuse in the program. The Congress and the administration need to work with OPM to ensure that reasonable staffing levels are available.

Choosing
Between
Employees and
Contractors

In today's environment of tight budgets, agencies face tough challenges accomplishing their missions. A key issue is whether to use contractors or expand the workforce. This issue has two major components. One relates to the flexibility agencies have to make these decisions. The other relates to the core expertise agencies need to oversee and control contractors.

Federal managers have not often had sufficient flexibility to choose between hiring employees or contractors because of restrictive legislation or personnel ceilings imposed by the Office of Management and

Budget (OMB) or the Congress. Agencies frequently must use contractors even when they believe it would be more appropriate to use employees because of the nature of the work involved or because it would be less costly to use employees.

For example, legislative and budgetary restrictions on the Environmental Protection Agency's (EPA) Superfund Program necessitated the use of contractors rather than employees. According to EPA officials, it is easier to get OMB's approval for contract dollars than for employee positions for various agency programs. Also, personnel ceilings imposed by OMB were a major factor inhibiting the Department of Energy (DOE) from achieving substantial savings by having government employees rather than contractors perform support service functions.

Another problem sometimes faced by agencies, due at least in part to restrictions on hiring employees, is the lack of sufficient staff capability to oversee and control contractors. The lack of this capability has contributed to serious problems in government programs, such as safety problems at nuclear weapons production plants and in the nation's space program.

Although OMB has indicated that it is willing to authorize additional employee positions, the use of personnel ceilings as a control device has left agencies with the perception that OMB is still reluctant to do so. The Congress and OMB need to provide agencies with the authority and flexibility to use government employees rather than contractors when employees would be more appropriate, considering the nature of the work involved, or could more cost effectively carry out agencies' missions.

Fully Implementing Pay Reform

Four years ago, it was generally recognized that inadequate salaries were a primary cause of the government's recruitment and retention problems. In 1990, the Bush administration and the Congress reached agreement on a comprehensive, long-term pay reform program designed to ultimately make federal salaries competitive with the private sector. The program was enacted into law and has been favorably received. The basis for this legislation was well founded, namely, that high-quality people needed to effectively run government programs were finding employment elsewhere.

But budgetary constraints could jeopardize full implementation of pay reform. Achieving a consensus between the administration and the Congress was a long, arduous process that would be difficult to reestablish if the current program were to become sidetracked. Full implementation of pay reform is a key building block of a more effective government and important to the government's ability to attract and retain a highly qualified and motivated workforce. If the size of the workforce, coupled with budget deficits, makes pay reform too difficult to fund, the Congress and the administration may want to consider the

option of reducing the size of the workforce
to allow full implementation of pay reform.

Rebuilding a Positive Public Image

Public respect for and confidence in government have been diminishing. News reports of alleged misconduct by government officials or efforts by former federal officials to influence decision-making have not helped project a positive image of government.

In 1989, the Congress and President Bush forged a consensus on ethics reform in the federal government and enacted the Ethics Reform Act of 1989. The act strengthened federal conflict-of-interest statutes and employee financial disclosure requirements, with a view toward achieving greater uniformity in ethics rules among all three branches of the government. All three branches have also been given additional authority and responsibility to ensure effective program implementation.

Federal agencies in the executive branch have varied in the intensity and effectiveness of their efforts to prevent, detect, and deal with conflicts of interest between employees' official duties and their private interests. The effectiveness of the ethics program has been impeded by insufficient top-management emphasis on implementing effective employee financial disclosure reporting and inadequate review of

employees' activities outside the government.

Agencies' efforts to address employees' conflicts of interest have also been impeded by shortages of staff assigned to review disclosure reports and by the failure of some agencies to require employees holding positions vulnerable to conflicts of interest to file disclosure reports (or to report outside activities). Furthermore, the executive branch's supervising ethics office, the Office of Government Ethics (OGE), has been hampered in its monitoring and enforcement efforts by limited staff and authority. Recent legislation authorized more staff and enforcement powers.

Agency heads must aggressively pursue strong ethics programs, including requirements for producing effective employee disclosure of financial and outside interests and a sufficient number of properly qualified staff assigned to review these interests and ensure that they are appropriate.

Problems with financial disclosure programs also exist in the legislative and judicial branches, so they, too, need to continuously improve their efforts.

Another dimension of strong ethics programs in the executive branch is the willingness and ability of employees to report misconduct without fear of retaliation and with the understanding that their allegations will be properly investigated. Many federal employees do not have this sense. In 1992, about 70 percent of the employees we surveyed reported that they had little or no knowledge about how the whistleblower law protects them and said that they did not know where to report misconduct. One solution to this problem would be to have agencies provide information on where to report misconduct during OGE-required ethics training programs.

Related GAO Products

Modernizing Employment Practices

Federal Employment: How Federal
Employees View the Government as a Place
to Work (GAO/GGD-92-91, June 18, 1992).

Federal Employment: Displaced Federal
Workers Can Be Helped by Expanding
Existing Programs (GAO/GGD-92-86, May 5,
1992).

The Changing Workforce: Comparison of
Federal and Nonfederal Work/Family
Programs and Approaches (GAO/GGD-92-84,
Apr. 23, 1992).

The Changing Workforce: Demographic
Issues Facing the Federal Government
(GAO/GGD-92-38, Mar. 24, 1992).

Federal Recruiting and Hiring: Making
Government Jobs Attractive to Prospective
Employees (GAO/GGD-90-105, Aug 22, 1990).

Enhancing Federal Workforce Management

Federal Health Benefits Program: Stronger
Controls Needed to Reduce Administrative
Costs (GAO/GGD-92-37, Feb. 12, 1992).

Government Contractors: Are Service
Contractors Performing Inherently
Governmental Functions? (GAO/GGD-92-11,
Nov. 18, 1991).

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

Federal Labor Relations: A Program in Need of Reform (GAO/GGD-91-101, July 30, 1991).

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

Performance Management: How Well Is the Government Dealing With Poor Performers? (GAO/GGD-91-7, Oct. 2, 1990).

Fully
Implementing Pay
Reform

Federal Pay: Private Sector Salary Differences by Locality (GAO/GGD-91-63FS, Apr. 29, 1991).

Recruitment and Retention: Inadequate Federal Pay Cited as Primary Problem by Agency Officials (GAO/GGD-90-117, Sept. 11, 1990).

Rebuilding a
Positive Public
Image

Whistleblower Protection: Determining Whether Reprisal Occurred Remains Difficult (GAO/GGD-93-3, Oct. 27, 1992).

Related GAO Products

**Employee Conduct Standards: Some Outside
Activities Present Conflict-of-Interest Issues**
(GAO/GGD-92-34, Feb. 10, 1992).

The Public Service (GAO/OCG-89-2TR,
Nov. 1988).

Transition Series

Economics

Budget Issues (GAO/OCG-93-1TR).

Investment (GAO/OCG-93-2TR).

Management

Government Management Issues
(GAO/OCG-93-3TR).

Financial Management Issues
(GAO/OCG-93-4TR).

Information Management and Technology
Issues (GAO/OCG-93-5TR).

Program Evaluation Issues (GAO/OCG-93-6TR).

The Public Service (GAO/OCG-93-7TR).

Program Areas

Health Care Reform (GAO/OCG-93-8TR).

National Security Issues (GAO/OCG-93-9TR).

Financial Services Industry Issues
(GAO/OCG-93-10TR).

International Trade Issues (GAO/OCG-93-11TR).

Commerce Issues (GAO/OCG-93-12TR).

Energy Issues (GAO/OCG-93-13TR).

Transportation Issues (GAO/OCG-93-14TR).

Food and Agriculture Issues
(GAO/OCG-93-15TR).

Environmental Protection Issues
(GAO/OCG-93-16TR).

Natural Resources Management Issues
(GAO/OCG-93-17TR).

Education Issues (GAO/OCG-93-18TR).

Labor Issues (GAO/OCG-93-19TR).

Health and Human Services Issues
(GAO/OCG-93-20TR).

Veterans Affairs Issues (GAO/OCG-93-21TR).

Housing and Community Development
Issues (GAO/OCG-93-22TR).

Justice Issues (GAO/OCG-93-23TR).

Internal Revenue Service Issues
(GAO/OCG-93-24TR).

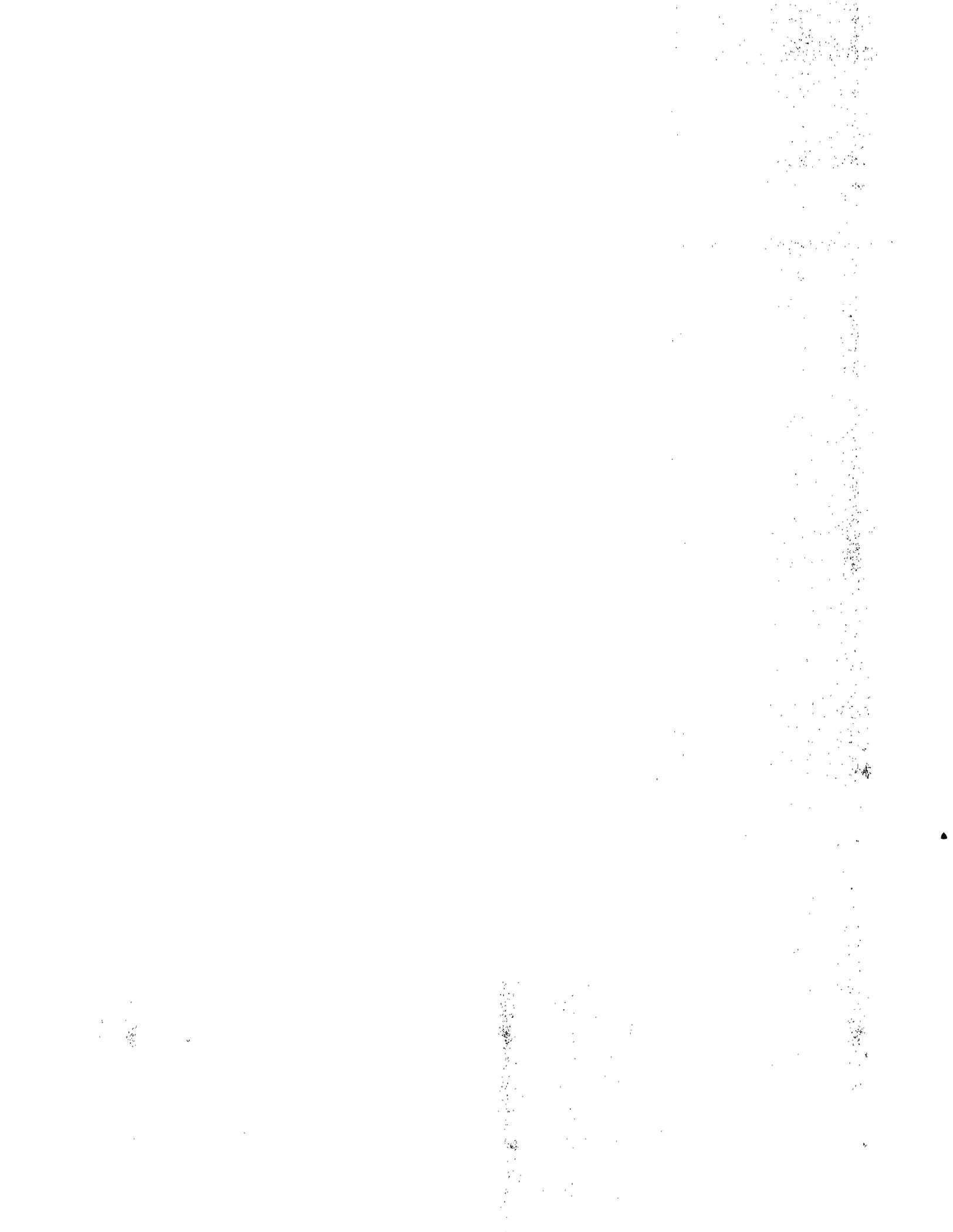
Foreign Economic Assistance Issues
(GAO/OCG-93-25TR).

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Foreign Affairs Issues (GAO/OCG-93-26TR).

NASA Issues (GAO/OCG-93-27TR).

General Services Issues (GAO/OCG-93-28TR).



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