



REPORT TO THE CONGRESS

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United States General Accounting Office.
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Implementation And Impact
Of Reductions In Civilian
Employment, Fiscal Year 1972 B-180257

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

JULY 2, 1974



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This is our report on the implementation and impact of
reductions in civilian employment during fiscal year 1972.

Our review was made pursuant to the Budget and Accounting
Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act
of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Of-
fice of Management and Budget; the Chairman, Civil Service
Commission; the Secretaries of Defense, Army, Navy, Air Force,
Housing and Urban Development, and Transportation; the Adminis-
trator of General Services; and the Director, Defense Supply
Agency.

Comptroller General
of the United States

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ABBREVIATIONS

CSC	Civil Service Commission
DOD	Department of Defense
FAA	Federal Aviation Administration
FPM	Federal Personnel Manual
GAO	General Accounting Office
GSA	General Services Administration
HUD	Department of Housing and Urban Development
OMB	Office of Management and Budget
RIF	<u>reduction in force</u>

D I G E S T

WHY THE REVIEW WAS MADE

On August 15, 1971, the President directed Federal departments and agencies to reduce civilian employment by 5 percent to check the rise in the cost of Government.

GAO sought to evaluate the policies and practices for reducing civilian positions and employment and the impact of the reductions on selected installations and activities of the Departments of Defense, Housing and Urban Development, and Transportation, and the General Services Administration.

FINDINGS AND CONCLUSIONS

Personnel ceilings and workload

Accelerated actions taken primarily to reduce civilian employment to meet personnel ceilings tended to be disruptive to management. At installations and activities, reductions in ceilings were imposed by headquarters without corresponding reductions in workload. (See p. 8.)

Since much of the work still had to be done, agencies substituted other sources of manpower such as overtime labor, military personnel, or contracting for personal services; backlogs increased; work was deferred or

not done; and services were reduced or terminated. (See p. 10.)

Employees having needed skills and experience retired sooner and in larger numbers than expected. Employees receiving reduction-in-force notices when their positions were abolished displaced other employees with lower retention rights as they competed for the remaining positions.

The result was that employees who remained were not always the best qualified for the positions they occupied. Many had to be trained. (See p. 13.)

The agencies used a partial freeze on hiring, encouraged eligible employees to retire, and made reductions in force to meet ceilings arbitrarily imposed for a particular date--the end of the fiscal year, June 30, 1972.

Then, after July 1, 1972, some installations and activities increased employment to meet workload needs and rehired some recently separated employees. (See p. 16.)

The lesson from this experience is that arbitrary personnel ceilings hurriedly set by agency officials are not the most effective way to reduce civilian employment.

Guidance for reducing
civilian employment

Agencies were inconsistent in their interpretation and application of the Civil Service Commission's regulations and guidelines for reducing civilian employment. As a result, all Federal employees affected by reduction were not offered similar opportunities nor subjected to similar limitations. (See p. 22.)

Early retirement

All but one of the agencies included in GAO's review offered eligible employees early retirement--discontinued service or involuntary retirement--as authorized by the Commission.

Of the 3,194 employees who retired at 15 installations and activities 748, or 23 percent, retired for discontinued service.

One agency simultaneously allowed experienced employees to retire for discontinued service and hired new employees to fill vacancies that already existed. (See p. 24.)

The Commission revised its authorization for early retirement, effective January 1, 1973, to permit only eligible employees who receive notices that they are to be separated to retire involuntarily for discontinued service.

In June 1973 the President approved Public Law 93-39, which authorizes voluntary retirement of eligible employees of an agency determined by the Commission to be undergoing a major reduction in force. (See p. 27.)

Competitive areas

The Commission's regulations provide that an agency, in planning a reduction in force, must establish competitive areas within which employees may compete.

The installations and activities that GAO reviewed established competitive areas in various ways--a local commuting area, areas serviced by the civilian personnel office, organizational elements, grade levels, skills, and combinations of factors. (See p. 31.)

All employees affected were not provided substantively uniform and equitable opportunities to compete for jobs. (See p. 44.)

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Competitive levels

The Commission's regulations provide that an agency must also establish competitive levels--the types of positions in each competitive area for which employees may compete for available jobs.

At 6 of the 15 installations and activities, GAO noted that 43 to 81 percent of the total number of competitive levels contained only 1 position. When positions in these competitive levels are abolished, the employees who occupy them are displaced automatically. (See p. 37.)

As a responsible employer, the Federal Government should apply personnel regulations and guidelines with substantive uniformity to all employees, without regard to department or agency.

Agency needs for management flexibility would be served and displaced employees provided greater protection by revising regulations and guidelines to more clearly prescribe specific criteria for establishing competitive areas and levels and realistic position characteristics and requirements.

These criteria should be applied with substantive uniformity in similar circumstances by all Federal agencies in determining the eligibility of displaced employees to compete for remaining available jobs. (See p. 48.)

Job placement assistance to separated employees

Installations and activities included in GAO's review attempted to help separated employees find other employment. Some provided more assistance than others, but statistics were generally not available. (See p. 38.)

Repromoting demoted employees

Some general schedule employees demoted without loss of pay because of displacement from their competitive levels received pay increases when they were repromoted or restored to previously held grades. This is not equitable. Employees who continue in competitive levels without interruption are not in a position to receive unearned pay increases. (See p. 40.)

RECOMMENDATIONS

When the Office of Management and Budget has determined the size of the reductions in particular agen-

cies, the Director should permit the agencies to reduce their employment levels through attrition and selective reductions in force rather than through reaching a specified level for a particular day. (See p. 21.)

The Chairman, Civil Service Commission, should:

- Give agencies more specific guidelines defining the criteria to consider in designating competitive areas and levels and realistic position characteristics and requirements.
- Require agencies to (1) submit for the Commission's prior approval the criteria they plan to use in designating competitive areas, instructions they plan to issue to component organizations for designating competitive levels, and subsequent changes or deviations and (2) use the approved criteria and instructions consistently in all reductions in force. (See p. 48.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Office of Management and Budget said that it expected and encouraged agencies to use a number of management techniques to help them operate within employment ceilings in the most reasonable and effective manner. (See app. III.)

The Civil Service Commission expressed concern that GAO considered the reduction-in-force system to be somehow deficient. In later discussions, Commission officials agreed that GAO had fairly presented the

difficulty in devising applicable guidelines for reducing employment levels throughout the Government that would both serve agencies' needs for management flexibility and give displaced employees greater protection. (See app. IV.)

Neither the Office of Management and Budget nor the Civil Service Commission has informed GAO of any specific action planned on its recommendations.

MATTERS FOR CONSIDERATION BY
THE CONGRESS

GAO recommends that the Congress consider amending title 5 of the United States Code, section 5334(b), to provide that an employee demoted without loss of pay because of displacement from his position be entitled upon repromotion or restoration to his previously held grade only to the rate of pay he would have received had he not been demoted.

CHAPTER 1

INTRODUCTION

The changing environment in which the Department of Defense (DOD) and some civil agencies have operated in recent years has made effective management of personnel resources difficult. Expansion or curtailment of programs has not always been correlated with increases or decreases in operating funds or in the number of civilian employees.

As part of the economic program announced by the President on August 15, 1971, executive branch departments and agencies were directed to reduce civilian employment by 5 percent to check the rise in cost of Government.

The Office of Management and Budget (OMB) issued a directive on August 25, 1971, to guide agencies in their immediate planning for reducing civilian employment. The directive said that specific employment levels and dollar amounts required to meet the President's request would be furnished when the data were developed. The directive provided, in part, that every effort be made to insure that employment reductions occurred substantially through attrition.

Starting in September 1971, OMB issued new agency personnel ceilings to be met by June 30, 1972. The agencies distributed their authorized employment levels among their organizational components, and the process continued downward until the operating installations and activities were informed of their year-end ceilings.

The Civil Service Commission (CSC) is directed (5 U.S.C. 3502) to prescribe regulations for releasing employees through reductions in force (RIFs). In 1970 it issued a report on its study of the planning, conduct, and results of a RIF in DOD because it had no recent data how RIFs affect agencies and employees. The report indicated nothing seriously wrong with any aspects of the present RIF system. CSC said that answers obtained:

"* * * offer persuasive evidence that, in the hands of knowledgeable officials, the present system works no undue hardship on the agency,

does not cause the displacement of valuable people in key positions, and does not result in a general lowering of the effectiveness of an organization."

The Commission concluded that:

"We have a reduction-in-force system that can be made to work. Properly understood and wisely applied, it will permit an agency to cut down its workforce without undue disruption. There are absolutely no compelling reasons for changing it. On the other hand, there are no compelling reasons for keeping the system as it is if we can improve it. We believe it can be improved."

The study did not provide for evaluating the competence of agency employees required to apply the RIF system; i.e., to determine whether they were knowledgeable officials. CSC recognized that different results might be obtained if it made a similar study of a RIF affecting more people having longer service, higher grades, and working in high priority programs. The study did not address the question of whether the same personnel regulations and guidelines should be uniformly applied to all employees regardless of department or agency.

In view of the magnitude of the reductions in civilian employment in fiscal year 1972 pursuant to the President's directive and the turbulence they could cause, we reviewed the implementation and impact of the reductions at selected installations and activities of DOD and civil agencies (see pp. 51 and 52) to evaluate the (1) policies and practices for reducing civilian positions and employment and (2) impact of the reductions.

At the 15 installations and activities reviewed, we found that the primary reason for the reductions was to meet the lower personnel ceilings prescribed for June 30, 1972, without regard to workload. Also, we found CSC regulations were interpreted and applied differently in planning and implementing reduced employment levels through attrition and RIF procedures. Actions to reduce employment levels to meet

the ceilings and the effects of the reductions were not the same at all the installations and activities. (See appendixes I and II for statistics on employment levels and employee separations.)

CHAPTER 2

REDUCTIONS IN EMPLOYMENT LEVELS

NOT RELATED TO WORKLOAD REQUIREMENTS

Accelerated actions to reduce the Federal civilian work force primarily to meet personnel ceilings established for one particular day tend to disrupt effective management of manpower resources. Management officials may have to select positions to be abolished and start action to displace the employees without sufficient time to adequately evaluate manpower needs in relation to workload requirements and available funds. In such circumstances, using other manpower may increase costs or adversely affect operations.

Planning for orderly reduction of employment without significantly disrupting operations is difficult and time consuming under any circumstances. The agency must consider the installations, activities, and programs where reductions in personnel will have the least impact on total agency mission. The installation or activity must consider total workload, program priorities, available funds, and availability of other sources of manpower in determining which positions can be eliminated with the least adverse impact.

At the installations and activities we reviewed, reductions in personnel ceilings were imposed by headquarters without corresponding reductions in workload. We found no evidence that agencies were developing contingency plans for reducing employment without significantly disrupting operations.

As a result of accelerated actions to reduce employment levels, other types of manpower resources--overtime, military personnel, or contractor services--were used since much of the work still had to be done. Some organizations curtailed or limited services. Employees with needed skills and experience retired sooner and in larger numbers than expected. Employees who remained after the reductions were completed were not always the best qualified for the positions they occupied and many had to be trained.

Our findings on actions taken in planning and implementing the reductions in fiscal year 1972 and the impact of the

reductions on the installations and activities included in our review are discussed below.

PLANNING AND IMPLEMENTING REDUCTIONS

Employment levels may be reduced through:

- Attrition; i.e., by not filling positions vacated through retirement, resignation, removal, or death.
- RIFs; i.e., release of employees from their competitive levels by separation, demotion, furlough for more than 30 days, reassignment requiring displacement, and other means defined in CSC regulations.

Early in fiscal year 1972 some agencies and their installations and activities, in anticipation of lower personnel ceilings, used partial freezes on hiring new employees to replace employees separated through attrition. The agencies had no assurance, however, that enough employees would retire or resign to enable them to meet the expected lower June 30, 1972, ceilings.

Agency headquarters notified their organizations of new personnel ceilings to be met by June 30, 1972. Some agency headquarters directed reductions in specific organizations or functions or in specific ways.

- Headquarters, Third Army, directed Fort Benning to limit reductions to base operations.
- Headquarters, Naval Ship Systems Command, directed Long Beach and Pearl Harbor Naval Shipyards to conduct RIFs to meet their lower ceilings.
- Headquarters, Defense Supply Agency, directed Defense Contract Administration Services Region, San Francisco, to exempt from the reduction three programs that had originated in Headquarters.
- Headquarters, Federal Aviation Administration (FAA), determined where the regions were to allocate the reduction among FAA's programs while reorganization of the agency was in progress.

The headquarters' instructions to the installations and activities for reducing employment did not specify corresponding workload adjustments. The reductions of positions at the installations and activities were, in most instances, prorated by management officials to the various operating units without regard to workload. Operating-level managers determined which vacant positions should not be filled. Then they selected the occupied positions to be abolished--to start RIF actions--on the basis of work priority, mission requirements, availability of contracting for personal services, or, in the case of military agencies, capability and availability of military personnel for work that otherwise would be done by the civilian employees to be displaced.

Some installations or activities made manpower studies to determine where reductions could be made with the least adverse effect. For example, officials at the Army Aviation Systems Command, the Naval Air Station at Quonset Point, Hill Air Force Base, and the Pacific Region, FAA, took specific steps, depending on their circumstances, to identify and select the programs or activities from which positions would be abolished.

Since there was little time to make the personnel reductions imposed, all the installations and activities we reviewed encouraged accelerated retirement for employees. Except for HUD, the installations and activities also started RIF actions, using the principal procedures discussed in chapter 3.

IMPACT OF REDUCTIONS

All the installations and activities reviewed were affected in some way by the abolishment of needed positions and displacement of the employees who occupied them. Other sources of manpower, such as overtime labor, part-time or temporary employees, military personnel, and contracting for personal services, were substituted for lost employees. Backlogs increased. Maintenance, inspections, physical inventories, and other services were curtailed or limited. Imbalances developed between the numbers of skilled employees needed and those available. Employee levels increased after the 1-day ceiling was met. Each of these is discussed in more detail below.

Other sources of manpower

Since the numbers of authorized positions and employees were reduced without a corresponding reduction in the workload, the installations and activities resorted to using other sources of manpower. We noted that 10 of them substituted other types of manpower resources for full-time permanent employees.

We identified increases of about \$4.6 million in contracting and about \$370,000 in increased overtime. We also identified increases of about 560 positions filled by part-time, temporary, military, and foreign national employees. We were unable to determine whether costs to the Government increased or decreased as a result of using other sources of manpower to accomplish work that previously had been scheduled.

--Fort Benning abolished 196 positions in base operations--179 of which were occupied--during the RIF and resorted to overtime and military personnel to carry out assigned functions at some base operations activities.

Overtime for refuse collection service and to operate the sewage disposal and heating plants increased by about 100 man-hours a week after the RIF. Overtime in the commissary increased by about 50 man-hours a week.

In base operations, 24 military personnel were used for some duties performed by a civilian labor pool prior to the RIF, including maintaining training sites and firing ranges, manning traps on the skeet range, and a limited amount of janitorial services.

--Long Beach Naval Shipyard abolished 823 occupied positions during March to June 1972. In spite of workload projections of 7,099 employees in June 1972, a ceiling of 6,398 was imposed by the Naval Ships System Command. Although total payroll costs remained relatively unchanged before, during, and after the RIF, overtime labor costs increased. For example, for the pay periods ended February 19 and June 24, 1972, overtime pay was about \$225,000 and \$509,000, respectively. In the production areas of the shipyard

overtime labor increased from a normal rate of 7 percent of regular labor to 17 percent during most of the fourth quarter of fiscal year 1972.

Repair work on five ships was contracted with private shipyards at a cost of about \$4 million because of insufficient work force. Also, the amount of contracted design work in May 1972 was about 63 percent higher than in January 1972, primarily because of the RIF.

--GSA, Region 9 Transportation and Communications Service, abolished 130 positions, 90 of which were occupied. The Motor Equipment Division reduced services to customers and increased contracting for minor maintenance on vehicles as OMB placed no limit on contracting. The ratio of contract to direct labor increased after the November 30, 1971, RIF. Repairs that ordinarily would have been performed in-house or contracted were deferred in the expectation that funding limitations would not last because contractors were not prepared to handle the sudden increase in workload.

Other locations where we noted the use of other sources of manpower were the Army Armor Center, Pearl Harbor Naval Shipyard, Naval Air Station, Aeronautical Systems Division, Hill Air Force Base, and the FAA Pacific and Rocky Mountain Regions. The use of substituted manpower was not as significant at these locations as it was in the cases discussed above.

Services curtailed or limited

Although the numbers of authorized positions and employees were decreased, generally there was not a corresponding reduction in workload. As a result, remaining backlogs increased, some work was deferred or not done, or services were reduced or terminated at 7 of the 15 locations.

--The Army Armor Center abolished 287 positions in the Directorates of Facilities Engineering and Industrial Operations. The workload was not reduced, and an already heavy backlog of maintenance of facilities and

equipment, attributable in part to earlier personnel reductions, was increased.

--In June 1972 the Pearl Harbor Naval Shipyard reported to the Commander in Chief, Pacific Fleet, that because of insufficient available work force adjustments were needed in the shipyard's assigned workload for fiscal year 1973. The shipyard recommended that three scheduled overhauls be delayed by 1, 2, and 8 months, a fourth overhaul be deferred until fiscal year 1974, and another overhaul be reassigned to a private shipyard. Actions taken generally agreed with the shipyard's proposals.

--GSA, Region 9, abolished 130 positions--90 of which were occupied--in the Transportation and Communications Service. In the Communications Division, two telephone switchboards were closed and two others were transferred to other agencies. Agencies were required to secure commercial service from the telephone company to handle local calling. Agencies complained about delays in placing calls with Federal Telecommunications Systems operators and mentioned that they were forced to place the calls commercially. In the reduction of personnel the Motor Equipment Division lost 24 percent of its permanent positions. Hours of operation were curtailed in four motor pools and peak vehicle dispatch workloads could not be maintained.

Other installations where we noted less significant cases of curtailed or limited services were Fort Benning, Naval Air Station, Aeronautical Systems Division, Hill Air Force Base, FAA, Rocky Mountain Region, and HUD Region IV.

Imbalances in work force

After the reduction program has been completed, employees remaining in the work force may not meet the needs of the installation or activity with regard to the desired number and types of skills, experience, and potential for filling future vacancies. Imbalances in the work force may occur because of a combination of actions taken to reduce employment levels.

Usually the first action is to place a freeze on hiring. New employees are hired for only the most essential positions, and most employees separated through attrition are not replaced. Eligible employees are urged to retire. Larger numbers of experienced and skilled employees may retire from managerial and supervisory positions sooner than expected. When RIF actions are started, management selects the positions to be abolished but has no authority to select the employees to be separated. Employees who receive RIF notices when their positions are abolished may displace other employees with lower retention rights as they compete for the remaining positions.

Fort Benning

Fort Benning abolished 179 occupied positions in base operations. At the time Headquarters, Third Army, instructed Fort Benning to reduce its work force in base operation functions, it had an imbalance of skills in other functions. Officials told us that the imbalance resulted from closing the Army Training Center in March 1970 and was compounded when the installation received authority to employ 603 civilians to support the Volunteer Army concept but did not receive an increase in authorized positions.

The Army Infantry School had an excess number of cooks because of reduced troop strength, and at the same time the Directorate of Medical Activities was experiencing a shortage of medical personnel. The school and medical facilities are not part of base operations. An analysis of skill imbalances at August 30, 1972, showed that the installation had about 300 occupied positions which were not authorized and a corresponding number of authorized positions which were not occupied.

At the time of our review, the installation, to correct the imbalance problem, had:

- Submitted documents to abolish unneeded positions and requested authority to fill vacant positions.
- Transferred about one-third of the employees who had occupied unauthorized positions to vacant authorized positions. Some transfers had been made as of November 1972.

--Identified in a survey 800 military positions which could be civilianized. The civilian personnel officer indicated that these positions could be used to absorb civilian personnel who then occupied unauthorized positions.

An official told us the above actions would be used to reduce the number of excess personnel instead of reducing the number of vacant positions. If excess personnel could be substantially reduced, the installation would be in a better position to recruit personnel to fill vacant positions. If civilianization of military positions was not approved, another alternative would be another RIF to correct the imbalance.

Hill Air Force Base

The Base eliminated a total of 1,055 authorized positions during fiscal year 1972. Displacement of 1,508 employees occurred through retirement (393), reassignment (519), change to lower grade (443), and separation (153). Needed skills and experience were lost throughout the Directorates of Maintenance and Materiel Management.

The Maintenance Directorate had problems because of attrition of skills and the retreating of personnel in the RIF. Since attrition did not always occur where it could best be absorbed, qualified personnel were not available to fill the vacancies. In some cases when there was a shortage of skills, qualifications were waived and employees were trained for new positions.

Another problem was encountered when supervisors from the Directorate of Materiel Management retreated into repairman-type jobs in the Maintenance Directorate. The personnel transferred had not had maintenance experience for years. For example, in the Aircraft Division, employees with current jet fighter experience were displaced and their replacements, in many cases, had outdated experience and were unfamiliar with modern jet fighter aircraft. As a result of waived qualifications and the retreating of supervisors, personnel had to be retrained in the classroom and/or on the job.

Experienced production and overhead supervisory personnel were bumped by employees from the Directorate of Materiel Management having little or no supervisory experience. This lack of supervisory experience was a factor in lowered aircraft production.

In the Directorate of Distribution, personnel who retreated into positions caused production to go down because they could not perform as well as the employees displaced. As a result, lower priority work was either not accomplished or not accomplished timely.

Inspection of all incoming and outgoing items was eliminated except for the President's fleet and the Military Assistance Program. Also, overtime was authorized to accomplish needed work.

Production in the Directorate of Procurement and Production was adversely affected because employees retreating into positions had to be trained. This training resulted in increased leadtime for procurements.

We noted less significant imbalances in work force at the Army Aviation Systems Command, Army Armor Center, Pearl Harbor Naval Shipyard, FAA Rocky Mountain and Western Regions, and HUD Region IV.

Increase in authorized employment
after July 1, 1972

Even though the agencies used a partial freeze on hiring, encouraged eligible employees to retire, and conducted RIFs to meet arbitrarily imposed personnel ceilings set for one particular day--June 30, 1972--three installations and activities increased employment after July 1, 1972, in recognition of workload needs.

--Long Beach Naval Shipyard met its June 30 ceiling of 6,398 employees through attrition and by abolishing 483 occupied positions. In January 1972, just before the RIF, workload projections indicated the need for 7,099 employees in June. The shipyard commander considered 6,700 to be optimal for fourth quarter production requirements of fiscal year 1972. He said that the June 30 ceiling was lower than the shipyard could afford without reducing production.

Naval Ship Systems Command informed the shipyard on July 14, 1972, that its authorized employment for July 31 was increased to 6,430. As of September 30 the shipyard had 6,708 civilian employees and planned to increase civilian employment to 7,000 by April 1973.

Of the 136 career employees actually separated by RIF, 94 had been rehired by September 30--45 as full-time temporary employees and 49 as career employees.

- GSA, Region 9, abolished 130 positions--90 of which were occupied--in the Transportation and Communications Service. The workload situation might have become critical at the post-RIF level of staffing, but both Motor Equipment and Communications received authorization to restaff. Motor Equipment was authorized in May, before the end of the fiscal year, to fill a total of 38 permanent positions; 7 were identical to permanent positions abolished in the RIF. Communications was authorized in September 1972 to fill a total of 17 permanent and 10 temporary positions; 3 of the permanent positions were identical to those abolished. The other positions, in both cases, were similar to those abolished but represented new positions.
- Fort Benning eliminated 179 occupied positions during the RIF, but on June 30, 1972, it exceeded its ceiling of 3,044 by 17 positions. In April 1972, Headquarters, Third Army, informed its installations that increases were programmed in the civilian work force in fiscal year 1973 if funds were appropriated. In August 1972, Fort Benning was authorized to increase employment in base operation functions from 3,044 to 3,065. The number of civilian employees at that time totaled 3,004.

Savings offset by short-term costs

Although separating employees reduced total payroll costs, savings were partially offset by short-term costs usually incurred only when RIFs are made.

Unless they were reemployed by a Government agency, many employees involuntarily separated were entitled to severance pay, for periods ranging from a few days to a full year, based on length of service and other considerations. At 12 of the 15 installations and activities, we identified

396 employees who were entitled to severance pay. The total severance pay obligation for these employees amounted to about \$1,034,000. At Long Beach Naval Shipyard, for example, 115 of the 136 career employees separated were entitled to severance pay, and payments of about \$110,000 had been made as of September 16, 1972.

Employees demoted to lower grade positions may under certain conditions be entitled to "saved pay"--the rate of pay for the position from which demoted--for a period of 2 years. For example, at the Air Force Aeronautical Systems Division, 120 demoted employees were entitled to saved pay totaling about \$314,700.

Separated employees are entitled to immediate payment for accumulated annual leave. Although this is not an increased cost, it requires an immediate expenditure for the agency. For example, this expenditure at the Air Force Aeronautical Systems Division, for 79 employees who retired after receiving RIF notices and 69 employees who were involuntarily separated, totaled about \$332,300.

CONCLUSIONS AND AGENCY COMMENTS

After the President announced that civilian employment would be reduced in the executive branch, OMB determined the extent of the reductions to be made by the various agencies.

When OMB directed agencies to reduce employment by a particular day, June 30, 1972, accelerated actions taken primarily to meet the new personnel ceilings tended to disrupt effective management of manpower resources. The agencies, installations, and activities we reviewed did not have contingency plans for making reductions so as to minimize disruptions in their operations.

Our findings were presented to the Director, OMB, for comment. In his October 1, 1973, letter (see app. III) the Director said:

"We will continue to work with the Civil Service Commission to encourage all agencies to maintain effective personnel management."

In our study we reviewed policies established and practices applied in reducing civilian positions and employment, but we did not evaluate the overall soundness of personnel management practices of the agencies whose installations or activities we visited. We did find that reductions of civilian personnel at some of the installations and activities were not accompanied by corresponding reductions in workload. We believe this indicates (1) weaknesses in the management of manpower resources or (2) insufficient consideration of priorities of programs, functions, or activities.

The Director, OMB, also said:

"When personnel reductions must be made, the exigencies of the situation usually are such that action must be taken quickly.

"When personnel reductions are necessary, OMB gives agencies overall employment targets and, as your report recognizes, leaves with the agency head discretion as to how ceilings are allocated within the agency. We believe that we should continue this practice in the future. * * * It would be quite inappropriate for this office to attempt to control employment at the subunit level."

We recognize that OMB must be prepared to implement promptly the decisions of the President or the Congress to reduce Federal employment levels.

OMB officials told us that they do not reduce employment levels of all agencies at a uniform rate in establishing new personnel ceilings. Although usually time is of the essence, they attempt to obtain the views of OMB budget examiners and agency officials before the size of the reductions to be assessed to the various agencies is determined.

The Director, OMB, commented on the application of employment ceilings.

"The employment ceilings purposely apply only to year-end employment. This gives agency heads considerable flexibility during the course of the year in their management of personal employment requirements and in planning reductions so that they can

be accomplished in an orderly manner by the end of the year. In the case to which your report refers, employment reductions were announced in September, and were to have been achieved by June 30, 1972-- nine months later. This does not seem unreasonable.

"I am sure that we all agree that it is desirable to keep Federal civilian employment at the minimum level necessary for the conduct of essential programs. To attain that end, all recent Presidents have decided that it is necessary to maintain employment ceilings. For this reason, we can expect continuation of some type of employment ceiling. We expect and encourage agencies to use a number of management techniques, including models of the sort you suggest, to help them operate within such ceilings in the most reasonable and effective manner."

Personnel ceilings, in our opinion, do not provide the most effective management control over manpower resources. In this report we have discussed accelerated actions taken by installations and activities to meet ceilings imposed on them that may not have been in the best interests of the Government. In some cases, employment increased soon after the ceiling date had passed.

Considerable time passes between an announcement that a reduction of employment is to be made and actual removal of the required number of employees from the Federal payroll. OMB assigns new personnel ceilings to the agencies. The agencies distribute their authorized employment levels among their organizational components, and the process continues downward until the operating installations and activities are informed of their new ceilings.

We agree that the Federal work force should be no larger than needed to carry out effectively, efficiently, and economically the programs, functions, and activities approved by the President and the Congress. Management at all levels should aggressively seek to devise ways of improving productivity. Reduction of the Federal work force without corresponding reductions of programs, functions, and activities may increase, rather than decrease, total cost to the Government as alternative sources of manpower are acquired.

In reporting to the Director, Bureau of the Budget (now OMB), in July 1970 on examination of the impact of personnel ceilings on management of civilian personnel resources, we suggested that departments and agencies be permitted to accomplish their programs without restrictions on the numbers of personnel to be used and be restricted only by the total funds made available to them.

In December 1970, the Director agreed to eliminate administrative ceilings on civilian employment in DOD for 1 year. The test was suspended when sharp reductions in appropriations caused the Secretary of Defense to reimpose ceilings in fiscal year 1972 and was reinstated in fiscal year 1973.

A report, "Measuring & Enhancing Productivity in the Federal Government," June 1973, by the Joint Project Team of OMB, CSC, and GAO included a recommendation that:

"OMB should continue to experiment with imaginative techniques of substituting controls based on budgets and average annual man-years rather than on personnel ceilings tied to a June 30 date. The experience in the Department of Defense should be carefully monitored and recommended as appropriate for application by other large agencies. In addition selected smaller agencies should be exempted from personnel ceilings for a test period."

Our findings were presented to the Secretaries of Defense, Housing and Urban Development, and Transportation, and to the Administrator of General Services for their information. All of these officials declined our invitation to comment.

RECOMMENDATION:

We recommend that, when OMB has determined the size of the reductions in particular agencies, the Director permit the agencies to reduce their employment levels through attrition and selective RIFs rather than through reaching a specified level for a particular day.

CHAPTER 3

GREATER UNIFORMITY NEEDED IN INTERPRETING

AND APPLYING POLICIES AND PROCEDURES

FOR REDUCING CIVILIAN EMPLOYMENT

The agencies included in our review were inconsistent in their interpretation and application of CSC regulations and guidelines for reducing civilian employment. The procedures they used were not in violation of the broadly stated regulations, but the regulations were interpreted differently for similar situations. As a result, all affected Federal employees were not treated equitably.

As a responsible employer, the Federal Government should apply personnel regulations and guidelines with substantive uniformity to all employees without regard to department or agency. In this connection, chapter 713 of the Federal Personnel Manual states that:

"It is the policy of the Government of the United States * * * to provide equal opportunity in employment for all persons, to prohibit discrimination in employment * * *. This policy * * * must be an integral part of every aspect of personnel policy and practice in the employment, development, advancement, and treatment of employees."

Our findings on the way CSC's regulations were interpreted and applied by the installations and activities and the effect on employees involved in the reductions are discussed below.

EARLY RETIREMENT

All the agencies included in our review, except GSA, offered eligible employees early retirement--i.e., discontinued service retirement, also referred to as involuntary retirement--on an agencywide basis even though certain installations, activities, and personnel were not affected by RIFs.

The Civil Service Retirement Act, as amended, provides that a Federal employee separated after age 55 with 30 years of service or age 60 with 20 years is entitled to an immediate annuity. The act provides also that under certain conditions an employee involuntarily separated may qualify for an immediate annuity with 25 years of service regardless of age or age 50 with 20 years; a separated employee under age 55 is entitled to a reduced annuity. In June 1973 the act was amended by Public Law 93-39 (5 U.S.C. 8336(d)) to permit early retirement of employees separated voluntarily when the agency in which he is employed is undergoing a major RIF.

Reducing the work force by allowing eligible employees early retirement lessens the impact of a RIF. The need to abolish positions and to displace employees who occupy them is decreased, resulting in less turbulence as displaced employees exercise their retention rights. Also, as eligible older employees retire, younger workers can be retained in the work force.

Permitting eligible employees early retirement on an agencywide, installationwide, or activitywide basis, even though they would not have been affected by a RIF, has some disadvantages. Too many employees may retire earlier than expected, with an abrupt loss of needed experience or skills. In addition, early retirement of Federal employees increases the liability of the Civil Service retirement fund.

During the period covered by our review, the only early retirements permitted by law were discontinued service retirements. Employees were separated by discontinued service retirement at each of the 15 installations and activities reviewed, ranging from 139 employees at Hill Air Force Base to 3 employees at HUD Region I. The total of 748 employees who retired for discontinued service represented about 23 percent of the 3,194 retirees. In addition, about 51 percent took optional retirement and 26 percent retired for disability. (See app. II.)

All the agencies we reviewed informed their employees in various ways of the opportunities for discontinued service retirement; e.g., general letters to all eligible employees or articles in house publications. Some agencies urged eligible employees to retire to lighten the impact of RIFs reaching lower prescribed levels of employment, but the agencies said there was no pressure on any employee to resign. For example, actions taken in two of the agencies are discussed below.

--FAA informed all employees by letter in March 1972 that it planned a RIF of full-time employees in permanent positions from headquarters organizations of old regions, Washington, National Aviation Facilities Experimental Center in Atlantic City, and Aeronautical Center in Oklahoma City. FAA's Rocky Mountain Region was exempted from the RIF because it was a new and understaffed region, but its eligible employees were offered discontinued service retirement.

FAA employees assigned to flight control centers and towers were exempt from the RIF because of their critical skills. Employees assigned to these functions were allowed to take discontinued service retirement even though other persons were being hired to fill vacancies in the same functions. Although the RIF was canceled on June 1, 1972, FAA continued to allow employees discontinued service retirement through June 30. Fifty-nine employees retired on discontinued service in the Pacific Region, 24 in the Rocky Mountain Region, and 46 in the Western Region.

--Before fiscal year 1972, GSA had sent general notices informing all employees, within a competitive area where a RIF was planned, of the opportunities for discontinued service retirement. During fiscal year 1972 GSA Headquarters informally requested that discontinued service retirements not be encouraged and that letters be sent only to eligible employees in RIF competitive areas who inquired about early retirement. A GSA official said that CSC regulations seemed to conflict with regard to the legality of discontinued service retirement for employees not directly affected by the RIF. In Region 9, 36 employees retired on discontinued service.

Before December 1969, employees generally could qualify for discontinued service retirement only if they were directly affected by a RIF. In December, however, CSC notified all agencies of a modification of this policy. CSC told us that it had decided on a limited extension of this policy so as to lighten the impact of RIFs. Under the 1969 ruling, an agency in a RIF situation could, before starting RIF procedures, " * * * request by letter the resignation of employees

in affected competitive areas who meet the age and/or service requirements for discontinued service retirement or immediate annuity. Separation resulting from a resignation submitted in response to such a request will be considered involuntary for retirement purposes."

This ruling has been widely criticized and misunderstood.

- Agencies loosely and erroneously referred to the procedures in such terms as "liberalized early retirement" or "early optional retirement."
- Employees complained that they wanted to retire, and their agencies refused to request their resignations.
- From time to time there were general allegations that an agency was coercing its employees to retire.
- A newspaper columnist who viewed the procedures as some kind of a sinister plot by management against employees concluded that the CSC's interpretation of the retirement law was illegal.
- Persons concerned with the problems of aging viewed as undesirable any expression by management of a desire to retire older employees in order to retain younger employees, as this makes the older worker feel unwanted and is in itself akin to coercion.

Shortly after issuing the 1969 ruling, CSC sent to the Congress a proposal to incorporate its provisions into the retirement law. The initiative in individual cases would have shifted from the agency to the employee. The Congress did not act on the proposed legislation.

In the hearing before the Subcommittee on Retirement, Insurance and Health Benefits, House Committee on Post Office and Civil Service, on June 27, 1972, a CSC official explained that the 1969 ruling was based on a 1934 case reviewed by the Veterans Administration which then administered the retirement system. He said in part:

"* * * Though the procedure of requesting resignations was not widely used until 1969, the rule that such separations are involuntary has been applied consistently to separations resulting from requested resignations. I think it is reasonable to assume that Congress has been aware of this longstanding interpretation of the law, and would have amended the law if it had disapproved."

Another official said:

"Inasmuch as the number of employees eligible to retire if the proposed legislation were enacted would depend on whether the Commission authorized voluntary retirement on an agencywide, or on a more restrictive geographic basis, it is not possible to provide more than speculative cost estimates."

Because of the general knowledge and liberal application of CSC's 1969 ruling, discontinued service retirements in the Government have significantly increased, as shown below.

<u>Fiscal year</u>	<u>Number</u>
1969	2,274
1970	5,350
1971	13,970
1972	11,220

A CSC official told us that the average present value of the liability for an involuntarily retired annuitant is about \$8,400 more than for a voluntarily retired annuitant. Present value--which considers the effect of interest, mortality, and other causes of leaving the work force--is the current worth of an amount or series of amounts payable or receivable in the future. CSC records showed that for fiscal year 1972 about 474,000 employees could have met the age and service requirements for involuntary retirement. CSC expected that about 5,100 of the 474,000 eligible employees would retire involuntarily under normal conditions.

As shown above, about 8,870 and 6,120 more employees retired involuntarily in fiscal years 1971 and 1972,

respectively, than would have been expected to retire under normal conditions. This caused an increase in the liability of the Civil Service retirement fund for these years of about \$74.5 million and \$51.4 million, respectively, computed at the present value of \$8,400 per employee.

On December 8, 1972, CSC rescinded the 1969 ruling authorizing agencies to request resignations of eligible employees after determining that a RIF was necessary. After December 31, 1972, employees who resigned after receiving notice that they were to be separated in a RIF continued to be classified as involuntarily separated for retirement purposes. CSC told us this was a policy decision and represented a conclusion that the interests of the Government would not be served by retaining the administrative procedure that continued to be the subject of misunderstanding and criticism. Both the 1969 and 1972 rulings were based largely on oral discussions between CSC and the agencies.

On June 12, 1973, the President approved Public Law 93-39 which amended 5 U.S.C. 8336(d) to read as follows:

"(d) An employee who is separated from the service--

"(1) involuntarily, except by removal for cause on charges of misconduct or delinquency; or

"(2) voluntarily, during a period when the agency in which he is employed is undergoing a major reduction in force, as determined by the Commission, and who is serving in such geographic areas as may be designated by the Commission; after completing 25 years of service or after becoming 50 years of age and completing 20 years of service is entitled to a reduced annuity."

The House Committee on Post Office and Civil Service report on this legislation showed that the proposal had been submitted by CSC which said, in part, that:

"The proposed legislation would be inestimable benefit to employees, management, and the community in which an installation undergoing a reduction in force is located. Reductions in force have a depressing effect on employee morale and result in severe personal hardships caused by loss of income and uncertainty regarding

future employment. Major reductions in force, through multiple bumping actions, also have a disruptive effect on agency management. To the extent that attrition, particularly retirement, reduces the need for involuntary separations and the chain-effect displacement of employees with lower retention rights by those with higher retention rights, these hardships and disruptions are mitigated.

* * * * *

"Another benefit to be derived from the proposed legislation is that it will enhance the agency's future effectiveness in carrying out its mission by helping to retain younger employees. Nothing raises the average age of an organization more quickly than a substantial reduction in force in which the youngest employees with the lowest retention standing are separated and the oldest employees are retained."

In regard to the cost of the bill, the Committee's report said that:

"* * * assuming that 1,000 employees retire under this provision, the Committee estimates an increase in the unfunded liability of the Civil Service Retirement System of approximately \$10.1 million. Any such additional deficit would be financed in accordance with Section 8348(f) of title 5, United States Code, by an annual appropriation of \$600,000 in each of the following 30 years."

In a letter dated October 5, 1973 (see app. IV), CSC's Executive Director commented on CSC's plans for administering Public Law 93-39:

"For the purpose of authorizing voluntary retirements under section 8336(d)(2) of title 5, United States Code, we have provided for a most careful review of each request for a determination that an agency is undergoing a major reduction in force. Each request must be accompanied by a justification in terms of the agency's reasons for considering the reduction in force

to be a major one, the deadline for completing the reduction, the period during which the reduction will occur, and the parts of the agency within which the retirement option should be made available. (The detailed instructions on submitting requests are now in the Federal Personnel Manual (FPM), chapter 351, appendix E.) Each request is considered by the Commission. Approval authority has not been delegated."

After our findings were presented to CSC for comment, we received a copy of the instructions, cited above, which were issued July 26, 1973. These instructions provide specific guidance to the agencies and clearly outline the action planned by CSC in administering Public Law 93-39. Consequently, we are making no recommendation on this matter at this time.

RIF PROCEDURES

5 U.S.C. 3502 directs CSC to prescribe regulations releasing employees through reduction in force which give due effect to tenure of employment, military preference, length of service, and efficiency or performance ratings. CSC's reduction-in-force regulations, which apply to most Federal Government civilian employees, are published in the Code of Federal Regulations and its implementing guidelines are published in the FPM.

The various ways the installations and activities interpreted and applied the regulations and the implementing guidelines indicate a need for more specific guidance to promote substantively uniform and equitable treatment of all civilian employees of the Federal Government.

CSC defines a RIF and the agency's responsibilities as follows in the FPM:

"* * * An agency has a reduction in force when it releases an employee from his competitive level by separation, demotion, furlough for more than 30 days, or reassignment requiring displacement; when lack of work or funds, reorganization, reclassification due to change in duties, or the need to make a place for a person exercising reemployment or restoration rights requires the agency to release the employee." (FPM 351, subchapter 2-1a.)

* * * * *

"* * * The decisions on whether a reduction is necessary, which and how many jobs are abolished, and when the reduction is made, are management decisions of the agency and ordinarily are not reviewable by the Civil Service Commission. Once the agency decides certain positions must be abolished, it must apply these instructions in determining which employees go, which stay, and which are shifted to continuing positions." (FPM 351, subchapter 2-7.)

Establishing competitive areas

In planning a RIF, an agency must establish competitive areas--geographically, organizationally, or both--that outline the boundaries within which employees may compete. This action influences the extent to which a displaced employee can compete for positions that may be available.

Title 5 of the Code of Federal Regulations, section 351.402(b), provides, in part, that:

"* * * The standard for a competitive area is that it include all or that part of an agency in which employees are assigned under a single administrative authority. A competitive area in the departmental service meets this standard when it covers a primary subdivision of an agency in the local commuting area. A competitive area in the field service meets this standard when it covers a field installation in the local commuting area."

The competitive area should be large enough to permit adequate competition among employees and limited enough to be administratively manageable. Ordinarily, employees in one competitive area do not compete with those in another. Either as a standard practice, or for one RIF, an agency may enlarge the area of first-round competition--i.e., competition to remain in the present competitive level--by combining two or more competitive areas. For the second-round competition, to a position in another competitive level, the agency may break the combination into its separate components or into other arrangements not smaller than any of the original areas. (FPM 351, subchapter 4-2.)

The installations and activities we reviewed established competitive areas on the basis of the regulations in various ways--the local commuting area, areas serviced by the civilian personnel office, organizational elements, grade levels, skills, and combinations of various factors.

--At the three Army installations, the number of competitive areas ranged from six at Fort Knox to one each at Fort Benning and the Aviation Systems Command. Fort Knox established six competitive areas on the basis of administrative authority, nature of mission,

and geographic locations. All of Fort Benning was considered one competitive area. The Command considered the competitive area not greater than the commuting area.

--Navy Civilian Manpower Management Instruction 351.4 provides that each field activity, center, or command constitutes a separate competitive area. The naval complex at Quonset Point had two competitive areas. Pearl Harbor Naval Shipyard established five organizational elements as competitive areas, and Long Beach Naval Shipyard included two organizational elements in one competitive area. Also, special competitive areas by shop that included machine operators, electrician ratings, and supervisors over these ratings, were established for the first round of competition.

--Both Air Force installations included in their competitive areas all employees serviced by the civilian personnel office. At Wright-Patterson, one competitive area included the Aeronautical Systems Division and eight laboratories serviced by its civilian personnel office. At Hill, the competitive area included all employees of Air Force activities serviced by the civilian personnel office, further defined as all activities in the local commuting area.

--Defense Contract Administration Services Region, San Francisco, established six competitive areas by States, islands, and counties within States. Competitive area V, which comprises Utah and Southern Idaho, had about 8 percent of the total work force and area I, which comprises Northern California, had about 76 percent.

--The Department of Transportation issued the guidelines under which FAA established the following competitive areas.

- (1) The local commuting area was considered the competitive area for all employees GS-6 and WG-6 and below.

- (2) For all other classes and categories of personnel, the competitive area was regionwide or the jurisdiction serviced by the servicing manpower office.
- (3) Two organizations in the same commuting area, serviced by different manpower offices, were in separate competitive areas.
- (4) All positions in the Washington commuting area serviced by Personnel Operations Division, HQ-100, comprised one competitive area.
- (5) For all other positions outside the Washington commuting area serviced by Personnel Operations Division, HQ-100, the competitive area was the local commuting area.
- (6) For all positions in the European Region, the competitive area was regionwide, regardless of geographical location.
- (7) Regional directors, Pacific and Alaskan Regions, were authorized to deviate from the standard competitive areas listed above where necessary to assure meaningful competition for positions involved.

--HUD generally defined the competitive area as the local commuting area.

--GSA Region 9 established the local commuting area as the competitive area. Generally this meant within 35 miles of the site where a RIF was being conducted.

Establishing competitive levels

In planning a RIF, an agency also must establish competitive levels--i.e., the types of positions or jobs for which employees will compete. The way positions are grouped into competitive levels influences the extent to which an employee can compete for available jobs.

Title 5 of the Code of Federal Regulations, section 351.403(a), provides, in part, that:

"* * * Each agency shall establish competitive levels consisting of all positions in a competitive area and in the same grade or occupational level which are sufficiently alike in qualification requirements, duties, responsibilities, pay schedules, and working conditions, so that an agency readily may assign the incumbent of any one position to any of the other positions without changing the terms of his appointment or unduly interrupting the work programs."

Guidelines provided in FPM 351, subchapter 4, for agencies to use in determining positions to be assigned to a competitive level are confusing when considered in total and must be interpreted by the persons who make the determinations. Excerpts follow.

"* * * Another essential step in the plan for reduction in force is to determine for each competitive area the types of jobs in which employees will compete with each other for retention in the first round competition. These are the jobs so similar in all important respects that the agency readily can move an employee from one to another without significant training and without unduly interrupting the work program. * * * Characteristics shared by all positions in a competitive level are similarity of duties, responsibilities, pay schedule, and terms of appointment; and similarity of requirements for experience, training, skills, and aptitudes." (4-3a)

* * * * *

"* * * Positions that seem so similar that they otherwise might seem interchangeable and thus be in the same level must be in different levels when the positions vary by one important factor. An agency has no discretion in establishing levels in this situation." (4-3c)

* * * * *

"* * * The provisions of this paragraph assume that each employee is properly working in his

official position, except in the special conditions listed below, and that the position is correctly classified." (4-6(c))

* * * * *

"* * * When an agency considers the effect of qualifications on the composition of a competitive level, its concern is not with an incumbent's qualifications, but with those required by the job's duties and responsibilities as stated in the official job designation." (4-3b1)

* * * * *

"* * * A level may consist of only one job when that job is so nearly unique that it is not interchangeable with similar jobs." (4-3a)

* * * * *

"* * * Separate levels may be indicated because the knowledge, technique, and know-how acquired on the job may be distinctive enough to keep the agency from readily moving employees from one job to another." (4-3b(1))

* * * * *

"* * * It is proper to establish separate competitive levels according to specialized fields for those fields that have significant recruiting or training differences." (4-3b(2))

* * * * *

"* * * Although the agency may have complied with the technical requirements described here, the Commission will require corrective action when it finds through appeals or otherwise that the rights or equities of employees have been violated."
(4-6c)

On February 12, 1973, CSC notified the heads of departments and agencies of certain additions to the regulations

to clarify some matters on which questions had arisen. The following statement, made in regard to competitive levels, has been incorporated into FPM 351, subchapter 4-3.

"Positions are in the same competitive level if they require knowledge, skills, abilities, and aptitudes that are sufficiently similar to get the work done without serious harm to the agency's mission if the employees are interchanged. (Agency in this sense means the entire competitive area.)" (4-3b(1))

* * * * *

"Before taking any reduction-in-force action an agency must assign every position in the effected competitive area to a competitive level. The record of each competitive level must show clearly all positions in the level. When positions of the same title, series, and grade are placed in different competitive levels, a justification must be placed in the record." (4-3b(4))

The installations and activities we reviewed established competitive levels--in accordance with CSC regulations--on the basis that the positions had the same or similar duties and the employee skills were such that employees could be interchanged without undue interruption of work. Definition of the characteristics and requirements of each position and determination of which positions are so similar that they can be placed in the same competitive levels must be made by personnel with technical knowledge of the installation's or activity's manpower requirements.

Grouping of positions in competitive levels has a significant effect on employees. Implementation of a RIF begins with management selecting positions that are to be abolished and displacing the employees who occupy those positions. If management determines that many positions have unique requirements or characteristics and are not interchangeable with other positions, competitive levels may be so restrictive that particular employees have no opportunity to displace other employees. When a competitive level contains only one position, abolishing that position results automatically in displacing the employee who occupies it and,

in effect, eliminates the first round of competition for the employee.

At six of the installations and activities we noted that many competitive levels contained only one position.

	<u>Number of levels</u>	<u>Levels with one position</u>	
		<u>Number</u>	<u>Percent</u>
Fort Knox	794	452	57
Naval Air Station	303	150	50
Aeronautical Systems Division	2,502	1,370	55
Hill Air Force Base	1,953	838	43
HUD:			
Boston Region	332	139	42
Atlanta Region	235	191	81

The extent to which management's judgment enters into establishing competitive levels is illustrated by cases noted in our review.

--At Pearl Harbor Naval Shipyard, management selected positions to be abolished. Each division and department head was in a position to make a decision based on persons rather than positions most advantageous to his organization. This is not in accordance with the FPM.

We were told that during Pearl Harbor's initial increment reduction, departments planned to remove "duds" and keep the "best" employees. During the second increment of the shipyard's reduction, when only six positions were abolished, at least two employees were selected out; the supervisor involved rationalized that by selecting employees who produced the least, he made the least change in output.

--An official at Hill Air Force Base with whom we discussed the large number of competitive levels said that too many levels existed and that management officials plan to reduce the number of levels from 1,953 to about 400.

- Long Beach Naval Shipyard instructions provide that separate competitive levels be established for GS-5 and above secretaries because of the unique relationship between the supervisor and employee concerned.
- Defense Contract Administration Services Region, San Francisco, records showed six separate clerk (typing), GS-301-05, levels--four had only one position each and the other two had two positions each. Most of the clerk positions, which were in separate competitive levels, did not seem to have significantly different job descriptions.
- Department of Transportation guidelines issued to FAA include an instruction to separate jobs into two competitive levels when there is doubt whether both should be in the same competitive level.

In a 1970 report on its study of the RIF system, CSC concluded that "* * * competitive levels were realistic and tended to be drawn on the narrow side in order to cut down on the disruptive effects of bumping."

Management decisions as to which positions should be included in a competitive level frequently have been challenged by employees and their unions. At Hill Air Force Base, several employees stated that their retention rights had been circumvented in the RIF process and requested congressional assistance in resolving the matter. One case involved a group of employees who submitted a grievance to the Air Force on December 13, 1971, concerning merit promotion violations and improper competitive levels pertaining to certain positions. The grievance was considered and the Air Force issued a recommendation for denial on April 5, 1972. On June 30 CSC pointed out its lack of jurisdiction in the grievance process.

Job placement assistance to separated employees

All agencies in our review attempted to help separated employees find other employment. However, statistics generally were not available on the number of separated employees who found new jobs.

Each agency is required to establish and maintain a reemployment priority list for each commuting area in which it separates career or probationary employees from competitive positions through RIFs. The name of each employee is entered on the list for all competitive positions in the commuting area for which he is qualified and available. (FPM 351, subchapter 10.)

Each installation made efforts to offer separated employees some type of job opportunity by placing their names on a reemployment priority list. In addition, they were placed on lists maintained by CSC and, in some instances, by DOD. At one agency we found that employees were informed of the reemployment lists at the agency and CSC levels through RIF letters. At some installations, arrangements were made with the State employment service and with Government and industrial activities in the area to provide counseling and job information. At least one agency granted administrative leave for interviews.

We noted that some installations provided more assistance than others. At the Aeronautical Systems Division, few placements were made through five placement programs established for separated employees.

<u>Type of program</u>	<u>Participants</u>	<u>Disposition</u>			<u>Names withdrawn</u>
		<u>Accepted</u>	<u>Job offer declined</u>	<u>Not placed</u>	
Local-level placement monitoring	140	6	-	134	-
Reemployment priority list	71	8	4	55	4
Placement assistance at command level	93	-	-	93	-
DOD priority-placement program	83	10	5	28	40
CSC displaced-employee program	47	-	-	47	-

At the Long Beach Naval Shipyard, placement activities appeared to have been more effective. Of the 249 RIF-related separations occurring from February 22 to June 30, 1972, 151 placements were made from March through June through its two placement programs. In other DOD installations, 126 separated employees were placed at the same or higher grade jobs; 11 were placed at lower grade jobs, and 14 assumed non-Federal jobs.

Repromoting demoted employees

In addition to the inconsistent interpretations and application of CSC regulations and guidelines, we noted some general schedule employees demoted without loss of pay because of displacement from their competitive levels received pay increases when they were repromoted or restored to previously held grades. Employees who continue without interruption in their competitive levels do not receive these unearned pay increases.

5 U.S.C. 5337(a) provides, with certain limitations, that a general schedule employee (1) who is reduced in grade, (2) who holds a career or career-conditional appointment, (3) whose demotion was not at his request, not due to lack of funds or curtailment of work, not the condition of a temporary promotion, and not due to personal cause, (4) who served in the same agency in a grade or grades higher than the grade to which demoted, and (5) whose work performance during the immediately preceding 2 years was satisfactory or better is entitled to retain his current rate of pay for 2 years subsequent to demotion.

5 U.S.C. 5334(b) provides that if an employee who is promoted or transferred to a position in a higher grade is receiving basic pay at a rate saved to him under section 5337 on reduction in grade he is entitled to

- (a) basic pay at a rate two steps above the rate which he would be receiving if salary retention did not apply or,
- (b) his existing rate of basic pay, if that rate is higher.

We noted cases when general schedule employees demoted without loss of pay during a RIF later were repromoted or restored to previously held grades with at least two-step increases.

--At the Long Beach Naval Shipyard, six employees demoted without loss of pay during the fiscal year 1972 RIF were repromoted in July and August 1972. Two general schedule employees placed in temporary positions at a lower grade level until the employees they were to displace vacated their positions were

repromoted to former grade levels with at least two-step increases. The other four, who were wage board employees, did not receive the step increases.

--At the Aeronautical Systems Division, 11 general schedule employees demoted without loss of pay during the RIF were subsequently repromoted to former grades with increases that totaled \$6,004 annually.

--At the Defense Contract Administrative Services Region, San Francisco, an employee demoted in June 1972 from GS-9 step 4 at a salary of \$12,150 to GS-7 step 10 without loss of pay was repromoted in September to his original grade and step at the same salary. Under the provisions of 5 U.S.C. 5334(b), the employee should have been repromoted to GS-9 step 5 with an increase in salary amounting to \$368 a year.

At Hill Air Force Base, a previous GAO survey in 1969 showed numerous instances when general schedule employees received pay increases as a result of demotion without loss of pay and subsequent repromotion to their previously held grades. In these instances, employees received two- or three-step increases in less than 1 year. Had they not been demoted and subsequently repromoted to their previously held grades, it would have taken them at least 2 or 3 years to earn the increased pay.

On January 20, 1971, we reported on our survey at Hill Air Force Base to the Chairman, CSC, pointing out that the (1) inequity of the method which permits accelerated salary increases to employees previously demoted without loss of pay creates morale problems, (2) rate-fixing actions involved do not conflict with the governing provisions of law, and (3) remedial action to correct this inequity could be accomplished only by amending the statute.

On September 27, 1971, the Chairman replied that CSC representatives had concluded that actions taken at Hill Air Force Base were handled properly under standard Air Force procedures and in accordance with applicable laws and regulations. He said also that an Air Force Logistics Command installation, such as Hill Air Force Base, might reasonably be expected to have a larger-than-average number of demotions and repromotions because its mission inherently

involves fluctuations in size and composition of its work force to accommodate a constantly changing workload.

The Chairman said that scattered cases similar to the actions at Hill Air Force Base had come to his attention in some agencies and locations from time to time, but not in such large numbers. He had no evidence, however, that agencies were manipulating personnel actions in favor of some employees against others or that employee morale was being adversely affected.

The Chairman said that any change in current regulations would be only partially effective in curbing accelerated increases. He planned to consider legislation after completing higher priority work. CSC has taken no further action on this matter.

CSC's Executive Director did not comment on the repromotion of demoted employees in his letter dated October 5, 1973. (See app. IV.) It does not seem equitable that some general schedule employees demoted without loss of pay because of displacement from their competitive levels should receive pay increases when they are repromoted or restored to their previously held grades. Employees who continue in their competitive levels without interruption are not in a position to receive these unearned pay increases.

CONCLUSIONS AND AGENCY COMMENTS

As a responsible employer, the Federal Government should apply personnel regulations and guidelines with substantive uniformity without regard to department or agency. The various ways the installations and activities interpreted and applied CSC's regulations and implementing guidelines indicate a need for more specific guidance to promote substantively uniform and equitable treatment of all civilian employees of the Federal Government.

Our findings were presented to the Chairman, CSC. CSC's Executive Director commented on certain findings by letter dated October 5, 1973 (see app. IV), and at his invitation we met later with CSC representatives to discuss these matters in more detail.

The Executive Director commented on competitive areas.

"The report suggests that it is undesirable, for example, for an Air Force competitive area to include all activities served by one civilian personnel office while a Navy competitive area may be only one of a number of separate activities served by a single civilian personnel office. We do not believe it would be desirable either to require Air Force to limit the extent of its competitive areas to match those of Navy or to require Navy to enlarge its competitive areas to match those of Air Force. We do consider it desirable to set minimum standards for the extent of competitive areas in both organizational and geographic terms, but to leave it to the discretion of responsible officials to apply the standards as strictly or as liberally as they consider appropriate to the circumstances at that time in that agency."

Title 5 of the Code of Federal Regulations, section 351.402(b) provides, in part, that:

"* * * The standard for a competitive area is that it include all or that part of an agency in which employees are assigned under a single administrative authority. A competitive area in the departmental service meets this standard when it

covers a primary subdivision of an agency in the local commuting area. A competitive area in the field service meets this standard when it covers a field installation in the local commuting area."

CSC guidelines require that an agency publish its designations of competitive areas and record their descriptions and dates they were established and changed. The guidelines provide suggestions as to the extent of the competitive area. An agency may exercise almost complete discretion in establishing and changing its competitive areas as long as they are "* * * large enough to permit adequate competition among employees and limited enough to be administratively manageable."

"* * * The authority to take personnel actions is usually one factor in the extent of the competitive area. Under this factor an agency's different activities, although located side by side, may be separate competitive areas because each is under a different single administrative authority and each is independent of others in operation, work function, and personnel administration, with each staff separately organized and clearly distinguished from each of the others. Regardless of the extent of the administrative authority, however, a competitive area need not be larger than the commuting area." (FPM 351, subchapter 4-2b)

The cases discussed on pages 33 to 35 of this report indicate that each agency formulated its own criteria for designating competitive areas. All Federal employees affected were not provided substantively uniform and equitable opportunities because of significant differences in the ways the installations established competitive areas.

We believe that agencies need more specific guidelines defining the criteria--such as all activities serviced by a single civilian personnel office--to consider in designating competitive areas. We believe also that there is a need for CSC to take a more active role in approving the criteria agencies plan to use in designating competitive areas and in requiring that the approved criteria be used consistently in all RIFs.

We suggest that CSC request selected agencies recently involved in RIFs to submit suggestions for specific geographic, organizational, and/or other criteria to be applied by all agencies in establishing competitive areas which would

be both administratively manageable and equitable to employees affected.

The Executive Director also commented on competitive levels.

"The report suggests that a competitive level should never be so restrictive that a particular employee would have no opportunity to compete with other employees for available positions. The proper extent of a competitive level is in no way determined or influenced by the number of employees in competition. Each competitive level must consist of all positions in a competitive area and in the same grade or occupational level which are sufficiently alike in qualification requirements, duties, responsibilities, pay schedules, and working conditions, so that the agency readily may assign the incumbent of any one of the positions without changing the terms of his appointment or unduly interrupting the work program."

* * * * *

"Positions must be assigned to competitive levels by people who are thoroughly familiar with the positions and with the programs with which they are involved. When these people place positions of the same title, series, and grade in different competitive levels, they must write out the reasons why the positions are different enough to keep the incumbents from being interchangeable. The reasons are subject to review by employees, unions, higher levels of the agency, and the Civil Service Commission. In addition, any affected employee who considers his competitive level too narrow may appeal to the Commission for a determination of the proper extent of the level."

In planning for reductions of employment levels, management must make crucial decisions which circumscribe the opportunities of employees to compete for available jobs. These decisions involve evaluating position characteristics and responsibilities. Management can objectively and consistently designate competitive levels only if position characteristics and responsibilities are clearly defined.

We agree that positions must be assigned to competitive levels by persons thoroughly familiar with the positions and with the programs with which they are involved. We are concerned, however, that the criteria provided by CSC for use by the persons who make these designations are so broad that the criteria can be interpreted and applied in almost any way to fit management's desires and objectives at any particular time.

Although the number of positions in a competitive level may not indicate the propriety of the designations, it does not seem reasonable to us that 43 to 81 percent of the positions at 6 installations and activities we visited should be so unique that their competitive levels contained only 1 position. The cases cited on pages 39 and 40 support our concern. The extent to which management judgment is exercised is shown by the comments of officials at one installation who said they plan to reduce the number of competitive levels from about 1,950 to about 400 after we inquired into the bases for the large number of levels.

We believe that agencies need more specific criteria on realistic position characteristics and requirements to consider in establishing competitive levels. We believe also that there is a need for CSC to take a more active role in approving the instructions agencies plan to issue to their component organizations for designating competitive levels and in requiring that the approved instructions be used consistently in all RIFs.

We suggest that CSC request selected agencies recently involved in RIFs to submit suggestions of specific criteria for position characteristics in establishing competitive levels that would retain management flexibility and provide greater protection to the employees affected. It seems to us that rarely should the characteristics of a position be so unique that designating a separate competitive level can be justified.

The Executive Director commented generally on the RIF system.

"In our opinion, based on considerable experience with reduction in force, the principal strength of the system is that our regulations and

guidelines can be and have been applied realistically by the agencies to a limitless variety of situations with due regard for the needs of the service and for the rights and equities of the employees. Any system of reduction in force must leave the agency with the ability to accomplish the work that must still be carried on after the reduction. Any system of reduction in force must give the agency the means of separating an employee who cannot perform adequately the remaining work of the agency. Any system of reduction in force must give the agency the means of retaining any employee whose retention is essential to the accomplishment of the agency's mission. No rigid, mechanical, completely uniform system of reduction in force can serve the needs of both a small, compact agency and a large, widespread agency or serve equally well in a small reduction in force and a major cutback affecting thousands of employees all over the country."

We agree that any RIF system must leave the agency able to do its work after the reduction in employment levels is completed. The decisions on whether a reduction is necessary, which and how many jobs are abolished, and when the reduction is made are management decisions of the agency and ordinarily are not reviewable by CSC. Once the agency decides that certain positions must be abolished, it must apply CSC's instructions in determining which employees go, which stay, and which are shifted to continuing positions. (FPM 351, section 2-7a)

We recognize that no rigid, mechanical, and completely uniform RIF system can serve the needs of all agencies in all circumstances, and we do not suggest that such a system be instituted. We believe, however, that as a responsible employer the Federal Government should apply the same personnel regulations and guidelines with substantive uniformity to all employees without regard to department or agency.

We believe that agency needs for management flexibility would be served and displaced employees provided greater protection by revising regulations and guidelines to more clearly prescribe specific criteria for establishing competitive areas and levels and realistic position characteristics

and requirements. These criteria should be applied with substantive uniformity in similar circumstances by all agencies of the Federal Government in determining the eligibility of displaced employees to compete for remaining available jobs.

Our findings were presented to the Secretaries of Defense, Housing and Urban Development, and Transportation, and to the Administrator of General Services for their information. All of these officials declined our invitation to comment.

RECOMMENDATIONS

To insure that all Federal employees affected by job decreases in their agencies are treated equitably and that the agencies retain flexibility to do their essential work, we recommend that the Chairman, CSC:

- Give agencies more specific guidelines defining the criteria to consider in designating competitive areas and levels and realistic position characteristics and requirements.
- Require agencies to (1) submit for CSC's prior approval the criteria they plan to use in designating competitive areas, instructions they plan to issue to component organizations for designating competitive levels, and subsequent changes or deviations and (2) use the approved criteria and instructions consistently in all RIFs.

We recommend that the Congress consider:

- Amending title 5 of the United States Code, section 5334(b), to provide that an employee demoted without loss of pay because of displacement from his position be entitled upon repromotion or restoration to his previously held grade only to the rate of pay he would have received had he not been demoted.

CHAPTER 4

SCOPE OF REVIEW

We examined CSC regulations and implementing guidelines, civil and military agency RIF procedures and regulations, and CSC regulations and policies for discontinued service involuntary retirement.

We reviewed CSC's 1970 report on its study of the RIF system. In planning this review, we considered the 1972 report of the Senate Special Committee on Aging, "Cancelled Careers," and inquiries by several Members of Congress for information on complaints by constituents who had been affected by reductions.

The military installations and civil activities reviewed were selected on the basis that at each location civilian employees were displaced from their positions through attrition and/or RIFs. We analyzed reports and other documents on manpower requirements and authorizations, internal reviews, and RIF procedures.

We made our review at headquarters of the military departments, civil agencies, installations, and activities listed below.

DOD:

Defense Contract Administration Services Region,
San Francisco

Army:

Fort Benning, Georgia
Army Armor Center and Fort Knox, Kentucky
Army Aviation Systems Command, Missouri

Navy:

Naval Air Station, Rhode Island
Long Beach Naval Shipyard, California
Pearl Harbor Naval Shipyard, Hawaii

Air Force:

Aeronautical Systems Division, Wright-Patterson Air
Force Base, Ohio
Hill Air Force Base, Utah

Civil agencies:

Housing and Urban Development (HUD) Region I, Boston,
Massachusetts
HUD Region IV, Atlanta, Georgia
FAA Pacific Region, Hawaii
FAA Rocky Mountain Region, Colorado
FAA Western Region, California
GSA Region 9, California

ESTIMATED EMPLOYMENT LEVELS AND CEILINGS.

	June 30, 1971 <u>employment</u>	June 30, 1972 <u>ceiling</u>	June 30, 1972 <u>employment</u>
Army:			
Aviation Systems Com- mand	3,930	3,490	3,357
Army Armor Center and Fort Knox	4,010	4,143	4,026
Fort Benning (Base Operations)	3,366	3,044	3,061
Navy:			
Pearl Harbor Naval Shipyards	5,092	4,983	4,963
Long Beach Naval Shipyards	7,059	6,398	6,397
Naval Air Station, Quonset Point	1,231	1,138	1,045
Air Force:			
Aeronautical Systems Division	^a 8,387	6,611	^a 8,193
Hill Air Force Base	16,670	15,742	15,714
Defense Contract Ad- ministration Serv- ices Region, San Francisco	1,060	1,031	1,016
FAA:			
Pacific Region	1,556	1,258	1,220
Rocky Mountain Region	2,437	2,561	2,558
Western Region	^{b,c} 5,902	^{b,c} 5,607	^b 5,384
HUD:			
Atlanta Region IV	1,894	2,007	1,929
Boston Region I	668	666	623
GSA Region 9	3,214	3,325	3,102

^aIncludes two Project REFLEX laboratories exempt from employment ceilings.

^bIncludes full-time permanent employees only.

^cJuly 31, 1971.

Source: Records furnished by the installations and activities.

APPENDIX II

FISCAL YEAR 1972 SEPARATIONS

	<u>Total</u>	<u>RIF actions</u>	<u>Retirement</u>			<u>Disability</u>	<u>Other (note a)</u>
			<u>Total</u>	<u>Optional</u>	<u>Discontinued service</u>		
Army:							
Aviation Systems Command	633	21	152	76	47	29	460
Army Armor Center and Fort Knox	^b 792	10	150	51	24	75	632
Fort Benning	1,184	16	148	47	39	62	1,020
Navy:							
Pearl Harbor Naval Shipyard	582	59	222	131	59	32	301
Long Beach Naval Shipyard	1,892	136	373	185	67	121	1,383
Naval Air Station, Quonset Point	283	23	122	71	37	14	138
Air Force:							
Aeronautical Systems Division	1,473	84	428	250	122	56	961
Hill Air Force Base	1,151	73	784	372	139	273	294
Defense Contract Administration Services Region, San Francisco	183	4	64	31	24	9	115
FAA:							
Pacific Region (note c)	582	59	225	134	59	32	298
Rocky Mountain Region	180	-	52	17	24	11	128
Western Region	1,143	-	219	111	46	62	924
HUD:							
Atlanta Region IV	370	4	85	53	22	10	281
Boston Region I	76	-	19	8	3	8	57
GSA Region 9	717	43	151	85	36	30	523
Total	11,241	532	3,194	1,622	748	824	7,515

^a Resignations, removals, deaths, termination of part-time and temporary employees

^b Excludes 35 intermittent (when actually employed) employees

^c Excludes Wake Island reduction

Source: Records furnished by the installations and activities.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OCT 1 1973

Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
Washington, D.C. 20548

Attention: Mr. Forrest R. Browne, Director, Federal
Personnel and Compensation Division

Dear Mr. Staats:

We have reviewed the draft report prepared by your office entitled "Implementation and Impact of Reductions of Civilian Employment, Fiscal Year 1972" (Code 960005).

In general, the report presents a picture of the potential abuse, hardships, and certain inefficiencies associated with sudden reductions in the level of Federal employment. It recommends that necessary reductions be accomplished in a phased and orderly way and that they not be carried out in an arbitrary manner. It also recommends the use of "models" for consideration of various alternatives and their relative costs to achieve such reductions, as well as consideration of the impact on the Civil Service retirement fund and other factors.

We agree with the objectives of these recommendations, and we believe that the continuing long-range personnel management practices in most agencies apply, in large measure, the various considerations recommended. Our experience suggests that the objectives to which your recommendations are directed can be achieved only if sound personnel management practices are already in effect when the decision to impose personnel ceilings is made. We will continue to work with the Civil Service Commission to encourage all agencies to maintain effective personnel management.

APPENDIX III

A delay in the imposition of any employment reduction until agencies' "models" can be developed, submitted, and evaluated (as recommended on pages 8 and 28 of the draft report) would destroy any chance that the necessary reduction could be achieved on a timely basis. When personnel reductions must be made, the exigencies of the situation usually are such that action must be taken quickly.

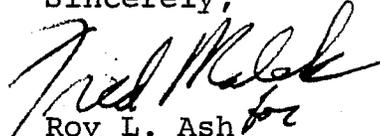
When personnel reductions are necessary, OMB gives agencies overall employment targets and, as your report recognizes, leaves with the agency head discretion as to how ceilings are allocated within the agency. We believe that we should continue this practice in the future. We simply do not have--and should not have--the staff to establish and monitor ceilings for a large number of agency sub-units. It would be quite inappropriate for this office to attempt to control employment at the sub-unit level.

Of course, the question might be raised as to whether employment ceilings should be imposed at all. Certainly, the merits and demerits of employment ceilings have been debated for years. The fact is, however, that the public, the Congress, and every President in recent memory have been favorably disposed toward them. There has been, and continues to be, an avid interest in reducing the number of Federal civilian employees, particularly in this and the preceding Administration. And, as is noted above, it is a fact that, occasionally, circumstances require employment ceilings to be established on very short notice. Under these circumstances, we must put major emphasis on effective agency personnel management systems to administer the ceilings within agencies.

The employment ceilings purposely apply only to year-end employment. This gives agency heads considerable flexibility during the course of the year in their management of personal employment requirements and in planning reductions so that they can be accomplished in an orderly manner by the end of the year. In the case to which your report refers, employment reductions were announced in September, and were to have been achieved by June 30, 1972--nine months later. This does not seem unreasonable.

I am sure that we all agree that it is desirable to keep Federal civilian employment at the minimum level necessary for the conduct of essential programs. To attain that end, all recent Presidents have decided that it is necessary to maintain employment ceilings. For this reason, we can expect continuation of some type of employment ceiling. We expect and encourage agencies to use a number of management techniques, including models of the sort you suggest, to help them operate within such ceilings in the most reasonable and effective manner.

Sincerely,


Roy L. Ash
Director



UNITED STATES CIVIL SERVICE COMMISSION

IN REPLY PLEASE REFER TO

WASHINGTON, D.C. 20415

OCT 5 1973

YOUR REFERENCE

Mr. Forrest R. Browne
Director, Federal Personnel and
Compensation Division
United States General Accounting
Office
Washington, D.C. 20548

Dear Mr. *Browne* Browne:

This replies to your letter of August 17 transmitting your draft report on reductions of civilian employment during fiscal year 1972.

The report contains a great deal of factual information about the Commission's reduction in force system and related matters. The findings of fact do not differ significantly from those of previous studies of reduction in force. From these findings, however, the report concludes that the system is somehow deficient, and it recommends a restructuring.

Over the years the Commission has received many complaints about the system and many suggestions for changing it. On occasion we, ourselves, find fault with certain aspects of it and we have not hesitated to make changes looking toward a better balance between the obligations and responsibilities of agency managers and the rights, equities, and aspirations of employees. Even so, we do not believe we have yet achieved either a perfect or a foolproof system. We are not even sure what would constitute a perfect or foolproof system.

We are convinced, however, that the diversity among Federal agencies requires a system that can be made to work well in any situation. We do not believe any system will work well if it gives the agency manager no opportunity or too little opportunity for the exercise of responsible judgment in determining the outcome of reduction in force. A careful reading of the report indicates that you recognize this as well as we do, but it leaves us with the feeling that you think we may have left the agency manager too much room for the exercise of judgment in interpreting and applying the reduction-in-force regulations and guidelines. If we read you correctly on this, we need to sit down with you and try to agree on what needs to be done -- both for the good of the service and for the maximum effectiveness and usefulness of your report to the Congress. We need to make sure that the report would not be misleading to readers who are not familiar with the workings of the reduction-in-force system.

THE MERIT SYSTEM—A GOOD INVESTMENT IN GOOD GOVERNMENT

We are concerned that a casual reading might give some people the impression that, for the sake of uniformity, you would leave the agency manager little or no room for the exercise of judgment. We do not believe that is intended.

In the following material we offer a number of ideas that we want to discuss with you.

On competitive area: The report suggests that it is undesirable, for example, for an Air Force competitive area to include all activities served by one civilian personnel office while a Navy competitive area may be only one of a number of separate activities served by a single civilian personnel office. We do not believe it would be desirable either to require Air Force to limit the extent of its competitive areas to match those of Navy or to require Navy to enlarge its competitive areas to match those of Air Force. We do consider it desirable to set minimum standards for the extent of competitive areas in both organizational and geographic terms, but to leave it to the discretion of responsible officials to apply the standards as strictly or as liberally as they consider appropriate to the circumstances at that time in that agency.

On competitive level: The report suggests that a competitive level should never be so restrictive that a particular employee would have no opportunity to compete with other employees for available positions. The proper extent of a competitive level is in no way determined or influenced by the number of employees in competition. Each competitive level must consist of all positions in a competitive area and in the same grade or occupational level which are sufficiently alike in qualification requirements, duties, responsibilities, pay schedules, and working conditions, so that the agency readily may assign the incumbent of any one of the positions without changing the terms of his appointment or unduly interrupting the work program.

The number of positions in a competitive level gives no clue to the propriety of the designations. A competitive level of 100 positions is too small if 101 positions fit the standard. A competitive level of 2 positions is too large if the 2 positions are not sufficiently alike to make the incumbents readily interchangeable.

Positions must be assigned to competitive levels by people who are thoroughly familiar with the positions and with the programs with which they are involved. When these people place positions of the same title, series, and grade in different competitive levels, they must write out the reasons why the positions are different enough to keep the incumbents from being interchangeable. The reasons are subject to review by employees, unions, higher levels of the agency, and the Civil Service Commission. In addition, any affected employee who considers his competitive level too narrow may appeal to the Commission for a determination of the proper extent of the level.

APPENDIX IV

In general: In our opinion, based on considerable experience with reduction in force, the principal strength of the system is that our regulations and guidelines can be and have been applied realistically by the agencies to a limitless variety of situations with due regard for the needs of the service and for the rights and equities of the employees. Any system of reduction in force must leave the agency with the ability to accomplish the work that must still be carried on after the reduction. Any system of reduction in force must give the agency the means of separating an employee who cannot perform adequately the remaining work of the agency. Any system of reduction in force must give the agency the means of retaining any employee whose retention is essential to the accomplishment of the agency's mission. No rigid, mechanical, completely uniform system of reduction in force can serve the needs of both a small, compact agency and a large, widespread agency or serve equally well in a small reduction in force and a major cutback affecting thousands of employees all over the country.

On administration of Public Law 93-39: For the purpose of authorizing voluntary retirements under section 8336(d)(2) of title 5, United States Code, we have provided for a most careful review of each request for a determination that an agency is undergoing a major reduction in force. Each request must be accompanied by a justification in terms of the agency's reasons for considering the reduction in force to be a major one, the deadline for completing the reduction, the period during which the reduction will occur, and the parts of the agency within which the retirement option should be made available. (The detailed instructions on submitting requests are now in FPM chapter 351, appendix E.) Each request is considered by the Commission. Approval authority has not been delegated.

The impact of early retirements on the retirement fund is of course a matter of continuing concern, but it is not a factor we are authorized to consider in determining whether to grant a request. The law was enacted to assist the agencies in carrying out major reductions in force with less than the usual disruption to the workforce.

The Congress was well aware that there would be additional costs which cannot be computed until the actual number of early retirements can be counted. Each letter of authority we issue requires the agency to

APPENDIX IV

report to us (1) the actual number of early retirements under section 8336(d)(2) by agency, geographic location, occupational series, and grade, and (2) an analysis of the extent to which these retirements contributed to easing the impact of the scheduled reductions.

We look forward to the possibility of an early meeting to discuss these issues further.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Bernard".

Bernard Rosen
Executive Director

APPENDIX V

PRINCIPAL OFFICIALS RESPONSIBLE FOR
THE ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT

Tenure of office
From To

DEPARTMENT OF DEFENSE

SECRETARY OF DEFENSE:

Dr. James R. Schlesinger	June 1973	Present
Vacant	May 1973	June 1973
Elliot L. Richardson	Jan. 1973	May 1973
Melvin R. Laird	Jan. 1969	Jan. 1973

ASSISTANT SECRETARY OF DEFENSE
(MANPOWER AND RESERVE AFFAIRS):

William K. Brehm	Sept. 1973	Present
Carl W. Clewlow (acting)	June 1973	Sept. 1973
Roger T. Kelley	Feb. 1969	June 1973

DEPUTY ASSISTANT SECRETARY
(CIVILIAN PERSONNEL POLICY):

Carl W. Clewlow	Dec. 1966	Present
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DEFENSE CONTRACT ADMINISTRATION SERVICES

DIRECTOR, DEFENSE SUPPLY AGENCY:

Lt. Gen. Wallace H. Robinson, Jr.	Aug. 1971	Present
Lt. Gen. Earl C. Hedlund	Aug. 1966	Aug. 1971

CIVILIAN PERSONNEL STAFF DIRECTOR,
DEFENSE SUPPLY AGENCY:

George S. Brennan	Mar. 1973	Present
Franklin C. Kelso (acting)	June 1972	Mar. 1973
Walter G. Ingerski	Oct. 1961	June 1972

APPENDIX V

Tenure of office	
From	To

DEPARTMENT OF THE ARMY

SECRETARY OF THE ARMY:

Howard H. Callaway	May 1973	Present
Robert F. Froehke	July 1971	May 1973

ASSISTANT SECRETARY OF THE ARMY
(MANPOWER AND RESERVE AFFAIRS):

Carl S. Wallace	Mar. 1973	Present
Hadlai A. Hull	May 1971	Mar. 1973

OFFICE OF DEPUTY CHIEF OF STAFF
PERSONNEL (DIRECTOR OF CIVILIAN
PERSONNEL):

Ben B. Beeson	Sept. 1972	Present
Vacant	June 1972	Sept. 1972
Charles F. Mullaly	Jan. 1969	June 1972

DEPARTMENT OF THE NAVY

SECRETARY OF THE NAVY:

John W. Warner	May 1972	Present
John H. Chafee	Jan. 1969	May 1972

ASSISTANT SECRETARY OF THE NAVY
(MANPOWER AND RESERVE AFFAIRS):

James E. Johnson	June 1971	Present
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DIRECTOR OF OFFICE OF CIVILIAN
MANPOWER MANAGEMENT:

Lloyd Grable	Sept. 1972	Present
Capt. William Gundlach (acting)	June 1972	Sept. 1972
Robert W. Willey	Apr. 1967	June 1972

DEPARTMENT OF THE AIR FORCE

SECRETARY OF THE AIR FORCE:

John McLucas	July 1973	Present
Robert C. Seamans, Jr.	Jan. 1969	July 1973

APPENDIX V

<u>Tenure of office</u>	
<u>From</u>	<u>To</u>

DEPARTMENT OF THE AIR FORCE (continued)ASSISTANT SECRETARY OF THE
AIR FORCE (MANPOWER AND RESERVE
AFFAIRS):

James P. Goode	June 1973	Present
Richard J. Borda	Oct. 1970	June 1973

OFFICE OF DEPUTY CHIEF OF STAFF
PERSONNEL (DIRECTOR OF CIVILIAN
PERSONNEL):

William J. Abernethy	June 1971	Present
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FEDERAL AVIATION ADMINISTRATIONADMINISTRATOR, FEDERAL AVIATION
ADMINISTRATION:

Alexander E. Butterfield	Mar. 1973	Present
John H. Shaffer	Mar. 1969	Mar. 1973

ASSOCIATE ADMINISTRATOR FOR
MANPOWER (DIRECTOR OF PERSONNEL):

George T. Reeves	June 1970	Present
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GENERAL SERVICES ADMINISTRATION

ADMINISTRATOR OF GENERAL SERVICES:

Arthur F. Sampson	June 1972	Present
Rod Kreger (acting)	Jan. 1972	June 1972
Robert L. Kunzig	Mar. 1969	Jan. 1972

OFFICE OF ADMINISTRATION
(DIRECTOR OF PERSONNEL):

James W. Hardgrove	July 1968	Present
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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENTSECRETARY OF HOUSING AND
URBAN DEVELOPMENT:

James T. Lynn	Feb. 1973	Present
George W. Romney	Jan. 1969	Jan. 1973

APPENDIX V

Tenure of officeFrom ToDEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
(continued)ASSISTANT SECRETARY FOR
ADMINISTRATION:

Vincent J. Hearing (acting)	June 1973	Present
Harry T. Morley	Mar. 1972	June 1973
Vincent J. Hearing (acting)	Jan. 1972	Mar. 1972
Lester P. Condon	Mar. 1969	Jan. 1972

DIRECTOR OF PERSONNEL:

James C. Curvey	Dec. 1971	Present
James C. Curvey (acting)	May 1971	Dec. 1971

CIVIL SERVICE COMMISSION

COMMISSIONERS:

Robert E. Hampton, Chairman	Jan. 1969	Present
Jayne B. Spain, Vice Chairman	June 1971	Present
L. J. Andolsek, Commissioner	Apr. 1963	Present

EXECUTIVE DIRECTOR:

Bernard Rosen	June 1971	Present
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DIRECTOR, BUREAU OF POLICIES
AND STANDARDS:

Raymond Jacobson	Jan. 1969	Present
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DIRECTOR, BUREAU OF RECRUITING
AND EXAMINING:

Ziv Remez	June 1971	Present
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DIRECTOR, BUREAU OF RETIREMENT,
INSURANCE AND OCCUPATIONAL
HEALTH (formerly Bureau of
Retirement and Insurance):

Andrew E. Ruddock	Sept. 1959	Present
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