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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

SEPTEMBER 5, 1980

FEDERAL PERSONNEL AND
COMPENSATION DIVISION

B-199378



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The Honorable Alan K. Campbell
Director, Office of Personnel
Management

Dear Mr. Campbell:

Subject: [OPM's Initial Attempts to Implement Demonstration Provisions of the Civil Service Reform Act of 1978] (FPCD-80-63)

In this letter we discuss our observations on the Office of Personnel Management's (OPM's) initial attempts to encourage and evaluate proposals for demonstration projects authorized by title VI of the Civil Service Reform Act of 1978. These projects are intended to determine whether a specified change in personnel management policies and procedures would result in improved Federal personnel management. They can involve waivers of certain existing laws, rules, and regulations. For that reason, title VI requires that project proposals proceed through a process of public notice, public hearing, and congressional review.

We made this review because of the concern we share with you that the central management agencies of the Federal Government have a special responsibility for leadership in improving the quality, quantity, and usefulness of research related to public management. We are encouraged by recent initiatives you have taken to create a stronger leadership role in identifying, developing, and evaluating potential demonstration projects. We are reporting to you at this time to provide perspectives on why new initiatives were needed, to encourage those actions which have been taken; and to recommend additional steps which, we believe, would further strengthen the administration of the demonstration provisions of title VI.

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Our work consisted of examining documents and holding discussions with various personnel involved with title VI work. We did our work at headquarters offices of OPM and the Merit Systems Protection Board and at the two agencies which had moved the furthest along on title VI proposals in April 1980--the Department of the Navy and the Internal Revenue Service, Department of the Treasury. We visited the Naval Oceans System Center, San Diego, and the Naval Weapons Center, China Lake, where the Navy proposal is being implemented. We also spoke with researchers at the University of Southern California in Los Angeles and Georgia State University in Atlanta who are preparing the proposal for an OPM-funded evaluation of the success of the Navy project. We also visited the Atlanta Service Center which is participating in developing the Internal Revenue Service's proposal.

We concluded that the results of OPM's efforts to solicit demonstration projects were disappointing. Procedures for evaluating proposals were inefficient and not based on a frame work which recognizes the unique costs and benefits of the demonstration concept. Moreover, the initial projects may have limited potential for application beyond the demonstration sites and, in one case, may have difficulty demonstrating successful results.

Our work was done during a period when resources for demonstration projects had to be weighed in relation to other OPM responsibilities for implementing the Civil Service Reform Act. We recognize that a number of these other responsibilities involved critical elements of time. We also recognize that the newness of title VI authority required a period of experimentation on the best ways to exercise it. We are encouraged by recent discussions we have had with senior officials of the Office of Planning and Evaluation, which indicate that more attention and resources are now being directed to demonstration efforts.

These senior officials said that planning, development, and administrative activities involving title VI had increased markedly and that progress was being made. For example, all of OPM's research activities will be reviewed to determine their overall applicability to public management. Procedures are being developed to initiate, develop, market, and administer demonstration projects with appropriate OPM oversight and evaluation. These activities suggest that OPM's research and demonstration responsibilities are receiving more management attention, and we anticipate that this will prove fruitful.

We recommend that, to further increase the effective use of title VI authority, you assume the leadership in setting objectives, establishing requirements, and assigning responsibilities among agencies and activities involved in title VI projects. This can best be done, we believe, by instituting procedures for

- insuring that title VI project proposals are reviewed for their potential for generalizing results and that project evaluation plans include details on how generalization will be tested;
- insuring that proposals are reviewed against a framework of research needs, which recognizes the unique nature of title VI projects; and
- providing guidance on the purpose, scope, and timing of employee consultations;

Details pertaining to our observations, conclusions, and recommendations are presented in the enclosure. We plan to continue monitoring title VI demonstration activities and will be informing you of our observations.

Sincerely yours,



H. L. Krieger
Director

Enclosure

OBSERVATIONS ON OPM ACTIONS TO IDENTIFY,
EVALUATE, AND DEVELOP POTENTIAL DEMONSTRATION
PROJECTS AND THEIR EFFECTS

Since March 1980 our Office has been reviewing the Office of Personnel Management's (OPM's) efforts to encourage and evaluate proposals for title VI demonstration projects. These projects are authorized by the Civil Service Reform Act of 1978 and can include waivers of certain existing laws, rules, or regulations.

It should be noted that the fieldwork on which our concerns are based was completed in May 1980. That work was supplemented by a series of discussions with OPM officials, the last of which occurred in June. We understand from those discussions that planning, development, and administrative activities have increased markedly since the completion of our fieldwork and that OPM is making progress in dealing with some of the problems noted herein.

EFFORTS TO DEVELOP PROPOSALS

OPM officials anticipated that many agencies, and some components of OPM itself, would propose demonstration projects. OPM therefore requested agencies--once in December 1978 and again in July 1979--to submit proposals. Nine proposals were received, of which only three were considered as having the potential to become demonstration projects.

OPM surveyed 27 agencies to find out the reasons for their not submitting the proposals. This survey revealed that

--13 agencies, or 48 percent, did not respond or had not even canvassed their organizational units concerning OPM's requests and

--of the 14 which did canvass their units, most said that money, personnel, or time was not available for developing the proposals.

OPM could assist agencies in developing proposals and has, on occasion, assisted them through stronger guidance and more direct participation by OPM staff. Officials in the Internal Revenue Service (IRS), Department of the Treasury, an agency which did submit a proposal, told us their response could have been more meaningful had OPM indicated its

interest in specific personnel areas. In implementing these projects, OPM encourages pre-proposal contacts between agencies and OPM. Such contacts can identify OPM's interests and other considerations or conditions. OPM has also provided direct assistance to IRS in developing its proposal, and this arrangement appears to have been helpful. Assistance of these types conserve agency and OPM resources and may help reduce the proposal development time.

Until recently, OPM's demonstration project function did not appear adequately staffed to provide the needed support. Only two permanent staff members were assigned to administer all provisions of title VI; other employees were detailed as necessary and then released. This staffing arrangement, in our opinion, may have added to the confusion and to the lack of continuity in managing the function. OPM officials indicated that additional permanent staff may be added to help administer these projects, which will alleviate the need to detail staff and provide agencies with the necessary OPM support and continuity.

Since most agencies have not submitted project proposals, OPM plans to develop its own project proposals, which will be based on a review of public management research needs. After identifying these needs, OPM project teams will develop them into proposals and will offer the proposals to agencies for testing.

PROPOSAL EVALUATION PROCEDURES

The concept of demonstration projects is new, and procedures for evaluating proposals are still evolving. Nevertheless, OPM has been making decisions on demonstration projects for well over a year without a frame work of program objectives and priorities for title VI. This has contributed, we believe, to the confusion among OPM and agency officials on (1) the objectives of, and requirements for, these projects and (2) the selection of proposals with limited potential for application and for demonstration of successful results.

As of May 1980, OPM had developed its agenda of policy issues needing analysis, of research issues needing support under title VI, and of productivity issues needing research. Although these agenda may be helpful in evaluating title VI proposals, we believe they do not adequately recognize the unique benefits and costs of demonstration projects.

Demonstration projects under title VI can make unique contributions to management efficiency and effectiveness;

yet, resources for conducting them are limited and projects can be costly. Only 10 projects may be conducted at one time. One project being done by the Navy is estimated to cost \$2.7 million over 5 years. All projects must go through an elaborate procedure of review by affected employees, the public, and the Congress. Such limits, costs, and requirements, in our opinion, make designation as a title VI demonstration a precious commodity and thus dictate a need to determine where projects can be used most effectively.

Without objectives and evaluation criteria, OPM also had no explicit basis for determining the significance of comments on agency proposals which have been provided by various OPM officials who were interested in, or knowledgeable about, matters contained in the proposals. As a result, these comments were merely passed on to the agencies. In the Navy's case, comments were received from 13 different OPM officials; IRS received comments from 8 officials. Agency personnel did not know which comments were relevant or most serious and had to respond directly to each of the reviewers.

The lack of clear objectives and meaningful evaluation criteria has caused confusion and has contributed to the selection of proposals which may have limited potential for application beyond the demonstration sites and, in one case, limited potential for demonstrating successful results.

Potential for wide application
and demonstration of results

OPM's criteria for selecting projects stress (1) the potential for generalizing knowledge gained beyond the project sites and (2) the feasibility of achieving successful results. We believe that the knowledge gained from both the Navy and IRS proposals may have limited application or potential for the knowledge to be generalized. In addition, the Navy project may have difficulty in demonstrating the results.

Early OPM guidance, issued in December 1978, proposed that ideas for demonstration projects would be evaluated in terms of

- the chance for productive results,
- duration,
- quality of the evaluation design, and
- broad applicability.

OPM said it was searching for projects where the results could be generalized and would support more strongly projects with evaluation designs which adequately and fairly tested important concepts.

Our review of the Navy and IRS proposals indicated, however, that OPM's stated criteria have been largely ignored. Both proposals appear to have limited application to the larger Federal work force.

In our opinion and in the opinion of others involved with the Navy project, knowledge gained from it may apply only to a select group of scientists, engineers, and technical professionals in a Navy research and development activity. No one involved with the project could describe to us how the feasibility of applying project findings to other Federal organizations or laboratories was going to be determined--despite the fact that all the project proposals stated that one objective of the evaluation was to assess the potential for generalizing results throughout the Federal Government. The research literature in the field of management, organizational psychology, and industrial sociology clearly indicates that tests for generalization need to be built into projects such as this at an early stage. Perhaps for this reason, project evaluators told us they had no plans to generalize the results beyond Navy laboratories.

Similarly, the IRS proposal would affect only about 1,700 line managers at the 10 IRS service centers. The April 16, 1980, IRS draft proposal did not indicate additional application beyond these service centers and IRS officials told us that they did not know of any other agencies with a similar problem.

Our review of the Navy proposal also revealed that limits on control group data being obtained may confine its usefulness primarily to the experimental laboratories. The evaluation design does provide for two Navy control laboratories which could provide comparative data for the experimental laboratories. However, only limited and readily available organization-level data is being collected from the control laboratories. By contrast, the experimental laboratories will collect not only organizational-level data but also individual employee and unit performance data. OPM officials told us that they recognized the potential seriousness of this problem and were developing mechanisms for insuring that their coordinating responsibilities can be effectively discharged.

The Navy's project may also have difficulty demonstrating the results stated in the proposal. Independent evaluators from the University of Southern California and some officials from OPM agreed with our observation that the stated objectives of the project address cause-effect relationships which are difficult to establish. This fact had not been formally acknowledged or dealt with. All of the Navy's proposals state that the basic assumption is that the performance of Navy laboratories can be improved substantially by implementing the proposed changes.

According to the project's evaluators and Navy officials, however, performance and effectiveness of these laboratories had never been successfully measured. The University of Southern California evaluators were still developing criteria in April 1980 for use in measuring the effectiveness of these laboratories. OPM officials told us that the project was approved despite these limitations because they were confident that sufficient data of various types would be systematically collected, and the results would show something that would be useful. Nevertheless, we believe that in the future OPM's expectations should be more clearly stated than this.

Need for OPM concern with
whether projects can be evaluated
and results generalized

OPM should be concerned with whether project results can be generalized and evaluated since its interests in demonstration projects will often be broader than those of the sponsoring agencies and other interest groups, so OPM must assert leadership to insure that its objectives are met. For the two proposals we reviewed, however, the agencies appeared to be deciding the terms of their proposals and limiting their support accordingly. Consequently, the interests of OPM, and the Federal Government as a whole, were not adequately considered.

OPM has the overall responsibility for insuring the success of title VI demonstration projects. It identifies the need for projects, evaluates proposals, grants waivers where necessary, and monitors and evaluates the results. OPM's interests include project broad application and demonstratable results which may be useful to other agencies and segments of the Federal work force.

Other interests in these projects are often of a special, and narrower, nature. The Navy's interest in its project,

for example, would not extend beyond its usefulness to the Navy. Also, IRS officials did not see how their proposal would be useful outside of the IRS service center environment.

Problems have arisen in the Navy project where non-Navy groups' requirements are broader than the Navy's. For example, OPM and the independent evaluators have been unable, or unwilling, to require adequate data from the Navy control laboratories. Also the evaluators have not tried to develop tests for determining whether the findings can be generalized beyond the Navy laboratory environment. We believe this indicates that the Navy is more concerned with implementing the project than with demonstrating project results and wide applicability, and OPM is not insisting that these requirements be met.

These facts lead us to further conclude that the Navy, rather than OPM, has taken the lead not only in developing this project but also in dictating the terms for project implementation and evaluation. In our opinion, the project has been developed mainly to meet the needs of local Navy officials who have provided most of the resources and who are most concerned that the project be implemented to alleviate classification and grade ceiling problems.

We noted similar developments in the IRS proposal. IRS is specifying the scope and evaluation design which alleviates a grade ceiling restriction problem at its service centers, and assurances do not exist that the project will have much application beyond the service center environment.

To insure that broader project objectives are met, we believe OPM should assert leadership by setting project requirements, assigning responsibilities, and coordinating resources to meet its own objectives for these projects.

REQUIREMENTS FOR CONSULTATION WITH EMPLOYEES

Title VI requires agencies to consult with employees before including them in a demonstration project, but the objectives of consultation and the extent to which it should occur are not specified by law, and OPM has not provided additional guidance in this area. In the absence of such requirements or guidance, the agencies sponsoring the project could decide when consultation should occur and what it should involve.

The Navy laboratory in San Diego obtained minimal employee involvement until its proposal was well developed.

Witnesses at the public hearings in San Diego who largely supported the project identified themselves as managers, whereas those not identified as managers largely opposed it. Navy officials at the laboratory felt that this opposition could have been reduced had better efforts been made to involve employees at an early stage of the planning. This feeling is supported by years of research on effective techniques for organizational change; that is, the more involved employees are in designing changes which will affect them, the more they accept those changes.

IRS also appears to be following a course of minimal involvement by affected employees. Primary responsibility for proposal development rests with the Research and Management Division at the headquarters level, and local input is obtained chiefly from the personnel officer at the Atlanta Service Center. IRS officials told us that affected employees had not been involved in the development process and that employees were probably unaware of the proposal.

We believe that agencies need more guidance for insuring that these consultations are meaningful and accomplish a purpose. Consultations should, in our opinion, result in alleviating employees' fears about a project; utilizing their ideas; and gaining their support. By consulting employees early in the development process, management can react to problems easier, and employees are more likely to help make the project a success.

CONCLUSIONS

We discussed these findings with OPM staff in May 1980, and provided them with a further opportunity to review a draft copy of this report in June 1980. In their latest comments, they cited OPM's efforts since May to review research activities as a means for OPM to develop an overlying perspective on public management and the contributions these activities should have on OPM's policy development. They commented also that procedures were being developed to market, initiate, develop, and administer demonstration projects. Further, roles have been defined among OPM's research management and its program and regional offices to improve oversight and evaluation.

We believe these efforts represent an important first step in addressing issues discussed above; that is, few proposals were received, proposal evaluations were not efficient, and agencies were in need of additional guidance and support. We are particularly encouraged that OPM has adopted

a management approach which integrates demonstration project efforts with its broader policies and objectives and has developed alternatives for identifying proposals.

We believe more attention must also be given to other issues which were not specifically addressed by their comments but which must be considered if OPM's program of demonstration projects is to be more effective.

RECOMMENDATIONS

We recommend that the Director, OPM,

- develop a frame work for evaluating title VI proposals as a means of directing resources into the most significant areas,
- require that proposals contain provisions for testing results beyond the demonstration project's environment,
- assert OPM's leadership in establishing project objectives which meet OPM's needs and in assembling and coordinating the resources to insure these objectives are met, and
- establish criteria and objectives for the employee consultations which make the process effective.