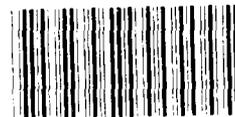


STUDY BY THE STAFF OF THE U.S.

General Accounting Office

Managing The Federal Work Force: Major Issues



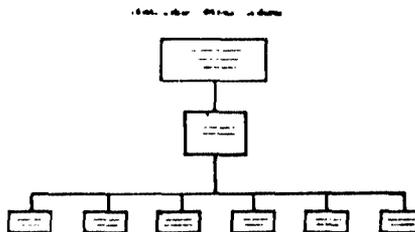
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EEO



PAY



WORK FORCE PLANNING



ETHICS



RETIREMENT AND DISABILITY PAYMENTS



LABOR MANAGEMENT RELATIONS



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MILITARY MORALE, MANAGEMENT, AND JUSTICE

FOREWORD

The Federal Government employs about 2.8 million civilians and 2 million active duty military personnel. Direct pay for these employees--excluding the Postal Service--is estimated at \$78.8 billion for 1980. Recent changes in civil service laws raise new concerns about how the Federal work force is paid and managed. Increasing media attention on the size and effectiveness of this work force also raises new issues and highlights existing ones.

This study outlines the major issues associated with managing the Federal work force. It is based on the audit plans of the Federal Personnel and Compensation Division which has responsibility for analyzing these issues. Information on this study and our audit plans can be obtained from Joseph Kline, Coordinator for the Federal Personnel Management and Compensation issue area, by calling (202) 275-2997.

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ABBREVIATIONS

CSC	Civil Service Commission	AGC 00013
DOD	Department of Defense	AGC 00005
EEOC	Equal Employment Opportunity Commission	AGC 00040
FLRA	Federal Labor Relations Authority	DLG 00167
MSPB	Merit Systems Protection Board	DLG 00164
OPM	Office of Personnel Management	DLG 00925



CHAPTER 1

INTRODUCTION

The size, cost, and effectiveness of the Federal work force affect the lives of all Americans and people throughout the world. It is impossible to address the effectiveness and efficiency of Government programs without recognizing the role of the people who run them.

The security of the United States and its allies rests largely on the competence of military personnel. The civilian work force works toward resolving problems with food production, distribution, and cost; energy development and conservation; housing; urban survival; rural viability; unemployment; crime prevention; the environment; our safety on the highways and in the air; and our future in space. It also collects taxes, disburses treasury checks, delivers the mail, and provides a host of services in education, health care, scientific and technological development, and many other areas.

This staff study describes many issues concerning how the Federal work force is managed and compensated.

OVERVIEW--SIZE, COST, AND EFFECTIVENESS

Size

About 2.8 million civilian persons, including about 650,000 Postal workers, comprise the Federal bureaucracy, and about 2 million persons are active duty military personnel. However, the number of civilian workers paid with Federal funds is larger than 2.8 million persons and far more extensive than employment in the executive branch and the Postal Service. For example:

- The legislative and judicial branches employ more than 50,000 persons.
- More than 650,000 persons are employed by contractors to operate and maintain Federal installations and facilities.
- Thousands of persons are employed directly and indirectly as consultants and experts throughout the entire Federal establishment.

- State and local governments employ thousands of consultants and experts directly and indirectly to advise them on federally funded programs and pay them through that channel.
- Thousands of persons affiliated with private and State academic institutions are paid with Federal funds.
- A significant portion of the more than 12 million State and local government employees are dependent on Federal funds for employment. If only one-fourth of that number were paid with Federal funds, the size of that work force alone would exceed the Federal bureaucracy.

As the following chart shows, Federal, State, and local government civilian employment could amount to over 16 percent of the total employed civilian labor force in 1980.

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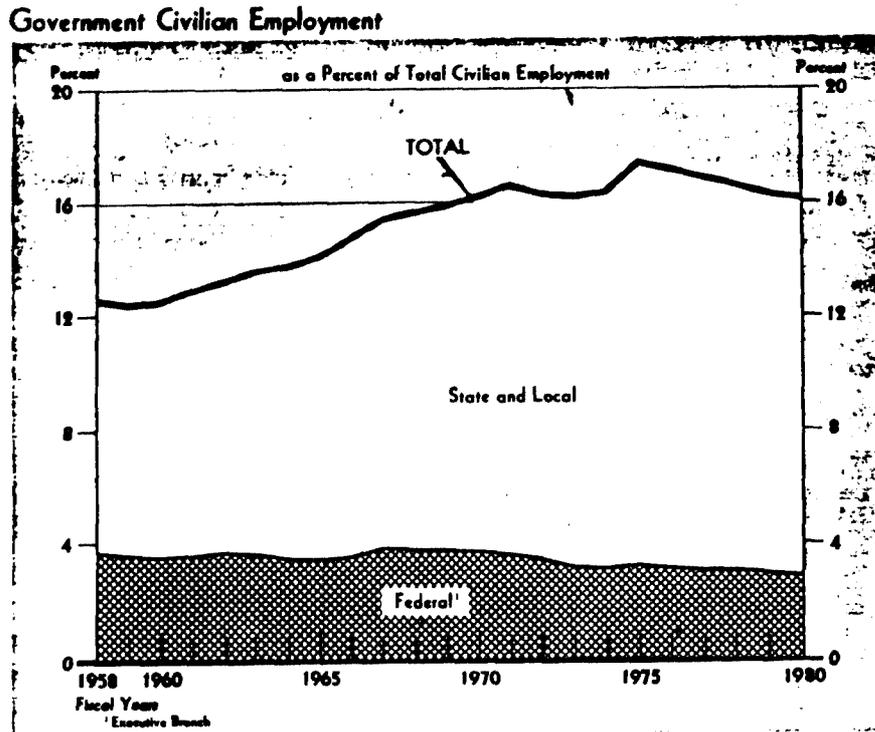
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E R R A T A

To the recipients of the Study by the Staff of the U.S. General Accounting Office entitled "Managing the Federal Work Force: Major Issues" (FPCD-80-22):

The following chart should appear at the bottom of page 2.



There are over 2 million active duty military personnel distributed by service and assignment as follows:

Military Personnel by Service

	<u>1979</u>	<u>1980</u>	<u>1981</u>
	(estimated in thousands)		
Military personnel:			
End strength:			
Army	772	774	774
Navy	522	528	528
Marine Corps	190	189	189
Air Force	<u>566</u>	<u>559</u>	<u>559</u>
Total	<u>2,050</u>	<u>2,050</u>	<u>2,050</u>

In the pay status distributed as follows, 800,000 additional persons serve in various reserve components.

Selected Reserve Military Personnel

	<u>FY 1980</u>
	(thousands)
Army National Guard	364.7
Army Reserve	200.3
Naval Reserve	48.9
Marine Corps Reserve	33.7
Air National Guard	93.5
Air Force Reserve	<u>57.2</u>
Total	<u>a/798.2</u>

a/Does not add due to rounding.

The Army and Air Force Reserve components have about 66,000 technicians who hold a dual status as full-time civilian employees assigned to Active Reserve and National Guard units. In addition, there are about 358,000 individual ready reservists and about 255,000 active and inactive standby reservists.

Cost

Direct compensation for the Federal work force, excluding personnel at the State and local levels paid with Federal funds and the U.S. Postal Service, is estimated at

\$78.8 billion for 1980. The Federal work force's direct compensation includes regular pay, leave and holidays, premium pay for overtime, Sunday and holiday pay, differentials for nightwork and overseas duty, and flight and other hazardous duty pay. Related compensation in the form of personnel benefits consists primarily of the Government's contribution (as employer) for health insurance, term life insurance, Federal retirement and old-age survivors' disability insurance, and all workers' compensation and unemployment compensation payments. Additional benefits include severance pay, uniform allowances (when paid in cash), cost-of-living and overseas quarters allowances, and, in the case of uniformed military personnel, reenlistment bonuses.

A breakdown of personnel compensation and benefits follows.

<u>Personnel Compensation and Benefits</u>			
<u>Description</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
	<u>actual</u>	<u>estimate</u>	<u>estimate</u>
	----- (millions) -----		
Civilian personnel costs:			
Executive branch (note a):			
Direct compensation	\$37,483	\$40,090	\$40,751
Personnel benefits (note b)	<u>6,286</u>	<u>6,550</u>	<u>6,938</u>
Subtotal	<u>43,769</u>	<u>46,640</u>	<u>47,689</u>
Legislative and judiciary:			
Direct compensation	671	743	836
Personnel benefits	<u>64</u>	<u>72</u>	<u>81</u>
Subtotal	<u>735</u>	<u>815</u>	<u>917</u>
Allowance for civilian pay raise	<u>-</u>	<u>-</u>	<u>1,740</u>
Total, civilian personnel costs	<u>44,504</u>	<u>47,455</u>	<u>50,346</u>
Military personnel costs:			
Direct compensation	23,854	25,041	25,207
Personnel benefits	<u>1,736</u>	<u>1,844</u>	<u>1,896</u>
Subtotal	<u>25,590</u>	<u>26,885</u>	<u>27,103</u>
Allowance for military pay raise	<u>-</u>	<u>-</u>	<u>1,361</u>
Total, military pay costs	<u>25,590</u>	<u>26,885</u>	<u>28,464</u>
Grand total, personnel costs	<u>\$70,094</u>	<u>\$74,340</u>	<u>\$78,810</u>

a/Excludes the Postal Service, reflecting conversion to independent status, consistent with the Postal Service Reorganization Act of 1970.

b/Excludes Members and officers of Congress.

The following items are significant exclusions from the preceding table

- compensation and benefits for reserve component personnel estimated at about \$2.4 billion,
- payments to military retirees which increased from \$9.2 billion in 1978 to an estimated \$11.5 billion for 1980, and
- compensation and benefits for federally funded employees at the State and local level.

Annual total personnel compensation and benefits are almost \$93 billion without including costs for federally funded State and local employees.

Effectiveness

Both civilian and military personnel policies have come under a great deal of criticism in recent years. Legislation has been introduced in both areas.

The Civil Service Reorganization and the Civil Service Reform Act, which were passed in 1978, are expected to bring about the most sweeping civilian personnel management changes since the passage in 1883 of the original civil service legislation. They are based largely on a perceived need to improve management of the Federal work force. The reorganization is intended to resolve long-existing problems of conflicting roles of the former Civil Service Commission (CSC). The reform legislation is expected to

- improve the system's credibility with employees and the general public;
- clarify personnel management roles and responsibilities;
- increase merit system protection, including greater protection to "whistleblowers";
- provide more flexibility for personnel matters in the agencies; and
- increase managerial accountability.

Effectiveness of military personnel in the present all-volunteer environment has also come under criticism. Problems have been primarily in the Reserves and include manpower

shortages, unqualified people in jobs, and high turnover. Some of these problems also exist in the Active Forces. Various legislative proposals have been introduced to deal with these problems, addressing particularly the Individual Ready Reserve and the All-Volunteer Force. None of these has passed the Congress.

The remaining chapters will discuss personnel and pay issues in detail.

CHAPTER 2

PROBLEMS AND PROGRESS WITH CIVIL SERVICE

REORGANIZATION AND REFORM IMPLEMENTATION

Reorganization Plan No. 1 of 1978 transferred many functions from CSC to the Equal Employment Opportunity Commission (EEOC). Reorganization Plan No. 2 of 1978, attempting to resolve the conflicting roles of the former CSC, established the Office of Personnel Management (OPM) and redesignated CSC as the Merit Systems Protection Board (MSPB). It also established an independent Federal Labor Relations Authority (FLRA). The Civil Service Reform Act of 1978 brings about extensive changes in the areas of personnel management and compensation.

RESPONSIBILITIES OF NEW AGENCIES

Merit Systems Protection Board

MSPB, the successor agency to CSC, is an independent agency under bipartisan leadership. It hears and decides most types of appeals of Federal employees and applicants for Federal employment. It also conducts special studies of the competitive service, and, upon request, of other merit systems.

A Special Counsel, located in MSPB, is an independent investigator and prosecutor empowered to

- investigate and prosecute individuals involved in prohibited political activities, including Hatch Act violations and prohibited personnel practices;
- investigate charges of reprisal actions against employees for lawful disclosure of information related to violations of law (whistleblowing); and
- investigate complaints, if a court finds it warranted, against Federal officials for improperly withholding information requested under the Freedom of Information Act.

The legislative mandate of MSPB and the Special Counsel to adjudicate appeals, review whistleblowing cases, and take disciplinary actions against officials engaging in prohibited personnel practices is expected to improve the system's ability to protect employees' rights and to assure that decisions and actions are impartial. Although MSPB and the Special Counsel's powers are greater in these areas of responsibility

than those CSC had, the new organization's strengths depend, to a large degree, on their staffing, resources, and actual independence.

Office of Personnel Management

OPM, the primary agency for the President to carry out his responsibilities for Federal work force management, develops personnel policies governing civilian employment in executive branch agencies and in certain agencies of the legislative and judicial branches. OPM is supposed to provide leadership and assistance to Federal agencies in carrying out these policies. Many former CSC responsibilities are among its functions, including central staffing operations, personnel investigations, program evaluation, executive development, and training. OPM administers Federal employee retirement and insurance programs and exercises management leadership in labor relations, affirmative action, and employee utilization.

Changes of reform and reorganization will give OPM primarily a policy and service rather than an operational role with other agencies. OPM does, however, issue regulations and approve certain agency policies--such as their performance appraisal systems. OPM is also required to provide technical assistance and consultative services to agencies with the goal of improving work force management, productivity, and the quality of working life; use research and demonstration projects to develop creative personnel management policies; and set a proper balance among maintaining merit principles, protecting employee rights, and enhancing the authority of managers to effectively use their human resources.

Federal Labor Relations Authority

FLRA is an independent establishment in the executive branch. It assumed the functions of the Federal Labor Relations Council and the Assistant Secretary of Labor for Labor Management Relations (except standard of conduct for labor organizations) under Executive Order No. 11491, as amended. These include deciding negotiability appeals, exceptions to arbitration awards, and investigating and deciding unfair labor practice complaints. The Federal Service Impasses Panel remained a distinct organizational entity within FLRA. The FLRA General Counsel is to investigate alleged unfair labor practices, make final decisions on unfair labor practice complaints, and prosecute such complaints before FLRA.

REFORM ACT CHANGES

The following areas were changed as a result of the Reform Act

- merit system principles and prohibited personnel practices,
- protection of employee rights,
- adverse action and appeal rights,
- performance appraisal systems,
- delegation of personnel authority,
- public management research, and
- intergovernmental personnel programs.

A Senior Executive Service for Federal executives and a merit pay system for mid-level managers and supervisors (GS-13 to GS-15) were also established. Below is a summary of changes brought about by reform and reorganization.

Equal Employment Opportunity

Reorganization and reform changed the roles of those who implemented Federal equal employment opportunity policies. There is an emphasis in OPM's equal employment opportunity program on innovative selection techniques and improving upward mobility programs. EEOC handles affirmative action plans and equal employment opportunity enforcement functions.

Senior Executive Service

The Senior Executive Service covers most employees who were in GS-16 to GS-18 positions and many in level IV and V positions of the Executive Schedule. It provides incentives for executives, such as bonus payments and sabbaticals. It also gives agencies more flexibility over the pay and assignments of executives and makes it easier to remove them for unsuccessful performance.

Responsibilities of agencies

The success of civil service reform depends largely on how agencies implement its provisions. The legislation gives agencies and line managers within those agencies increased authority over management of their own personnel--particularly in the areas of merit pay, removals, reassignments, and

executive pay and development. It also establishes new criteria for performance appraisals which require agencies to establish systems with preset performance standards and increased supervisor-employee communications. Agencies are to use these appraisals as a basis for merit pay, reassignments, removals, and demotions. Agencies must therefore make unprecedented adjustments, which could create difficult problems.

NEW CONCERNS

Civil service reform responds to a perceived need to give agencies more flexibility over their own employees and managers more responsibility for personnel functions. It recognizes that personnel management is an important part of program management. But, it also brings with it new concerns that include the extent of compliance with merit system principles and protection of employee rights; how merit system violations are dealt with; the effect of bilateralism in labor relations; the interrelationship of the new personnel organizations; the effects of changing from a bipartisan commission (CSC) to a single director of personnel; the amount of independence and authority of MSPB and FLRA and the adequacy of resources available to them; the extent to which merit pay is implemented to reward the most deserving employees, contribute to agency objectives, and avoid abuse; the effects on quality of managers; the adequacy and application of performance appraisals; the effects of increased agency flexibility on employees; and the credibility of the new system with employees and the public.

CHAPTER 3

PROBLEMS AND COSTS OF RETIREMENT

POLICIES AND PRACTICES

Federal retirement programs are a patchwork of inconsistent systems. The Government has 12 separate retirement systems for various groups of employees. In addition, a number of Federal organizations, such as Federal Reserve banks, have their own retirement systems, and some employees participate in non-Federal retirement systems. Certain Federal employee groups also receive social security coverage. In fiscal year 1978 (the most recent data available), the three largest systems--civil service, uniformed services, and foreign service--covered more than 5 million employees and made annuity payments totaling about \$20 billion.

MAJOR ISSUES

Two of the major issues concerning Federal retirement programs, cost and inconsistent policies, are discussed below.

Cost

Retirement costs and Federal payments to retirement funds are increasing sharply. Annuity payments from the civil service system increased 279 percent from fiscal year 1970 to fiscal year 1978 (\$10.6 billion in 1978). Federal payments to the retirement fund increased about 400 percent over the same period (\$11.1 billion in 1978). The other systems had a similar relative growth.

The major Federal retirement systems are severely underfunded. Reported unfunded liabilities (future obligations less future receipts and fund balances) are now around \$350 billion. For the civil service retirement program system alone, the unfunded liability grew by 240 percent (to a total of \$180 billion) from fiscal year 1970 to fiscal year 1978. This large unfunded liability is the result of not funding the costs accruing under some systems and less than full funding of the costs accruing under others. The Government's largest retirement system (uniformed services), for example, does not fund liabilities as they accrue, while the second largest system (civil service) attempts to do so, but not at full funding.

The Congress does not receive realistic and consistent information on the cost of Federal retirement programs. This lack of information impairs its ability to make sound

fiscal and legislative decisions on establishing, amending, and funding retirement and agency programs. The costs and liabilities of Federal retirement programs are much greater than the procedures currently recognize. Usually, little or no consideration is given to the effect of general pay increases and annuity cost-of-living adjustments on ultimate benefit payments. This results in a considerable understatement of costs accruing each year.

Based on estimates developed by the Office of Management and Budget, unrecognized retirement costs accruing in 1978 amounted to about \$6 billion for the civil service retirement system alone. This amount is estimated to reach \$6.5 billion in 1980. In some Federal retirement programs, such as the uniformed services system, none of the currently accruing cost is recognized and all annuities are on a pay-as-you-go basis.

Ultimately, the Government must pay costs that employee contributions do not cover. When retirement costs are understated, the costs of Government operations and agency programs are also understated. One side effect is the unrecognized subsidy that accrues to Government organizations whose programs are required by law to be financed by the users of their services. Understatement of retirement costs may also result in a tendency to adopt benefits which could jeopardize the affordability of the retirement systems.

Inconsistent policies

The Government has neither an overall retirement policy nor an established standard or method to assess the adequacy of retirement benefits. Similarly, no uniform practices or principles exist for financing Federal retirement systems. Moreover, legislative oversight is diffused in that different committees of the Congress have legislative jurisdiction over the various systems.

Federal retirement systems have developed on an independent, piecemeal basis. For example:

- Each system has its own age and service requirements that employees must meet to become eligible for a retirement annuity.
- The benefits payable at retirement vary from system to system.
- The transfers of service credits between retirement systems are treated inconsistently.

- Each retirement system has differing provisions regarding the amounts reemployed annuitants may receive.
- There are wide variations in the disability and survivor benefit programs of the various systems.
- Social security coverage is provided to employees under some retirement systems. Employees in other systems are prohibited by law from participating in social security through their Federal employment.
- Some systems are financed on a contributory basis and some on a noncontributory basis; some provide for fully funding benefit liabilities as they accrue, some provide for partial funding, and others are completely unfunded.

Consequently, many inequities, inconsistencies, and common problems exist among the systems. Employees are treated differently according to the retirement system that covers them.

Legislative oversight is also extremely diffuse. For 12 of the systems that are clearly federally administered, 11 committees in the House and 10 committees in the Senate could have legislative responsibilities.

Retirement programs are among the more important and costly methods the Government uses to compensate its personnel. The liabilities that accrue under Federal retirement systems represent a sizable financial commitment of the Government. Proper recognition and allocation of these liabilities must occur as they accrue if the cost of Government operations is to be accurately determined.

CHAPTER 4

THE EFFECTS OF FEDERAL PAY PRINCIPLES AND PROCESSES ON THE COST AND EFFECTIVENESS OF CIVILIAN AND MILITARY PERSONNEL

In fiscal year 1980 the Federal budget included a total of \$78.8 billion for direct personnel compensation and benefits for military and civilian personnel on the Federal payroll. About 5 million Federal employees are paid under more than 100 pay systems and schedules. A substantial, but undetermined, amount of Federal funds is also spent for the three or four million more people, excluding foreign nationals whose salaries are paid indirectly through Government contracts, grants, or matching payments for State and local governments.

COMPARABILITY

The Congress has established for most Government pay systems the principle of comparability with pay in the private sector. It has also authorized periodic adjustments to (1) assure equity for Federal employees with their counterparts in the non-Federal sector, (2) enable the Government to compete fairly with other employers for qualified personnel, and (3) provide a logical and factual standard for setting Federal pay.

The Comparability Act of 1970 was enacted to reflect in Federal General Schedule salaries the value the non-Federal sector places on the jobs at bargaining tables and from other pay determination processes, which consider such factors as cost of living, standard of living, productivity, and strength of employees' bargaining positions. Blue-collar pay has been adjusted on the basis of comparability since the 1800s; however, a common Federal wage system covering all Government wage employees in trade, craft, and labor occupations did not take effect until 1968. Before that, each Federal agency was responsible for developing its own wage rates. In 1972 the Federal wage system was established to provide the principles, policies, and processes which previously had been handled administratively.

MILITARY PAY

The military pay system is a complex patchwork of numerous kinds of pay--basic pay allowances for quarters (which is exempt from Federal income tax) and supplemental benefits (including retirement). Some are taxable and some

are not; some are based on need as well as on rank and longevity; and some are provided "in kind" rather than in cash. In compensating according to need, individuals' pay for the same grade varies widely. Military pay is indirectly associated with comparability since the law requires that it be increased by the average increase granted to General Schedule employees.

MAJOR ISSUES

Controversy over Federal pay is intensified by increasingly negative public attitudes characterizing Government employees as overpaid, wasteful, and unproductive. Annual debates over whether Federal employee pay raises should be "capped" and over postal worker pay negotiations seem to reinforce these attitudes. These issues will not be resolved as long as the public, the Government employee, and the Congress are unable to fairly assess pay levels and the pay-setting process against clearly understood and acceptable standards.

The major problems include

- failure of Federal systems to provide equal pay for equal work (within the Federal work force as well as compared to the private sector);
- the lack of fair and competitive pay and benefits for some occupations (the Federal Government overpays or underpays for certain jobs in the labor market);
- the lack of simple, uniform, understandable, rational, and equitable pay-setting processes;
- different pay (and benefits) for similar jobs depending on whether the individual performing the job is a "white-" or "blue-" collar civilian employee, a member of the military, a State or local government employee paid by a Federal grant or contract, a foreign national, or a private individual employed as a Federal consultant or under a service contract;
- the compression of Federal executive salaries to levels far below determinations of comparable salaries;
- indexing military pay raises to the General Schedule adjustments which occur under the comparability process;
- public and congressional criticism of the complexities of the processing of pay, benefits, travel, per

diem, allowances, etc., which lead to expensive errors, inequities, inefficiencies, and opportunities for fraud and abuse (the most recently publicized examples deal with Federal agency overtime pay abuses); and

- problems with the Comparability Act of 1970, including (1) attempts by the President, which have succeeded twice, to bypass the comparability system in 6 of the 9 years it has been in effect, (2) questions over the adequacy of the comparability rates which are chosen, and (3) the fact that only two adjustments under the process have met the legal requirement that they vary by work level.

CHAPTER 5

THE CONTRIBUTION WORK FORCE PLANNING AND SOUND ORGANIZATIONAL STRUCTURE CAN MAKE TO REDUCE THE SIZE AND COST OF GOVERNMENT

Work force planning is the process by which Federal agencies plan the size and composition of their internal work force. This planning is an inherent part of agencies' budget preparation and provides the opportunity to determine the most cost effective way to organize and accomplish their work. Work force planning is becoming an increasingly important issue.

Congressional interest in expanding "Sunset" legislation has increased and determining personnel requirements is an integral part of this process. Further, there is a widespread perception that the Federal Government employs too many people. The mood of the country is clearly to reduce the cost and improve the delivery of Government services.

MAJOR ISSUES

Effective work force planning and sound organizational structure and staffing patterns provide important ways to reduce Government costs by determining the minimum number of people needed to accomplish the work. As a matter of expediency, and other reasons, Government agencies seem to rely on current data (e.g., existing work force size and composition and organizational structure) for estimating their personnel needs. Varying degrees of historical and other substantive data for forecasting workloads and developing work force plans exist in some agencies, and very little, if any, exist in others. Work force requirements appear to be developed by adding to existing work force levels a factor for changes in future workloads plus the expected impact of the budget process on personnel requirements. Work force size and composition are generally not determined according to reasonably sound workload projections and efficient organization and staffing patterns. Agencies tend to retain organization and staffing patterns developed many years ago. The result is often inefficient use of very costly and limited personnel resources, high organizational overhead, and overstated personnel requirements.

The March 22, 1977, House Committee on Government Operations report entitled "Extension of Reorganization Authority of the President" described the problem this way:

"We are living in a period of rapid change which inevitably affects the programs and responsibilities of the Federal Government. Organizational structures should be modified to efficiently carry out the laws which Congress enacts. Functions change, new methods are developed, bureaucratic structures become obsolete, new laws are passed."

The way the Government is organized to accomplish its work has been the subject of continued and intensified study. The focus has been on the need to streamline Government and make it more responsive. Improvements could result from reducing the size of agency overhead and reducing overall personnel requirements or diverting personnel savings to needed day-to-day operating activities, consolidating agency field offices to reduce administrative overhead and achieve economies of scale, reducing one or more of the levels within an organization to reduce overhead and speed up delivery of service, and consolidating like functions among Federal agencies to improve delivery of services and prevent overlap and duplication.

DOD's military support establishment illustrates the magnitude of the organizational problems and represents an opportunity for streamlining. Its pyramidal hierarchy of headquarters and facilities costs over \$60 billion annually. It includes 48 percent of all active duty military personnel, over 90 percent of all Defense civilians, and about 500,000 contract personnel: a total of 2.5 million people. The opportunities for streamlining also appear substantial in Federal civilian agencies.

The extent to which Federal agencies take advantage of advanced technological developments affects work force requirements. The development of electronics and communications systems, managerial effectiveness technologies, work design, and physical environment must enter the equation in determining work force requirements. However, we have seen little sensitivity in this area.

Finally, unless all employees paid with Federal funds are considered in the process, work force requirements cannot be credibly addressed. As discussed in chapter 1, the work force is larger than 2.8 million civilian employees of the executive branch and the Postal Service. Consultants and State and local government employees paid with Federal funds must also be considered.

CHAPTER 6

THE EFFECTIVENESS OF SYSTEMS TO INSURE THE ETHICAL CONDUCT OF FEDERAL OFFICIALS

The public has the right to expect the highest levels of integrity and honesty from its public officials. The proper performance of Government business and reenforcement of the integrity of the Federal decisionmaking process is not compatible with public officials' enriching themselves financially by virtue of their public service. It is the responsibility of and a challenge to the Government to prevent actual conflicts-of-interest as well as the equally corrosive effects of apparent conflicts-of-interest.

HISTORY OF ETHICS LEGISLATION

While corruption in Government has existed since the beginning of the American political system, only in recent years has the Government concerted an effort to control abuses of power and position.

Standards of conduct and requirements for confidential financial disclosure were issued in 1965 for officials and designated employees of the executive branch. In 1977 certain executive branch officials were required to file annual public disclosure statements. In addition, the House and Senate amended their financial disclosure requirements and codes of official conduct to require annual public financial disclosures by members, officers, and certain employees. The Judicial Conference of the United States, in 1969, 1970, and 1973, issued standards of conduct and guidelines for confidential and public disclosure for Federal judges.

In October 1978, the Congress passed, and the President signed, the Ethics in Government Act of 1978. This act established new financial disclosure systems in each branch of Government, and set up supervising ethics offices in each branch.

REMAINING ISSUES

Despite the vast amount of legislation and regulations, continued examination of the problem and systems to combat it are necessary. Improprieties in the establishment, implementation, and execution of Federal programs and activities need to be identified and corrected. Systems need to be established and monitored to insure that ethical conduct is maintained at its highest level. At the present, the governing rules and practices of each of the three branches

of Government vary considerably. This inconsistent mosaic of regulations is underlined by the fact that there are over 68 different statutes concerning financial disclosures and ethical matters.

Recent reports by the news media and public interest groups highlight the need for a thorough examination of the conflict-of-interest and ethical standards for Federal officials. Currently, there is renewed concern and a demand for better and more detailed codes of conduct for elected Federal officials, candidates for public office, and selected high-level Government officials. Widespread unethical conduct and fraud reportedly exist in the General Services Administration. Employees of the Interstate Commerce Commission and several other agencies are under investigation for accepting gifts from the industries they regulate.

Widespread reports of campaign fund excesses, large honorariums, extravagant foreign travel, inadequate disclosure and reporting practices, and financial relationships in conflict with Government interests have aroused public concern. The need for reform is apparent.

There are many unresolved problem areas which cannot be readily solved by Government-wide legislation but must be resolved according to situations that arise from unique agency responsibilities. OPM and its Office of Government Ethics need to take the lead in this effort.

CHAPTER 7

FEDERAL LABOR MANAGEMENT AND EMPLOYEE

RELATIONS POLICIES AND PRACTICES--THEIR

EFFECT ON THE NEEDS OF EMPLOYEES AND MANAGEMENT

AND ON RESPONSIVENESS TO THE PUBLIC

The effectiveness and efficiency of Government operations are influenced increasingly by labor management and employee relations. Collective bargaining in the Federal Government has evolved a great deal since 1962 when President John F. Kennedy established the Federal Labor Management Program by executive order. Since then, the number of nonpostal civilian Federal employees organized into bargaining units has increased from under 25,000 to over 1.2 million, or 59 percent of all nonpostal civilian Federal employees. Bargaining extends to matters which previously were subject only to unilateral management action. Through negotiation and consultation, a broad range of personnel policies and working conditions have come under bilateral decisionmaking. They include the scheduling of work hours, overtime and rest periods; leave administration; safety and health practices; training and promotion policies; and grievance and complaint handling. Pressure to expand these areas is certain to continue.

LABOR MANAGEMENT RELATIONS AND PERSONNEL MANAGEMENT

Because labor management relations exist within the framework of the Federal personnel management system, they cannot be considered in isolation. Labor relations have a vital relationship with the Government's management of its work force and a consequent impact on the cost and effectiveness of Government operations. The Civil Service Reform Act of 1978 and Reorganization Plan No. 2 of 1978 recognize the importance of labor management relations by establishing the independent FLRA.

Labor management and employee relations can and will in future years affect a broad range of personnel management activities. The continued growth of Federal employees organized into bargaining units could have an impact on organizational effectiveness, efficiency, and service to the public. Because of this potential impact, it is important that labor and employee relations policies and practices--encompassing collective bargaining, consultation, employee appeal and grievance systems, etc.--promote relationships that are

constructive and beneficial to the collective interests of employees, the accomplishment of agency missions, and the efficiency of the agency. Labor management and employee relations practices have an appreciable influence on employee morale and productivity.

Numerous other factors demonstrate the significance and potential impact of the labor management and employee relations policies and programs. For example:

- More than 1 million employees are covered by almost 3,000 collective bargaining agreements.
- More than 1,000 arbitration cases have been decided since 1970. Many include an award of backpay to the aggrieved employee.
- The 1970 strike of postal employees revealed that actions of organized Federal employees can have a serious impact on Government operations, the Nation's commerce, and the lives of Americans.
- Numerous "job actions" by various groups of Federal employees, such as air traffic controllers "operating by the book" and backlogging air traffic, have shown the serious consequences and impact that Federal employees can have on the lives of Americans.
- Despite a recent law prohibiting union representation within the military, there is a continued prospect for unionization efforts. It is very likely that the legislation will be challenged on constitutional grounds.
- Federal employee unions have a powerful role in influencing legislation, including strong support of the Hatch Act amendments.

FEDERAL POLICIES

Federal policies governing the relationships between employee organizations and agency management in the executive branch were first established by Executive Order No. 10988 in January 1962 and were recently given a statutory basis under the Civil Service Reform Act of 1978. The Federal Labor Management Relations Program's primary intent is to promote the well-being of employees and the efficient administration of Government by establishing orderly and constructive relationships between employee organizations and management officials. The underlying assumption of the program is that employee-management relations can be improved by providing employees

with an opportunity for greater participation in developing policies and procedures that affect their employment conditions while maintaining the public interest as the paramount consideration.

The future direction and impact of the Federal Labor Management Relations Program are subjects of controversy. A common view, however, is that the Program will gradually move closer to private sector practices. The following changes, should they occur, would have considerable impact on the way the Federal Government operates:

- the expansion of collective bargaining to include wages, fringe benefits, working conditions, classification and job evaluation, and virtually every area of personnel management;
- strikes and other work disruptions, which could have significant impact in terms of (1) interruptions in the flow of Government goods and services and attempts to secure substitute goods and services, (2) third-party settlement costs, and (3) lowered productivity, as well as hidden or immeasurable costs, such as the effect on employee morale;
- the prospect of unionization or some form of organized representation within the military services;
- the use of flexitime, compressed work schedules, and other workhour changes which may radically change the way the Federal Government schedules and manages its work force;
- the increased unionization of professional employees whose interests go beyond working conditions to management policies and practices;
- the political influence that unions exert on the Congress and the possibility of union mergers which raise the image of "big union" pressure on Federal programs; and
- the increased media criticism of Federal employees which may result in greater militarism and strikes and/or job actions.

CHAPTER 8

THE EFFECTIVENESS AND EFFICIENCY OF DEFENSE MANPOWER MANAGEMENT

The active duty military force, with about 2.1 million members, is the largest standing peacetime force in our history. Since 1973 the Department of Defense (DOD) has relied on an All-Volunteer Force. DOD has also moved to a total force policy which includes reliance on the National Guard and Reserves to perform missions at or just after mobilization.

The cost of defense is more than \$100 billion a year, and personnel costs comprise more than half of the DOD budget. It is therefore critical that military manpower be efficiently managed. All aspects of the DOD budget are under close scrutiny--particularly the effectiveness of military manpower. The cost and viability of the All-Volunteer Force, the quality of recruits, the high rate of military manpower turnover resulting in high cost and negative impact on force effectiveness, the effectiveness of military institutional training programs which run over \$6 billion a year, and the viability of the Reserve and National Guard under the total force policy all raise serious questions.

MAJOR ISSUES

The following questions are issues in military personnel management that are continuously focused on.

- Who makes a "good enlisted person?" (Deals chiefly with mental category or high school graduate status of recruits in the All-Volunteer Force.)
- Whom should the National Guard and Reserves be trying to recruit and how should they be doing it? (A critical issue because of the total force policy with increased reliance on Reserve components, which are experiencing shortages.)
- How effective is National Guard and Reserve weekend training?
- What is the manpower effectiveness of the Active Forces, National Guard, and Reserves as assessed by (1) numbers of positions filled with untrained personnel, (2) numbers of trained personnel not working in their skill, (3) staffing, including comparisons of

personnel required, authorized, and assigned, and
(4) internal service evaluations or reports?

- Does DOD have the ability to handle the influx of personnel in the event of mobilization?
- Is the Individual Ready Reserve a viable manpower pool? (This issue became critical when conscription was stopped, enlistment tours were lengthened, and great shortages of enlisted personnel in the pool became evident. At the same time, DOD's reliance on the pool apparently increased.)
- What are the causes and costs of turnover, and what is needed to lessen turnover in the most cost-effective manner?

Some additional concerns include ways to

- improve the cost effectiveness of training given individuals in military units and to make military skill training more cost effective, particularly since DOD intends to emphasize on-the-job training;
- consider management policies and practices from a total force perspective since DOD often imposes DOD-wide solutions to problems which exist in only one service or one element of the force;
- identify changes required to assure successful manpower accession programs in the long run, given the reduced pool of available manpower resources in the future; and
- determine the impact of DOD's special emphasis programs on the military's ability to meet national security objectives.

CHAPTER 9

EFFECTIVENESS OF THE MILITARY JUSTICE SYSTEM

The military is considered a separate community needing its own legal system to maintain discipline over its 2.1 million members. The military justice system includes actions authorized by the Uniform Code of Military Justice, administrative personnel actions, and military confinement facilities. While some laws of this system are similar to civil law, others are quite different. The military has developed customs and traditions it believes necessary for a disciplined force that differ from those of civilian society. Some conduct that may be tolerable in civilian society is illegal in the military. Such illegal conduct includes absence without leave, disrespect toward superiors, malingering, and failing to follow orders. Conviction for such crimes can stigmatize the individual once he or she leaves the service and enters civilian life.

COST

The cost of crime in the military is high. During the 12-month period ended June 30, 1977, there were over 376,000 impositions of military justice--this amounts to 1 incident for every 6 persons in the services. In addition, over 20,000 persons were administratively discharged because of a misconduct record. Cases involving persons absent without leave cost the Government \$250 million annually in lost time. While the cost to administer military justice is unknown, it is estimated that, for the 12 months ended June 1977, over 9,000 staff years were expended to administer the system at a cost of about \$151 million. This estimate does not include the cost of facilities and numerous personnel at the base level who spend only a portion of their time on military justice matters. In addition to such direct costs and costs to build, operate, and maintain confinement facilities, there are many indirect costs that are difficult to measure, including the impact of the system on military readiness. Moreover, many costs can only be judged in terms of personal suffering and tragedy as reflected by the impact of the system on an individual's military career and the stigma of an other than honorable discharge when returned to civilian life.

MILITARY JUSTICE PROCEDURES

The Uniform Code of Military Justice, the statutory source of the military justice system, establishes what conduct is a crime, the various types of military trial and appellate courts, and the rights of an accused. The Manual for Courts-Martial--an Executive order--sets forth basic

procedures for administering military justice. The commanding officer of an individual accused of a crime must normally decide what action should be taken. He may impose no punishment and handle the incident administratively, impose non-judicial punishment, or refer the matter to one of three levels of courts-martial. Punishment authorized for actions under the code include punitive discharges, confinement, reduction in grade, loss of pay, or one of eight other punishments.

Administrative remedies are not specifically set forth in law but have been designed under broad legal authority of the Secretary of Defense and the individual service secretaries. The sanctions consist of (1) administrative discharges for reasons indicating lack of success or (2) non-punitive measures, such as efficiency ratings and reprimands. Under the administrative discharge system, there are 3 types of discharges covering 4 major reasons, 23 subreasons, and over 100 specific reasons. Some have described the administrative process as an efficient and expeditious method for dealing with troublesome service members, but critics contend it is not always in the best interests of the individual or the Nation and does not provide the safeguards available under the code.

PROBLEMS OF MILITARY JUSTICE

There are several problems under the present military justice system. For instance, in fiscal year 1976 a board which reviews administrative discharges upgraded 3,268, or 30 percent of the cases it reviewed, indicating that many were incorrectly imposed. Because of the discretion allowed in applying the nonjudicial or administrative process, execution of similar offenses is often inequitable and nonuniform. This policy does not seem to serve the cause of justice and may result in inequality under the law. The anathema associated with a bad discharge may continue long after the individual leaves the military, affecting his employability as a civilian and his eligibility for veterans benefits. Other problems follow:

- No single organization or individual in DOD or the services has responsibility for the design and management of the military justice system, nor is there any one source that gives an overview of the system and explains its organization within each service.
- A commander can still greatly influence court findings and sentences. This remains a major criticism of the system's fairness. It results primarily from the closed nature of the system and the longstanding

opinion of the military that commanders need control over the justice system to maintain their troops' morale and discipline.

- The court system's organizational structure is the target of reform by various legal associations and the Congress due to perceived inequities. For example, since there are no "standing courts," a court-martial only has jurisdiction when it is convened to handle a specific case. Therefore, there is no one other than the convening authority--the commanding officer who approves the trial of the accused--to perform a number of pretrial duties, several of which are designed to provide protection for the accused.
- Uniformity in sentencing for similar offenses is inconsistent due to the lack of available guidance. Some persons may receive sentences which could stigmatize them once they leave the service, whereas others may not receive any punishment for the same offense.
- Military services generally operate separate confinement facilities and establish their own goals and operating procedures. There is considerable excess confinement capacity. Possibly greater efficiencies could be gained through consolidation of facilities within DOD and use of excess capacity by the Federal Bureau of Prisons. Also, services use different criteria to make pretrial and posttrial confinement decisions.

CHAPTER 10

MORALE, WELFARE, AND RECREATION ACTIVITIES

FOR FEDERAL EMPLOYEES--MAJOR ISSUES

The Government operates thousands of morale, welfare, and recreation activities for its employees. About 98 percent of these activities are operated by DOD for active duty and retired military personnel and their dependents. In addition to the DOD activities, other activities are operated by the Departments of Agriculture, State, and Transportation; the Panama Canal Company and the Canal Zone Government; the U.S. Postal Service; and the National Aeronautics and Space Administration. They annually generate about \$10 billion in revenues. DOD also receives over \$900 million in appropriated funds annually to subsidize these activities.

These activities, often referred to as non-appropriated-fund activities, cover many services, ranging from military and civilian commissaries to social clubs and dining services. Their purpose is to attract and retain desirable employees and to maintain employee morale and effectiveness at acceptable levels. They are highly valued by the military community, primarily because of the substantial economic benefit they provide.

Morale, welfare, and recreation activities receive considerable indirect financial subsidies. The Supreme Court ruled that these activities, other than private associations, are Federal instrumentalities and are therefore exempt from income, personal and real property taxes, and sales and excise taxes on the goods and services they provide. This provides the activities, in effect, with millions of dollars of additional subsidies in the form of "lost" Federal, State, and local taxes. Because most of these activities are located on federally controlled property, they avoid substantial real property investments by using Government furnished land and buildings. Services, such as sewage, trash, and snow removal; some utilities; and grounds and building maintenance are provided for the land and buildings.

The main issue is: who should be paying for the operation of the activities and how much? Thus far, funding has been largely a political issue. Some have argued that providing appropriated funds to operate these activities is unjustified and ineffective as a means of acquiring and retaining an adequate military and civilian work force. A long-term effort designed to provide better guidelines was

completed recently in DOD. Despite the years of effort, the resulting guidelines were no better than before and did not fully consider all pertinent factors.

Government support for morale, welfare, and recreation activities was, for a long time, considered in determining pay increases for military personnel. Now that military pay increases are linked to increases in Federal civilian pay, this is no longer true. Nevertheless, the tangible economic value of these activities to their patrons remains an integral part of the military compensation package and hinders military pay reform.

CHAPTER 11

OTHER ISSUES

Ten additional issues in the Federal pay and personnel area are discussed below.

ARE THE FEDERAL INSURANCE PROGRAMS RATIONALLY DESIGNED AND EQUITABLY FUNDED?

Government personnel insurance and related programs involve a large amount of funds. In 1978 the Federal Employees Group Life Insurance program had receipts of \$915 million and payments of \$462 million, the Federal Employees Health Benefits program had receipts of \$3.2 billion and payments of \$3.0 billion, and the workers compensation program paid benefits that amounted to \$626 million. These programs are beset by the following problems:

- The Government does not have single standard health and life insurance programs for its personnel. Over 75 separate health insurance plans are available to civilian employees, and their benefits vary considerably. Military personnel are covered by a separate health program. In addition, military and civilian personnel are provided different life insurance plans. These plans vary in coverage amounts, premium sharing ratios between the Government and the employees, and postretirement benefits. In view of this myriad of insurance programs, there is no assurance that employees receive maximum benefits for the costs they incurred or that they are being treated equitably.
- The life insurance carrier is allowed to hold \$50 million in Federal funds as a contingency reserve. The carrier has never had to use any of the reserve since the contract requires the Government to reimburse the carrier for all claims paid in good faith. The carrier's retention of the funds appears unjustified.
- Costs and caseloads are burgeoning under the workers compensation program. Members of Congress, agency officials, injured employees, and the press have criticized the program. From all indications, the program is replete with administrative and design problems.

DO FEDERAL LEAVE POLICIES FULFILL
MANAGEMENT AND EMPLOYEE NEEDS AND
ARE THEY BEING ADMINISTERED PROPERLY,
CONSISTENTLY, AND EQUITABLY?

Federal employees receive pay for certain authorized absences from work during their regularly scheduled working hours. Paid absences include holidays, annual leave, sick leave, administrative leave, and other leave such as military leave and court leave.

Paid absences of Federal civilian employees in 1977 cost about \$7 billion--about 15 percent of basic pay. On the average, employees receive pay for 38.6 days of absences--19.8 days of annual leave, 9.3 days of sick leave, 1.4 days of administrative leave, and 8.1 holidays. Similar data on military members' pay absences is not available, but informed sources estimate that military time not worked and its associated costs would approximate that of civilians.

Paid absences constitute a large part of the Federal payroll. With billions of dollars being spent annually for paid absences averaging almost 2 months per employee, it is important that the guiding policies continue to satisfy the needs of management and employees and that employing agencies properly execute those policies to achieve their intended results.

ARE EXPENDITURES FOR TRAVEL, PER
DIEM, AND MISCELLANEOUS ALLOWANCES
EQUITABLE TO EMPLOYEES, TAXPAYERS,
AND THE GOVERNMENT?

Expenses such as travel, extraordinary costs, and incentives associated with overseas duty and change-of-station costs, for which employees are not compensated through regular pay, are estimated to cost at least \$4 billion annually. Several problems have arisen in this area.

Cases of questionable travel surface with enough regularity to provide a steady source of news stories and reinforce the idea that many Government employees are squandering public funds. There are indications of increasing outright fraudulent travel claims submitted by employees. Despite longstanding and ever-increasing restrictions on travel, there is substantial room for improvement in eliminating unnecessary or marginal trips without reducing travel that is essential for meeting agency responsibilities.

Greater equity among the numerous allowance systems and entitlements is also needed. Several agencies are involved

in making policies and setting rates. As a result, employees working and living in similar circumstances may benefit much differently from the allowances that are available. The very need for some entitlements should also be evaluated.

HOW CAN THE INTEGRITY AND
ECONOMY OF MILITARY PERSONNEL
RECRUITING BE IMPROVED?

Reports appear continuously in the news media of fraudulent practices in military recruiting programs. The Marine Corps recently conducted a broad study of its program after reports of widespread fraud and abuse in the Ohio recruiting area. The results, which were presented at special congressional hearings, showed a need for numerous changes for providing more control over recruiting practices.

Because of recruiting shortfalls in the Reserves and expected problems later in the Active Forces, both the Congress and DOD are looking for new incentives to obtain the number of recruits needed to maintain their end strengths. Whether these incentives take the form of higher bonuses or educational scholarships, the costs of recruiting will increase significantly over the next few years.

ARE CURRENT POLICIES AND PRACTICES
ASSURING MAXIMUM USE OF TRAINING
PROVIDED TO MILITARY AND CIVILIAN
PERSONNEL?

Even though the Government may recruit "best qualified" individuals, agencies must train those persons to perform specific types of work effectively and efficiently and provide opportunities enabling them to develop the ability to assume greater responsibilities. The Government's investment may be wasted unless employees make extensive use of the training provided.

Little information exists on tangible benefits realized from the Government's investment in training; however, many cases have been reported of military personnel who were not assigned to duties requiring the skills they acquired through training. Many civilians complain that they are not used in types of work for which they have become qualified.

ARE THE CURRENT JOB EVALUATION SYSTEMS
EQUITABLE TO FEDERAL EMPLOYEES, THE
GOVERNMENT, AND TAXPAYERS?

Proper position classification is a key to achieving and maintaining the objectives of comparability of pay with

the private sector and equal pay for jobs requiring equal duties and qualifications. Classification errors and reorganization have caused many problems for the Federal Government. Improper classification adversely affects employee morale, the Government's competitive posture, and the integrity of the classification and pay systems. If Federal jobs are overgraded, it can result in unjustifiably higher Federal salaries. The average grade has increased over 50 percent since the existing structure was enacted in 1949--from GS-5.25 to GS-8.2 in 1979. Even small increases in the average grade level cause tremendous increases in Government costs.

Several actions have been taken to insure that misclassified employees will not be affected adversely by misclassification. The President stated that no employee would be hurt by the reorganization. The Civil Service Reform Act has permanent save-grade/save-pay provisions. Certain agencies have been granted authority to delay all downgradings from either reorganization or misclassification through March 1980. As part of this moratorium on downgradings, the administration's guidelines provide that the agencies have an aggressive placement program for misclassified employees.

ARE EFFECTIVE SYSTEMS IN PLACE THAT
MAXIMIZE USE OF PERSONNEL THROUGH
SKILL AND JOB REQUIREMENT MATCHING?

Public perceptions of the Government worker have become increasingly negative. The bureaucracy is seen as ineffective and unresponsive, with poor matching of personnel skills with job requirements contributing to its problems. The Government needs to study the possibility of making better use of personnel by matching abilities more closely to job requirements.

HOW COST EFFECTIVE ARE
EMPLOYEE ASSISTANCE PROGRAMS?

By providing appropriate assistance to Federal employees who need it, the Government may not only prevent them from becoming a burden on society but also benefit through the contribution of their restored skills and productivity. Programs to place employees displaced by reorganization into other jobs, hire handicapped persons, and help employees with alcohol and drug problems are efforts in this area. Questions are raised as to whether assistance programs such as these are effective in relation to their costs.

HOW MUCH IS IT COSTING IN MONEY
AND EFFECTIVENESS TO CONTINUE
INFLEXIBLE PERSONNEL CEILING
CONTROLS?

There is general agreement that civilian employment must be controlled, but opinions differ about the effectiveness of control techniques. The Federal work force should be no larger than needed to do the work required to accomplish authorized programs and functions. Funding or program limitations seem to be effective ways to control the number of persons an agency can employ. However, additional controls imposed by personnel ceilings deprive an agency of management options for accomplishing essential work through the most effective, efficient, and economic use of the most appropriate type of manpower in specific circumstances.

Excessive emphasis on limiting the number of persons on the Federal payroll may obscure the reality that the Government incurs the cost of getting essential work done regardless of the type of manpower used. Yet the Civil Service Reform Act has imposed a statutory ceiling on civilian employment in the executive branch.

ARE THE PROMOTION POLICIES AND SYSTEMS
NOT COVERED BY CIVIL SERVICE REFORM
LEGISLATION CONSISTENT AND EQUITABLE
IN THE FEDERAL BUREAUCRACY?

There seems to be perception among some Federal workers that promotions are based on factors other than merit. This perception can seriously undermine the motivation and striving for excellence that are critical to effective work performance.

Civil service reform legislation provides that promotions be based on performance appraisals, which judge employees against pre-set performance standards. It is yet to be seen whether agencies will recognize and reward employees on the basis of their performance. The Director, Office of Personnel Management, has authority to delegate this and other personnel management functions to the heads of agencies.



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