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STUDY BY THE STAFF OF THE U.S.

General Accounting Office

Management And Compensation Of Military And Civilian Federal Work Forces: Issues For Planning

Federal personnel costs continue to rise--estimated to reach \$125 billion in fiscal year 1981 for civilian, military, and postal personnel--and the need for more efficient and effective management of people becomes more pressing.

Effective personnel management is the key to achieving any agency's mission. Personnel management must not be viewed as an end in itself, but as a means to better program management. A fundamental philosophy of the Civil Service Reform Act is that all personnel functions be tied to achieving the agency's mission and that managers be held accountable for their performance and that of their subordinates in achieving agency goals.

This study identifies current and emerging issues related to managing and compensating the Federal work force and represents the perspective used in organizing GAO audit efforts in this area.



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FOREWORD

Federal employees, both military and civilian, deal with an extremely wide range of issues, programs, and activities which touch the lives of every citizen. Over the past decade, the number and complexity of Government programs have increased dramatically, while at the same time the number of Federal employees has slightly decreased. Whether these trends continue is open to debate, but one thing seems certain; in the future all Government program managers will be under continuous pressure to produce more with fewer resources. This means that program managers will also have to become more effective personnel managers.

This study identifies and describes what we believe are the critical personnel issues facing Federal managers over the next several years. It was originally prepared as an internal guide to focus our work in dealing with Federal personnel management and compensation issues. Our work in the military area will be directed to evaluations that address:

- How military manpower mobilization policies, procedures, and practices can be improved to insure that the quality and quantity of trained people are available in the event of an emergency.
- What changes are needed in armed forces training, assignment, and utilization policies and practices to assure better use of those people already in the services.
- What can be done to attract and retain the desired quality and quantity of people needed in the services.
- How military compensation systems can be improved.
- How military support activities affecting the quality of military life can be better managed, and how they can be improved to assure that they are equitably distributed and contribute to accomplishing the military mission.

In the civilian area our work will be directed to evaluations that address:

- What can be done to better assure the effective use of work force planning.
- How staffing systems can be made more responsive, efficient, and cost effective.
- How training and development programs can be improved and used more effectively.

- Whether performance appraisal systems can be used to make equitable personnel decisions, including pay decisions.
- What impact labor relations programs and other employer/employee relationships have on organizational performance.
- Whether the Government's programs to insure ethical conduct of its employees are adequate.
- Whether civilian employee compensation is comparable to compensation packages in the private and non-Federal public sectors.
- Whether the new Federal personnel management agencies are successfully carrying out their missions.
- How the Government's systems for performing personnel management research can be improved.

We hope that others will find this study helpful and that it will foster a better understanding of Federal personnel management issues. The study was developed by the Federal Personnel and Compensation Division with the cooperation of and input from other GAO divisions and offices.

Questions regarding the study should be directed to Mr. Jim Johnson, Issue Area Planning Coordinator, by calling (202) 275-5918.

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C o n t e n t s

		<u>Page</u>
FOREWARD		
CHAPTER		
1	OVERVIEW OF THE FEDERAL PERSONNEL MANAGEMENT AND COMPENSATION ISSUE AREA	1
	Why Federal personnel management is a GAO issue?	1
	Goals of this program plan	2
	Outlook for the future	5
2	MILITARY PERSONNEL MANAGEMENT--AN AREA OF CONCERN	9
	Why military personnel management is an area of concern?	9
	Military personnel management lines of effort	12
3	MANAGING THE CIVILIAN WORK FORCE--AN AREA OF CONCERN	22
	Why managing the civilian work force is an area of concern?	22
	Civilian personnel management lines of effort	26
APPENDIX		
I	Summary of results of the 1979-1980 work plan	46
II	GAO reports issued that cite personnel management and compensation as a secondary issue area	102
III	Other agency evaluations in the civilian personnel management area	104
IV	The size and cost of the federally paid work force	109

ABBREVIATIONS

DOD	Department of Defense
EEOC	Equal Employment Opportunity Commission
FLRA	Federal Labor Relations Authority
FPCD	Federal Personnel and Compensation Division
GAO	General Accounting Office
GSA	General Services Administration
HRD	Human Resources Division
MSPB	Merit System Protection Board
MWR	morale, welfare, and recreation
OMB	Office of Management and Budget
OPM	Office of Personnel Management
SES	Senior Executive Service

CHAPTER 1

OVERVIEW OF THE FEDERAL PERSONNEL MANAGEMENT

AND COMPENSATION ISSUE AREA

--Are Federal civilian and military agencies achieving their missions efficiently and effectively?

--Are programs authorized by the Congress and paid for by the taxpayers being administered in such a way to achieve the desired results at the lowest possible cost?

The Congress, the Administration, and the public are concerned about these basic questions regardless of the program or agency involved.

The Federal personnel management and compensation issue area deals with how the people who run the agencies, manage the programs, and deliver public services are hired, managed, paid, held accountable, and otherwise motivated to do the best job possible. The central objective of this issue area is to assure that the military and civilian work forces are managed in a way which maximizes effectiveness, minimizes cost, and insures equity.

WHY FEDERAL PERSONNEL MANAGEMENT IS A GAO ISSUE AREA

The size, cost, and effectiveness of the federally paid work force affects all Americans as well as many other people throughout the world. It is impossible to address the effectiveness and efficiency of Government programs without recognizing the role of people who run them. (See app. IV.)

If the United States is to achieve its national goals it must have the kind of personnel management in Government that fully taps the creative and productive capacity of the work force. It must also assure that human resources in Government are being used efficiently and economically.

Congressional interest in Federal personnel management and compensation

A marked increase in congressional attention to personnel management matters has occurred during the past 18 to 24 months. On the civilian side, the increased interest was initially sparked by the President's Personnel Management Project which led to enactment, on October 13, 1978, of the Civil Service Reform Act. For the military, the questions about the All-Volunteer Force no longer focus just on cost, but on the force's overall effectiveness regarding national defense.

This interest can be seen in the increased number of congressional requests we have received. During the past 18 months, 48 percent of our assignments have been congressionally requested, and numerous other self-initiated assignments have received specific congressional attention. During this period we testified on 22 different occasions on subjects ranging from Selective Service to labor management relations in the Federal Government. In addition to formal appearances, we have maintained continuous contact with key committee staff members and have, on several occasions, developed questions and done analyses for committees' use in discussions with executive branch witnesses.

The close working relationship between GAO and committee staff members results in a two-way flow of information, and committee staff members have been an important resource in developing our program plan. We have provided various congressional staff members with overview briefings on our work and have solicited their comments on ongoing and planned work; attended appropriation and oversight hearings; and have kept track of articles in the Congressional Record, various letters, and other material on issues being raised by the Congress. In addition, assignment managers regularly talked with congressional staffs involved in their areas of responsibility.

Perhaps the most important civilian personnel legislation we see on the horizon concerns (1) pay and retirement system reform, (2) reforms in the way the Government uses consultants, and (3) legislation to reduce the cost of Government services by increasing productivity of Federal employees. On the military side, it appears that additional legislation will be introduced aimed at solving the Armed Forces' recruitment, retention, and training problems. Additional incentives may take the form of increased pay and benefits--across-the-board and/or selective--and improved career opportunities.

GOALS OF THIS PROGRAM PLAN

In planning our work in the personnel management issue area we hope to achieve our objectives of maximizing work force effectiveness, minimizing cost, and insuring equitable treatment, by:

- Integrating assignment planning and implementation by looking at how the central personnel management activities (compensation, performance appraisal, work force planning, etc.) support each other to improve Government services.
- Coordinating personnel management issues with other issues of concern to GAO by identifying common problems and avoiding overlap.
- Evaluating the extent and adequacy of the monitoring and oversight performed by others, including the Office of

Personnel Management (OPM), encouraging improvements where necessary, and using the results of their work where to do so would be consistent with GAO's responsibility for providing independent analysis.

In looking at the personnel management issues for the next 18 to 24 months, we gave increasing attention to how personnel management issues interrelate. The more efforts are focused on integrated approaches to solving problems, the more the chances are of finding innovative solutions.

In the past, the Federal Government viewed personnel management functions as distinct tasks that "must be done," but not as significant factors in achieving program goals. Civil Service Reform intended to change this for the civilian work force by making it easier for managers to use selection, retention, promotion, demotion, removal, and performance appraisal as a part of their management systems. In many cases pay could also be included in these systems.

GAO reports and testimony supported this philosophy. Now that the concept has been adopted by the executive branch, Federal personnel management systems should reflect this change. Adoption of this philosophy, however, is by no means final. Most work is yet to be done through agencies' implementation of the act. We will now refocus our civilian personnel efforts on how well the executive branch uses the new reform tools to improve service delivery.

A more integrated approach can also be helpful on the military side. For example, we can improve the way we look at pay and benefits as they interact with recruitment, retention, and other management issues. With this plan we intend to focus on how all aspects of the military pay and other parts of the personnel system relate to one another.

Components of personnel management--work force planning, pay and benefits, training and development, performance appraisal, etc.--are similar for both civilian and military personnel; however, the personnel problems facing civilian and military agencies, their employment philosophy, and their personnel management systems are vastly different. For example, the Director, OPM, recently testified that civilian agencies have at least 10 qualified applicants for every available job; whereas, in recent years, the military has faced chronic shortages of qualified personnel. Further, the military personnel management system is essentially closed, with a paternalistic approach to personnel management; the civilian system is more open. While the civilian personnel management system deals with employees' lives primarily during work hours, the military system deals with nearly every aspect of the person's life. Also, the military has a primary mission--to provide for the security and defense of the United States; whereas civilian agencies have a multitude of widely divergent and sometimes conflicting missions.

Because of these differences in the personnel management systems we have divided this study into military and civilian areas of concern.

Effective personnel management cannot be viewed as an end in itself, but rather as a means to better program management. The Federal personnel management and compensation issue area is related to almost all other GAO issue areas. The satisfactory achievement of any agency's mission depends largely on how well the (1) mission is defined, (2) agency is organized, and (3) people are trained and managed. Has the agency adequately determined what needs to be done? Has the agency effectively planned the use of its work force? Are its people properly trained, developed, and motivated? Have its recruiting and staffing programs been effective? The answers to these and other personnel management questions are important, regardless of the kind of program (automated data processing, law enforcement, crime prevention, military readiness, etc.).

The changing civil service environment will require us to extend our evaluations of the effectiveness of a personnel policy or function to an analysis of how a personnel policy or function affects the achievement of an agency's mission. The Civil Service Reform Act of 1978 fundamentally changed the way Federal employees are managed. Its basic philosophy is that managers must be free to manage and must be held accountable for results. This philosophy requires that all personnel management functions be tied to achieving the agency's mission and that managers be accountable for their performance and that of their subordinates in meeting the agency's goals. This means that GAO's reviews must take into account organizational performance and tie that performance to the personnel management system.

While the Federal personnel management and compensation issue area is related to almost all other issues of concern to GAO, it has a special relationship with the following:

- Intergovernmental policies and fiscal relations. State and local governments receive up to \$46 billion annually in Federal grant funds. Those receiving grant funds must meet OPM-administered Federal Standards for Merit System of Personnel Administration. In addition, the Intergovernmental Personnel Act of 1970 provides financial assistance to State and local governments to improve their personnel management systems.
- Military readiness, mobilization planning, and civil preparedness. There is a close relationship between evaluating the life-cycle functions of manpower and personnel and the concern for the readiness of military units.
- Administration of nondiscrimination and equal opportunity programs. Equal employment opportunity (EEO) is an integral

part of personnel management, and much of our work necessarily involves the EEO implications of personnel management practices and decisions, particularly in areas such as staffing, training and development, and performance appraisal.

--National productivity. Effective personnel management is a key ingredient in improving the productivity of the Federal work force. As such, we are concerned with (1) the manner in which the Federal Government is organized to achieve productivity improvement and (2) the effectiveness of Federal efforts directed specifically at improving the productivity of its work force.

OUTLOOK FOR THE FUTURE

What is the outlook and what are the challenges for the 1980s? Few would disagree with the assertion that we are entering the 1980s with public confidence in the ability of Government to resolve problems at a low level. One can expect to see significant forces for change at work in the public service and in the environment in which it functions. While no definite conclusions about that environment can be made at this time, certain trends which will help mold it can be seen and their implications for public personnel management assessed. A few are discussed below.

The evolving role of public service

The role that the public service will assume during this decade has had its roots in the 1960s and 1970s. During these two decades we have seen the development of the Government's role within American society. The scope and complexity of the problems that emerged during this period and the resulting demand for solutions have been the principal force behind this expansion of the public sector's role and the growth of the public personnel system. The development of uniform solutions has brought about a centralizing trend in the areas of policy setting and program control while, at the same time, a trend toward decentralizing program administration and delivery has developed.

The realization that each level of government and sector of the economy can make a unique contribution to the solutions has been gaining broad acceptance. Thus, the role of the higher level of government to focus upon determining broad policy and setting program guidelines is being firmly established, while the role of the lower levels of government as the managers of these programs is now a growing reality.

Changing nature of the work force

A number of signs point to a high probability of workplace conflict during this decade as a result of psychological, sociological,

economic, and cultural differences among groups of workers. Pollster Daniel Yankelovic reports that about 75 percent of the work force has been overtaken by a psychology of entitlement--a feeling that they deserve good jobs, a rising standard of living, plus a satisfying work experience. Carnegie Mellon University economist, Arnold Weber, predicts that the 1980s will be a time of increased tension and potential conflict among various groups in the labor force. As women, minorities, handicapped workers, veterans, and others seek special slices of a shrinking pie, the likelihood of a backlash grows. Harvard economist, Richard Freeman, predicts that workers, age 25 to 44, will encounter fierce competition for promotions, coupled with substantial career disappointments.

The larger and older work force will have a serious impact on the retirement and pension systems now in place. Already there are serious questions about the long-term affordability of the Federal retirement programs. Alternatives to retirement may have to be developed to ease the adjustment for many workers.

There are indicators that employees will be more mobile in their career moves and thus less loyal to an agency and its goals. However, there are also some countervailing indicators concerning mobility as the trend toward the two-career family continues and inflation discourages individuals and organizations from making moves.

The need for "white-collar" employees to have a greater opportunity for self-expression with fewer restrictions on their roles as public servants will increase. Management's response to these employees will determine whether "white-collar" unionization continues to grow in the Federal sector as it has in other sectors.

Richard Chapman and Frederic Cleaveland in their study, "Meeting the Needs of Tomorrow's Public Service," ^{1/} conducted for the National Academy of Public Administration, noted that "if classical unionization sweeps the work force or if professional and peer loyalties grew stronger than the larger sense of the public interest," then a decline in the public service ethic can be expected. If this decline occurs, a more innovative and flexible approach to managing programs will be needed.

^{1/}R. Chapman and F. Cleaveland, "Meeting the Needs of Tomorrow's Public Service: Guidelines for Professional Education in Public Administration" (National Academy of Public Administration, Jan. 1973).

Impact of technology

A third trend is the impact of technology on the work force. This impact can be seen clearly in two areas. First, technology has changed the way organizations structure their work; it is becoming more task-oriented and temporary in nature. This will cause a breakdown in existing structures and generate a need for managers with interdisciplinary backgrounds and employees with up-to-date training who are flexible in their work habits.

Second, technology will affect employees' education and training. Paul Armer, Director of Stanford University's Computation Center, noted that graduates of technical programs are becoming progressively obsolete because of the pace with which new technology is being developed. He states that "individuals often become uneducated over time and therefore incompetent at a level at which they once performed adequately." This type of problem caused by the advancement of knowledge will have to be addressed through new training programs if the public service is to maintain its competence.

Emphasis on human resource management

In the coming decade human resource development will become critical for the Government. This is partly due to the emphasis in the Reform Act, but also the trends previously mentioned will push Government in this direction. To achieve the objectives anticipated in the act, agencies will have to integrate their personnel management components into a broader human resource management system. The private sector has recognized this need and moved forward in the 1970s. Federal Government, for the most part, is just getting started.

The Civil Service Reform Act timetable has gotten the Government off to a fast start in the 1980s. The real test, however, is results. These signs should be evident once systems have had a chance to work. This will probably be in the mid-1980s. At that time it should be evident whether the rest of the decade will be devoted to building on changes made under the Reform Act or whether the Government has missed a golden opportunity.

National defense

Whether the All-Volunteer Force is viable in the long run will undoubtedly continue to be debated. The immediate questions, however, focus on how to make the force more closely fill our national security needs. The answers include getting quality people, training them to do the job, and retaining them. This will be particularly critical since it appears that the option of returning to a draft within the next several years seems questionable.

The military now competes for volunteers in the open market of supply and demand, and significant quantity and quality deficits have resulted. Furthermore, due to changing demographics--the decrease in population of the 17- to 21-year-olds--patterns of competition from civilian employers and educational institutions, and likely improvements in the domestic economy, the prospects of the Armed Forces meeting their manpower needs during the 1980s are less promising. Other concerns relate to pay and the quality of life for service personnel, the increased loss of the prime trainers (noncommissioned officers), the increased number of recruits that are married, the disproportionate racial mix of recruits, and the increased number of women recruited.

CHAPTER 2

MILITARY PERSONNEL MANAGEMENT--AN

AREA OF CONCERN

The active duty military force, in recent years has stood at about 2.1 million people. This is the largest peacetime force in our history, but it is also the smallest standing force since the end of World War II. Since 1973, when the draft ended, Defense has relied exclusively on volunteers to staff the Armed Forces. During this period, Defense adopted a "total force" policy which places much heavier reliance on the National Guard and Reserve forces to perform missions at, or just following, mobilization. National Guard and Reserve forces constitute approximately 828,000 people in addition to active duty personnel.

WHY MILITARY PERSONNEL MANAGEMENT IS AN AREA OF CONCERN

To meet national defense needs, the President requested \$158.7 billion in total obligation authority for fiscal year 1981 and \$142.7 billion in outlays. Military personnel costs comprise about \$44.6 billion of this amount. With this size of investment, it is critical that military personnel be efficiently managed. The pressures for more efficient personnel management and increasing personnel effectiveness is expected to continue as defense costs escalate.

The main thrust of our reviews of military personnel management has been, and will continue to be, to enhance national security. That is, all jobs will be designed to (1) promote increased national security and/or (2) result in more economical or efficient operations, but not at the expense of national security.

We believe this perspective is critical now and will continue to be so in the future. The uncertainties of the international situation, the increased possibility of using military force, and the lack of military readiness from a personnel standpoint, all point to the need to continue to focus on national security as the context for increasing personnel management effectiveness.

In our opinion, the major factor causing a lack of personnel effectiveness is that many members in Active and Reserve units cannot or do not perform their required jobs. Major factors behind this are the military's failure to (1) recruit the number and the caliber of people needed and (2) retain firstline enlisted supervisors (enlisted grades E-4 through E-7).

In addition to not recruiting the number and caliber of people the military says it needs, the quality of those recruited has been overstated. According to Defense, the Armed Services Vocational Aptitude Battery--the test currently being used--has been overstating the mental category of 25 to 30 percent of those enlistees characterized as mental category III. Consequently, individuals in the units are not at the expected mental categories. This is becoming critical in light of the everincreasing complexity of today's weapon systems which require relatively more intelligent people.

Although the services can decrease the impact of the declining numbers by critically evaluating their current enlistment standards and lowering them where possible, the biggest increase in unit readiness, in our opinion, will come from attracting and retaining higher caliber enlistees. However, it is also becoming increasingly questionable whether the services will be able to recruit the caliber of people they believe they need. The number of 18-year-old males meeting this criteria has been declining while the competition for these youths from colleges and universities, junior colleges, technical schools, and industry has been increasing.

Firstline, experienced, noncommissioned officers (E-4 through E-7) are leaving the service in large numbers, and this is having a major impact on the skills of junior enlisted people, particularly in the Army. These officers are responsible for providing the training necessary to raise the skills of junior enlistees from the level of apprentice acquired at the training schools to the journey level. The noncommissioned officers, however, have not received the training, resources, or assistance necessary to permit them to perform the training function, nor have they been relieved of other duties which detract from time available for providing on-the-job training.

The problem is more severe in the readiness of the Guard and Reserve Forces. As we have highlighted in various reports, the turnover rate, large numbers of unqualified people, shortage of equipment, inadequate facilities, and the lack of training time are hurting unit readiness. This is critical in view of the Total Force policy adopted by Defense.

Military personnel management deals with the management of "spaces"--the number of people or size of organizations--and with "faces"--the management of people needed to fill the "spaces." As such, it includes the life-cycle functions of work force planning, recruiting, training, developing, assigning, using, promoting or separating, compensating, and retiring military people. These life-cycle functions are defined as:

1. Determining the time-phased personnel requirements each fiscal year. This includes all categories of personnel--military and civilian--and the numbers required by skill level and grade. It encompasses all commands, organizations, headquarters, units, ships, agencies, and activities

worldwide. It identifies the personnel resources needed for new or reorganized units and for new weapon systems.

2. Establishing the time-phased goals for recruiting activities, as well as retention goals with necessary reenlistment controls, and administering the recruiting organizations. This involves selection standards for both entry and occupational categories and encompasses all kinds of personnel.
3. Determining the career force elements of the Total Force (Active military personnel, Reserves, and civilians) and developing and administering the needed personnel management systems and career development programs.
4. Controlling the entire inventory of personnel to include the job assignment of all personnel from entry into the Defense establishment to their separation or retirement. This involves not only establishing the criteria for assignment selection, qualifications, levels of skills, grades, experiences, and the like, but also operating the assignment system.
5. Training, developing, and educating personnel. This involves basic military, advanced skill, and technical training, precommissioning programs, professional military education for the closed military personnel system, and the training of military personnel to manage a large civilian work force.
6. Recommending and administering policies with regard to the use of all categories of personnel. This includes special consideration of minority groups and women.
7. Developing compensation and retirement systems to include pay, allowances, bonuses, benefits, personnel support activities, estate programs, and the like.
8. Developing long-range plans for mobilization; personnel needs; technical, economic, sociological, and demographic trends affecting personnel sources; and force structure evolution; and developing the necessary long-range personnel programs.
9. Performing the personnel programing and budgeting actions required to meet the annual authorization and appropriation cycles of the Congress; and presenting those programs and budgets to officials of Defense, the Office of Management and Budget (OMB), and the Congress.

In addition to our concern with the personnel management life-cycle functions, we also review Defense's stewardship of the activities which support the personnel policies. This includes evaluating whether nonappropriated fund activities, such as commissaries, are being properly managed.

In the past we have reviewed and evaluated the various military personnel management activities--recruiting, training, pay, benefits, etc.--emphasizing the individual activities involved rather than the interrelationships that exist between the activities. By redesigning our lines of effort, we believe that we can more systematically assure that these interrelationships are fully recognized. In keeping with this planning objective, we developed lines of effort to deal with specific problem areas.

MILITARY PERSONNEL MANAGEMENT LINES OF EFFORT

How can manpower mobilization policies, procedures, and practices be improved to insure that the quality and quantity of fully processed, trained people are available in the event of war or national emergency?

The problem

The decision to end the draft and support the armed forces with volunteers has prompted several major changes in the mobilization policies and capabilities of the armed forces. In a period when commitments have been increased and schedules for deployment have been tightened, the all-volunteer policy has caused major reductions in the size of the active forces and corresponding increases in the responsibilities of the Reserves. As a consequence, the units of the Selected Reserve have come to play an important role in mobilization plans. Due to manning level deficits in both the Active and Reserve Forces, significantly decreased warning time available for mobilization, and higher expected casualties, there also has been a corresponding increase in the need for pre-trained personnel in the Individual, Standby, and Retired Reserves. Another variable of critical importance is the Nation's ability to reestablish the draft in order to provide inductees as soon as possible after mobilization.

Although the manpower mobilization system has become increasingly relevant and important to national security, it has been degraded to such an extent that the Nation may not be able to sustain combat operations for an extended time, or even for a short time in a highly intensive conflict.

This line of effort has a high priority because of its critical importance to national security and because of the current debate

within the Congress, the press, and the Administration over Selective Service, registration, and the continuation of the All-Volunteer Force.

Also, the manpower mobilization system is closely related to other efforts dealing with how the services bring and keep people into the military and what policies and procedures are necessary to insure that the existing force is at its optimum.

Issues that need attention

Our reviews of the manpower mobilization system over the past 2 years have identified significant and critical problems which had to be resolved. The receptivity of the executive branch and the Congress to our reports has varied, predominantly because of the sentiment surrounding the debate on the All-Volunteer Force and the emotional reaction to the growing awareness of the need for, and the willingness of, the executive branch and the Congress to deal with the reinstatement of registration.

As a result of the increased public debate about the deficiencies of the manpower mobilization system, and the moving away from the defensive reactions concerning any weaknesses in the current force, we believe the following questions are relevant and need attention:

1. Do the low manning levels in certain components of the Selected Reserve adversely impact effectiveness and mission capabilities?
2. Do the personnel of the Selected Reserve have the education, skills, grades, and experience necessary for effectively meeting their mission responsibilities?
3. Can the manpower assets of the Individual Reserve pools (Individual, Standby, and Retired Reserve) be used effectively to meet the needs of the Active and Selected Reserve units for filler personnel and casualty replacements?
4. Will the systems of the services for absorbing, training, and utilizing personnel from the Selected Reserve, the Individual Reserve pools, and the Selective Service System function effectively upon mobilization?

What changes are needed in the Armed Forces training, assignment, and utilization policies and programs to maximize the effective use of those people in the services?

The problem

The inability and/or unavailability of many members in Active and Reserve units to perform required jobs essential to mission capabilities has emerged in recent years as one of the major manpower problems of the All-Volunteer Force. This situation has resulted from a combination of factors, including:

- The type of training provided and method of presenting it, in view of the diverse people responding to service opportunities and the ever-increasing complexity of military weapons and equipment.
- The loss of skilled noncommissioned officers.
- Budgetary constraints on training programs which result in shortages of personnel, equipment, ammunition, and fuel.
- The lower educational and intelligence levels of recruits.
- The manner in which the services have historically assigned personnel; for example, the assignment of pilots and doctors to desk jobs and the failure to identify onshore assignments for nuclear technicians do not motivate these skilled people to stay in the services.

While the 97th Congress and the new Administration will reemphasize the necessity for a stronger defense in the 1980s, it is doubtful that current manpower policies and programs will provide the numbers of quality personnel necessary for an improved national security. If the services are to provide adequate national security, it will be necessary for them to develop and implement new manpower management policies and programs which will (1) increase the effectiveness of those personnel currently responding to service opportunities and (2) better use skilled personnel.

A problem which we believe will need to receive increased attention is the actual or perceived lack of racial and ethnic representation among service personnel. Several perspectives to this problem need to be investigated. One is that the officer corps and the upper enlisted ranks are disproportionately white, while the lower enlisted grades are disproportionately populated by minorities. This imbalance does not seem to be correcting itself. Another is the perception that minorities do not receive the same career opportunities as nonminorities.

We have allocated a considerable amount of resources to this line of effort because of the importance of the Armed Forces' need to have the required number of personnel appropriately trained and assigned to areas critical to maintaining our national security. In addition, with personnel costs comprising a large percent of the defense budget and the growing concern over controlling the Federal budget, time must be devoted to identifying ways in which military manpower can be efficiently managed while improving the Armed Forces' capabilities.

Issues that need attention

Over the last few years, many of our reviews in the military manpower area have dealt with identifying ways in which the services could improve its manpower management policies and programs within the existing management framework. However, in view of the emerging problems with the All-Volunteer Force, it is doubtful that the manpower policies and programs of the services in the 1980s will provide the numbers and quality of personnel needed to sustain--much less to improve--national security capabilities. Therefore, our reviews will focus on what changes the services can make in their manpower management policies and programs that will help them maintain their national security capabilities without substantially increasing costs. With this in mind, we believe the following questions are relevant and need to be addressed:

1. How can the services be more efficient in dealing with those people with divergent qualities and capabilities currently responding to service opportunities?
2. What career-enhancing opportunities can be provided to personnel with desired critical skills?
3. What actions are needed to reduce or eliminate the perceived or actual problems resulting from the lack of minority representation among service personnel?
4. What changes in manpower allocation procedures, work force composition, the civilian and military mix, and overhead and mission staff ratios can be made to reduce the military work force in specific units?
5. What changes can be made in applying new or improved technologies, particularly in the area of training simulators, to reduce overall training costs?

Another aspect of managing personnel in the services relates to dealing with those individuals who have problems with the military environment. Because we can look across service lines, we are in a unique position to comment on the military justice and discharge

systems and highlight for the Congress and Defense those systems which need to be more efficient and equitable. The diverse views and opinions expressed by the services regarding the administration of military justice and in solving problems--such as revising discharge policies to minimize disparities--demonstrate the need for our independent review. However, in view of our past work in this area and the changes being made or recommended by Defense and the services, we will not be devoting a significant amount of time to it over the next 18 months.

What changes can be made to attract and retain the desired quantity and quality of people needed to staff the Total Force?

The problem

The decision to end the draft for the military forces has had a major impact on national defense capabilities. The military now operates in the open market of supply and demand, and the results have been less than successful. Furthermore, due to changing demographics and patterns of competition from civilian employers and educational institutions, the prospects of the Armed Forces meeting their manpower needs during the 1980s are bleak.

There are three major problem areas: (1) overall shortages of personnel, particularly in the Army National Guard and Reserve; (2) mounting shortages of skilled, senior noncommissioned officers, and, (3) increasing shortages of the bright, quality people needed to staff and maintain sophisticated weapons systems and to provide the leadership necessary to meet the everincreasing complex demands of the forces.

Since the advent of the All-Volunteer Force, the Active Forces generally have been able to recruit the required number of people, yet, sacrifices have been made in desired quality standards. This problem has been compounded by the services' increasing inability to retain experienced noncommissioned officers, particularly those with highly developed skills. The perception that pay and other benefits are inadequate has contributed to the retention problem, but there are other equally important reasons for it, such as lack of job satisfaction; inadequate training; and perceptions concerning quality-of-life factors (housing; travel and rotation policies; family separations; medical care; and other morale, welfare, and recreation activities).

Recent actions by the Congress in passing the Nunn-Warner Amendment are aimed at reversing this trend, but military manpower experts believe that further actions will be needed before the high attrition rate will be slowed measurably.

The National Guard and Reserves have suffered major staffing shortfalls; have been forced to accept, and attempt to retain, markedly lower quality recruits; and have been unsuccessful in retaining adequate numbers of skilled junior noncommissioned officers.

The combined impact of these recruiting and retention problems in the Active, National Guard, and Reserve Forces is a weakness in readiness and in overall national defense capabilities.

This line of effort will receive a considerable amount of resources for several reasons. First and foremost, the problems in the Armed Forces are adversely affecting the national defense. Second, unless constructive changes are made, it is likely that our national defense capabilities will degrade even further. Third, the continuing pressures for reductions in the Federal budget create a unique and difficult environment in which to resolve critical manpower problems. Last, due to the massive size of the defense budget, efforts to identify savings can have very high payoffs.

Issues that need attention

The critical and emerging nature of the recruitment and retention problems in the Armed Forces necessitates a probing and inter-related series of reviews. These will be focused on the changes needed in service policies and procedures to overcome the problems.

The increased awareness that recruitment and retention problems are reflected in the readiness of units to perform their military mission is shown by the issues we hope to address in this line of effort. To make the most significant contribution to national security, the personnel functions, related to recruitment and retention must be viewed as interdependent. Within the context of diminished resources, and the possibility of further reductions, it is unreasonable to assume that the emerging problems can be resolved solely with additional pay and benefits. Further, it is doubtful that more pay and benefits would totally solve the problems of recruitment and retention even if the money were available.

It is clear that the problems will be resolved only if the services are able to modify a wide range of traditional policies and practices to the extent that they are able to attract and retain qualified individuals who presently are not responding to service opportunities. This is not to say that fundamental or revolutionary changes will be advocated; rather, it is to say that we believe there is evidence to support incremental changes which, collectively, could ease or even eliminate the problems. Such evidence would be based on research and actual experience of the Armed Forces in past years; on select experimental programs within certain Armed Forces elements; on programs within other Armed Forces and within industry; and on efforts within non-Defense Federal, State, and local governments.

We believe the following questions are relevant to the recruitment and retention problems and need to be addressed:

1. Why are manpower problems occurring, what are the services doing to resolve them, and what less costly and/or more effective actions could be taken in the future? Can services (1) achieve higher enlistment and retention rates from those persons currently receptive to service opportunities, (2) extend enlistments to quality personnel currently unresponsive to service opportunities, (3) gain acceptable personnel from those groups currently disqualified for service, and (4) retain career personnel with needed critical skills?
2. What are the possible cost savings and more effective alternative policies to using only volunteers--men and women--for the Active Forces, the National Guard and Reserves, the Individual Ready Reserve, and other categories of pretrained personnel?
3. Can military recruiting be made more cost effective by consolidating certain support functions between services and within an individual service?

How can the military compensation system be improved, are pay and benefit policies sound, and are they administered in the most cost-effective manner?

The problem

Unlike civilian salaries and wages, military pay does not have commonly accepted principles (e.g., comparability) upon which it can be objectively set and adjusted. For the past several years annual military pay adjustments have been the same as increases granted to Federal general schedule employees. Although the pay-level relationship between civilian grades and military ranks has never been established, the basis for the annual adjustment has been generally acceptable to military members and the Congress. However, questions have been raised recently concerning (1) the adequacy of the amounts of across-the-board pay raises and (2) whether the across-the-board raises accomplish their intended purpose or whether pay raises should be oriented more toward the career force, the first-term force, or to shortages of people in critical skills.

The adequacy of the total military compensation package is hard to determine because the compensation system is a complex patchwork of numerous kinds of pay, allowances, and supplemental benefits. 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, pay of individuals doing

the same job varies widely. The tax advantage, varying with family size and pay and allowances, further distorts equity. Also, the military has numerous occupations for which there is no civilian counterpart to use as a guide in setting pay. Because of these complexities, the Congress, military personnel, and the public often misinterpret the value and appropriateness of military compensation. What is needed are simple, more rational and consistent policies and practices for setting and adjusting military compensation.

When the draft was ended, the provision of "living wages" for service personnel was thought to be the key factor in supporting the Armed Forces with volunteers. Since then, however, due to the ravages of inflation and budgetary restrictions, service personnel have witnessed significant reductions in their purchasing power.

The less-than-competitive wages currently paid to service personnel is one of the major reasons why the services are experiencing difficulties in recruiting and retaining high quality personnel, particularly those noncommissioned officers with highly developed technical skills. At the same time, however, limited funds for Defense programs also are having severe impacts on Service efforts to design and purchase new weapons systems and to maintain equipment and train personnel.

Issues that need attention

1. Should the military compensation system be fundamentally changed? Is it realistic to expect fundamental changes in the foreseeable future? What education process is needed before changes could be brought about?
2. What changes can be made in the military retirement system to make it more equitable and affordable without degrading the military's ability to accomplish its mission?
3. Are across-the-board changes in service pay and other benefits the most appropriate methods of countering All-Volunteer Force manpower problems?
4. Are service pay and other benefits adequate for the recruitment and retention of desired higher quality personnel?
5. Are the levels and scope of bonuses and other special pays adequate for the changing needs of the services in the areas of critical skill shortages and recruitment/retention of highly specialized volunteers?
6. Are the levels of military compensation and other benefits consistent with publicly-accepted concepts of equity and employer responsibility?

How can the management of military personnel support activities be improved to insure that the quality of life provided military members is equitable and contributes to the accomplishment of the military mission?

The problem

Quality of life is the broad concept which encompasses the degree to which the common human needs of military members and their families are satisfied. The services' quality-of-life programs are a collective body of policies, programs, and activities which fulfill members' needs to foster commitment to service and personnel readiness. Military personnel support activities affecting quality of life include health care, housing, education, travel, recreation, and community life activities (commissaries, exchanges, etc.).

For several years military officials have complained about a "perceived erosion of benefits" which has adversely affected morale and commitment of service members. The perceived erosion of these benefits has also been cited by officials as one of the reasons people are leaving the services. Complaints from military members include the following:

- Inadequate provisions for dependent health care.
- Inability of low-ranking enlisted personnel to find suitable, affordable family housing.
- Education benefits significantly reduced when the GI education program was replaced with a contributory program.
- Inadequate travel allowances for reimbursing military members for travel costs being incurred.
- Poor recreation and community life activities provided at remote and overseas installations.

Services have asserted that quality-of-life activities are essential to attract and retain people. This assertion has never been proven nor disproven. However, our past work has confirmed the problems listed above and disclosed that service members' needs have not been adequately assessed, and resources have not focused on meeting the most urgent needs. Other problems include the need for greater attention to managing these activities. These activities comprise over \$3 billion in appropriated fund cost, and the activities generate nonappropriated fund revenues of \$10 billion. Incidents of fraud and abuse in the club, commissary, and exchange systems are reported with increasing frequency by the news media. Defense reports show that these activities have the second highest rate of

fraud of all Defense functions. Resolving several personnel and funding issues we have reported on in the past and intend to report on again would save more than \$100 million annually.

Issues that need attention

In evaluating the management of the quality-of-life activities, our strategy is aimed at (1) improving the benefit involved without increasing the cost, (2) reducing the cost, either to the Government or the customers, without degrading the benefit, and/or (3) reducing the level of appropriated fund support.

We believe the following questions are relevant and need attention:

1. Accepting the proposition that the quality-of-life activities contribute to improved recruitment and retention, have the services developed a means for assessing the members' needs, prioritizing those needs, and directing resources to meet the most urgent needs?
2. What opportunities exist to increase activity benefits--through better management--without increasing the cost or to reduce costs without degrading benefits?
3. Are the travel policies and allowances--both temporary duty and change-of-station travel--equitable, and are costs effectively controlled?

CHAPTER 3

MANAGING THE CIVILIAN WORK FORCE--AN

AREA OF CONCERN

Total civilian employment in the executive branch, including the Postal Service, as of the end of fiscal year 1980 was about 2,814,300. In addition, there were about 100,000 foreign nationals employed overseas, about 185,000 civilian employees of nonappropriated fund activities around the world, and about 34,100 employees of the legislative and judicial branches. About 88 percent of these people are full-time permanent employees. Compensation and benefit costs for this work force continue to rise steadily. In 1980, personnel costs for civilian employees reached \$81.4 billion, exceeding fiscal year 1979 costs by \$6.9 billion.

The size, cost, and effectiveness of the federally paid civilian work force is determined by (1) the programs it is responsible for and (2) a complex and interrelated series of personnel management processes and factors.

WHY MANAGING THE CIVILIAN WORK FORCE IS AN AREA OF CONCERN

We have designated "managing the civilian work force" as a specific area of concern for three basic reasons:

- The Congress, the Administration, and the public have been increasingly concerned with the size, cost, and productivity of the Federal work force. The public, in particular, often views the Federal worker as an overpaid, underworked bureaucrat, unable to survive in the private sector, and protected by a system in which it is easier to promote than fire an incompetent worker. One of our broad objectives is to determine whether the systems in place adequately deal with individuals who fit this perception.
- Over the next several years as Civil Service Reform initiatives--including possible pay reform--are implemented, we anticipate numerous unforeseen problems that will require evaluation. The entire Federal civil service environment is currently in a state of change, and we must be prepared to contribute to a smooth transition and recommend needed changes.
- In recent years leaders in the fields of public and personnel administration have recognized that the way human resources are maintained and nurtured is the ultimate test of managerial effectiveness. Effective and efficient management of human resources is one of the keys to achieving an organization's goals.

As we assessed our earlier reviews, we observed a need to give more attention to how the various personnel management components interrelate and support one another. Looking at individual system components may often be the most practical approach to our work, but we concluded that we need an overall framework to help us see how all the pieces fit together. In addition to improving the planning and performance of our work, we believe such a framework can help assure that our approach to each job will lead to a common goal-- improved service to the public at the lowest possible cost.

The following overall civilian personnel management framework was developed to cover the full range of work in the Federal personnel management and compensation issue area. It is designed to promote the interaction of related personnel management activities of each component with as little overlap of issues as possible. Structuring a plan which totally eliminates overlap is unrealistic. But this framework will help us identify those situations in which overlap occurs so that we can deal with it during the early stages of job planning.

Work force planning and staffing components

Traditionally, work force planning and staffing is defined as the process by which an organization insures that it has the right number of people, with the right kind of qualifications, at the right places, and at the times when they can be most economically used.

The major questions to address are:

- What work needs to be done?
- What are the numbers and types of people needed to do the work?
- What are the numbers and types of people on board now and expected to be on board during the planning period (e.g., consider attrition)?
- What are the current and future staffing needs to accomplish the work and how should they be obtained?
- What needs to be done to develop sources of supply in areas where there are, or will be, shortages of the right kinds of skills in the labor market.

Management processes, such as organizational structuring, planning, programing, budgeting, and personnel management, are inseparable and should be linked by effective work force planning.

Establishing personnel needs is a process of translating organizational objectives relating to present and future operational plans into what needs to be done and the numbers and types of people required to do the work, and then matching these requirements against existing and future staffing levels.

The work done in this area includes work force and organizational planning, personnel information systems, staffing policies, procedures and strategies, and personnel testing and selection procedures. The problem areas of these two components are included in the following lines of effort:

What can be done to better assure the effective use of work force planning?

How can the Federal Government's systems for staffing be made more responsive, efficient, and cost effective?

Personnel training, development, use, retention, and separation component

Full use of the intelligence, talents, time, and potential of people provides an organization with its most important opportunity for achieving its goals. This component of the personnel management system framework deals with the interrelated functions which affect how people are used and treated once they are employed to assure full productivity.

The lines of effort in this component are focused on problem areas which need to be addressed during this planning period. However, they are not all inclusive of work that GAO may perform in this area. For example, this component would include any work that might be done on (1) employee training programs and whether the programs are helping to achieve organizational goals, (2) career development programs agencies have or should have to insure that the individual employee's full potential is achieved, (3) the use of pay and incentive awards to motivate and retain a quality work force, (4) the use of performance appraisal systems as a basis for personnel decisions on training needs, job assignments, pay, and promotions, and (5) labor management and employee relations, grievances, and collective bargaining practices and how these activities contribute to fair treatment and higher productivity.

Problem areas in this component are included in the following lines of effort:

How can the Federal Government's programs for employee training and development be made more cost effective?

How effective are Federal efforts to develop and apply performance appraisal systems as a basis for personnel decisions including pay and for improved management and accountability?

What impact are changes in labor-management and programs designed to improve employer/employee relationships having on Government performance?

How can the Federal Government insure the ethical conduct of its civilian employees and officials?

Compensation processes and costs component

Organizations often use pay and benefits to achieve (1) high performance, (2) high satisfaction, and (3) low voluntary turnover of their employees. Pay variables controllable by agency management are considered within the component which includes performance appraisal systems. However, in compensating a work force of almost 3 million people, plus over 1 million retirees, the Government must assure that its compensation programs are properly structured, efficiently administered, and equitable to both Federal employees and the Nation's taxpayers. This component includes any work GAO might do on pay and benefits issues over which individual agency managers have no control, such as the annual comparability increase.

The problems related to this component are included in one line of effort:

Is Federal compensation comparable to the non-Federal sector, and is it being administered effectively?

Personnel organizations and other systemwide issues

In addition to the four personnel management components, we are responsible for evaluating how well the central personnel management agencies--OPM, the Merit System Protection Board (MSPB), and the Federal Labor Relations Authority (FLRA)--are carrying out their responsibilities. Activities of these agencies often transcend the personnel management components and, consequently, are not specifically addressed in the lines of effort within these areas.

There are also issues that affect more than one component that we believe merit separate coverage. These include (1) the Federal role in State and local personnel management problems and (2) the increased research and development on personnel management and organizations.

The lines of effort dealing with these problems follow:

Are the Federal personnel agencies successfully fulfilling their new missions and responsibilities?

How do State and local government personnel management problems impact on the efficiency and effectiveness of federally funded programs and what is the appropriate Federal role for improvement?

How can the Federal Government's system for producing personnel management and organizational research be improved?

CIVILIAN PERSONNEL MANAGEMENT LINES OF EFFORT

What can be done to better assure the effective use of work force planning?

The problem

Work force planning is the process by which agencies should (1) determine the optimum number and mix of personnel needed to accomplish their missions and (2) identify the volume and type of personnel actions needed during the budget or program period to obtain, develop, and maintain that needed work force. To be effective this process must not only be used for internal management and control, but must also be an integral part in preparing and reviewing an agency's budget. For the work force planning process to be fully institutionalized it should also be part of the overall human resource management system.

Lacking a sound system, the allocation of resources to respond to changing priorities and budget cuts tends to be arbitrary. Further, the accountability of a manager to meet program and nonprogram objectives (e.g., upward mobility) is uncertain if resources allocated cannot be tied directly to the work to be accomplished.

It is also very important to recognize the relationship between work force planning and organization structure. Without an effective work force planning system, the ramifications of alternative organizational schemes cannot be accurately assessed.

Limited work has shown that most civilian agencies do not have effective means of determining their personnel needs. Further, even where sound planning systems are in place, their products frequently do not influence budget decisions. Some of the reasons for these conditions are (1) the lack of central leadership or incentives to do effective work force planning, (2) problems with methodology (e.g., work measurement), and (3) centrally imposed disincentives (e.g., across-the-board personnel cuts, average grade controls, arbitrary position ceilings).

We have allocated a significant number of resources to this line of effort for several reasons. First, effective work force planning has significant potential for reducing the size and cost of the Federal work force. Second, work force planning is intimately tied into other significant issues being addressed in the Federal personnel management area for which there is high congressional interest. For example, work measurement standards (an integral part of work force planning) not only form the basis for estimating personnel requirements but can also provide part of the foundation for performance appraisals and merit and incentive pay systems. Also, effective work force planning plays a critical role in assessing the opportunities for increasing the use of part-time employees and the opportunity to delegate work to personnel in lower grades.

Issues that need attention

Over the last few years, we have primarily studied military work force planning, generally focusing on work measurement systems. We have been able to help move military agencies to better integrate work force planning into their decisionmaking process, including budget decisions.

On the basis of our military work we learned that integrating sound work force planning into the decisionmaking process requires attacking the problem from a much broader base. We have to demonstrate the need to improve agency work measurement systems and must emphasize the importance of integrating this and other elements of work force planning into the budget process and agencies' other human resource management systems. We also found that strong leadership is needed to give the process the required impetus and to assure better follow through, including evaluation and assessment. Further, there are system disincentives that, unless removed, will continue to discourage work force planning development and implementation.

We have assignments in process, that will address the leadership issue, organizational structure ties, impacts of employment controls on specific personnel planning decisions, the linkage of work force planning systems to the budget process and human resource management systems; problems in methodology, especially work measurement; and guidance for determining work force requirements. In this regard, we believe the following questions and issues need further study:

1. What actions are needed to provide strong leadership and guidance to agencies which use work force planning systems?
2. What can be done to remove disincentives and barriers to work force planning, and what alternatives to these barriers are available for control and accountability?

3. What actions are needed by agencies to institutionalize work force planning systems?
4. What improvements are needed in methodology to simplify the design and implementation of systems and improve their reliability and use?
5. How can agencies better achieve needed organization change to assure best results at the lowest costs?

How can the Federal Government's systems for staffing be made more responsive, efficient, and cost effective?

The problem

Major changes in Federal staffing policies and practices have recently been instituted. The Civil Service Reform Act provided the oasis for restructuring the system by allowing agencies to assume delegated authority for most staffing operations and encouraging managerial involvement in the process. Other changes may still be needed. Both recent and planned improvements emphasize the importance of employing the best possible people in the shortest period of time and at the least cost. The four areas that we see needing attention are recruiting, position classification, examination and selection, and appointments.

The large number of applicants for the few available Federal jobs results in great expense for OPM and the agencies and disappointment and frustration for many applicants. In this environment agencies would normally have to do very little to search for qualified applicants. The Garcia Amendment to the Reform Act, however, mandated a recruiting program for women and minorities to assure equal representation which will require agencies to develop a new recruiting strategy.

Position classification is used to group positions by kind of work, level of difficulty, and qualifications required, to insure equal pay for substantially equal work. As positions become more specialized, classification becomes more difficult. While personnel office position classifiers handle the technical aspects, managers prepare descriptions and design the jobs. A constant problem has been managers' use of overgrading to reward employees. In addition, standards must be kept up to date, especially those involving technology disciplines.

OPM's past examining and selection procedures have not been considered responsive to agency needs in terms of timeliness and the quality of those certified to an agency. A recently completed OPM task force study to improve competitive selection processes is now

being implemented. Agencies are being authorized to test their own applicants to fill certain positions. OPM will still administer tests for occupations which are common to most agencies with large, usually automated and continuous examining workloads; for example, entry-level clerical positions. Shared OPM and agency testing responsibility will be used in some circumstances, such as summer jobs.

Although decentralized testing is expected to overcome some problems, it causes others, such as (1) increased costs to individual agencies for developing and administering their own examinations, (2) the added burden on agencies to validate their examinations--that is, to assure that tests are predictive of performance, and (3) the adverse effect that some tests--particularly written tests--have on minorities, (4) problems faced by applicants in going to many agencies for testing rather than one central agency, and (5) the potential for merit system abuse. OPM has recently encouraged agencies to develop alternative examining procedures where an examination is found to have adverse impact. The question here is whether the alternative selection procedure is of substantially equal validity as the one it replaced and whether it results in equally well-qualified people being hired.

Another emerging issue is the qualifying and selecting of Senior Executive Service (SES) candidates. Criteria development and processes used for accomplishing this will be particularly critical to the success of the SES program.

During the process of making staffing decisions, agencies also consider the type of appointment to be offered. Most competitive appointments are now 3-year career conditional, with a 1-year probationary period. Agencies are, however, increasingly using part-time and temporary appointments; appointments excepted from competitive service (Schedules A, B, and C); and new programs for students, interns, and postgraduate fellows. The Congress has expressed concern about the number and uses of Schedule C appointments and the potential politicization of SES. The increased flexibility agencies have concerning the type of appointment granted solves some problems but increases the potential for abuse and inequities. Regarding the latter, we have already seen substantial differences among agencies in applying their appointment procedures.

A related problem concerns the continued use of employment limitations--personnel ceilings and hiring freezes--by the Congress and the Administration to control the number of people employed by each agency. We have reported in the past that these limitations are barriers to good management and are not cost effective; nevertheless they continue to be used, partly because no good alternatives have been found. As a result, agencies use various methods to circumvent the limitations, using less cost-effective ways of getting needed work done. A primary concern is the use and cost of other than

permanent appointments, such as consultant contracts, to get around the ceilings. Further, limitations discourage managers from structuring positions to make the best use of personnel. For example, managers have no incentive to hire personnel in lower grades to do work now done by professionals in higher grades.

The Congress has been particularly concerned with agencies' use of consultants. The problems include (1) the use of consultants to perform work that should be done by Government employees, (2) the failure to obtain adequate competition in awarding consulting contracts, (3) duplicative consultant studies, and (4) excessive consultant fees. These are caused to some extent by Government agencies lacking the expertise to intelligently acquire, monitor, and evaluate consulting services. An emerging issue is whether agencies with Government-wide management responsibilities and/or a high level of expertise in particular fields could advise and assist other agencies in acquiring and evaluating consultants. This could potentially increase the use of the Government's in-house expertise and minimize agencies' use of consultants.

Because of the possibility of cost savings from more efficient practices, potential abuse of merit principles under delegated authority, and problems with consultants, this area will be one of major interest to the Congress and the Administration.

Issues that need attention

Our strategy in this area is twofold. First, we plan to look at reform changes to see if they are accomplishing what they were intended to do and what impact they are having on the merit system in terms of cost and solving problems.

Second, we plan to look for other changes that may make staffing mechanisms more effective and efficient. This will include looking at the cost implications of using alternatives to full-time permanent employees to do Government work, whether these alternatives are properly used, and whether they are accomplishing the intended results.

We believe the following questions related to staffing issues are of concern and need attention:

1. Are agencies developing new recruiting strategies and are the new strategies having the desired effect?
2. What problems are resulting from the staffing changes and what action is needed to solve them?
3. What are the cost impacts of the staffing changes and what can be done to reduce or offset them?

4. Are the general schedule qualification standards valid and job related?
5. Are agencies' alternative examining and selection procedures cost effective, valid, and resulting in the hiring of the most qualified people?
6. What can be done to overcome system disincentives to use the most cost-efficient means to get the Government's work done (e.g., increasing the use of paraprofessionals)?
7. What can be done to better assure the use of alternative work forces--such as consultants--as intended?
8. What is the impact of hiring freezes on the use and proper management of the Federal work force?

How can the Federal Government's programs for employee training and development be made more cost effective?

The problem

To meet the current and future complex requirements for efficient operations of the Federal Government, agency heads must establish and operate cost-effective programs to develop their employees and to insure that this developmental role is given high priority.

OPM has estimated that the Federal Government spent about \$228 million during fiscal year 1979--the most recent year where figures are available--to train over 500,000 Federal civilian employees. This amount is probably considerably understated. Not included are the participant's salary costs for almost 35 million training hours. This amount can be expected to increase to reflect training in connection with civil service reform changes.

The need for better training management is evidenced by the following:

- Agencies, to varying degrees, do not adequately determine the skills required to respond to technological and program changes.
- Agencies do not effectively use modern technology for learning and for reducing the cost of training.
- The Government's managerial work force displays wide variance in competency because of inadequate Government-wide attention to systematic development of supervisors and managers.

--There is little effective evaluation of training to assure it is cost effective.

The continuing support of top management is also essential to insure that individual agency executive development programs have what is necessary to make them successful. SES was established, in part, on this recognized need to pay more attention to selecting and developing executives who have responsibility for managing Federal agencies.

We have allocated a moderate amount of resources to this line of effort because of (1) the high costs associated with Federal training programs and (2) the very critical role that training and development in accomplishing the Government's work. Many of the actions under the Reform Act call for decentralization of authority and responsibility. Unless those assuming this delegated responsibility are adequately trained, the likelihood of success of reform is reduced.

Issues that need attention

Our strategy is to focus initially on Federal employee training and development programs which have the highest costs and those which offer the greatest potential for interagency sharing of resources and use of new and improved training technology.

We believe the following questions are relevant and should be addressed:

1. How effective is the management of training and how can it be improved?
2. What is being done to measure the benefits of training?
3. What is the total cost of Federal employee training and development, how is it measured, and how can the cost be reduced?
4. What are the objectives of Federal agency programs for training of supervisors, managers, and executives; how can the effectiveness be measured and improved?
5. Does the current training legislation provide adequate guidance to the Federal agencies?

How effective are Federal efforts to develop and apply performance appraisal systems as a basis for personnel decisions, including pay, and for improved management and accountability?

The problem

"Looking for a truly effective performance appraisal system is the same as pursuing the Holy Grail." ^{1/} While this may be true, there is a tremendous need for performance appraisal systems, both in private industry and the Federal service, that work. While both the public and private sectors have been developing, using, and in many cases discarding one performance appraisal system after another, the search goes on. Why? Because management needs a good way to measure the performance of its employees in order to pay, promote, assign, train, and remove them as appropriate. The effective and efficient achievement of program objectives is the overall goal. Billions of dollars in salaries and program costs are at stake.

One of the key elements of the Civil Service Reform Act is to attempt to link the major aspects of personnel management and motivation--pay and other rewards, career development and advancement, and removals--to measurements of employee performance. The act attempts to link employee performance and program results. Implicit in these activities is the need to insure that merit principles prevail and that all personnel actions are free from bias based on sex, race, ethnicity, or other nonemployment-related factors. The National Academy of Public Administration recently stated that:

"* * *performance appraisal--its wise development and introduction, and its application in a just manner--is the keystone to the reforms aimed at improved performance and better administered government programs. The system of rewards engendered in the concept of merit pay cannot be affected without fair, workable performance appraisal. Neither can an equitable and effective system of discipline for poor performance be maintained if performance appraisal becomes a system of punishment." ^{2/}

1/"Statement by the program manager for human resources systems development at General Electric Co.," Business Week (May 19, 1980), p. 153.

2/"Civil Service Reform Implementation: Monitoring and Evaluation," National Academy of Public Administration (April 1980).

The problem facing Federal agencies is that the Civil Service Reform Act sets a tight time table for implementing performance based personnel decisions, including pay. For example:

- An SES designed to attract and retain executives by linking quality performance with pay and retention was required to be in place by October 1979.
- A merit pay system for grades GS-13 to GS-15, designed to improve performance by linking it to pay increases must be operational by October 1981.

The act also provides for bonuses for SES members and large cash awards for merit pay employees. For these and other programs to work, effective performance appraisal systems will need to be developed and implemented quickly.

It is too early to tell exactly how agency performance appraisal processes are working or how valid they are for making the intended pay and other personnel decisions. Early observations reveal potential problems; for example, (1) training in the use of performance appraisal systems does not appear to be sufficient, (2) setting performance standards appears to be getting inadequate attention, (3) some agencies have not involved users in the design of their systems, and (4) many agencies have not prepared definitive plans for evaluating their appraisal systems.

Issues that need attention

We have designed a comprehensive strategy for reviewing performance appraisal systems over the next few years which encompasses

- the soundness of the processes and standards used to develop performance appraisal systems;
- the use of the performance appraisal systems in helping supervisors make equitable and consistent personnel decisions, including pay; and
- the role of performance appraisal in the overall management of human resources.

To stay abreast of implementation efforts and comprehensively examine the full range of designs and uses of performance appraisal systems, we are monitoring implementation activities of OPM and affected agencies, and we have set our review schedule to conform to their actions. Our initial work is focusing on agencies' progress in implementing the SES performance appraisal systems from two perspectives: (1) implementation status and (2) performance appraisal processes being developed. We then plan to look at the validity of

executive performance awards, assignments, training and career development, dismissals, and other personnel decisions. This will give us a comprehensive look at the SES performance appraisal process and its usefulness as a management tool.

The second phase of our strategy is to look at performance appraisal systems for GS-13 to 15 managers and supervisors. Using the performance appraisal work we did in 1977 as a baseline, we also intend, after agencies have some experience with these new performance appraisal systems, to do a before-and-after study in the 10 agencies involved.

Our overall strategy is to take a systematic and comprehensive look at the broad aspects of performance appraisal and its numerous uses to find out what agencies are doing in this area. This will include how agencies have linked management decision processes, such as planning, programming, and budgeting, with performance appraisal and pay. As part of our strategy we hope to help solve the problems identified before they become ingrained and irreversible.

We believe the following questions are important and need to be addressed during the next 18 to 24 months.

1. Are the processes used by Federal agencies to appraise performance and establish accountability sound?
2. Are performance appraisal systems providing an effective basis for making valid and equitable pay and personnel decisions (promotions, training, assignments, and removals)?
3. How well have performance appraisal systems been accepted by users (raters and ratees)?
4. What effects are individual performance appraisal systems having on organizational performance?

What impact are changes in labor management and programs designed to improve employer/employee relationship having on Government performance?

The problem

Increasingly, the effectiveness and efficiency of Government operations are influenced by labor management and employee relationships. Through negotiation and consultation, a broad range of personnel policies and working conditions have come under bilateral decisionmaking: the scheduling of hours of work, overtime, rest periods, leave administration, safety and health practices, training and promotion policies, grievance and complaint handling, and many other matters of concern to employees and management. Pressure to

expand these areas is increasing. In addition, labor management relations and related matters, such as employee rights and protections, are an integral part of the Civil Service Reform Act and Reorganization Plan No. 2 of 1978.

The central element of the formal labor management relations program in the Federal service is collective bargaining. It is a process for resolving conflicts, solving problems, deciding conditions of employment, and promoting common goals of management and organized employees. This process results in written agreements governing work relationships and provides structured arrangements for resolving disagreements and problems as they arise.

The Federal Government also provides special services to meet employee needs, increase productivity, improve overall performance and morale, and provide expanded services to the public. These special and expanding services include day care centers, health recreation activities, drug/alcohol counseling, etc.

Some employer/employee issues may have considerable impact on Federal Government operations:

- Demands for expanding the scope of collective bargaining could encompass virtually every area of personnel management: wages, fringe benefits, working conditions, classification, and job evaluation.
- Strikes and other work disruptions, should they occur, 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 other hidden costs.
- Increased unionization of professional employees whose interests go beyond working conditions to management policies and practices will require significant changes in the way agencies manage.
- Flexitime, compressed work schedules, and other work-hour changes may radically change the way in which the Federal Government schedules and manages its work force.
- Day care centers, health promotion activities, employee assistance programs, and similar special services provided by the Federal Government to meet the needs of employees in order to improve morale and productivity need to be evaluated.

Since the formal labor-management relations program was established by Executive order in 1962, the number of nonpostal Federal

employees organized into bargaining units has increased from less than 25,000 to more than 1.2 million, or 61 percent of all nonpostal civilian employees. About 550,000, or 90 percent, of the Postal Service's employees are organized. The influence of organized Federal employees must be recognized.

The Reform Act significantly altered the direction of Federal labor management and employee relations. It introduced major changes such as the scope of bargaining and the use of impartial third-party groups to resolve disputes between employees, their representatives, and management.

It is important that labor and employee relations policies and practices--encompassing collective bargaining, work environment and conditions, employee appeal and grievance systems, merit system, etc.--promote relationships that are constructive and beneficial to the collective interests of employees. Labor relations activities will need to be assessed overall to determine whether they impede, or can be made to enhance, the effective and efficient delivery of public services.

Issues that need attention

Labor management and employer/employee relations are emerging issues in the Federal service for the 1980s. Our strategy will be to:

- Review the formal processes and practices by which the Government negotiates personnel policy and working conditions with the labor force to determine impact on Government performance.
- Monitor and evaluate the effects of programs designed to improve employee/employer relationships (e.g., flexitime, health programs, counseling).

The questions which need to be answered in the employer/employee relations area are:

1. What impact are formal labor-management relations having on effective and efficient delivery of public service?
2. How can agencies be encouraged to adopt programs and activities which have a major impact on employee relations, productivity, job satisfaction, and improved services to the public, such as (1) compressed work schedules, (2) health promotion programs, and (3) a comfortable environment conducive to productive work?
3. Are employees who "blow the whistle" on fraud, waste, or mismanagement adequately protected?

4. Is the Federal sector prepared for strikes, work slowdowns, or other employee work disruptions?
5. What is the status, impact, and results of increased unionization of Federal professional employees?

How can the Federal Government insure the ethical conduct of its civilian employees and officials?

The problem

One of the critical challenges still facing the Nation is the restoration of public faith in the quality and integrity of the Government. The maintenance of highest ethical standards of honesty, integrity, impartiality, commitment to due process, and first-rate public service is essential to assure the proper performance of Government business and to reinforce the integrity of the Federal decisionmaking process. Improprieties in carrying out Federal programs and activities need to be corrected. Systems need to be established and monitored to detect unethical conduct.

At present, the governing rules and practices of each of the three branches of Government vary considerably. These inconsistencies are underlined by the fact that there are over 68 different statutes concerning financial disclosure and ethical matters. Despite these statutes, until October 1978 some top officials, including the President, the Vice President, and the Justices of the Supreme Court, were completely excluded from any financial disclosure requirements. Until 1977, Members of the House of Representatives were not required to disclose stock holdings; in the Senate, all financial disclosure was confidential and permanently sealed without every being reviewed by anybody unless the Senate Select Committee on Standards and Conduct voted for disclosure.

People have become more sensitive to and insistent on high ethical standards in the Federal work force. Some say that complete revelation of all business and financial involvement which may conflict with the public interest should continue.

Over the past several years we have done a great deal of work reviewing executive agency financial disclosure systems and standards of employee conduct. Our work was a major contributor to the passage of the Ethics in Government Act of 1978 and the establishment of the Office of Government Ethics. Our work on the development of standards of employee conduct brought about several immediate improvements in individual agency standards; but, more importantly, it caused the Office of Government Ethics to recognize that improved guidance to Federal agencies in developing standards of conduct was needed.

The implementation of the Ethics Act puts a new and different perspective on the work we need to do in this area. The act establishes an ethics office in each branch of Government with direct responsibility for monitoring, controlling, and improving the ethical systems. Our future work will need to consider how well those offices are fulfilling their responsibilities. The act also mandated that GAO conduct a comprehensive study of the implementation of the act in the legislative branch and report to the Congress by December 1980.

The establishment of the Office of Government Ethics in the executive branch enables us to significantly curtail and refocus our work. We will need to continue monitoring the Office of Government Ethics efforts to implement the act and fulfill its responsibilities. But, we will devote only a small amount of resources to this work.

Issues that need attention

We plan to become less involved in the financial disclosure work at individual agencies and more involved in monitoring and evaluating major systems put into place to insure high ethical standards of conduct in the Federal service.

This includes looking at special Government employees, representatives to advisory boards, and commissions who are not full-time Government employees. A major portion of their work life is devoted to interests and relationships outside their Federal Government responsibilities, but at the same time, many can directly affect Government policies and procedures. By not being full-time employees, they may not be sensitive to the potential for conflicts between their work for the Government and their outside activities. Agencies may need special programs for these people.

The following questions are still important and need attention:

1. Are supplemental standards of employees conduct needed to guide particular groups of Federal employees, such as employees stationed overseas, employees in vulnerable positions, special Government employees, and members of advisory boards or commissions?
2. What changes in law, regulations, and agencies' policies are needed to protect the Government's interest from potential conflicts of interest on the part of contractors and consultants?
3. What impact do lobbyists have on agency actions and should special controls be established over contacts intended to influence agency actions?

4. How effectively has the supervising ethics office in each branch of Government implemented the Ethics in Government Act of 1978?

Is Federal compensation comparable to the non-Federal sector, and is it being administered effectively?

The problem

The principle that Federal pay and benefits should be comparable with the pay and benefits granted to non-Federal employees has been endorsed by the Congress and executive branch but it has often not been followed. There are a variety of legal, administrative, and political barriers to defining and achieving comparability. These barriers, to one degree or another, affect virtually all of the more than 100 pay systems and schedules, 37 retirement programs, and other benefits provided by the Federal Government and its instrumentalities to about 3 million civilian employees and retirees.

The Congress, the Administration, the public, and Government employees have different and often strongly held views about how Federal compensation should be determined. Because of the complexity of the programs and the perceptions and misconceptions of these groups, we have been faced with problems such as attempts by the President to bypass the comparability principle; lack of equal pay for equal work; too much pay for some occupations, too little for others; unjustified pay or benefits; doubtful long-term affordability of some benefits, particularly certain features of retirement; and increasing public resentment that Government employees are overpaid and underworked. These problems are not likely to be corrected until we have simpler, more rational, and more consistent policies and practices for setting and adjusting compensation.

Issues that need attention

Because of the complexity and sensitivity of Federal compensation issues, agencies' adoption of our recommendations will take some time. Nonetheless, there is increasing recognition of and agreement with our positions in the Congress. This is evidenced by the fact that most of our work in the pay and benefits area is requested by the Congress. Several bills adopting our recommendations have been introduced, particularly in the pay and retirement areas.

We believe the following questions will become increasingly important during the coming year:

1. What is the potential impact of the proposed compensation reform legislation and are the principles embodied in the legislation sound?

2. Is the General Schedule survey valid? Are multiple wages and salary surveys needed? Are changes needed in the design of the General Schedule pay table? What other actions are needed to improve pay-setting procedures?
3. What can be done to get the Congress and the executive branch to recognize and fund the full cost of retirement?
4. What additional demonstration is needed to show the Congress and the Administration that an overall Federal retirement policy and centralized program management are needed?
5. What actions are needed to improve the retirement trust fund management and program administration?
6. Are there better alternatives to the current retirement program design?
7. What can be done to assure Federal executive pay comparability?
8. How can the abuse of premium pays be stopped?

Are the central Federal personnel agencies successfully fulfilling their new missions and responsibilities?

The problem

In prior years we specifically focused on civil service reorganization and reform implementation--what problems were being encountered and what progress was being made? In addition to the legislatively mandated annual reports on OPM and MSPB and a similar congressionally required report on FLRA, we initiated many other assignments related specifically to Civil Service Reform. (See app. I.) Most of these reviews concerned the new approaches to activities such as recruiting, merit pay, performance appraisal, and involuntary retirement. Because civil service reform changes are, to a great degree, in place, we will review their progress under other lines of effort. Our responsibility to submit annual reports on OPM, MSPB, and FLRA continues. There remains the need to assess how the agencies created by the Reform Act are fulfilling their legislatively mandated responsibilities and a need to review their relationships to each other. Since OPM now shares some EEO responsibilities with the Equal Employment Opportunity Commission (EEOC), OPM's relationship to EEOC is also of concern.

Another major change under the Reform Act has been the delegation of personnel functions to the executive agencies. The basic premise for this action has been that agency managers who are

actively involved in managing their personnel resources will be able to manage their mission-oriented work more effectively. There is a great deal of concern, however, about the impact these changes have had and will have on the state of the merit system.

Issues that need attention

Our plan is to monitor and evaluate OPM, MSPB and FLRA significant activities. Our continuing and long-range interest will be to determine whether organizational or operational changes are needed in the personnel agencies to fully realize the goals of civil service reform--improved delivery of services to the agencies. This line of effort will be concerned with the following questions.

1. Are the new organizations operating effectively after more than 2 years of operation?
2. Are the relationships among the new central personnel agencies--OPM, MSPB, Office of Special Counsel, FLRA, and EEOC--effective?
3. Are the central personnel agencies effectively evaluating their activities and the success of civil service reform?
4. Are MSPB's policies and practices adequate to assure that merit systems are free of prohibited personnel practices, provide timely decisions on appeals without sacrificing employees' rights, and assure that merit principles and practices are being protected by the new agencies?
5. Does FLRA have the ability to administer and interpret title VII of the Civil Service Reform Act, determine bargaining units, supervise and conduct elections, decide unfair labor practices and negotiability questions, and consider arbitration award exceptions?

How do State and local government personnel management problems affect the efficiency and effectiveness of federally funded programs, and what is the appropriate Federal role?

The problem

To assure the effective and efficient administration of federally funded programs, the Federal Government has instituted various personnel requirements for State and local governments. The primary requirements, the Federal Standards for a Merit System of Personnel Administration, administered by OPM, are a condition for the receipt of funds for about 22 Federal grant-in-aid programs worth about

\$46 billion annually. The Civil Service Reform Act of 1978 allows Federal agencies to extend the standards to other assistance programs not presently covered.

In addition to the standards, the Federal Government, through the Intergovernmental Personnel Act of 1970, provides financial and other assistance to help State and local governments improve their personnel management. However, after 10 years of the Intergovernmental Personnel Act, the Federal Government does not know as much as it should about the extent to which personnel management has been improved and, more basically, does not know the full range of personnel management problems it should be trying to help State and local governments correct. Yet, over the past 3 years, \$107 million in Federal funds have been used toward State and local personnel management improvement.

Also, the Federal Government does not know what impact the administration of the merit system standards has had on improving State and local personnel management. OPM evaluates compliance with the standards by evaluating each State agency on a rotating 4-year cycle. Its evaluation visits range from 1 day to 2 weeks. OPM relies on States to evaluate local compliance. However, States' supervision of local governments has been limited. To improve local supervision, OPM requires State governors to designate an agency or agencies responsible for supervising local compliance. This agency is to obtain certifications of compliance from local chief executives, maintain these certificates and make them available to OPM on request.

There is no consolidated data on what State and local government personnel management problems OPM has identified through its administration of the standards or in the course of providing IPA assistance to these governments. However, a recent OPM survey showed that top management officials at the State, county, and city government levels believe that their personnel systems are weakest in helping them

- implement their policies and programs,
- fulfill their responsibilities to minorities and women, and
- get satisfactory services from employees.

The OPM survey does not provide data on the specific reasons or problems that contribute to these weaknesses. It does, however, state that these governments feel that they have the most need for outside assistance in the areas of training, test validation, and employee compensation.

To assure that Federal personnel management assistance provided to State and local governments is effective, it is essential to identify the major personnel problems to be corrected so that the appropriate Federal role for effecting change and improvement can be determined.

Issues that need attention

While there are many issues related to State and local government personnel management, we believe the most pressing need during the next 18 months is to identify the personnel management problems that affect the efficiency and effectiveness of federally funded programs. Our longer range objective is to determine how these problems affect productivity and program management and to help solve the problems.

How can the Federal Government's system for producing personnel management and organizational research be improved?

The problem

The cost of personnel resources in the Federal Government is enormous. Therefore, it is vital that the Government develop and use the most effective methods to manage these resources and provide managers with the best possible tools for doing their work. Research and development is a key link in making this possible.

A coordinated approach to personnel and organizational research in the public sector has been lacking in the past. There has been no reliable source of comprehensive information on such research, and the structure of existing data bases makes it difficult to look at crosscutting issues. One reason for this is the traditional system used by the Federal Government which encourages each agency to support research and development to meet its own individual mission requirements. This method of support for research has a high potential for both duplication and gaps in coverage and if continued, may never meet the need for research on generic management issues, such as organizational design, personnel management, and productivity and performance measurement.

The Civil Service Reform Act contained specific provisions designed to help overcome the lack of focus for personnel management research. Title VI authorizes OPM to carry out and coordinate research programs for improving personnel management methods and techniques. In addition, OPM has been charged with responsibility for assisting Federal agencies in their efforts to increase productivity by

--conducting research,

- testing and evaluating approaches and techniques for productivity growth,
- developing programs based on knowledge gained through research, and
- disseminating this knowledge through publications.

We have pledged to work with OPM, the Office of Management and Budget, and the General Services Administration to identify management research needs and to link those who have the needs with those who can potentially satisfy them.

Leading organizational scientists have been critical of the thin research base on which the Civil Service Reform Act was built. Federal managers have echoed this sentiment in their frustrations at not finding the research which would tell them the best way to design and implement merit pay and performance review sessions and other personnel management activities. As a result, agencies have relied on outside consultants to design and implement systems required by civil service reform. However, the potential for duplication is great, as one agency purchases from a consultant what another agency developed or what a third purchased from another consulting firm. At the same time, there is a risk that private sector concepts and systems, unless appropriately researched, may be misapplied.

Issues that need attention

While personnel research and development is a relatively new area of focus for the Federal Government, we believe the following questions are relevant and need attention:

1. What is the extent of personnel management and organizational research in the Federal Government and how can it be more widely disseminated and used?
2. What work needs to be done to identify and put into place mechanisms for insuring the most cost-effective public management research, particularly as it relates to personnel management?
3. How effective are OPM's activities under title VI of the Civil Service Reform Act, and is the intent of the act with respect to protecting merit system safeguards in demonstration projects being complied with?

SUMMARY OF RESULTS OF THE 1979-1980 WORK PLAN

This appendix contains a summary of the results of our work in the Federal personnel management and compensation issue area for the period January 1979 through June 1980. Our issue area plan for that period focused on the following nine lines-of-effort:

- Civil Service Reorganization and Reform Implementation--
What Problems Are Being Encountered and What Progress Is Being Made?
- Are There Viable, More Rational, and Less Costly Alternatives To Existing Federal Retirement Policies and Practices?
- How Do Federal Pay Principles and Processes Affect The Cost and Effectiveness Of Civilian and Military Personnel?
- How Can Effective Work Force Planning and Sound Organizational Structure Reduce The Size and Cost Of The Government?
- Does The Federal Government Have Effective Systems For Insuring The Ethical Conduct Of Federal Employees And Officials?
- Do Federal Labor-Management and Employee Relations Policies and Practices Serve The Needs For Employees And Management And Foster Responsiveness To The Public?
- How Can Defense Manpower Management Be Improved To Reduce Costs Or Increase Effectiveness?
- Does The Military Justice System Provide Fair, Equitable, and Consistent Treatment For Military People And, At The Same Time, Effectively Serve The Interests Of Both The Military And The Public?
- Is the Government Providing and Properly Subsidizing And Managing Only Essential Morale, Welfare, and Recreation Activities For Its Employees?

We have made substantial progress in achieving the goals and objectives of our 1979-1980 issue area plan. As a result of this progress, and changing events in Government, we are significantly refocusing our efforts for the 1980-1981 planning period as described in this study. One major change was to identify problems which could be addressed under two separate areas of concern--military and civilian personnel management. In addition to dividing the issue area plan into two areas of concern and substantially revising many of the lines of effort, some 1979-1980 lines of efforts were discontinued. For example, we discontinued the line of

effort on civil service reorganization and reform implementation because most of our specific objectives were met. Work related to civil service reform will be dealt with under other functional lines of effort in the current plan. We also discontinued a specific line of effort dealing with the subject of military justice and integrated the remaining work into one of the three new lines of effort dealing with military manpower management.

The following is a summary of work under our 1979-1980 issue area plan.

Line of effort: Civil Service Reorganization Reform--What problems are being encountered and what progress is being made?

General strategy

The overall strategy to accomplish the objective of this line of effort was based on the reform legislation's statement of responsibility for GAO oversight. Those responsibilities included (1) a required annual evaluation and report to the President and the Congress, (2) selective evaluations and reports to the Congress, OPM, and executive agencies, and (3) general audit oversight of major elements of the reform legislation of particular interest or concern to the Congress or the Comptroller General.

The line-of-effort's objective was to identify the problems being encountered in reform implementation and advise the Congress of administrative or legislative remedies necessary to resolve them. To insure the continuity and coherence of the other lines of effort within the issue area, Civil Service Reform Act elements that were related to another line of effort were performed in conjunction with that particular line of effort. For example, the work done on merit pay was done in conjunction with the work done under the pay principles and processes line of effort.

Objective

Identify problems being encountered in reform implementation, particularly in the following areas:

- Administration and effectiveness of pay for performance.
- Progress, problems, and costs in implementing the SES system.
- Efficiency and effectiveness of new policies and programs to deal with marginal or nonproductive employees.
- Cost/effectiveness of decentralized and delegated authorities, particularly recruiting and examining.
- The impact on personnel management at the State and local level resulting from the changed provisions of the Inter-governmental Personnel Act which is now part of the reform legislation.
- Effectiveness of (1) productivity and (2) research programs administered by OPM.

--Evaluation of the actual roles and responsibilities assigned to OPM, MSPB, and FLRA under the reorganization for consistency with the intent of both the reorganization and the reform legislation.

--Assessment of the adequacy of resources for effective operational capabilities of OPM, MSPB, and FLRA.

Results achieved

As indicated, our strategy for achieving the objective of this line of effort was three-pronged. First, we needed to do sufficient work to report on the significant first-year activities of the new agencies--OPM, MSPB, and FLRA. Second, we needed to monitor and keep up to date on important implementation projects so that we could respond to congressional inquiries, comment on bills, and be prepared to testify on short notice. Third, we needed to evaluate implementation of certain important provisions of the act.

This strategy proved to be successful for the first year and a half of reform implementation. It enabled us to have a continuing dialog with the committees interested in reform, particularly the House Committee on Post Office and Civil Service--and its several subcommittees--and the Senate Committee on Governmental Affairs. It also enabled us to contribute to OPM, MSPB, and FLRA implementation discussions on a real-time basis; comment on several proposed bills affecting personnel management in agencies not covered by the Civil Service Reform; provide numerous questions for committees' use during hearings; and testify on several occasions on very short notice.

In addition to our informal assistance to the Congress and the agencies, our strategy enabled us to issue three comprehensive reports on the status of the reform implementation activities of OPM, MSPB, and FLRA. These reports covered to a greater or lesser degree each of the specific areas of concern identified in the line-of-effort objective, in addition to other areas.

The third prong of our strategy, to evaluate specific aspects of civil service reform, also achieved significant success and helped us achieve the goals of the first two parts of the strategy. We evaluated executive pay systems, grade and pay retention provisions of the act, management rights in collective bargaining, the minority recruitment provision of the act, pay-for-performance, voluntary early retirement, and several other areas.

Major products contributing to these resultsReports

"Civil Service Reform--Where it Stands Today" (FPCD-80-38; May 13, 1980).

Letter to the Senate Committee on Governmental Affairs on the need for FLRA to receive increased resources and staff (FPCD-79-67; June 11, 1979).

"The Federal Labor-Relations Authority: Its First Year In Operation" (FPCD-80-40; Apr. 2, 1980).

Report to the Senate Committee on Governmental Affairs on the activities of MSPB (FPCD-79-51; Apr. 20, 1979).

"First-Year Activities of the Merit Systems Protection Board and the Office of the Special Counsel" (FPCD-80-46; June 9, 1980).

Letter report to OPM on grade and pay retention (Jan. 8, 1980).

"An Evaluation of the Intergovernmental Personnel Act of 1970" (FPCD-80-11; Dec. 19, 1979).

Joint letter to OPM and FLRA on the need to reserve management rights in collective bargaining (FPCD-79-35; Apr. 18, 1979).

Letter to the Special Counsel, MSPB, regarding his role in enforcing merit systems principles (FPCD-80-15; Oct. 22, 1979).

"Annual Adjustments: The Key to Federal Executive Pay" (FPCD-79-31; May 17, 1979).

"First Step Completed in Conversion to Senior Executive Service" (FPCD-80-54; July 11, 1980).

"Federal Executive Pay Compression Worsens" (FPCD-80-72; July 31, 1980).

"First Look at Senior Executive Service Performance Awards" (FPCD-80-74; Aug. 15, 1980).

Testimony

Before the Senate Committee on Governmental Affairs on the MSPB and the Office of Special Counsel (May 8, 1979).

Before the Senate Subcommittee on Oversight of Government Management on yearend spending (Apr. 29, 1980).

APPENDIX I

APPENDIX I

Before the Subcommittee on Civil Service, Committee on Post Office and Civil Service, on labor-management relations in the Federal Government (Apr. 29, 1980).

Before the House Subcommittee on Civil Service on performance appraisal systems (May 13, 1980).

Before the House Subcommittee on Civil Service on Federal productivity (June 14, 1977).

Line of effort: Are there viable, more rational, and less costly alternatives to existing Federal Retirement policies and practices?

General strategy

Our overall long-term strategy for accomplishing objectives under this line of effort was to continue to update and reiterate our positions on civilian and military retirement matters.

Objective No. 1

Continue to advise the Congress through letters, meetings, bill comments, followup reports, etc., of the tremendous costs of retirement programs and the need for full recognition and funding of these costs.

Results achieved

We continued to advise the Congress and others that Federal retirement systems are severely underfunded. This was accomplished through reports, letters, testimony, briefings, and our efforts to implement the congressionally mandated financial reporting requirements for Federal pension plans. Largely as a result of our efforts, the Congress is becoming increasingly aware of and concerned about the costs and unfunded liabilities of Federal retirement systems.

We have also developed reporting standards and requirements under Public Law 95-595 for Federal pension plans to follow in annually reporting their financial condition to us and to the Congress. These standards require the plans to fully disclose costs and unfunded liabilities and to show how much it would cost to amortize the unfunded liabilities.

Objective No. 2

Further demonstrate the need for an overall Federal retirement policy and centralized program management in the Congress and executive branch.

Results achieved

GAO has taken the lead in advocating the need for an overall Federal retirement policy. Beginning in 1974, we issued a series of reports covering a number of issues relating to basic policies, financing, administration, and benefit levels of the various Federal retirement programs. During this period we continued to reiterate and expand on our previous reports and positions.

Our efforts have been directed toward the Congress, OPM, the President's Commission on Pension Policy, and others inside and outside the Government who are concerned about Federal retirement systems and their impact on government, employees, and the general public. Progress toward establishing an overall Federal retirement policy is being made. Due largely to our efforts over the past 6 years, the Congress and the President have initiated several studies to reconsider certain aspects of existing retirement policy and to explore the desirability and feasibility of specific reforms.

These studies include: (1) social security coverage for Federal employees, (2) whether Federal, and State and local pension systems should be made subject to the funding, vesting, and participation standards for private pension plans specified in the Employee Retirement Income Security Act of 1974, and (3) other matters relating to the adequacy and financial soundness of public pension plans that are being addressed by the President's Commission on Pension Policy.

Objective No. 3

Recommend prudent alternatives to existing disability and special, early retirement programs.

Results achieved

Through reports and testimony, we reiterated prior report recommendations to tighten controls over disability retirement and deliberalize special, early retirement benefits for select groups of Federal employees. Also, we made new recommendations relating to the minimum benefit provision of the civil service disability retirement provision.

We have several open legislative and administrative recommendations which we continue to believe offer prudent, viable alternatives to existing disability retirement and special early retirement policies.

We have recommended and continued to emphasize several needed reforms in the areas of disability retirement and special, early retirement for select groups of Federal employees, but more needs to be done. Our followup review of disability retirement policies and practices will reevaluate existing disability policies of OPM's administration.

Objective No. 4

Improve trust fund management and retirement administration.

Results achieved

Our staff study on investment policies of various Federal retirement systems clarified a popular misconception that funds invested in other securities earned more than funds invested in Government securities. The average rate of return on Federal retirement funds invested in Federal securities was higher than that of funds with more diversified investments. Several reports have recommended changes to improve the administration of retirement benefits. Also, several ongoing assignments are aimed at achieving better and more responsive retirement administration.

Objective No. 5

Recommend cost-effective modifications to early retirement policies for involuntarily separated employees.

Results achieved

Through testimony and our first annual report on OPM's significant activities we have made the Congress aware of the early retirement issue. We advised OPM that the early retirement provision may be unnecessarily costly and improperly used. We questioned OPM's justification for, and operation of, the voluntary early retirement provisions. The Senate Subcommittee on Civil Service and General Services, and the House Subcommittee on Compensation and Employee Benefits have been keenly interested in the "early out" provisions of the Civil Service Reform Act.

Objective No. 6

Recommend alternatives to eliminate inconsistencies in retirement benefits for differing employee groups.

Results achieved

We recommended that OPM eliminate inequities and inconsistencies in part-time, temporary, and intermittent Federal employees' eligibility for, and level of, civil service retirement benefits. OPM agreed that its existing system is inequitable and inconsistent and indicated that it will consider our recommendations and other alternatives. We highlighted, for a congressional subcommittee, benefit differences among nonappropriated fund activity retirement plans. Also, we helped a congressional subcommittee identify inequities in retirement benefits available to surviving spouses and former spouses of Federal employees and retirees.

Objective No. 7

Advise the Congress of the reasonableness of cost-of-living adjustment provisions for Federal retirement annuities.

Results achieved

We reiterated to the Congress our concerns about the rationality and cost of the process used to protect the purchasing power of Federal retirement annuities as the cost of living rises. We reiterated our open legislative recommendations in this area and highlighted the opportunities to realize significant savings by enacting these recommendations. While the Congress has not yet taken actions on our recommendations, there has been much discussion concerning changing the cost-of-living increase from semi-annually to annually.

Major products contributing to these resultsReports

"Need for Overall Policy and Coordinated Management of Federal Retirement Systems"
(FPCD-78-49; Dec. 29, 1978).

This report reiterated and elaborated on most of our prior reports in the retirement area. It was probably the most comprehensive study of Federal retirement programs in the last 15 years. The Subcommittee on Civil Service and General Services, Senate Committee on Governmental Affairs, requested that we comment on legislation introduced in the 94th and 95th Congresses regarding civil service retirement credit for employees on non-appropriated fund instrumentalities. We responded that piecemeal changes such as these should not be made. Such changes would only continue the piecemeal development, and compound existing retirement inconsistencies and inequities. We suggested that this demonstrates the need for a comprehensive, coordinated retirement policy.

Letter to the House and Senate Budget Committees advising them of the increases that would be needed in budget authority if retirement costs were funded on a dynamic rather than static basis (FPCD-79-49; Apr. 11, 1979).

This letter advised the Budget Committees of the significance and magnitude of unrecognized retirement costs by comparing proposed 1980 budget authority with the much higher costs that will actually be incurred during the year. We informed them

- of the additional budget authority that would be required to fund the full accruing costs of retirement.
- "Noncontributory Social Security Wage Credit for Military Service Should be Eliminated" (FPCD-79-57; Aug. 8, 1979).
- This report concluded that a provision for free social security credit and credits for certain military personnel, established many years ago, had served their purposes and should be eliminated.
- "Minimum Benefit Provisions of the Civil Service Disability Retirement Program Should be Changed" (FPCD-80-26; Nov. 30, 1979).
- This report recommended a change in the law's minimum guaranteed disability benefit provision for annuitants also receiving military retirement benefits. Such a change would significantly reduce Federal outlays for civil service disability retirement benefits. The Subcommittee on Compensation and Employee Benefits held hearings on this report in February 1980. The Chairwoman subsequently introduced a bill, which we assisted in drafting, to implement our recommendations.
- "DOD Civilian Employees' Use of Sick Leave Before Retirement is Still High" (FPCD-79-66; Aug. 8, 1979).
- This report to the House Appropriations Committee, among other things, discussed the inordinately high rate of sick leave usage pending disability or optional retirement. It recommended that DOD improve sick leave administration and monitor and control such usage. Because of our report, the Congress reduced DOD's 1980 appropriation by about \$50 million.
- "Investment Policies, Practices, and Performance of Federal Retirement Systems" (FPCD-79-17; Aug. 31, 1979).
- This was a staff study which discussed the pros and cons of the Treasury Department's investment policy and contained basic information on various Federal retirement systems' investment portfolios. Although we made no recommendations, we

"Civil Service Reform--Where it Stands Today" (FPCD-80-38; May 13, 1980).

Letter to the Director, OPM, on voluntary early retirement provisions (Nov. 28, 1979).

"Part-time and Other Federal Employment: Compensation and Personnel Management Reforms Needed" (FPCD-78-19; June 5, 1979).

Letter to the Postmaster General on retirement contribution problems (FPCD-80-14; Oct. 14, 1979).

pointed out that the average rate of return for the period 1973 through 1977 was higher for four retirement systems investing only in Federal securities than for two systems with diversified investments.

Our first annual report on OPM, among other things, discussed potential problems with the liberalized voluntary early retirement provisions of the Civil Service Reform Act.

The report discussed preliminary findings from our review of voluntary early retirement provisions, and raised questions about OPM's administration of the program.

This report highlighted inconsistencies and inequities in the retirement and benefits received by Federal workers employed less than full time. We recommended a new policy of prorating benefits, or the Government's share of the costs, to finance the benefits on the basis of the amount of time employees work. We also recommended other changes to make Federal personnel management policies and practices more consistent and equitable.

This report discussed certain deficiencies in the Postal Service's administration of employees retirement contributions (and leave) and recommended corrective actions to better insure that records are being credited correctly. It pointed out that in addition to incorrect leave and retirement contribution records which could result in overpayment or underpayments to employees when they leave the Postal Service, retirement contributions estimated at about

\$4.2 million in 1978 were not properly computed and were not promptly paid to the retirement fund. Thus, the retirement fund lost interest earnings on these employer and employee contributions.

To Director, OPM, on need for personalized benefit statements (FPCD-79-53; May 14, 1979).

This report discussed the advantages of having personalized employee benefit statements to increase employee awareness of the benefit elements and cost. OPM has indicated to us, and several committees, that it is considering our recommendation and that it will take the lead in providing personalized benefit statements to all Federal employees covered by OPM-administered benefit programs.

To Director, OPM on retirement credit for Japanese Americans interned during World War II (FPDC-79-39; Mar. 28, 1979).

This report discussed OPM's implementation of a 1978 law granting civil service retirement credit to Japanese Americans who were confined in U.S. internment camps. Although we concluded that OPM is implementing the law appropriately and that eligible persons are learning about and receiving service credit, we pointed out that awareness of the legislation was due largely to the efforts of various interest groups, not OPM.

Testimony

Before the Senate Governmental Affairs Subcommittee on Civil Service and General Services on changes in the retirement system (Apr. 16, 1980).

Our testimony on several bills to make changes in the civil service retirement system afforded us an opportunity to discuss needed reform in the disability retirement and annuity cost-of-living adjustment areas. The bills being considered would have implemented some of our open legislative recommendations.

APPENDIX I

APPENDIX I

Before the House Committee on Post Office and Civil Service Subcommittee on Compensation and Employee Benefits on the retirement system for the District of Columbia (May 25, 1979).

We testified on the problems and relationships resulting from the District of Columbia's costly and overly generous retirement system. Our testimony summarized our findings and recommendations in a report entitled, "Federal and District of Columbia Employees Need to be in Separate Pay and Benefit Systems" (FPCD-77-71). We emphasized the need to end the longstanding pay and benefit interrelations between Federal and District employees, particularly the earlier, more generous special retirement benefits about 1,500 Federal personnel receive because they are covered by the District's retirement system.

Before the House Committee on Post Office and Civil Service, Subcommittee on Civil Service on retirement benefits for air traffic controllers (June 26, 1979).

We testified on the early retirement benefits of air traffic controllers. Our testimony questioned the utility of the early retirement benefits for air traffic controllers and the proposed bills to extend those benefits to additional employee groups.

Before the Subcommittee on Civil Service and General Services, Senate Governmental Affairs Committee (July 12, 1979).

Our July 12 testimony gave us the opportunity to identify and articulate what we believe are major issues facing Federal retirement programs. We told the subcommittee that the primary issue that needs congressional attention is the establishment of an overall, coherent, coordinated Federal retirement policy to guide the future development of the Government's retirement systems. Following the hearing we provided answers to specific questions, including one on the need for an overall retirement policy and centralized management within the Congress and the executive branch.

In commenting to the committee on several proposed bills to extend Federal retirement credit for additional types of service and/or to liberalize retirement benefits for select groups of Federal employees, we emphasized the need to establish a coherent, coordinated retirement policy. We recommended against enactment of the bills because they would only compound existing inconsistencies and inequities in retirement benefits. We took the position that the problems the proposed bills were intended to resolve were illustrative of the piecemeal approach that has been used to change Federal retirement programs and that approach has exacerbated, not eliminated existing inconsistencies and inequities.

Subsequent meetings with the President's Commission on Pension Policy and others afforded us an opportunity to discuss problems related to Federal pension plans and to furnish copies of our various reports on retirement for consideration during studies of pension policy issues.

Before the House Post Office and Civil Service Committee, Subcommittee on Compensation and Employee Benefits on delayed retirement claims processing (Apr. 22, 1980).

Our testimony gave us an opportunity to discuss findings from our ongoing review of the claims processing function. We discussed claim backlogs and other related problems, and various alternatives to the existing process of administering retirement claims.

APPENDIX I

APPENDIX I

Before the House Budget Committee Task Force on legislative savings (July 24, 1979).

We testified on opportunities to achieve savings through legislative action, one of which included a once-a-year rather than a twice-a-year adjustment. Also, in a September 23, 1979, speech at the Aspen Institute for Humanistic Studies, the Comptroller General reiterated our open legislative recommendations.

On January 30, 1980, we sent letters to the Chairmen of the Senate Governmental Affairs and House Post Office and Civil Service Committees, discussing the annuity cost-of-living adjustment process for new Federal retirees and how it provides an undue financial incentive for retirement. Eligible Federal employees, particularly top-level officials who have received infrequent, relatively small pay raises, have more incentive to retire than to continue working. We reiterated our open legislative recommendations to correct this anomaly and to make the process more rational and less costly. We urged these legislative committees to sponsor and support such legislation.

Line of effort: How do Federal pay principles and processes affect the cost effectiveness of civilian and military personnel?

General strategy

Our overall plan was to develop a real-time capability to assist the Congress in evaluating and formulating the legislative packages on civilian and military pay systems that were scheduled for 1979-1980. We believe that this strategy has been successful. Many of our proposals for pay reform go back several years. Some congressional action has been taken and it appears that additional actions will be taken in the near future. In view of the publicity these pay reform measures receive, and GAO's well known position on these matters, we believe that this strategy will continue to enable us to contribute substantively to the ongoing debate.

Objective No. 1

Advise the Congress on the effectiveness of the pay-for-performance features of Civil Service Reform legislation.

Results achieved

Implementation of the pay-for-performance provisions of the Civil Service Reform Act of 1978 is just now getting underway and we have just recently begun our evaluations of its impact or effectiveness. Because of our concerns about the Federal merit pay plan, we will be reporting on its implementation in several Federal agencies addressing such questions as:

- Is training being provided to assist managers in making objective, fair performance appraisal and pay decisions?
- How are the agencies and OPM developing and maintaining information systems and evaluation strategies for present and future evaluation and improvements?
- Is adequate guidance and coordination being given by OPM to agencies in developing their pay-for-performance systems?
- Are agencies and OPM developing adequate cost information on their system and how will merit pay and bonuses be budgeted?

Objective No. 2

Advise the Congress on the merits and implications of current and proposed changes to pay-setting policies including the compression of executive pay.

Results achieved

We advised the Congress of problems or potential problems with civilian pay adjustment policies in three important areas:

- The comparative growth of pay in the Postal Service compared to pay for other Federal employees.
- Adjustment to Federal executive pay.
- Roles of the parties involved in white-collar comparability process.

To date the Congress has not acted on our recommendations.

We have reviewed the potential effects and feasibility of implementing the total compensation comparability plan for Federal employees that has been proposed by the Carter Administration. This plan has potentially the most significant changes in store for Federal employees' compensation, and we addressed several issues concerning the appropriateness and accuracy of the Administration's plan.

We also followed up on last year's executive pay report with another which addressed the extent to which the Federal executive pay situation has been further aggravated by factors such as inflation, a limited pay raise, and the budget cutting threat to executives' bonuses.

Objective No. 3

Advise the Congress on the extent of and reasons for probable abuse of overtime and premium pays and review the Government-wide use of, need for, and controls on, overtime and premium pays.

Results achieved

A review of overtime performed in late 1978, and hearings held at about the same time, disclosed that there were widespread deficiencies in agencies' controls that permitted abuse of overtime. Several cases of fraud were alleged and the topic received widespread publicity.

In response to our recommendations, OMB asked executive agencies to strengthen their controls over the use of overtime. OMB also instructed its staff to monitor the agencies to assure that they were following instructions and to be certain that requested overtime is justified.

Citing our report as evidence of the lack of controls over overtime, and its abuse, the Congress reduced Defense's fiscal year budget by \$50 million.

In view of the shortcomings identified in overtime management we are following up on our report to see what corrective actions OMB and the agencies are taking. We also will look into the use of administratively uncontrollable overtime which is paid as a percentage of base pay to employees such as criminal investigators who are expected to independently recognize when they must continue to work or return to work after usual duty hours.

Objective No. 4

Evaluate the effectiveness and efficiency of administration and management of the controls/classification processes over civilian pay schedules.

Results achieved

In January 1979, we issued the seventh and last of a series of reports on foreign national employee compensation. The State Department agreed to adopt several of our recommendations which would bring foreign employee pay and benefits closer to those of DOD and prevailing practice.

DOD continued to implement our earlier recommendations on foreign national compensation. Effective April 1979, the Japanese government agreed to assume the cost of certain pay items that we reported were not justified because they exceeded prevailing practice. Savings from this were \$35 million the first year.

Also in April 1979, DOD successfully negotiated a revised separation pay plan in Korea that we had previously recommended. DOD estimated that the plan would save over \$267 million in 10 years.

Our review in several countries also prompted DOD to undertake a comprehensive review of foreign employee compensation throughout the world. In 1979 the agency adopted as official policy two basic pay principles that we recommended: average-to-average for establishing pay lines and total compensation comparability. Implementation of these principles should result in further savings and the setting of compensation closer to local levels. In November 1979 we presented our views on foreign employee compensation before a seminar attended by DOD compensation specialists from around the world.

For fiscal year 1980 the Congress reduced DOD's appropriations by \$8.6 million to encourage (1) DOD to negotiate lower pay raises for foreign employees and (2) host governments to assume some of the compensation costs.

Our continuing interest under this objective was summarized in a January 8, 1980, letter to the Director, OPM. We noted that in recent years there has been increased emphasis on accurate position

classification accompanied by identification of serious overgrading problems. To minimize the adverse effect demotions have on employees, some agencies received approval to delay downgrading. Title VIII of the Civil Service Reform Act also protects qualifying employees by providing for 2 years of grade retention followed by an indefinite period of pay retention, subject to certain limitations.

OPM plans to monitor the agencies' implementation of this process. Although it is too early to tell how well it is working we informed OPM that we had some concerns that OPM could do more to help reduce the problems associated with the implementation and evaluation of title VIII. These include:

--Gathering sufficient data to monitor and evaluate agency actions.

--Insuring that agencies follow proper procedures to protect employees' seniority rights.

--Insuring that downgradings are minimized.

Objective No. 5

Advise the Congress on the impact and potential costs of DOD's legislative proposals implementing the recommendations of the President's Commission on Military Compensation.

Results achieved

Work under this objective has not started because of delays within DOD in agreeing on proposals to revise the military compensation system. The military compensation system is the most complicated among the Federal systems. It has been studied and reported on for many years by GAO and others, yet the many elements continue to be adjusted on a piecemeal basis. There is no policy for setting or evaluating overall military compensation. This has led to considerable confusion as to what it is worth and how it should be adjusted.

An example of things that need to be addressed is the recent proposal by the President that military pay be increased according to increases in the non-Federal sector rather than according to the increase in general schedule pay. Had this method been used over the last 5 years it would have cost an additional \$9 billion.

Objective No. 6

Advise the Congress on the necessity for and costs of active duty special and incentive pays.

Results achieved

While we have not done a great deal of work under this objective, we did report on the need for a selective bonus to retain Navy pilots. The Congress used the report extensively in hearings and passed legislation to limit the increase to 25 percent.

Objective No. 7

Advise the Congress on the necessity for and costs of Reserve compensation policies and practices pertaining to the following questions:

- Is the Reserve management information system reliable and complete? (Is it free of the problems of overpayment, underpayment, and fraudulent payments?)
- Are bonuses established to alleviate shortages in the Reserves?
- Are special and incentive pays needed for the Reserves?
- Are the relationships proper between Reserve technicians' military grade and civil service classification?

Results achieved

As a result of work under this objective, several improvements have been initiated or promised in Navy and Army Reserve and Guard pay and personnel systems. The systems are fraught with shortcomings and human errors which result in pay abuses, overpayments and underpayments, late payments, or no payment at all. Personnel information is likewise unreliable.

In addition, as a result of our work on Reserve pay we noted deficiencies in the Servicemen's Group Life Insurance program where reservists were not paying life insurance premiums and the services were making little effort to collect. This disclosure resulted in a request for further work from the House Veteran's Affairs Committee.

Major products contributing to these resultsReports

"Civil Service Reform--Where it Stands Today" (FPCD-80-39; May 13, 1980).

Our first annual report on OPM activities commented that pay compression in SES is detrimental to the overall success of the

program. SES salaries are limited by two factors: (1) the linkage of Federal Executive and Congressional salaries and (2) the limitation of just over \$50,000 imposed by Public Law 96-86. As a result, all GS-18 and 17s and some 16s who converted to SES receive the same salaries regardless of their level of responsibility. This can hurt recruitment, retention, and incentive for advancement.

Many concerns exist over the planned implementation of the merit pay system by October 1981. Organizations who have merit pay plans report that it takes many years to develop a workable system.

"Federal Executive Pay
Compression Worsens"
(FPCD-80-72; July 31, 1980)

This report, a followup on our May 17, 1979, report, pointed out that pay compression now extends further into the General Schedule and affects 90 percent of SES members. It also stated that generous cost-of-living adjustments for retirees provide an added incentive for experienced executives to retire. The report recommended discontinued linkage to congressional salaries.

"Total Compensation
Comparability For
Federal Employees"
(FPCD-80-82; Sept. 3, 1980)

This interim report on the Carter Administration's proposal expressed concern over the methods used by OPM in its full-scale test of the system.

The report noted that (1) secondary benefits received by employees in the private sector are important, (2) many benefits are complex and hard to measure, and (3) benefits differ on a locality basis.

"Comparative Growth in Compensation for Postal and Other Employees Since 1970" (FPCD-78-43; Feb. 1, 1979).

In this report we recommended that, in view of the Postal Service's experience of rapidly increasing pay rates resulting from collective bargaining, the Congress should consider the need for constraints if bargaining for wages for other Federal employees is considered.

"Annual Adjustments--The Key to Federal Executive Pay" (FPCD-79-31; May 17, 1979).

This report said that the limitation and denial of salary increases for Federal executives has caused recruiting and retention problems. It has also resulted in several thousand executives at various management levels being paid the same amount. We recommended that the Congress (1) allow these salary adjustments to take place and (2) break the link between congressional and executive level salaries.

"Determining Federal Compensation: Changes Needed to Make the Process More Equitable and Credible" (FPCD-80-17; Nov. 13, 1979).

This report concluded that Presidential use of the alternative pay plan authority for the white-collar pay system had made the comparability process suspect. We recommended that the Congress amend the law to limit the President's use of alternative plans. We pointed out that the President's proposed pay reform legislation would increase his power and extend it to the blue-collar process.

Letter to the Director, OMB, on overtime abuses (Dec. 21, 1978).

Our letter on overtime abuse resulted in specific action to correct the problem. Also, our testimony on overtime practices before the Subcommittee on

Compensation and Employee Benefits, House Post Office and Civil Service Committee, on October 26, 1978, on overtime practices contributed to strengthening overtime controls.

"State Department Should Improve Foreign National Pay Setting" (FPCD-78-81; Jan. 8, 1979).

This report concerned State Department compensation practices overseas. As a result of our findings the Congress directed the Department to make its foreign pay plans more compatible with those of DOD where the two agencies are operating in the same countries.

"Development of the Classification Standards for Flight Service Station Specialists" (FPCD-79-52; July 25, 1979).

In response to a congressional request we determined that OPM had generally followed normal and consistent procedures in developing the classification standards for air traffic control flight service station specialists. The request was prompted by efforts of an employee union to overturn certain aspects of the classification standard and increase the grades of the specialists.

"Wages for Federal Blue-collar Employees are Being Determined According to Law, But Improvements are Needed" (FPCD-80-12; Oct. 29, 1979).

At the urging of employee representatives, we were requested by the Congress to investigate claims that the Government violated Federal wage-setting laws when setting Federal blue-collar pay in certain areas of the country. We concluded that the wages were set according to the law but that certain administrative changes ought to be made to better insure that rates determined conformed to prevailing rates in the private sector. The agencies agreed, and have taken steps to increase the reliability and efficiency of the wage surveys.

"Selective Bonus and Navy's Actions May Improve Pilot Retention" (FPCD-80-31; Feb. 15, 1980).

We reported on a DOD proposal to increase flying duty pay by 50 percent as an incentive to increase the retention of pilots. The increases (\$106 million) would be paid to all pilots. We noted that the pilot retention problem is not widespread. It exists mainly in the Navy among those who have met minimum service requirements and therefore are eligible to leave the service. This group comprises only 5 percent of DOD's pilots. We recommended that a selective bonus be paid only to pilots in flying duty status.

"Naval Reserve Drill and Personnel Field Reporting System Needs Improvement" (FPCD-79-21; Mar. 6, 1979).

As a result of this report, Navy agreed to make several administrative improvements which should substantially reduce the problems. These include improved reporting and data editing, testing system components before putting them in use, reconciliation of master pay and personnel files, and better training of personnel.

"Army Guard and Reserve Pay and Personnel Systems are Unreliable and Susceptible to Waste and Abuse" (FPCD-80-30; Jan. 22, 1980).

In response to this report, Army agreed that the Guard and Reserve pay systems do not have adequate controls and personnel strength data is unreliable. Army officials are currently studying the report recommendations to determine what actions will be taken to make pay and personnel information more reliable and minimize pay abuses.

Letter to the Assistant Secretary of Defense containing our opinions on a new program of using bonuses as an incentive in recruiting and retaining members in the Selected Reserves (FPCD-79-84; Aug. 13, 1979).

We advised DOD that the Reserve components can utilize bonus incentives as a highly selective manpower tool adjustable to changing manpower needs. However, the services have not developed a plan to evaluate the effectiveness of the incentives, including criteria to measure the effect of the bonuses on

recruiting and retaining people. DOD agreed and stated that it intends to use the incentives as a tool to achieve a strong Reserve.

Testimony

Before the Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service (July 29, 1980).

We testified that executive pay compression has come to be one of the most important issues facing the Government today. While executives comprise only a small segment of the work force, this group is one of the most vital factors for insuring the successful performance of programs. Therefore, the Government must have pay systems which are competitive in the market for top-quality executives.

Before the Commission on Executive, Legislative and Judicial Salaries (Oct. 15, 1980).

We testified that since this Commission last convened 4 years ago, pay adjustments that were to be provided to members of the Congress, Federal judges, and top Federal executives were reduced or completely denied. As a result, they have suffered a loss in purchasing power ranging from 31 to 43 percent. Some Federal executives are reluctant to accept promotions because the increased responsibilities are not recognized by higher pay.

Line of effort: How can effective work force planning and sound organizational structure reduce the size and cost of the government?

General strategy

Most of our work in this area was done in the military during this planning period. By focusing on work measurement systems and recommending improvements, we were able to move some military agencies to better integrate work force planning into their decision-making process, including budget decision. While much of our work focused on the agency level, we learned that a slightly different strategy is necessary to be more effective in getting agencies to use work force planning techniques. In the new plan we will shift our strategy to focus more on the need for strong central leadership in encouraging the use of work force planning techniques and on the removal of barriers to using work force planning.

Objective No. 1

Identify ways and means to reduce the size and cost of Federally funded work force through evaluation of manpower allocation procedures for conformance with reliable requirements determinations.

Results achieved

Agency initiatives implementing our recommendations have markedly improved during the past 18 to 24 months. Responses to our reports have indicated general concurrence with our findings, and followup work in DOD and service components discloses a high-level commitment to correcting the problems we identified. Congressional interest, particularly with House and Senate Armed Senate Armed Services and Appropriation Committees, has been positive and supportive.

Practically all of our reports related to this objective have been cited during hearings and in committee reports. Questions we prepared were used extensively during hearings. In many cases our reports were used to justify agency appropriations and program authorizations or to stimulate high-level commitment and accelerated action to implement our suggested improvements. When fully implemented, improvements to manpower allocation and requirements determination procedures initiated by our work should result in more reliable requirements determination processes and greater agency efficiency and effectiveness.

Objective No. 2

Identify ways and means to reduce the size and cost of the federally funded work force through cost-effectiveness analyses of existing work force composition practices which show more economical alternatives.

Results achieved

Our efforts to achieve this objective were modest, but nonetheless effective. Our work was cited in appropriation hearings and congressional committee reports. We also prepared questions used in oversight hearings. Based upon our findings and conclusions, appropriations were adjusted and agency actions initiated to improve work force planning methods and analytical ability.

We have underway a number of efforts to more fully address this objective. One deals with the opportunities to replace professionals with technicians. In addition, we currently have underway a review on the Government's use of consultants as an alternative to in-house personnel. We have met on numerous occasions with congressional staff on this work. Extensive hearings have been held on the Government's use of consultants as an alternative to in-house personnel.

Objective No. 3

Identify ways and means to reduce the size and cost of the Federally funded work force through evaluation of Federal agency field office functions which could be consolidated to reduce unnecessary organizational overhead.

Results achieved

We have committed limited resources to addressing this objective. While we have had some impact on agencies' field structures from our earlier work, other issues relating to streamlining the Federal field structure have not yet been addressed. As a result of our most recent effort, GSA has initiated a study of opportunities for increased common service arrangements.

We plan to continue to address ways of streamlining the vast Federal field structure. Future work should focus on opportunities and barriers, such as

- consolidation of field offices,
- elimination of management levels/tiers,
- centralization of administrative support services, and
- collocation of field offices.

Objective No. 4

Identify ways and means to reduce the size and cost of the Federally funded work force through evaluation of the size of agency overhead staffing to mission staffing levels.

Results achieved

Although limited, we have made an important beginning in addressing this issue. In the military we have looked at the Air Force headquarters structure in the Pacific. We also addressed the significant potential savings through consolidation of undergraduate helicopter pilot training programs.

On the civilian side, our past and current efforts at streamlining Federal agency field structure contribute to this objective. For example, our past reviews recommending consolidation of HUD and Customs field offices was directed to reducing overhead and making resources available for day-to-day operations.

Major products contributing to these resultsReports

"Improvement Needed in Army's Determination of Manpower Requirements for Support and Administrative Functions" (FPCD-79-32; Apr. 21, 1979).

This report identified weaknesses and recommended improvements in Army manpower management and requirements and information systems. DOD supports and will implement the basic thrust of our recommendations.

"Marine Corps Manpower Requirements Procedures for Base Support Activities" (FPCD-79-75; Sept. 17, 1979).

This report showed ways the Marine Corps could improve its manpower management organizations, the validity of its personnel requirements, and its information systems. The Secretary of the Navy concurred with our findings, and steps have been taken to adapt staffing standards developed by the other services and develop Marine Corps unique standards. A major long-term effort to integrate the various manual and automated management information systems has been initiated.

APPENDIX I

APPENDIX I

"Lack of Control and Feedback Hinders Army Manpower Management Improvement" (FPCD-80-9; Oct. 31, 1979).

Based on several reviews of Army problems over the past 2 years, and its initiatives to implement our recommendations, we prepared an overview of Army's manpower organization and requirements system. We identified weaknesses in Army's organization, management accountability, staffing for vital functions, data, allocations, and manpower career development programs. Army generally agreed with the short-comings identified and has initiated action to accelerate ongoing improvement efforts as well as new actions it plans to take.

"DOD Total Force Management-- Fact of Rhetoric?" (FPCD-78-82; Jan. 26, 1979).

This report showed that the present Total Force policy is vague and incomplete. Consequently, the services have developed independent policies and management systems with different manpower and costs elements, thus limiting Defense managers' ability to make informed manpower decisions. Agency officials acknowledged that our report identified a major area of concern. They said there is much they can do to improve Total Force management.

"The Navy's Shore Requirements, Standards, and Manpower Planning System (SHORSTAMPS)--Does the Navy Really Want It?" (FPCD-80-29; Feb. 7, 1980).

This report assessed Navy's progress in developing and implementing its Shore Requirements, Standards, and Manpower Planning System. Progress has been slow and indecisive. Unless significant commitment is made, the completion date mandated by the Navy will not be realized. Moreover, unless significant improvements are made, this costly program will fail to achieve its goals.

"Handbook for Government Work Force Requirements" (FPCD-80-36; Jan. 28, 1979).

This handbook showed that a major difficulty in holding managers accountable for the efficient use of people and other

"Estimates of Available Hours for Military Personnel in War-time District Force Requirements and Planning" (FPCD-80-6; Dec. 1, 1979).

"Inadequate Methods Used to Account for Personnel in DOD's Transportation Function" (FPCD-79-38; May 25, 1979).

"Estimated Personnel Needs of the Agricultural Stabilization and Conservation Service--Are they Reliable?" (FPCD-80-5; Nov. 26, 1979).

resources is lack of reliable data on performance. We recommended OMB stress the importance of using work measurement data for the staff portion of budget submissions. We also recommended OPM prepare guidance for the agencies to measure managers' and other employees' performance.

This report evaluated the services' policies for estimating the availability of wartime military personnel. It also considered interservice differences in determining wartime requirements. We recommended that the Secretary of Defense develop guidelines for defining availability of people and that he require that documents be maintained to support available hours.

This report showed that DOD does not have a comprehensive system to analyze and describe its labor force. DOD is developing a system which will give it this capability. We recommended that the Senate Appropriations Committee direct the Secretary of Defense to support completion and tests of the system on a priority basis. The committee report cited our report and supported our recommendations.

This report reviewed the validity of the agency's work force measurement and workload forecasting systems for determining staffing requirements in the budget. We found major weaknesses in the agency's methods and procedures which affect the reliability of their personnel requirements.

"The District of Columbia Government Should Determine its Work Force Needs" (FPCD-79-21; Apr. 4, 1979).

This report identified problems in the District work force planning system and recommended that the Mayor establish a standardized system for evaluating staffing needs and develop a schedule of resources for implementing it. District officials did not disagree with GAO's conclusions and recommendations in oversight hearings, and they have initiated action to make improvements.

"Transfer of Army Pacific Support Functions Results in Unwarranted Personnel Costs" (FPCD-79-80; Jan. 22, 1979) and evaluation of Defense's comments on a critical report "Were Transfers of Army Pacific Support Functions Mismanaged?"

This report showed that budget adjustment from transfers of support functions in the Pacific area have caused recurring personnel costs of at least \$25 million, and possibly \$40 million. The Defense Appropriations Committee cited our report in hearings and committee reports and used questions we prepared. DOD appropriations were adjusted on the basis of our findings.

"The Department of Energy's Practices for Awarding and Administering Contracts Need to be Improved" (EMD-80-2; Nov. 19, 1979).

This report identified problems in DOE's use of consulting and contracting practices including use of consultants/contractors to perform basic management functions that should be done in-house.

"Controls Over Consulting Service Contracts at Federal Agencies Need Tightening" (PSAD-80-35; Mar. 20, 1980).

This report identifies major problems with the Federal Government's management and use of consulting service contracts.

"Government Earns Low Marks on Proper Use of Consultants" (FPCD-80-48; June 5, 1980).

This report summarizes the major issues relating to the use of consultants as reflected in prior GAO reports. It concluded that during the past 20 years, Federal agencies failed to improve their management of consulting services.

"Streamlining the Federal Field Structure--Potential Opportunities, Barriers, and Actions that can be Taken" (FPCD-80-4; Aug. 5, 1980).

This report identified opportunities for, and barriers to, streamlining the Federal field structure and recommended actions by agencies and the Congress.

"Opportunities to Streamline the Air Force Headquarters Structure in the Pacific" (FPCD-79-27; Feb. 8, 1979).

This report showed that \$16 million could be saved annually if the Pacific Air Force would reduce excessive layering and duplications of its headquarters staff. This assignment, requested by the House Committee on Appropriations, resulted in an adjustment to the Pacific Air Force's budget.

"Undergraduate Helicopter Pilot Training: Consolidation Could Yield Significant Savings" (FPCD-80-37; Sept. 20, 1979).

This and two letter reports on helicopter pilot training concluded that cost savings in excess of \$63.3 million could be achieved by consolidating the Navy's undergraduate helicopter pilot training program with the Army's.

Line of effort: Does the Federal Government have effective systems for insuring the ethical conduct of Federal employees?

General strategy

During the past 18 months we concentrated on Government-wide reviews of the ethics program and related matters. For example, we conducted Government-wide reviews of post-Federal employment practices and the development of agency standards of ethical conduct. We also looked at the impact of proposed changes to the Hatch Act on Federal employees as a whole. However, some of our work remained agency oriented. Our review of financial disclosure and ethical standards at the Army and Air Force Exchange Service and the Navy Resale System Office and our review of the District of Columbia's financial disclosure systems are examples of this agency orientation.

Objective No. 1

Assess the equitability of Federal conflict-of-interest laws, regulations, and policies.

Results achieved

We reviewed the standards of employee conduct at six agencies and issued reports to three agencies recommending specific improvements to their standards. Several agencies have taken immediate actions as a result of our work.

- The National Science Foundation changed its policies on acceptance of honoraria to prohibit, subject to a waiver from the Director, the acceptance of honoraria from institutions that have, or are seeking, grants from the Foundation.
- The National Aeronautics and Space Administration is developing a standard of conduct to cover "negotiating for employment"--an area not previously covered by its standards.
- The Department of Health and Human Services is revising and updating its standards of conduct.
- The Environmental Protection Agency is issuing guidance to its employees to clarify that accepting an honorarium is a type of outside employment and the rules applying to outside employment should be followed.
- The Department of the Interior has proposed changes to its standard to clarify that employees are not allowed to accept reimbursement from private groups for official travel unless the individual's bureau has statutory authority to accept gifts.

Objective No. 2

Assess the effectiveness of civil and criminal selling laws applicable to DOD personnel.

Results achieved

Based on our work at the Army and Air Force Exchange Service and the Navy Resale System Office, the Office of Government Ethics agreed to study the criminal and civil selling laws in coordination with DOD and the Department of Justice to determine the effectiveness of the laws and how they should be amended and enforced.

Objective No. 3

Evaluate the effectiveness of the Hatch Act in balancing Federal employees' rights in the political process while adequately protecting the employees from potential manipulation.

Results achieved

Our work, although limited, was sufficient to accomplish this objective. The Senate Committee on Governmental Affairs and the House Committee on Post Office and Civil Service decided not to consider proposed revisions to the Hatch Act at this time. Their decisions occurred in part because of questions which we raised which were not adequately considered in the proposed revision.

Objective No. 4

Assess the effectiveness of agency rules on the acceptance of gifts, meals, and travel reimbursement by Federal officials.

Results achieved

We have partially satisfied this objective in that the Office of Government Ethics has agreed that additional guidance to agencies on value limits for "nominal" gifts is needed.

In addition, several changes have taken place in agencies' approach to controlling the acceptance of gifts, meals, and travel reimbursements.

--The Environmental Protection Agency's Ethics Counselor is issuing additional guidance to clarify for employees how to deal with gifts and gratuities from foreign companies.

--The Department of the Interior's Ethics Counselor has drafted a revision to their standards of employee conduct to clarify that Interior employees are not allowed to accept reimbursements for official travel expenses from private groups unless

the employees' individual bureau is allowed to accept gifts. In those cases reimbursement is to be the bureau not to the employee.

--The National Science Foundation has prohibited employees from accepting reimbursements for official travel expenses from private groups who have or are attempting to obtain grants from the Foundation.

Objective No. 5

Evaluate agency regulations concerning pre-employment and post-employment activities of Federal employees, i.e., the "revolving door" issue.

Results achieved

The Office of Government Ethics issued interim regulations implementing the post-employment provisions of the Ethics in Government Act of 1978. The changes to the laws governing post-employment activities included in the Ethics in Government Act reflected much of GAO's previous work in the area of ethics and conflicts of interest.

Objective No. 6

Assess the adequacy of executive branch financial disclosure systems in controlling conflicts of interest.

Results achieved

Over the past several years we have issued over 20 reports on the adequacy of numerous financial disclosure systems. Our work culminated in the passage of the Ethics in Government Act of 1978. As a result, we believe our objective in this area has been completely accomplished.

During this program period several additional actions in the area of financial disclosure have been taken as a result of our work.

DOD, in revising DOD Directive 5500.7, will require its components to identify all positions, including those below grade 13 which provide opportunities for conflict of interest and will require the incumbents to file financial disclosure reports. DOD is also clarifying instructions on the DOD financial disclosure form to require the reporting of employment activities of spouses, minor children, and other members of an employee's household.

The Army-Air Force Exchange Service source selection committee members will be required to certify that they have no conflicting financial interests. In addition, internal auditors have been instructed to include financial disclosure programs in their reviews.

The District of Columbia Government is moving to implement its Comprehensive Merit Personnel Act, part of which calls for establishment of an ethics counselor and substantive regulations in financial disclosure for agency personnel.

Major products contributing to these results

Reports

"Federal Agency Standards Employee Conduct Need Improvement" (FPCD-80-8; Oct. 18, 1979).

"Department of Health, Education and Welfare Standards of Employee Conduct Need Improvement" (FPCD-79-29; Mar. 14, 1979).

"National Science Foundation Standards of Employee Conduct Need Improvement" (FPCD-79-33; Mar. 29, 1979).

Environmental Protection Agency Standards of Employee Conduct Need Improvement" (FPCD-79-48; May 8, 1979).

"Employee Standards of Conduct: Improvements Needed in the Army and Air Force Exchange Service and the Navy Resale System Office" (FPCD-79-15; Apr. 24, 1979).

We issued an overall report and reports on three individual agencies on the need for standards of employee conduct. We recommended actions needed by the Office of Government Ethics to strengthen the guidance to agencies and help change the passive approach to implementing standards common to many agencies. Many agencies have a passive attitude toward ethics standards. They believe that the employee is responsible for knowing and abiding by the standards and the agency is only responsible for reacting to problems brought to its attention by the employees. As a result of our work in the area of standards of employee conduct, the Office of Government Ethics initiated a study of the implementing regulations for Executive Order 11222 and the entire standards of employee conduct area to determine what revisions would be necessary.

This report addressed the issue of the effectiveness and equitability of the civil and criminal selling laws based on our identification of 19 potential violations of the laws. In addition, we chaired a meeting at which the Assistant United States Attorney for the Northern District of Texas briefed DOD officials on criminal investigations being conducted at the Army and Air Force Exchange Service.

"The District of Columbia Government Should Establish a Separate Office of Ethics" (FPCD-79-65; Aug. 17, 1979).

This report recommended, among other things, that the District Government establish an ethics office and establish better regulations concerning financial disclosure for employees.

"Hatch Act Reform--Unresolved Questions" (FPCD-79-55; July 24, 1979).

This study raised questions which needed to be resolved before legislation revising the Hatch Act should be enacted. These issues included the

- potential impact on the civil service as a result of the Service Reform Act,
- ability of the Special Counsel to the Merit Systems Protection Board to properly enforce violations of a revised Hatch Act, and
- apparent trends of State and local governments to remove the restrictions on partisan activity.

Line of effort: Do Federal labor-management and employee relations policies and practices serve the needs of employees and management and foster responsiveness to the public?

General strategy

Our strategy during the past 18 months was twofold: (1) we performed a significant portion of our work in meeting congressional mandated reporting requirements at the Merit Systems Protection Board and the Federal Labor Relations Authority and (2) we began assessing the impact of specific labor management and employee relations policies and practices on Government operations--such as flexitime, reserved management rights, and use of Federal arbitrators in the Federal service.

Much of our work (80 percent) was driven by the Civil Service Reform Act of 1979, and the need to monitor implementation of many of the new functions which the act created. This work accomplished objectives of both this and the Civil Service Reform line of effort.

GAO's role in the work was more participative rather than reactive. This put us into the arena at the same time the show was going on. As a result, many of our activities involved monitoring the status of programs as they were being implemented and we worked very closely with agencies during this start-up period.

Objective No. 1

Assess the establishment and operations of MSPB and FLRA. (The Civil Service Reform Act of 1978 requires GAO to prepare and submit to the Congress an annual report on the activities of MSPB.)

Results achieved

We monitored the progress and problems encountered by MSPB and FLRA since they began operations in January 1979. The Civil Service Reform Act requires GAO to report annually on the significant activities of MSPB, and the Senate Committee on Governmental Affairs has asked GAO to do the same for FLRA. Because of the newness and significance of MSPB and FLRA, much remains to be done. We will continue to monitor the progress and problems of these two agencies and report on areas which need improvement or change. Specific issues which we will be looking at include:

--Are whistleblowers adequately protected?

- Adequacy of case processing of unfair labor practice complaints.
- Determine whether agencies/employees excluded by the Civil Service Reform Act from using MSPB and FLRA need such protection.
- How much does it cost, and what has been the impact of FLRA decision to reimburse Federal union members on official business?

Objective No. 2

Assess the effectiveness of grievance and complaint systems for military personnel.

Results achieved

As a result of our report, DOD stated that, ". . . the issues raised in the report merit attention at all levels within DOD because the fair and timely resolution of service members' grievance is a matter of continuing importance for the maintenance of individual morale and cooperative effectiveness of the Armed Forces." While DOD did not agree with all of our recommendations, it did see merit with most of them and reported that it would be taking actions to address them.

Major products contributing to these results

Report to the Senate Committee on Governmental Affairs of the activities of MSPB (FPCD-79-51; Apr. 20, 1979). Hearings were called as a result of this report.

Testimony before the Senate Committee on Governmental Affairs on MSPB and Office of Special Counsel (May 8, 1979).

Report to the Senate Committee on Governmental Affairs on the activities of FLRA (FPCD-79-67; June 11, 1979) This report resulted in FLRA's receiving increased resources and staff.

"The Federal Labor Relations Authority: Its First Year in Operation" (FPCD-80-40; Apr. 2, 1980).

In monitoring the operations of MSPB and FLRA, we have issued two reports to the Senate Committee on Governmental Affairs; testified before this Committee on the startup problems at MSPB; and issued two reports on the Special Counsel, MSPB, highlighting problems which needed immediate action. All of these reports resulted in positive actions being taken by FLRA, MSPB, and congressional committees. In addition, we have issued to the President and the Congress overall annual reports on the significant activities of MSPB and FLRA. The work on the annual reports, while contributing to this objective, were charged to the Civil Service Reform line of effort.

"First-Year Activities of the Merit System Protection Board and the Office of the Special Counsel" (FPCD-80-46; June 9, 1980).

Testimony on labor-management relations in the Federal Government on April 29, 1980, before the Subcommittee on Civil Service, Committee on Post Office and Civil Service, based on our April 2, 1980, report.

Letter report to the Special Counsel, MSPB, regarding Security of case files (FPCD-79-83; Aug. 1, 1979).

Letter report to the Special Counsel, MSPB, regarding his role in enforcing merit systems principles (FPCD-80-15; Oct. 22, 1979).

Report to the Secretary of Defense entitled "Actions Needed to Improve Military Chain of Command and Inspectors General Grievance Procedures" (FPCD-79-23; June 11, 1979).

Line of effort: How can defense manpower management be improved to reduce costs or increase effectiveness.

General strategy

The main thrust of this line of effort was to identify ways to increase the efficiency and effectiveness of defense manpower, at least cost, through improved personnel management. Much of our work was geared toward assessing the success of the All-Volunteer Force, including an assessment of why the first-term attrition rate is excessively high.

Objective No. 1

Evaluate the manpower effectiveness of the peacetime force.

Results achieved

Action taken by DOD to improve active duty recruiting and retention include testing shorter terms of enlistment with increased educational benefits and increasing advertising resources. DOD is also seeking bonuses as a retention and recruiting incentive.

DOD has taken several initiatives. It has (1) developed a program called "Guard and Reserve Readiness" which includes several research projects to determine actual readiness, condition of units, and methods of increasing such readiness, (2) established a specific office to deal with mobilization training, and plans call for a complete rewrite of the mobilization directive, and (3) established a task force on training and training management which was to issue a September 1980 report dealing with training. In addition, the Army is in the process of completing a major review of its capacity to receive and train individuals rapidly at mobilization.

The assignments under this objective have resulted in testimony and several briefings to members of the Congress and their staffs as well as DOD and OMB officials. In February 1979, we testified before the House Armed Service Committee, Subcommittee on Military Personnel, stating that the Selective Service System could not provide the needed manpower within prescribed time frames. During testimony we recommended a return to registration as the least-risk alternative in improving national defense capabilities. In August 1979, we followed up with a second report at the request of Congressman Sonny Montgomery on the Emergency Registration Plan. We briefed the Congressman and his staff and pointed out the numerous shortcomings in this plan. Our report said that it was doubtful if the plan could even be implemented and again recommended registration. The report was used extensively on the floor of the House during the debate on the registration

issue. It was during the debate that the President was required to make a study of selective service capabilities, including registration. On February 11, 1980, the President submitted his plan for selective service reform and called for a return to peacetime registration which occurred during the summer of 1980.

Objective No. 2

Evaluate the characteristics of those leaving military services, determine the cost of turnover, and identify necessary changes to lessen turnover in the most cost-effective manner.

Results achieved

Specific action resulting from work done include hearings in both the Senate and House, and legislation restricting eligibility for benefits based on service in the military to those who completed at least 2 years of service. This legislation is expected to save about \$215 million annually. In addition, the Air Force and Army have instituted a program to track recruits longitudinally to identify characteristics and organizational factors affecting attrition.

Major products contributing to those results

Reports

"What Are the Capabilities of the Selective Service System?" (FPCD-79-4; Dec. 14, 1978).

This report discussed weaknesses in the system for providing draftees needed during mobilization and suggests alternatives to improve the delivery capability--primarily peacetime registration.

"Weaknesses In the Selective Service System's Emergency Registration Plan" (FPCD-79-89; Aug. 29, 1979).

This report highlighted serious shortcomings in the emergency registration plan which raised serious doubts as to the system's ability to provide draftees during mobilization and again suggests a return to peacetime registration at the least risk to insuring national security.

"Can the Army and Air Force Reserves Support the Active Forces Effectively?" (LCD-79-404; Apr. 25, 1979).

This report pointed out that Air Reserve Forces can meet mobilization and deployment schedules but that Army Reserve and Guard could have difficulty. The report recommends specific actions for improvement.

APPENDIX I

APPENDIX I

"Problems in Getting People Into the Active Forces After Mobilization" (FPCD-79-40; May 17, 1979).

This report highlighted problems in the Armed Forces Entrance Stations and Training Bases which will act as a barrier to the flow of people needed in the military after mobilization. The report suggests methods to improve delivery capability, thereby increasing the manpower readiness of the military.

"Can the Individual Reserves Fill Mobilization Needs?" (FPCD-79-3; June 28, 1979).

This report highlighted the serious personnel shortage problems in the Individual Reserves which are planned assets to the manpower readiness of the military, primarily as casualty replacements. It recommends action needed and in what time frames in full mobilization.

"Efficiency of Reserve and Guard Training Has Improved Since 1974, But More Can Be Done" (FPCD-79-59; July 30, 1979).

This report pointed out improvements made, and also highlights problems in Reserve and Guard training which affect units' readiness and ability to perform missions when called upon. It suggests ways to improve the training, thereby increasing the readiness condition of units.

"Active Duty Manpower Problems Must Be Solved" (SECRET) (C-FPCD-80-1, Nov. 26, 1979).

This classified report highlighted problems concerning manpower shortages, lack of qualified personnel, poor unit readiness conditions, and high turnover rates in the active military forces. It recommended actions to increase manpower readiness. To date no significant action has been taken by Defense, and the issues remain unresolved.

"Needed--A More Complete Definition of a Quality First Term Enlisted Person" (FPCD-79-34; Apr. 25, 1979).

This report points out the narrowness in the current quality measures used by the military and recommends the inclusion of performance measures in the predictors, thereby improving the manpower readiness of enlisted personnel.

"Critical Manpower Problems Restrict the Use of National Guard and Reserve Forces" (FPCD-79-85; July 11, 1979).

This report discusses manpower shortages, lack of qualified personnel, poor unit readiness condition, and high turnover rates which affect the manpower readiness of Guard and Reserve units. It recommends solutions to the problems needed to be solved if the United States is to continue its reliance on such units under the Total Force policy.

"Overview of the Manpower Effectiveness of the All-Volunteer Force" (C-FPCD-80-3; Apr. 14, 1980)(SECRET).

This report summarized weaknesses in the entire manpower mobilization system affecting readiness and national defense, as discussed in each of the nine reports outlined above. The report recommends that the Congress, the President, and the Secretary of Defense thoroughly evaluate the current method of staffing the military and consider other alternatives, such as a return to the draft, to improve military defense capabilities.

"High Cost of Military Attrition Can Be Reduced" (FPCD-79-28; Feb. 16, 1979).

These two reports deal with first-term enlisted attrition. The first identified the various initiatives taken in an attempt to control the problem, and the second estimated the cost, characteristics, causes, and management action needed to minimize the impact of first-term attrition in the military. We estimated that attrition of those who entered the services during fiscal year 1974 through 1977 costs the Government about \$5.2 billion in veterans benefits and veterans unemployment compensation. We also said that the military plays a major role in determining how well the goals and characteristics of the individual mesh with the mission and

"Attrition in the Military--An Issue Needing Management Attention" (FPCD-80-10; Feb. 20, 1980).

requirements of the military. We recommend that the Secretary of Defense (1) establish more definitive criteria for discharge, (2) improve management information systems to require more uniform data--reporting systems, and (3) establish a more systematic approach to developing and evaluating manpower and personnel policy and program.

Line of effort: Does the military justice system provide fair, equitable, and consistent treatment for military people and, at the same time, effectively serve the interests of both the military and the public?

General strategy

Our strategy during this period was to review areas which could potentially have a long-term negative impact on service members. As a result, we looked at adverse discharges, AWOL, nonjudicial punishments, military confinement facilities, and criminal justice overseas. We attempted to balance the need for military efficiency and discipline with service members' rights to fair treatment.

Objective No. 1

Is the military justice system designed to allow quality justice?

Results achieved

We have made progress toward accomplishing this objective. As a result of our report on the AWOL problem, the following actions were taken:

- The services are revising certain recruiting literature to more fully explain the crime of AWOL and the military justice system.
- DOD is considering several modifications to data collection and reporting on absentees in conjunction with proposed revisions of Directive 1325.2, "Desertion and Unauthorized Absenteeism."

DOD informed us that other recommendations were being studied, however, no action has been taken to date.

In response to our recommendation in our report on criminal offenses committed overseas by DOD civilians, Congressman Bennett asked that we modify his proposed legislation to extend criminal jurisdiction over DOD civilians accompanying the Armed Forces overseas. Additionally, Congressman Bennett asked that we modify his proposed legislation to implement our recommendations for improving the Uniform Code of Military Justice. We have discussed our suggested modifications to both bills with the General Counsel, House Committee on Armed Services. To date the Congress has not acted on the proposed legislation.

An earlier report, "Fundamental changes Needed to Improve the Independence and Efficiency of the Military Justice system" (FPCD-78-16, Oct. 31, 1978) helped to bring about the following actions:

--DOD proposed legislation that would eliminate certain legal duties of the convening authority.

--DOD is planning to separate budget items and expenditures for military justice rather than lumping them under operations and maintenance funding.

--The Army has extended its independent defense counsel organization.

Only since we initiated our review of the military justice system has DOD introduced legislation to change that system.

Objective No. 2

What are the problems being experienced by Vietnam era veterans who received administrative discharges characterized as less than honorable? (What has been its impact on returned veterans and were these veterans fairly treated? What are the long-term consequences and what can be done to reduce its personal impact on veterans?)

Results achieved

Instead of doing a limited review of the problems experienced by Vietnam-era veterans who received administrative discharges characterized as less than honorable, we did a comprehensive review of the entire military discharge system. A chapter of the report addressed the less than fully honorable administrative discharges and the consequences for recipients.

We concluded that the less than fully honorable administrative discharges--general and under other than honorable conditions--have potentially severe consequences for the individual. Many recipients encounter substantial prejudice in civilian life and are denied civilian job opportunities and veterans' benefits. Additionally, the less educated and minorities receive a disproportionate share of less than honorable discharges. In time, a poor job record can be overcome, but the type of discharge and the character of service remain with the individual throughout his/her life.

Objective No. 3

What has been the impact of the administrative discharge system on the total military system? (What has been its impact on postservice entitlements available to veterans and on retaining qualified personnel in the service? To what extent is it used as a management crutch--as a substitute for leadership and motivation?)

Results achieved

We have essentially satisfied this objective with the issuance of our comprehensive report, "Military Discharge Policies and Practices Result in Wide Disparities: Congressional Review is Needed" (FPCD-80-13). While DOD's comments on the final report generally disagreed with our recommendations, DOD did concur with the intent of our recommendation to establish time frame guidelines for processing separations for adverse reasons. The House and Senate Appropriations Committees have proposed a \$27.3 million reduction in Defense's fiscal year 1981 budget based on our report recommendations.

As a result of our earlier reports (FPCD-80-13, 77-16 and 75-126) the following actions were taken during this period:

- The House Appropriations Committee requested our views and report on the services discharge systems.
- DOD and FBI have stopped routinely apprehending deserters, an annual cost savings of over \$12 million.
- DOD has revised its separation document to restrict the distribution of adverse discharge information that may be used to discriminate among former service members.

Objective No. 4

A comprehensive analysis of military confinement and correctional institutions. (We planned to look at issues such as: Are those institutions effectively and efficiently managed? Are the programs and services provided inmates contributing to rehabilitation and useful retention in the services? Are the goals--rehabilitation, punishment, and deterrence--being achieved?)

Results achieved

We initiated a review to determine (1) whether military correctional facilities are being fully utilized in the most effective and efficient manner and (2) whether correctional facilities and policies are effective in meeting program objectives.

At the outset of the review it became apparent that it would not be profitable to perform extensive work because: (1) services have made progress in both consolidating and jointly using confinement facilities and (2) problems identified in our 1975 report (FPCD-75-125) have not been resolved. Therefore, we decided to direct our efforts toward evaluating what progress DOD had made in correcting deficiencies noted in our 1975 report. We made the following observations:

- The services are cooperating in consolidating and jointly using confinement facilities.

- DOD and the services are revising and updating their corrections directions.
- A Chief of Naval Operations study group is evaluating Navy confinement policies and practices.
- The Army Audit Agency is reviewing the effectiveness of the U.S. Army Retraining Brigade's program.

Although we view these actions as positive and constructive efforts to improve correctional programs, many of the problems we initially found still exist. Specifically, we found that:

- DOD has still not established or appointed an office or group with the authority to both establish and enforce uniform correctional policies among all the services.
- Services' confinement and correctional procedures and programs differ in such things as (1) amount and degree of counseling and treatment, (2) opportunities for education and skills training, (3) incentives for rehabilitation, and (4) criteria for confinement in different types of facilities.

Major products contributing to these results

Reports

"AWOL in the Military: A Serious and Costly Problem":
(FPCD-78-52; Mar. 30, 1979)

This report discussed all factors in the life cycle of the AWOL problem--recruit quality, military justice training, jobs, punishment for the offense, and separation of offenders. We concluded that present practices lack credibility and damage the deterrent potential in making AWOL a crime. The system permits severe punishment or no punishments and there is no guidance between these two extremes. The present range of options for dealing with AWOL are too broad to insure that the crime is dealt with consistently and firmly so that people perceive it as a serious offense.

"Some Criminal Offenses Committed Overseas by DOD Civilians Are Not Being Prosecuted: Legislation Needed"
(FPCD-79-45; Sept. 11, 1979).

This report concluded that the United States has virtually no criminal jurisdiction over the more than 340,000 DOD civilians accompanying the Armed Forces

overseas. Alleged offenses, some serious, are not tried when foreign countries choose not to prosecute. Administrative sanctions are inadequate for punishment and deterrent effects and do not safeguard individual rights. We recommended that the Congress enact legislation extending criminal jurisdictions over DOD civilians accompanying the Armed Forces overseas.

"Military Discharge Policies and Practices Result in Wide Disparities: Congressional Review is Needed" (FPCD-80-13; Jan. 15, 1980).

This report assessed the services military discharge systems and concluded that there is no uniformity in discharges imposed on people with similar service records. Different philosophies and practices among the services for imposing and upgrading discharges have led to wide disparities.

Line of effort: Is the Government providing and properly subsidizing and managing only essential morale, welfare, and recreation activities for its employees?

General strategy

Our strategy for this line of effort has been to (1) comment on the need for morale, welfare, and recreational (MWR) activities in the military and (2) improve the delivery of services without increasing the cost to the taxpayer or the customer.

Objective No. 1

Determining whether appropriated fund support should be reduced when the need for continued operation and appropriated fund subsidization of traditional military commissary and exchange activities is not justified.

Results achieved

We completed our evaluation of the justification for the military commissaries and their appropriated fund support and of efforts to reduce the appropriated funds needed to operate them, including the need for four separate commissary systems. We made a series of recommendations designed to bring the justification process and bases up to date, and to reduce appropriated fund support, particularly through consolidation of the four systems. The Congress has not yet addressed the issue, but we expect it to be raised again by appropriation committee staffs next period. DOD indications were that consolidation would take place at a savings of \$7 million annually. As a result of an earlier report where we recommended that the two exchange catalog systems be consolidated, the House Appropriations Committee reduced Department of Defense appropriations for fiscal year 1980 by \$1.5 million as an incentive for the Department to consolidate. Although the Department at first agreed only to study consolidation, at GAO's insistence that the cost effectiveness had been demonstrated, the Department agreed and has begun to consolidate.

One of our long-range goals under this objective has been to move military commissaries to be more self-sustaining, requiring little, if any, appropriated fund support. Several prior reports have documented our overall position in this respect and also contained recommendations about general commissary policy and organization.

With regard to military exchanges we have recently completed work demonstrating that exchanges can operate without appropriated fund support if the requirement to generate funds for other morale, welfare, and recreation activities is removed.

Objective No. 2

Evaluate more cost-effective alternatives for management and operations of MWR activities which can reduce the amount of appropriated fund support required.

Results achieved

Actions as a result of our work center around the assignment of military personnel to morale, welfare, and recreation activities and the distribution of nonappropriated fund profits from package liquor stores.

As a result of an earlier report, "Appropriated Fund Support for Nonappropriated Fund and Related Activities in the Department of Defense" (FPCD-77-58, Aug. 31, 1977), the Defense Appropriations Act of 1978 and 1979 reduced the number of military personnel assigned to MWR activities. These reductions save appropriated funds, release military personnel for military duties, and have had little impact on the MWR programs. The ceiling on full-time and part-time positions has been reduced by 2,300.

The Senate Appropriations Committee asked GAO to determine what impact the reductions had on military MWR programs and what impact future reductions might have. We told the committee that since past reductions had little adverse impact, future reductions could save appropriated funds. We expect further reductions in the future.

With our assistance the House Armed Services Committee has been looking at the management and operation of MWR activities, particularly military officer and enlisted clubs. Hearings were held on our findings, and as a result, DOD is addressing the issue of how to channel more nonappropriated fund profits from liquor store sales into base MWR programs rather than retaining most of it for the clubs. Implicit in this action is the requirement for the clubs to become more efficient and self-supporting.

Also, as a result of our work, the Committee and DOD have become generally more aware of the need to reduce appropriated fund support for clubs to place them on a more business-like, self-sustaining basis, and DOD is encouraging the services to consolidate club operations where it will improve service.

Committee staff, accompanied and advised by GAO staff, visited overseas military bases and determined that the quality of life for personnel stationed overseas was not comparable to that of their State-side counterparts. As a result of this visit, DOD provided substantial funds for emergency aid to improve MWR and other support facilities at remote, isolated sites.

Major products contributing to these resultsReports

- "Military Commissaries:
--Justification as Fringe Benefit Needed
--Consolidation Can Reduce Dependence on Appropriations"
(FPCD-80-1; Jan. 9, 1980).
- This report recommended that the Secretary of Defense (1) develop the necessary support to justify a need for commissaries, cost analyze the ability of the commissary program and other programs to meet the need and develop new criteria for individual stores and (2) consolidate the four commissary management systems into one. We also recommended that the Congress enact legislation setting forth the basis on which commissaries may be operated and suggesting that, in the interim, appropriated funds could be reduced by requiring metropolitan commissaries to be self sustaining or by making management improvements.
- "Need to Consolidate Mail-Order Catalog Systems" (May 22, 1979).
- Our May 22, 1979, letter report to the House and Senate Appropriation Committees demonstrated that appropriated and nonappropriated funds could be saved if the two major military exchange systems would consolidate their mail-order catalog operations. We recommended that the Secretary of Defense consolidate the systems and that the Congress prohibit the use of appropriated funds to support separate systems.
- "Changes Needed in Operating Military Clubs and Alcohol Package Stores" (FPCD-79-9; Jan. 15, 1979).
- FPCD-79-9 recommended several management, organization, and funding improvements to the military club systems, and FPCD-79-54 reported that military personnel reductions had not harmed MWR activities and further reductions would result in a significant savings of appropriated funds.
- "Military Personnel Cuts Have Not Impaired Most Morale, Welfare, and Recreation Activities"
(FPCD-79-54; July 11, 1979).

We have worked closely with the Nonappropriated Fund Panel of the House Armed Services Committee and the club review and provided them with information necessary for effectively carrying out their oversight responsibilities. We testified before the Panel on club and packaged alcoholic beverage store operations and management and provided staff to assist the Panel in preparing for hearings and reporting on them. We conducted several briefing sessions for the Panel and other subcommittee staffs on overseas black-marketing problems and military base merchandise control systems prior to the Panel staff's overseas visits.

Other accomplishments
under this line of effort

We have also addressed two MWR issues that have been the subject of hearings, an introduction of a bill, and a debate within a House Armed Services Subcommittee and DOD. These are:

1. The subsidized and tax-free sale of cigarettes and alcohol in military resale outlets, while at the same time Defense and Government have programs to discourage the use of such products for health reasons. To make their sales policy consistent with control and anti-abuse programs, we proposed that Defense sell these items at commercial prices. In 1979, Senator Bellmon introduced a bill which would allow State and local governments to impose taxes on alcoholic beverages and tobacco sold on military installations. The paradox of Defense efforts to curb the use of alcohol while offering members inexpensive and easily available alcoholic beverages at on-base stores has been noted in the House Armed Services Committee and Nonappropriated Fund Panel and has been debated within DOD. Differences between health officials and MWR officials over the pricing of alcohol and tobacco have yet to be resolved. We issued a staff study on this subject entitled, "The Tax Status of Federal Resale Activities: Issues and Alternatives," (FPCD-79-19, Apr. 19, 1979).

2. At the request of several Congressmen, we determined whether Government agencies were complying with the Randolph-Shepard Act requirements to share vending machine nonappropriated fund income with blind vendors. We found that Defense was not complying

with the law or properly implementing regulations prepared by the Department of Health and Human Services. In April 1979 we testified before the Senate Subcommittee on the Handicapped, Committee on Labor and Human Resources, on the disagreement between the two agencies over the interpretation of the law. Because of the hearings, Health and Human Services and Defense are negotiating a compromise, but their disagreement has yet to be resolved. We issued letter reports dated February 27, 1979, to Representative Jack Brooks and several others on implementation of the Randolph-Sheppard Act Amendments of 1974.

GAO REPORTS ISSUED THAT CITE PERSONNELMANAGEMENT AND COMPENSATION AS A SECONDARY ISSUE AREA

<u>Title</u>	<u>Report number</u>	<u>Date</u>
Review of U.S. Army Operations in Europe Concerning the Use of Enlisted Personnel as Drivers for Army Officers	LCD-78-241	1-9-79
Better Equipment Maintenance and Personnel Training Needed To Improve Fire Fighting Capability on Navy Ships	PSAD-79-6	1-16-79
Review of Administrative Law Judge Activity and Hearing Process at the Federal Energy Regulatory Commission	EMD-79-28	2-13-79
Does the Federal Incentive Awards Program Improve Productivity?	FGMSD-79-9	3-15-79
Can the Army and Air Force Reserves Support the Active Forces Effectively?	LCD-79-404	4-25-79
Federally Assisted Employment and Training: A Myriad of Programs Should Be Simplified.	HRD-79-11	5-8-79
Labor Development is Strengthening Procedures to Recover Costs for Federal Employees' Injuries Caused By Third Parties	HRD-79-36	5-9-79
The Maritime Administration and the National Maritime Council--Was Their Relationship Appropriate?	CED-79-91	5-18-79
Multiple Problems With the 1974 Admendments to the Federal Employees Compensation Act	HRD-79-80	6-11-79
Problems Concerning the Federal Equal Opportunity Recruiting Program	FPCD-79-62	6-18-79

APPENDIX II

APPENDIX II

<u>Title</u>	<u>Report number</u>	<u>Date</u>
Compensation for Federal Employee Injuries: Its Time to Rethink the Rules	HRD-79-17	8-31-79
Stronger Management Needed to Improve Employee Organization Health Plans Payment Practices	HRD-79-87	9-7-79
Architectual Barriers Compliance Board--Actions Needed by the Compliance Board to Make Buildings Accessible	FPCD-79-87	10-1-79
Placing Resident Inspectors at Nuclear Power Plant Sites: Is It Working?	EMD-80-28	11-15-79
Estimated Personnel Needs of the Agricultural Stabilization and Conservation Service--Are They Reliable?	FPCD-80-5	11-26-79
Army Guard and Reserve Pay and Personnel Systems are Unreliable and Susceptible to Waste and Abuse	FPCD-80-30	1-28-80
The Coast Guard--Limited Resources Curtail Ability to Meet Responsibilities	CED-80-76	4-3-80
More Competence In Foreign Languages Needed By Federal Personnel Working Overseas	ID-80-31	4-15-80

OTHER AGENCY EVALUATIONS IN THE
CIVILIAN PERSONNEL MANAGEMENT AREA

Several organizations, both Federal and private, are concerned about Federal personnel management issues. These include

- the Office of Personnel Management,
- the Congressional Budget Office,
- the Congressional Research Service,
- the Office of Management and Budget,
- the President's Management Improvement Council,
- the International Personnel Management Association, and
- the National Academy of Public Administration.

To help us define the personnel management area of concern and focus on the problems potentially being the most important over the next couple of years, we contacted various organizations and discussed the evaluations they have underway or plan to perform in the near future. This helped us focus in on the most important problem areas and design our plan to avoid unnecessary overlaps in specific assignments.

Although agencies advised us that their plans are subject to change, the following is a surmation of their ongoing or planned work.

OFFICE OF PERSONNEL MANAGEMENT

1. Review of decentralization of examining and personnel management authorities. The review will:
 - Look at the extent of delegation.
 - Identify barriers to delegation within the agencies.
 - Assess the timeliness of staffing under delegation.
 - Survey managers on the quality of employees hired under delegation.
 - Study how delegation affects the hiring of minorities and women.
 - Assess the adequacy of OPM oversight.
 - Assess cost effectiveness of delegated examinations.

2. Review of SES and how it has improved executive performance focusing on:

- Problems encountered during the establishment of SES and how these problems affected the goals of SES.
- SES impact on the selection and utilization of executives.
- SES impact on improving the performance of executives through such items as performance appraisal, executive development, awards, and honorary ranks.
- SES impact on retaining good performers and removing poor performers.
- SES impact on increasing the utilization of SES spaces and on meeting the changing needs of agencies.
- The extent to which career/noncareer interface been improved and the types of positions being given to career/noncareer executives.
- SES impact on the prevention of political abuse, other prohibited personnel practices, and arbitrary and capricious actions affecting senior executives.
- The extent to which there has been a reduction in paperwork and timeliness of actions and operations at a reasonable cost.

3. Review of performance appraisal focusing on:

- Whether the system is fair, equitable, accurate, and based on quality of performance.
- Whether performance appraisal has improved retention and utilization of high-quality employees and the removal of poor performers.
- Whether appraisal systems have increased productivity through improved linkages between appraisals, personnel decisions, and productivity.

4. Review of merit pay systems focusing on:

- The steps the agencies are taking to implement a merit pay system, and what provisions are included in the plans.
- How employees are being informed about the changes in the pay system.

- Whether cash awards and merit pay increases are being made in a fair and nonbiased manner and in direct relationship to the performance of the employee.
 - The impact that cash awards and merit pay are having on individual and organizational performance.
5. Review of the success of work force discipline statutory and regulatory changes focusing on:
- Whether the statutory provisions are working as planned.
 - Whether the commitment to deregulate is having the desired effect.
6. Review of the special Federal recruitment program focusing on:
- How the special recruitment programs are being managed within each agency.
 - Whether there is effective implementation and operation of programs in all agencies and agency components.
 - Whether the special recruitment programs are producing a representative Federal work force.
7. Review of the Federal labor-management relations program focusing on the impact civil service reform is having on (1) the scope of bargaining, (2) third-party machinery, and (3) management effectiveness.
8. Review of the effects of grade and pay retention benefits focusing on the overgrading rates and payroll costs before and after civil service reform and establishing the most likely causes for any significant changes.
9. Review of the establishment of simplified personnel requirements for Federal grant programs, looking at how civil service reform has helped ease the administrative burden and confusion of State and local governments with respect to compliance with Federal grant program requirements by eliminating unnecessary and inconsistent personnel requirements.
10. Review of the OPM Federal productivity program focusing on the:
- Coverage, quality, and usefulness of aggregate productivity measures.
 - Development of useful agency program operations measures.

- Development of new common services measures.
 - Measurement of Federal service productivity.
 - Identification of causal factors that enhance/inhibit productivity of the Federal work force.
11. Organizational assessments of a limited number of Federal agencies to achieve the following:
- Document the implementation of major reform initiatives in the specific agencies.
 - Identify and document all immediate effects of the implementation on employee morale, attitudes, and behavior.
 - Identify and document all the intermediate effects of the implementation and employee changes on agency program operations.
 - Identify and document all the ultimate effects on accomplishing the agency mission.

CONGRESSIONAL BUDGET OFFICE

CBO currently has planned or stated the following reviews:

- Budgetary impact of the Administration pay reform package.
- Alternative plans for financing health care benefits.
- Comparative study of various employee life insurance plans.
- Study of the various means of financing civil service retirement.
- Examine the costs of the wage board system in DOD as it compares to the GS system employed for white-collar employees--look at alternative pay systems and a total compensation method.

CONGRESSIONAL RESEARCH SERVICE

CRS has planned or stated the following reviews:

- A pro and con report on the Administrations pay reform plan.

- A primer on the primary Federal pay systems.
- A study on possible modifications to the current cost-of-living adjustments.
- A study on possible modifications to the disability programs for Federal employees.
- A study of the possible effects of incorporating the social security system with the present Federal retirement system.

PRESIDENT'S MANAGEMENT IMPROVEMENT COUNCIL

The Council has two ongoing projects that are related to the personnel management issue area:

- A project that exposes OPM's retirement system managers to exemplary practices within the private insurance sector.
- A project for providing advice from the private sector to officials of GSA in the area of employee training needs.

These are management improvement projects, not reviews or evaluations.

THE SIZE AND COST OF THE FEDERALLYPAID WORK FORCEHow large is the Federal work force?

The answer to this question depends on how the Federal work force is defined. Traditionally the Federal work force has been defined as civilian employees of the executive branch, postal workers, and active duty military personnel. Under this definition there are about 5 million persons employed as shown below.

TOTAL EXECUTIVE BRANCH EMPLOYMENT
1975 - 1981
(as of end of fiscal year)

DESCRIPTION	Actual		Estimated	
	1975	1979	1980	1981
<u>Civilian employment, executive branch:</u>				
Full-time permanent	1,917,352	1,893,391	1,910,300	1,909,000
Other than full-time permanent	237,394	267,388	246,900	223,300
Subtotal, civilian personnel	2,154,746	2,160,779	2,157,200	2,132,300
<u>Postal Service:</u>				
Full-time permanent	558,311	532,627	531,800	532,100
Other than full-time permanent	134,965	129,246	125,300	103,900
Subtotal, Postal Service	693,276	661,873	657,100	636,000
<u>Military personnel on active duty (note a):</u>				
Department of Defense	2,127,293	2,024,444	2,045,200	2,059,100
Department of Transportation (Coast Guard)	36,788	38,565	39,500	39,500
Subtotal, military personnel	2,164,788	2,063,009	2,084,700	2,098,600
<u>Foreign nationals, Department of Defense:</u>	83,725	75,317	78,500	79,300
Total, employment	5,095,828	4,960,978	4,977,500	4,946,200

a/Excludes 828,000 National Guard and Reserve personnel.

Source: Special Analysis, Budget of the United States, Government, Fiscal Year 1981, and prior year budgets.

The Federal work force also includes over 41,600 legislative branch employees, nearly 13,900 judicial branch employees, about 25,000 foreign employees of civilian agencies overseas, and about 185,000 civilian employees of various nonappropriated fund activities around the world. In addition, the Federal Government hires many thousands of consultants each year through direct appointments, contracting, and advisory committee membership. The estimates of the cost of the latter for fiscal year 1979 ranged from \$.3 to \$2.3 billion.

An uncertain, but large, number of additional people are paid with Government funds. In 1978, the Secretary of Health, Education, and Welfare (HEW) estimated that HEW funded jobs for some 980,000 persons in addition to those on the agency payroll. A 1979 summary published by the National Journal ^{1/} estimated that there were perhaps as many as 8 million persons being paid by the Government under a variety of grant and contractual arrangements.

How much does the Federal work force cost?

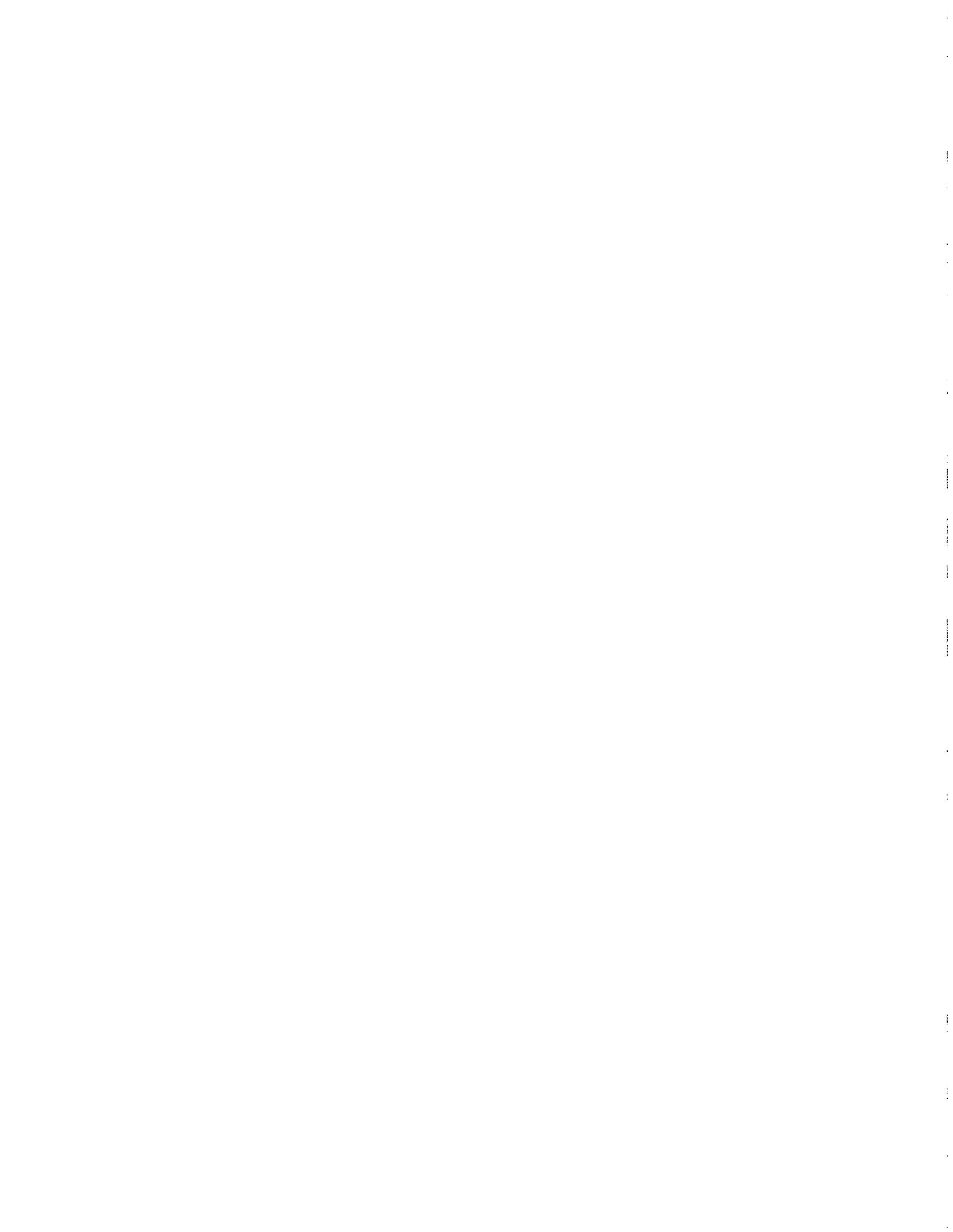
Federal personnel compensation and benefits costs have risen steadily, and should continue to do so. As the following table shows, in 1975 total personnel costs were about \$76.3 billion. For fiscal year 1980, this cost is estimated to reach \$116.2 billion--nearly one-fifth of total budget outlays. This represents about a 52 percent increase in personnel costs in 5 years. At the same time personnel costs were growing, there was a 2 percent decrease in Federal employment. Much of this cost increase can be attributed to inflation, but some of it has resulted from the growing professional and technical composition of the Federal work force.

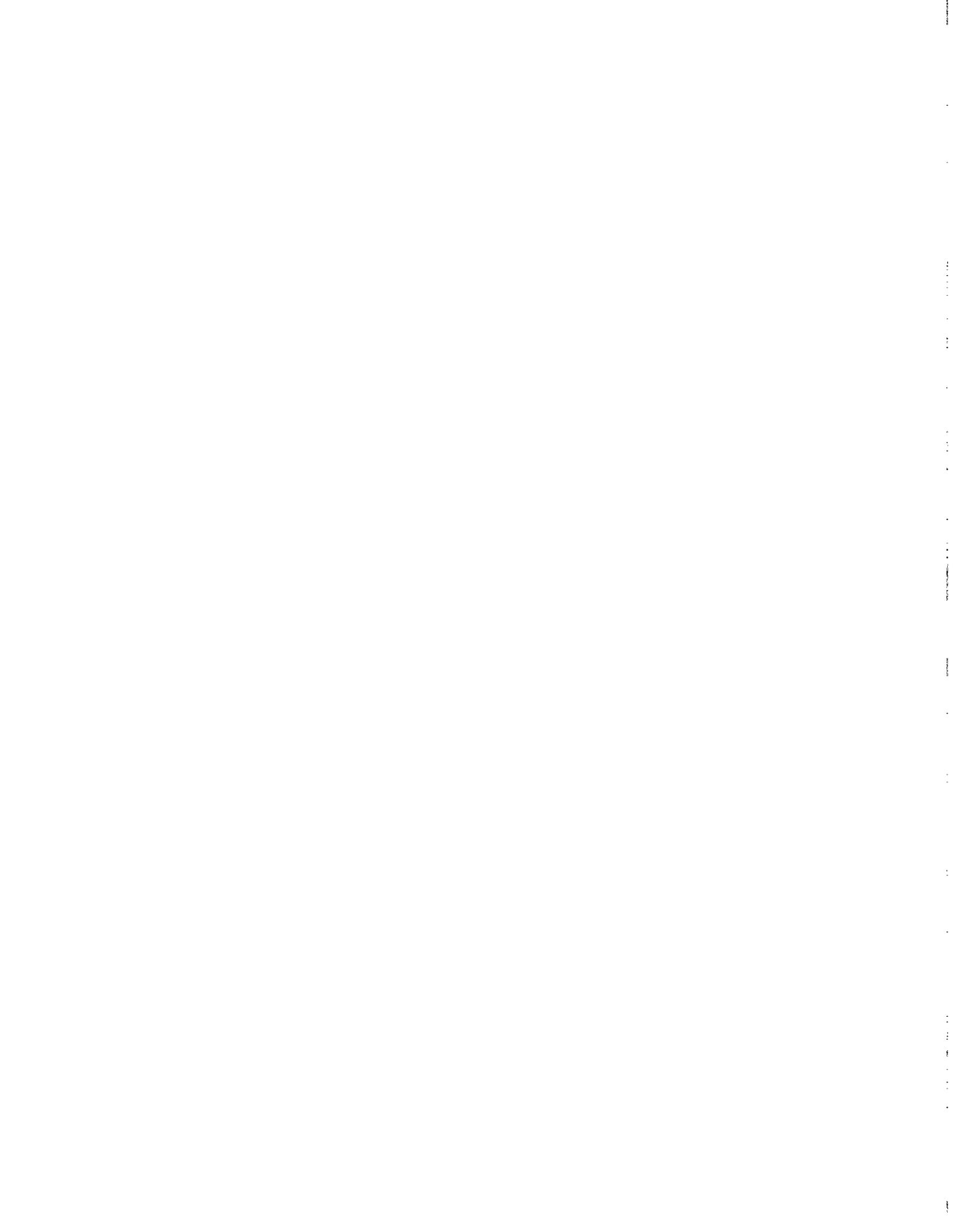
^{1/}"Uncle Sam's Army of Invisible Employees," National Journal, May 5, 1979.

FEDERAL PERSONNEL COMPENSATION AND BENEFIT COSTS
1975 - 1981
(billions of dollars)

Description	Actual		Estimated	
	1975	1979	1980	1981
Civilian personnel costs:				
Executive branch:				
Direct compensation	\$ 29.0	\$ 40.0	\$ 44.0	\$ 44.4
Personnel benefits	6.7	13.3	15.5	16.6
Allowance for civilian pay raise	-	-	-	1.8
Subtotal, civilian personnel costs	\$ 35.7	\$ 53.3	\$ 59.5	\$ 62.8
Military personnel costs:				
Direct compensation	\$ 21.3	\$ 24.9	\$ 26.5	\$ 27.2
Personnel benefits	1.8	1.9	2.3	2.5
Payments to military retirees	6.4	10.3	11.9	13.7
Allowance for military pay raise	-	-	-	1.2
Subtotal, military personnel costs	\$ 29.5	\$ 37.1	\$ 40.7	\$ 44.6
Postal Service personnel costs:				
Direct compensation	\$ 9.4	\$ 12.3	\$ 13.5	\$ 14.8
Personnel benefits	1.7	2.5	2.5	2.9
Subtotal, Postal Service personnel costs	\$ 11.1	\$ 14.8	\$ 16.0	\$ 17.7
Total, personnel costs	\$ 76.3	\$105.2	\$116.2	\$125.1

Source: Special Analysis, Budget of the United States Government, Fiscal Year 1981, and prior year budgets.





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