

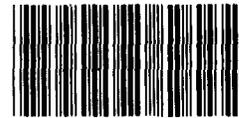
GAO

Report to the Chairman, Subcommittee  
on Civil Service, Committee on Post  
Office and Civil Service, House of  
Representatives

August 1990

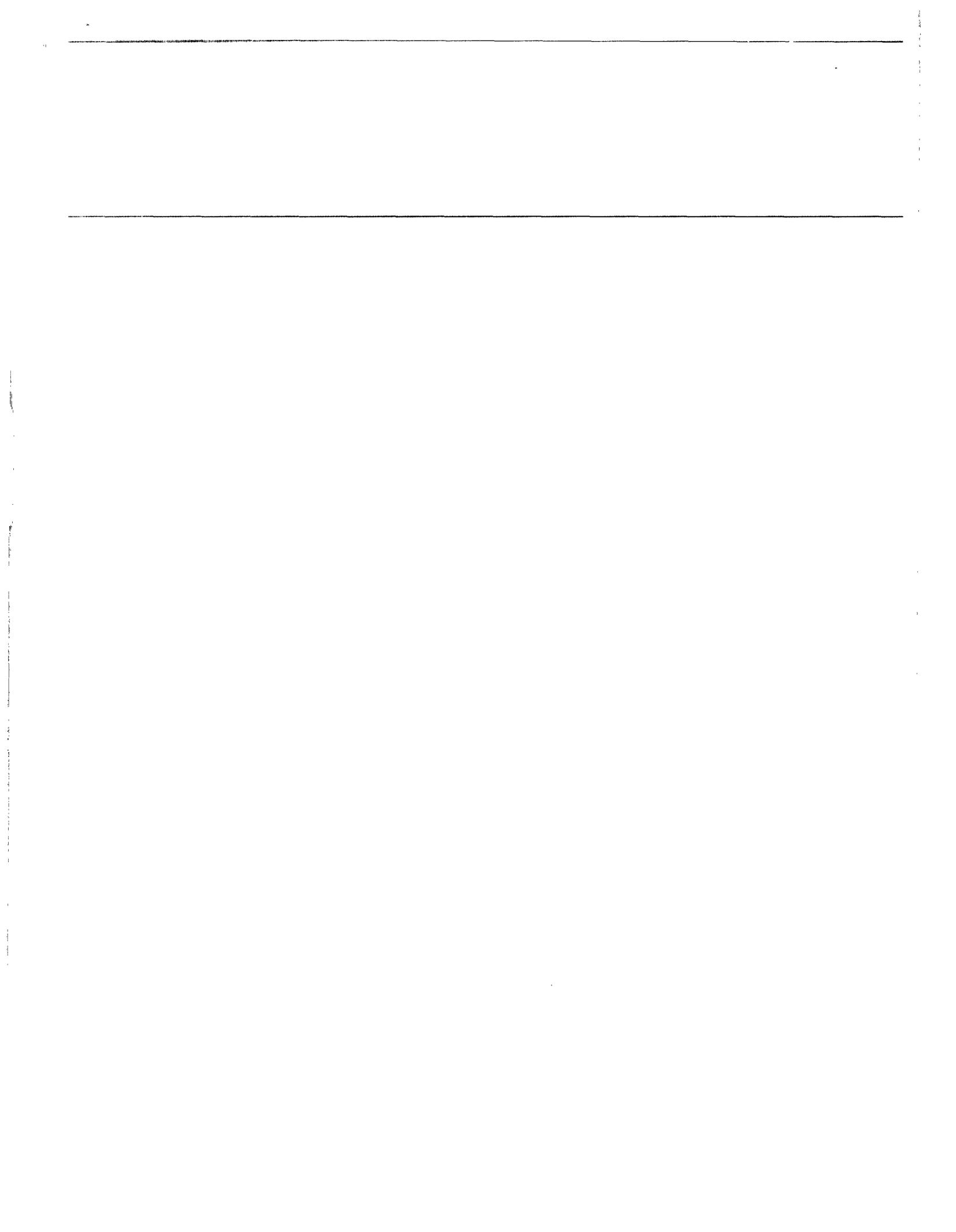
# FEDERAL RECRUITING AND HIRING

## Making Government Jobs Attractive to Prospective Employees



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

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**General Government Division**

B-235637

August 22, 1990

The Honorable Gerry Sikorski  
Chairman, Subcommittee on Civil Service  
Committee on Post Office and  
Civil Service  
House of Representatives

Dear Mr. Chairman:

This report, prepared at your request, reviews (1) the major problems agencies are having in recruiting and hiring qualified entry-level employees and (2) the effectiveness of Office of Personnel Management and federal agency actions in addressing these problems.

As arranged with the Subcommittee, unless you publicly announce its contents earlier, we plan no further distribution of this report for 30 days from the date it is issued. At that time, we will send copies to the appropriate congressional committees, the Director of the Office of Personnel Management, and the heads of the four agencies included in our review. We will also make copies available to others upon request.

The major contributors to this report are listed in appendix V. Please contact me at 275-5074 if you or your staff have any questions.

Sincerely yours,

A handwritten signature in cursive script that reads 'Bernard L. Ungar'.

Bernard L. Ungar  
Director, Federal Human  
Resource Management Issues

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# Executive Summary

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## Purpose

As an employer, the federal government faces a predicament. Its work is becoming more technical and knowledge-intensive while the labor market in which it must recruit is becoming more competitive. Its approach to recruiting qualified employees has been questioned by several studies, including those prepared by GAO and the National Commission on the Public Service. These studies prompted the Chairman of the Subcommittee on Civil Service, House Committee on Post Office and Civil Service, to ask GAO to help clarify the recruiting and hiring problems facing the federal government. GAO reviewed (1) the major problems agencies are having in recruiting and hiring qualified entry-level employees and (2) the effectiveness of Office of Personnel Management (OPM) and federal agency actions in addressing these problems.

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## Background

GAO reviewed several major studies that covered federal recruiting issues. Then, focusing on accountants, engineers, and registered nurses, GAO collected data on 13 recruiting activities at four departments and agencies: the Departments of Health and Human Services, the Navy, and Veterans Affairs and the Environmental Protection Agency. OPM has designated these three occupations as experiencing nationwide recruiting problems in the federal government.

To obtain the perceptions of college students on federal government recruiting, GAO also interviewed nine groups of students at five universities. (See pp. 16 and 17.)

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## Results in Brief

Noncompetitive starting pay along with a complex and time-consuming hiring process and limited outreach are the major problems facing federal recruiters. Little hard data exist, however, on how agency operations are being adversely affected.

Special salary rates were being used at 12 of the 13 sites to address the pay problem. But federal government starting salaries, even when bolstered by special pay rates, are behind private and other public sector starting salaries. Under current law, with the exception of special rates, federal agencies generally have no flexibility in setting entry-level starting salaries that are above the minimum entry step. Several legislative proposals, including one by the administration, address various aspects of the pay problem, such as the need for flexibility in setting starting salaries, pay differentials by occupation, and locality pay. GAO supports the need for federal pay reform.

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The hiring system has often been cited as complex and untimely. GAO was unable to measure the timeliness of various hiring methods because of the lack of documentation at the sites it visited.

Direct hire has become a popular tool for making the federal hiring process more flexible. OPM's direct hire procedures, under certain conditions, do not ensure that merit principles are being met. GAO believes, and the Director of OPM agrees, that additional guidance and oversight are needed.

OPM has recruiting initiatives underway and planned to increase its outreach to potential applicants. However, many of the agency recruiters GAO interviewed had little knowledge about the progress of these initiatives. It is important that OPM keep the agencies apprised of these initiatives and that agencies collect data to evaluate results.

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## Principal Findings

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### Noncompetitive Starting Pay Is a Major Barrier to Recruiting

College students GAO interviewed said overwhelmingly that current entry-level federal salaries would probably not meet their financial needs, although several factors were cited as influencing their employment decisions. At 12 of the 13 locations GAO visited, agencies were using special salary rates. However, agency officials viewed these rates as helping only moderately, depending on the occupation.

For example, the 1989 federal starting salaries offered to graduates in accounting, engineering, and nursing were significantly less than private and other public sector starting salaries offered nationwide. For nurses the difference in starting salaries generally ranged from 4 to 22 percent; for accountants it was 11 to 34 percent; and for engineers it was 21 to 49 percent. More specifically, the maximum starting salary for federal engineers was \$25,343. The typical starting salary offered to new engineers outside the government was \$30,542.

GAO found that agencies that actively recruited were able to fill their hiring needs for engineers and accountants, but that agency officials were concerned about applicant quality. While little data on quality of applicants or new hires is available, recruiting officials at one location told GAO they were looking for engineers with a minimum 2.6 college

grade point average (GPA). However, GAO found that about one-third of their newly hired engineers had a GPA below 2.6.

On numerous occasions in different forums GAO has urged Congress to enact pay reform legislation embodying the principles of locality pay, increased starting salaries, and other related measures. After years of inaction there is now movement. The Director of OPM has been working to promote legislation that embodies the above principles, and an administration proposal has been introduced in both the House (H.R. 4716) and the Senate (S. 2547). The House Post Office and Civil Service Committee has approved a bill (H.R. 3979) that also forms a basis for negotiation, as has the Senate Governmental Affairs Committee (S. 2274). GAO strongly endorses these efforts to fashion final legislation. (See pp. 18 to 33.)

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**Hiring Process Needs  
Better Documentation,  
Procedures, and Oversight**

In 1988 the OPM Director described the hiring process as “slow; . . . legally trammelled and intellectually confused . . .” Direct hire has become a widely used tool for making the federal hiring process more timely and flexible; its use tripled between fiscal years 1988 and 1989.

GAO was generally precluded from assessing the timeliness of the hiring process at the sites visited because of lack of documentation. Also, at two sites GAO found that agencies, following OPM’s procedures, made selections without documenting the rating and ranking of applicants even though there were more applicants than positions. In this situation, rating and ranking applicants on the basis of their qualifications would be a necessary step in ensuring open and fair competition. Similarly, at seven sites GAO could not determine if agencies were in compliance with merit principles because agencies did not consistently document hiring actions and the results of recruiting efforts. The lack of assurance that merit principles have been complied with is compounded because OPM does not review agency direct hire operations in its oversight reviews. (See pp. 34 to 50.)

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**Better Communication  
Should Enhance  
Recruitment**

In June 1988, OPM announced initiatives, including new brochures and an examining and hiring program, aimed at improving recruitment. However, GAO found that these initiatives were not well known to agency recruiters or college students. In addition, most students GAO interviewed knew very little about available federal jobs or how to

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apply for them. To ensure that the initiatives achieve the maximum possible success, OPM needs to better communicate them to recruiters and prospective applicants. (See pp. 51 to 65.)

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## Recommendations

GAO recommends that the Director of OPM revise OPM's direct hire procedures to require better agency documentation of hiring decisions. GAO also recommends that OPM include direct hiring and timeliness of hiring actions in its oversight of agency operations. Additionally, GAO recommends that OPM develop procedures for collecting data on recruiting activities and results for assessment purposes and establish a recruiters' network to foster better communications. (See pp. 40, 50, and 65.)

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## Agency Comments

The Director, OPM, generally agreed with GAO's findings and recommendations. She identified several initiatives OPM had taken or is planning to take since GAO did its field work to address the problems noted. For example, she said that the administration's pay reform proposal contained a provision that would allow agencies authority for setting salaries above the minimum step for all grade levels. She also said that OPM is developing revised guidance to (1) better ensure compliance with merit principles when using direct hire authority and (2) provide agencies with a "model" recruiting plan. OPM's comments are included in appendix I of this report and are summarized at the end of chapters 2, 3, 4, and 5.

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**Abbreviations**

ADP	automated data processing
ARIS	automated recruiting information system
CY	calendar year
DOD	Department of Defense
DVA	Department of Veterans Affairs
EPA	Environmental Protection Agency
FAA	Federal Aviation Administration
FEB	Federal Executive Board
FOCIS	Federal Occupational Career Information System
FY	fiscal year
GM	General Management
GPA	grade point average
GS	General Schedule
HHS	Department of Health and Human Services
IAV	installation assessment visit
IRS	Internal Revenue Service
MSPB	Merit Systems Protection Board
NACLE	National Advisory Commission on Law Enforcement
NAVSEA	Naval Sea Systems Command
NIH	National Institutes of Health
OPM	Office of Personnel Management
PACE	Professional and Administrative Career Examination
PMI	Presidential Management Intern
VAMC	Veterans Affairs Medical Center

# Introduction

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In the 1990s, the federal government faces an unparalleled challenge in maintaining the quality of its workforce. The nature of government work is becoming more complex. Federal jobs are becoming more technical and knowledge-intensive. The labor pool from which it must recruit is shrinking. The effectiveness of the government in getting its fair share of the nation's highly skilled college and university graduates has been questioned by several studies in recent years. One of these was done by the National Commission on the Public Service<sup>1</sup> (subsequently referred to as the Volcker Commission). In its report the Commission said that there were several barriers to recruiting, including low entry-level pay, a laborious hiring process, and ineffective outreach to students who possess the skills and potential to work in the increasingly complex government environment. Although changes are underway, much remains to be done to ensure that the federal government is a competitive employer.

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## Background

The federal workforce is large and diverse. It encompasses over 2 million federal civilian nonpostal employees covering about 900 occupations. These jobs are grouped into two broad categories: the competitive service and the excepted service. Most federal civilian positions are under the competitive service and are subject to merit system principles, including open and fair competition in recruiting and hiring.

Some agencies and positions are excepted from the competitive service by law, executive order, or by the Office of Personnel Management (OPM). These agencies and positions are in the excepted service and have their own procedures. They are not required to follow competitive service procedures established by OPM. Examples of agencies in the excepted service include the Postal Service and the Foreign Service in the Department of State; examples of positions in the excepted service are attorneys, certain national bank examiners, and those positions in senior policy-making or confidential positions.

Responsibility for recruiting new employees is shared by OPM and the agencies. While OPM establishes recruiting policies and oversees their implementation, agencies are taking a more active role in recruiting. This shared responsibility goes beyond the mechanics of recruiting; it also includes sharing responsibility for ensuring merit in recruiting and hiring.

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<sup>1</sup>Leadership for America: Rebuilding the Public Service, The National Commission on the Public Service, Paul A. Volcker, Chairman (Washington, D.C., 1989).

The principle of merit is the basis for federal recruiting activities. The merit principle governing federal recruitment is contained in the Civil Service Reform Act of 1978. It requires that applicants be selected on the basis of relative ability, knowledge, and skills, as determined through fair and open competition.

In its role, OPM issues the qualification standards for occupations as well as regulations and instructions relating to recruiting and hiring. In addition, OPM is primarily responsible for examining the qualifications of applicants either through a review of applications submitted or through written testing. Generally, OPM can delegate this authority to competitively examine applicants to agencies except when positions have requirements common to all federal agencies. Authority for competitive examinations is sometimes granted to agencies in exceptional cases in which the interests of economy and efficiency require such delegation. These delegations should not weaken the application of the merit system principles and are subject to OPM oversight.

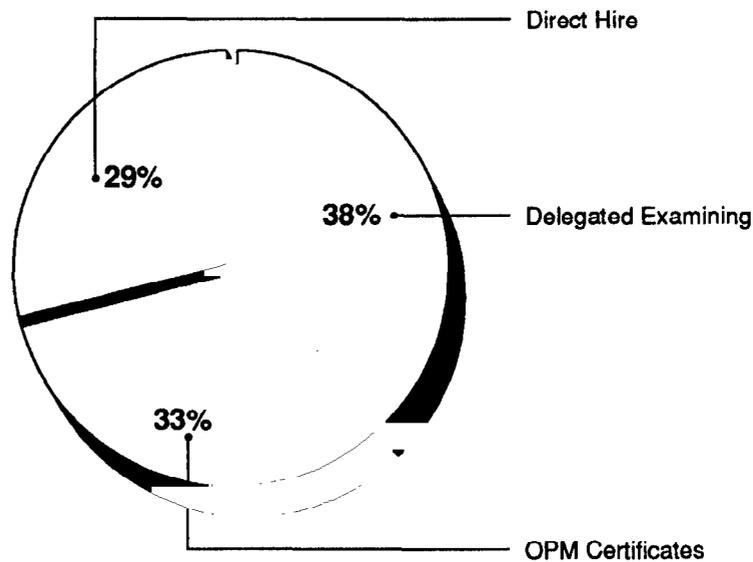
Agencies are responsible for developing and implementing recruiting and hiring programs to meet their specific staffing needs. OPM can delegate authority to agencies to design and operate personnel programs to meet their respective needs. These delegations are made to agency heads, who in turn develop and implement their own policies and procedures under the guidance of OPM policies. Agencies may delegate personnel authorities down to bureaus or field installations. When agencies hire individuals from outside the government through the competitive service, there are three major hiring methods they can use to fill positions:

- The first is OPM examining. Under this method OPM receives and examines applications, either through a written test or a review of qualifications, to determine if an applicant is qualified for a specific occupation or related occupations. If an applicant is rated as qualified, then the person is to be placed in rank order on a "register" or list of qualified applicants. Agency hiring officials then can request a list from OPM of those most qualified to fill its vacancies.
- The second is delegated or agency examining. Under this method agencies perform OPM's role under authority granted by OPM. This method is used when a certain occupation, such as air traffic controllers in the Federal Aviation Administration (FAA), predominately exists in one agency.
- The third is direct hire. Under this method OPM gives an agency or installation authority to directly receive applications, examine qualifications,

and make selections. OPM is to delegate this authority when it has been determined that the agency or installation is experiencing a shortage of qualified applicants. Agencies that have delegated examining authority from OPM can also grant direct hire authority to their installations.

In fiscal year 1989, using all three methods, the federal government hired 124,370 individuals into the competitive service from an applicant pool of 523,641 individuals. As indicated in figure 1.1, each method was used extensively.

**Figure 1.1: Hiring Methods Used in the Federal Government, Fiscal Year 1989**



Fiscal Year 1989  
Source: OPM Career Entry Management Report.

## Merit Principles Form the Basis for Federal Personnel Practices

Since the early 1880s, personnel practices based on merit, rather than favoritism, have been a distinguishing feature of employment practices in the federal government. In 1883, Congress passed the Pendleton Act, which was the first major reform of the federal civil service. The act established the requirement for open and competitive examinations to test the relative capacity and fitness of applicants for federal positions. Before that, appointment to the federal civil service was largely based on personal and political favoritism. Over time this system contributed to a loss of efficiency and prestige for the federal civil service and a movement to reform the civil service.

Proponents of the Civil Service Reform Act of 1978 argued that after the passage of the Pendleton Act, the merit system had been expanded through a series of laws, regulations, and rules; as a result, civil service law had become outdated, inflexible, and complicated so that the goals of the merit principles were no longer being attained. To codify and clarify the merit principles, a definitive statement of these principles was included in the Civil Service Reform Act of 1978.

There are nine merit principles that govern the federal personnel system, one of which affects recruitment. This merit principle requires that “recruitment should be from qualified individuals from appropriate sources in an endeavor to achieve a work force from all segments of society, and selection . . . should be determined solely on the basis of relative ability, knowledge, and skills after fair and open competition, which assures that all receive equal opportunity” (5 U.S.C. section 2301(b)(1)(1982)).

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## Several Studies Highlight Problems Affecting Federal Recruiting

Our reports and reports done by the Hudson Institute,<sup>2</sup> the National Academy of Public Administration,<sup>3</sup> the Merit Systems Protection Board (MSPB),<sup>4</sup> the National Advisory Commission on Law Enforcement (NACLE),<sup>5</sup> and the Volcker Commission have focused on the federal government’s recruiting problems. The Hudson Institute, in its report, Civil Service 2000, discusses the problem of noncompetitive pay and benefits. Noncompetitive pay is also recognized by the statement published by the National Academy of Public Administration’s Panel on the Public Service. In its statement, the Panel noted vigorous agency recruiting efforts as essential, particularly due to the noncompetitive pay for many occupations. Noncompetitive pay is impairing the federal government’s ability to hire qualified workers, particularly college graduates, according to the MSPB and the Volcker Commission. They report that students are not interested in federal employment due to several factors, including noncompetitive pay, insufficient information about federal job opportunities and the negative image of the federal government. The Federal Executive Boards (FEB) in Boston, Los Angeles, New Jersey, and

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<sup>2</sup>Civil Service 2000, The Hudson Institute (June 1988).

<sup>3</sup>A Statement Concerning Professional Career Entry Into the Federal Service, Panel on The Public Service, National Academy of Public Administration (Apr. 1987).

<sup>4</sup>Attracting Quality Graduates to the Federal Government: A View of College Recruiting, the U.S. Merit Systems Protection Board (June 6, 1988).

<sup>5</sup>Report of the National Advisory Commission on Law Enforcement, (OCG-90-2, Apr. 25, 1990).

New York have also found that noncompetitive pay is one of the factors affecting recruiting. The NACLE report, issued in April 1990, cited low starting salaries as an impediment to effective recruiting of law enforcement personnel.

We have also studied recruiting problems in specific agencies and occupations. In December 1989, we issued a report on IRS' college recruitment program,<sup>6</sup> which plays a major role in hiring enforcement staff. In this report, we found that IRS' starting salaries are not competitive with those offered by private firms. We have also issued a report regarding recruitment and retention of the automated data processing (ADP) workforce.<sup>7</sup> As we reported, managers stated that noncompetitive pay and the negative image of the federal government were among the factors hindering their efforts to recruit and retain ADP personnel. We concluded that unless these problems are resolved, the current situation may well worsen and the government would be even more challenged in filling its ADP positions.

Another report we issued in May 1990 concerns federal pay competitiveness in about 60 metropolitan areas.<sup>8</sup> We currently have other reviews ongoing that are focusing on different aspects of the federal recruiting problem. These efforts include causes and effects of recruitment and retention difficulties for 11 occupations at 8 agencies in 16 metropolitan areas.

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## Objectives, Scope, and Methodology

Our reports and the report issued by the Volcker Commission prompted the Chairman of the Subcommittee on Civil Service, House Committee on Post Office and Civil Service, to request that we help clarify the recruiting and hiring problem facing the federal government. Our objectives were to

- identify the major problems agencies are having in recruiting and hiring qualified entry-level employees and
- determine the effectiveness of OPM and federal agency efforts to address the problems that have been identified.

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<sup>6</sup>Tax Administration: Need for More Management Attention to IRS' College Recruitment Program (GAO/GGD-90-32, Dec. 22, 1989).

<sup>7</sup>Federal ADP Personnel: Recruitment and Retention (GAO/IMTEC-89-12BR, Feb. 7, 1989).

<sup>8</sup>Federal Pay: Comparisons With the Private Sector by Job and Locality (GAO/GGD-90-81FS, May 15, 1990).

The accounting, engineering, and nursing occupations were the focus of our review. OPM has designated these three occupations as experiencing nationwide recruiting problems in the federal government.

We reviewed the results of several studies on recruiting/hiring issues that were identified through a computerized literature search and through contacts with other federal agencies. We did not review the methodology or validate the accuracy of these studies. However, the results of our work corroborate most of the major points made in these studies, especially the point on the noncompetitiveness of federal pay.

In 1989 we interviewed personnel officials in nine departments and agencies where a majority of their personnel officers had reported in 1987 a problem with acquiring quality personnel. The 1987 survey, done as part of our general management review of OPM, was of 699 personnel officers from a universe of 1,582 in 18 government agencies employing 97 percent of the federal civilian nonpostal workforce.

On the basis of the recruiting difficulties cited in the telephone interviews with personnel officials in the nine agencies mentioned above, we selected four agencies that were among those reporting problems in recruiting and hiring in one or more of the three occupations OPM has designated as experiencing nationwide recruiting problems:

- Department of the Navy,
- Department of Veterans Affairs (DVA),
- Environmental Protection Agency (EPA), and
- Department of Health and Human Services.

In our review, we concentrated on the two major tools—special rates and direct hire authorities—that OPM has provided to the agencies to deal with recruiting problems. We identified these on the basis of interviews with OPM and agency officials. We did not include delegated examining because this authority is given only in cases where an agency is the principal employer of a given occupation. Because of our concern about ensuring merit in federal hiring, we focused our work on the federal competitive hiring system. We excluded appointments to positions excepted from the competitive system (see p. 10).

We collected and analyzed data on recruiting and hiring problems and activities from 13 sites of the 4 agencies (see app. IV). We originally identified 12 sites for our field work; however, following discussions with Navy personnel officials, we included the National Naval Medical

Center in Bethesda, Maryland, as an additional site for comparative purposes because of its proximity to the Clinical Center of the National Institutes of Health. Data were collected from 807 individual personnel files at 9 sites. Our review of personnel files for new hires was based on samples of employees hired between October 1, 1988, and March 31, 1989. At all 13 sites, we reviewed agency records and conducted structured interviews with agency program and personnel officials.

We reviewed available OPM information as well as information from state governments on salary and recruiting practices. We also obtained recent starting salary information compiled by the College Placement Council. We referred to these sources for comparison purposes only and therefore did not validate the information used.

In our assessment of OPM's oversight efforts, we reviewed a random sample of 33 OPM evaluation reports from a universe of 140 reports for the four agencies for fiscal years 1987 and 1988.

We were unable to compare the timeliness of the different hiring methods because key dates were missing from paperwork in the official personnel files. We also were unable to obtain workforce data at some sites, including the number of vacancies and the number of authorized positions. These difficulties hindered our assessment of the extent of agency recruiting problems. Similarly, because of insufficient data we were only able to obtain perceptions regarding the operational effects associated with these problems.

To obtain first-hand perceptions of college students about federal employment, we held a series of nine focus group sessions with college students from a variety of academic disciplines at five randomly selected universities. The universities we visited for our focus group discussions were

- California State University at Fullerton,
- University of Arizona at Tucson,
- Michigan State University at East Lansing,
- Kentucky State University at Frankfort, and
- Princeton University.

Focus groups are carefully planned meetings of 5 to 10 people who candidly discuss a topic under the controlled guidance of a trained moderator. Among the topics covered in our focus group sessions were the students' career expectations, their perceptions of federal employment,

and the recruiting techniques the students believed could best attract graduates to federal service in the future. In selecting students to be interviewed we had three criteria. The students had to (1) have an overall B average or higher, or be in the top 20 percent of their class; (2) be within 1 year of graduation; and (3) be enrolled full time. The results of our group interviews are attributable only to the participants and cannot be generalized to college students as a whole.

To supplement the focus group discussions, we also went to the career placement centers at the universities we visited to observe the amount and type of information on federal employment available to the college students.

In addition, we also held one group discussion with eight Presidential Management Interns (PMI) working in the Washington, D.C., area. The Presidential Management Intern Program, established in 1977, is administered by OPM and is designed to attract to federal service individuals with "exceptional management potential." We spoke with the interns to obtain their perceptions of their experiences as recently hired federal employees.

Our field work was done between June 1989 and March 1990 in accordance with generally accepted government auditing standards.

OPM provided comments on a draft of this report. Its comments are included in appendix I. Although we did not obtain written comments from the four agencies included in our review, we discussed the results of our review with officials of these agencies and considered their comments in preparing this report. Appendix IV identifies the 13 agency sites included in our review.

# Federal Starting Pay Is Noncompetitive and Is Perceived as a Major Barrier to Recruiting Quality Employees

Noncompetitive starting pay is a major barrier federal recruiters face in attracting the best qualified workers to federal service. Recent studies and our work at four agencies indicate that the government's ability to recruit the kinds of people it needs is being hampered by starting salaries that are below those of competing employers. In addition, our focus group sessions with students who had a B average or better and/or ranked in the upper 20 percent of their classes overwhelmingly indicated that they would not accept a federal job based on current entry-level salaries.

## Noncompetitive Pay Cited as a Major Recruiting Barrier by Several Studies

Noncompetitive pay is a principal problem in recruiting quality applicants for the federal civil service, according to the conclusions reached in several recent studies. These studies included reports done by the Hudson Institute (for OPM), the MSPB, the Volcker Commission, and the FEBS in Boston, Los Angeles, New Jersey, and New York as well as the recently issued report of NACLE.

Recruiting and retaining a quality federal workforce is the central issue addressed by these reports. *Civil Service 2000*, prepared by the Hudson Institute in 1988, said that problems of declining quality were already developing in the current workforce. For example, the report said that IRS hired accountants from the 54th percentile of a national accounting examination; major accounting firms hire candidates from the 86th percentile. It also noted that the number of graduates of schools of public administration entering federal service has dropped by 25 percent since 1979.

Problems in quality are also highlighted by the FEB studies. For example, in the Boston study the Census Bureau reported that the standard range for a fully successful accuracy rating for a Census field representative was 90.5 to 94.5 percent. However, the most recent average rating in the Boston area had been 79.4 percent.

The Volcker Commission reported that too few of our country's brightest young people are willing to join the federal service. This conclusion is based on a survey of top ranked graduating college seniors from a variety of disciplines. Of the 865 seniors that were surveyed in 1988, only 16 of the 403 graduates who had already accepted employment at the time of the survey had planned to enter the federal civil service.

Noncompetitive pay is one of the factors that, combined with tight labor markets for skilled workers, according to Civil Service 2000, will make it much more difficult for the federal government to hire qualified employees in future years. According to the study, the national labor force, which had expanded by 2.9 percent per year in the 1970s, will grow only by 1 percent per year in the 1990s.

Federal salaries were viewed as competitive with private sector salaries by only 17 percent of the top ranked students the Volcker Commission surveyed. Over the past decade, according to the Volcker Commission, the average starting salary in private sector consulting has gone up 15 percent in real terms and in banking, finance, and insurance has jumped 18 percent, while the average starting salary for the federal government has fallen 20 percent in real terms and now trails private sector pay on the average by almost \$6,000. Further evidence of the pay problem was provided by MSPB in a report that cited pay as a key barrier to federal recruiting on college campuses. MSPB's findings are based on its survey of college and university deans and placement officers; nearly 60 percent of those who responded cited noncompetitive federal pay as a reason for students to be disinterested in employment with the federal government.

In a May 1990 report on federal pay, we compared private sector and federal salaries by job level and location for certain occupations primarily in the technical and clerical job categories. Our analysis was limited to about 60 of over 250 metropolitan areas in the country where there was a significant number of federal employees and where data on private sector pay were readily available. Of the locality/job level comparisons we were able to make, we found that the private sector paid more than the federal government about 90 percent of the time. In over 80 percent of the comparisons, the private sector advantage was at least 10 percent.

In our December 1989 report on recruiting problems affecting IRS, both IRS and school officials we interviewed said that entry-level salaries were the chief obstacle to recruiting quality enforcement staff. For example, the IRS Los Angeles District Office advertised openings for special agents and received over 200 responses. Although 71 of the respondents met the requirements for the position, only 4 applied. According to IRS officials, most of the other 67 did not submit applications when they learned of the low starting salary.

In each of the studies, similar solutions to the problem of noncompetitive pay were identified. One recommendation made was to increase federal pay so that it is competitive with other employers and, through future pay setting, to recognize differences among occupations and localities. In addition, OPM and the Volcker Commission recommended that any pay increases also require higher standards of performance.

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## **Noncompetitive Pay Cited as a Barrier to Recruiting and an Impediment to Cost- Effective Program Operations**

At all 13 locations we visited during our review, noncompetitive pay was cited as the most significant barrier to recruiting for a number of occupations. The occupations most often cited as affected were accountants, computer specialists, engineers, nurses, other medical and scientific specialties, and secretarial and clerical occupations. Many officials said that while they can get applicants for positions, they are concerned about finding highly qualified applicants. In our survey of federal personnel officers completed in the fall of 1987, 52 percent cited noncompetitive pay and benefits as a barrier to hiring. Conversely, only 25 percent of the personnel officers perceived starting pay and benefits as little or no problem.

The principal effect that noncompetitive pay appears to have on recruiting, according to agency officials, is that the government is seen as a less attractive employer by the most qualified applicants. Officials we interviewed at 12 of the 13 locations we visited expressed concern over the quality of the applicants they were getting for positions. The concern over applicant quality was cited most frequently by officials of the Department of the Navy. For the Navy locations we visited, officials have been recruiting accountants and engineers on college campuses for a number of years and have found that the federal government is not competitive for the best students. Officials at the Naval Sea Systems Command (NAVSEA) told us that although they were able to fill their recruiting needs for engineers, they were not getting their first or even second choice of engineering graduates. They said that they look at overall college grade point average (GPA) and that generally they prefer to hire graduates with a GPA of 2.6 or above on a scale of 4.0. In our review of NAVSEA personnel records, we found that the average overall GPA of 19 newly hired and recently graduated engineers was 2.80 with about one-third of these engineers having GPAs below 2.6.

Officials at the Navy's Portsmouth Naval Shipyard, who have also been able to meet their recruitment goals for engineers, say that they are satisfied with the quality of their new hires, who have an average GPA of 3.0. However, they have seen a decline in the quality of applicants. In

discussing the problem with pay, officials told us that they lost two highly desirable engineering graduates who had GPAs of 3.6 and 3.8 because private industry offered them both between \$8,000 and \$10,000 more per year to start.

Turnover due to noncompetitive pay is seen as the reason for EPA recruiting problems in its Region IV, according to agency officials. EPA officials said that while they believe they are able to recruit qualified engineers, they have problems in retaining these new hires because of noncompetitive pay. After an engineer has 2 to 3 years' experience, according to EPA officials, private contractors will offer salaries higher than those paid by EPA. However, documentation of these problems, such as vacancy and turnover rates or applications received or offers declined, to support their statements was not available.

Officials at 7 of the 13 sites we visited said that recruiting difficulties were causing operational problems in their programs and activities. The most commonly cited effects were an increase in training and recruiting costs due to employee turnover. At the 13 locations we visited, the problems cited were as follows:

- six officials cited additional training costs due to turnover;
- five cited increased recruiting costs due to turnover;
- four cited entry-level work being performed by higher-graded staff and one spoke of underqualified staff doing higher-level work;
- four cited program activities not completed or postponed, or services not delivered; and
- four cited increased costs due to the use of contractors to do the work of federal employees.

In contrast, officials at the Navy's Portsmouth Shipyard said that, with the exception of increased recruiting and training costs, they have not been adversely affected in their operations because of recruiting problems. Shipyard officials attribute this lack of operational effects to their strong recruiting program.

The problems affecting operations that agency officials mentioned were difficult to document. When information was available, such as regarding the increased use of contract services, the data were fragmentary. For example, both the Atlanta Veterans Affairs Medical Center (VAMC) and the Boston VAMC cited such costs. We were able to document the actual costs for the Boston VAMC for contract services of \$1,380,077

in fiscal year 1989; however, we were not able to determine how much this exceeded normal costs.

Regarding salaries for nurses, we were able to document the substantial differences in cost to the National Institutes of Health (NIH) between federally employed nurses and nurses hired on a contract basis. NIH's use of contract nurses is being phased out; in fiscal year 1989, however, a nurse on contract on the average cost the government approximately \$90,296 annually. According to the most recent available data, a nurse working for the federal government and being paid at the full performance level would cost approximately \$47,512 annually, with the government's share of the cost of employee benefits included.

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### **Students View Federal Entry-Level Salaries as Noncompetitive**

The college students who participated in our focus group discussions overwhelmingly said that current entry-level federal salaries would probably not meet their financial needs, although several factors were cited as influencing their employment decisions. With federal salaries approximately 25 percent lower than average nonfederal pay for comparable jobs, only two students in our focus group sessions thought federal entry-level salaries were adequate.

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### **Starting Salaries for Hard-to-Fill Occupations Are Not Competitive Even With Special Rates**

Entry-level salaries, for nurses, engineering, and accounting professionals, even with the use of special rates, are below comparable average private and public sector levels. Listed in table 2.1 are entry-level salaries for engineers, accountants, and nurses being offered to new college graduates in 1989. The federal salaries listed generally represent the best offer that the federal government can make using the special rates approved by OPM applicable to that occupation. A federal agency can hire a new college graduate at General Schedule (GS) 5 or 7 depending on the individual's college GPA and experience.

**Chapter 2  
Federal Starting Pay Is Noncompetitive and  
Is Perceived as a Major Barrier to Recruiting  
Quality Employees**

**Table 2.1: Federal Starting Salaries for Bachelor Degree Recipients Compared With Offers Made Nationwide by All Types of Employers**

	<b>Federal starting salaries at GS 5/7 with special rates<sup>a</sup></b>	<b>Average national offer<sup>b</sup></b>	<b>Percent difference</b>
Accountant	\$18,888/22,743 <sup>c</sup>	\$25,223	34 - 11
Engineer	\$20,463/25,343 <sup>d</sup>	\$30,542 <sup>e</sup>	49 - 21
Nurse	\$20,443/23,967 <sup>c</sup>	\$24,915	22 - 4

<sup>a</sup>Federal salaries with special rates can be as much as 30 percent above the entry-level salary. For example, the GS-5 salary (step 1) without special rates was \$15,738; the GS-7 salary is \$19,493 during CY 1989 based on title 5 authorizations.

<sup>b</sup>Salary Survey, September 1989, College Placement Council, Inc., includes offers from businesses as well as federal, state, and local governments nationwide.

<sup>c</sup>Rates are lower in certain locations. Rates are higher in two locations for nurses.

<sup>d</sup>This rate does not apply to petroleum or mining engineers, who are paid at a lower rate than the other engineering occupations. These starting salaries apply to electrical and mechanical engineers, which were the types of engineers we focused on in this review.

<sup>e</sup>This average offer includes only mechanical and electrical engineers, which constituted the vast majority of our sample. Starting salaries for engineers can vary depending upon the engineering discipline.

OPM, in its recent study of federal white-collar pay, concluded that the pay system is no longer adequate to recruit and retain a quality workforce.<sup>1</sup> Federal pay has not kept pace with private sector pay because of the frequent adoption of rates of pay lower than those recommended through the comparability process, which is designed to ensure that federal pay is competitive with the private sector. Economic concerns have led to the use of alternative pay rates by presidents and has resulted in a calculated pay gap of 25 percent between federal and private sector salaries as of January 1, 1990. Fiscal year 1990 is the 12th straight year that the President proposed and Congress agreed to a lower rate of pay. Since comparability is computed on the basis of averages, even with a full comparability increase of 25 percent, starting salaries for accountants, engineers, and nurses still would not be sufficient in some parts of the country.

Although special rates have helped in recruiting, generally they have not been sufficient to make federal pay competitive. Limitations in the special rates process and federal pay setting have kept federal salaries noncompetitive for some occupations. Additionally, in several instances the application of special rates was inconsistent.

<sup>1</sup>Federal White-Collar Pay System: Report on a Market-Sensitive Study, OPM, Office of Pay and Performance (Aug. 1989).

Special rates, while viewed by some officials as helpful, are also considered by the same officials to be inadequate. Navy officials said that while most engineers receive the maximum special rate allowed, which is 30 percent above regular starting pay, special rates have improved the recruiting situation only moderately. Even with the maximum special rate, the starting pay for engineers at the GS-7 level is below the average national offer by almost \$5,200, or 21 percent. Our analysis of available national data from the College Placement Council confirmed this difference in starting pay (see table 2.1).

OPM's special rates program, which Congress established in 1954, has been one of the tools that agencies have increasingly used to address their recruiting problems. For example, as of March 1989, 169,795 employees, or just over 10 percent of federal white-collar employees, were covered by special rates under title 5. In contrast, in 1985 the number of positions covered was approximately 47,000, or 3 percent of the workforce. In recent years, OPM has approved a greater percentage of requests than it had previously. In fiscal year 1988, OPM approved 87 percent of all requests as compared with fiscal year 1985, when OPM approved only 46 percent of agency requests.

Special rates were used at 12 of the 13 sites we visited. Agency experiences concerning the effectiveness of special rates depended on the occupation being considered. For example, agency officials said that the special rates had helped in recruiting and hiring nurses in most instances; but these rates have only moderately improved recruiting for accountants and engineers.

At all four sites where special rates were used for nurses, agency officials viewed the rates as helping recruitment efforts. At NIH, which has its own statutory special rates authority, starting salaries are not limited to the 30-percent limit applicable to the special rates program OPM administers.<sup>2</sup> Consequently, nursing salaries at NIH are now at comparable levels with leading hospitals in the Washington, D.C., area. Following the implementation of the special rates at NIH, the vacancy rate for nursing positions dropped from 12 percent to 2 percent in a 16-month period. In addition, NIH's quit rate for nurses in its Clinical Center decreased from 19 percent to 9 percent, and the number of beds closed because of a shortage of nurses dropped from 40 to 6.

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<sup>2</sup>Special rates administered by OPM cannot exceed the 10th step of a pay grade. The difference between the 1st and the 10th step for each General Schedule pay grade is 30 percent. NIH is permitted under its legislation to exceed the 10th step in setting its starting salaries.

At four of six sites where special rates were used for accountants, agency officials saw these rates as helping to improve the recruiting situation. However, at two other sites employing accountants, agency officials did not view the rates as improving the situation. At one of these sites, the agency had four vacancies and only one applicant from outside the government.

At five of seven locations employing engineers, officials told us that special rates have only moderately improved the recruiting situation. At another site, officials told us that special rates had no effect at all.

An OPM official told us that special rates may not always be competitive because in setting the rate for a particular occupation, the agency that has the greatest number of positions in the occupation usually prepares the application for all the agencies in that particular area. In doing so, the lead agency can exert significant influence in deciding what the special rate of pay will be even if other agencies want to pay more in order to be competitive.

Special rates can also be inconsistently applied, causing some salaries to be competitive while leaving other salaries noncompetitive. A Department of Veteran Affairs (DVA) official in Boston said that under DVA's special rate authority, which is similar to NIH's authority, new employees can be offered pay above the minimum step of the applicable grade so that an applicant's current salary can be matched. However, this flexible pay authority cannot be used to pay, and thus retain, current employees. In some instances, special rates can be inconsistent because of other factors. For example, because a lead agency cannot always absorb the additional costs of the proposed special rate, it may have to adopt a less competitive rate of pay.

Statutory differences can also cause inconsistent application of special rates. Nurses who work in the Indian Health Service, a component of the Department of Health and Human Services (HHS), are employed under the provisions of title 5 of the U.S. Code. As of January 1990, these nurses earned \$4,711 less than nurses employed by NIH who are not subject to title 5. Nurses at the National Naval Medical Center in Bethesda, Maryland, located across the street from NIH, are also under title 5 and have a starting salary at the GS-7 level of \$7,403 less than nurses employed at NIH, even with special rates. This inconsistent application can also cause problems in internal equity among occupations. Special rates are designed to address external disparities while the GS pay system, through the classification process, tries to achieve equity among

occupations and levels of responsibility. For example, we were told that in EPA, engineers and physical scientists have similar roles as site coordinators; yet because of the demand for engineering talent, only engineers receive special rates, thereby causing equity problems internally.

In a report on the federal pay system OPM issued in August 1989, the special rates application process was characterized as restrictive and time-consuming. OPM has begun to measure the timeliness of its approval process to assess how well it is meeting its internal objectives for processing requests. An OPM official has said that a major point in the process that causes delay is making revisions to special rate requests.

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## Lack of Flexibility in Setting Entry-Level Pay Hinders Competitiveness in Different Geographic Areas

The design of the current GS pay and classification structures assumes only one national labor market exists, according to OPM; yet there are a number of different labor markets. The current system places emphasis on ensuring that there is similar pay for similar levels of responsibility to ensure internal equity among jobs. In addition, all jobs are being evaluated within a uniform and standardized grade structure. As OPM has reported, the system provides little room for responding to the dynamics of the occupational and geographic labor markets in which the government must compete. The only deviation from this system allowed by law is through the special rates program but OPM, in its recent pay study, said that the special rates program is not designed to address the current pay structure problems.

NIH and DVA are notable exceptions to the government's special rate process. In contrast to title 5, the authority that applies to most of the federal government, their special authority permits NIH and DVA to set their own special rates for nurses, with the approval of HHS in the case of NIH.<sup>3</sup> Under this authority, NIH can set starting salaries at an advanced step of the special rate; this allows NIH to offer competitive starting salaries. This flexibility is not allowed under the special rates program OPM administers under title 5. Unlike NIH, under the title 5 program, starting salaries for entry-level positions must be set at no more than 30 percent of the minimum salary—that is, the base salary before special rates are applied.

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<sup>3</sup>Legislation aimed at improving DVA's ability to compete for nurses was signed into law on August 15, 1990. The new law (P.L. 101-366) restructures the pay system for DVA nurses to allow locality pay and other monetary incentives.

Under current law, with the exception of special rates, federal agencies generally have no flexibility in setting entry-level starting salaries that are above the minimum entry step. Under title 5, authority to hire above the minimum rate is only permitted at GS-11 and above and at General Management (GM) 13, 14, and 15 for applicants who are deemed to possess superior qualifications. In its research of the pay practices of public and private employers, OPM has found that nonfederal employers allow hiring above the minimum rate for white collar employees. According to OPM, the public sector typically restricts this practice to entry-level employees. OPM said that the federal GS system, when compared with the compensation systems it reviewed, had two obvious problems: (1) less flexibility and (2) narrowness of its pay ranges. In its report on pay and benefits of federal law enforcement personnel, NACLE also found federal pay to be too low at the entry level when compared with what state and local law enforcement personnel are paid. As one of its recommendations, NACLE called for a change in the law so that starting salaries for entry-level federal law enforcement personnel with superior qualifications not be restricted to the minimum step of the grade.

A significant problem with the current federal pay structure is that it does not consider the wide variance in the cost of living in different parts of the country. When two federal employees in different locations are paid the same salary, their purchasing power can be quite different depending on the cost of living in their area. Our analyses of 59 metropolitan areas with 5,000 federal white collar employees indicates that living costs can vary more than 65 percent.

To determine how other public sector employers set starting salaries in the locations selected for our review, we met with state government personnel officials in Georgia, Maryland, Massachusetts, and Virginia, and compared the federal practices with practices in these states. Officials in the state of Maryland and the Commonwealth of Massachusetts said that they were encountering similar problems in recruiting because of noncompetitive pay in the higher-cost areas of their states. A state official of Virginia said that, with the exception of nurses, they were not experiencing recruiting difficulties. Virginia officials said that a system of pay differentials is in effect for state employees working in Northern Virginia to ensure that state salaries remain competitive.

State personnel officials in Georgia said that state salaries were competitive with those in the private sector. Georgia officials reported little difficulty in recruiting new employees, with the exception of nurses

working in remote and isolated parts of the state. Georgia's starting salaries were considerably higher than those for comparable federal positions. For example, the starting salary, which is negotiable, for a state engineer ranges between \$25,932 and \$32,052. The equivalent for a federal engineer is \$20,463 to \$25,343, depending on the college GPA. Applicants for engineering positions in Georgia are required to take a written occupational qualifications test and are then grouped by the score they receive. Managers are permitted to hire only those who have placed in one of the top 10 score groups. For example, if the highest score was 97, a manager could select anyone who scored within 10 points of that score.

Flexibility in setting starting salaries is a feature of the salary systems of Georgia and Massachusetts. In Georgia, each salary grade consists of 12 steps. Once a candidate has been judged as qualified, the manager decides, within a limited range, the amount of the starting salary. A manager is permitted to offer up to step 4 without prior justification or approval and up to step 7 with approval of the state merit system office. In Massachusetts, a manager can use a "recruitment rate" that allows entry at above the minimum pay level. To offer this rate, recruiters are required to obtain approval from the head of the agency or office.

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## **OPM Is Doing Research on Pay and Workforce Quality**

OPM has undertaken several efforts aimed at improving the government's ability to recruit quality employees. In one of these efforts, OPM prepared a legislative proposal for modifying the current federal pay system that is based on extensive OPM research over the past 2 years. This proposal was recently introduced into the Senate (S. 2547) and the House (H.R. 4716). Two other congressionally initiated proposals (S. 2274 and H.R. 3979) have been reported out of the Senate Committee on Governmental Affairs and the House Committee on Post Office and Civil Service, respectively. All of these proposals address the problems of noncompetitive pay at the entry and full performance levels. Provisions contained in these bills call for such reforms as (1) locality-based pay adjustments in high wage areas, (2) higher minimum starting rates and bonuses for hard-to-fill occupations, (3) higher minimum starting rates for superior qualified candidates at all pay grades, and (4) reimbursed travel and transportation expenses for preemployment interviews.

In another effort, OPM will address the concerns that agencies have about the quality of those entering government service. OPM has

launched a quality measurement program that should address the question of whether the federal government is getting the quality people needed to carry out its varied missions. One of the long-term advantages of this quality measurement program will be that OPM can then assess the impact special rates have on the quality of the workforce.

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### **OPM Has Several Initiatives to Address the Government's Pay Problems**

OPM, following up on the President's budget message for the 1991 fiscal year, has proposed pay reform legislation that is now before Congress. Before this, OPM submitted legislation that would have permitted pay banding and expanded pay-for-performance practices. In addition, this legislation would have given agencies the flexibility to hire above the minimum step at all grades and to approve recruitment and retention bonuses that could be used to address serious staffing problems. Beginning in early 1988, OPM undertook a series of studies to identify alternative approaches for setting federal salaries. In the August 1989 report we cited earlier, OPM, among other things, concluded that the GS system lacks the private sector's flexibility to adapt pay practices to the needs of diverse and changing labor markets. OPM also reported that the government's recruitment and retention problems for some occupations and some geographic areas cannot be addressed adequately under the existing system; the government will need more flexible and competitive pay practices.

In its report, OPM identified six options that could serve as a model for reform of the pay system. These options include changes that involved expanding the special rates program and providing greater flexibility to agencies in setting entry-level pay. The OPM options also include more comprehensive changes involving separate locality and occupational pay systems.

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### **OPM Is Establishing a Database on Workforce Quality**

OPM has launched an effort to measure the quality of the workforce. The cornerstone of this effort is a workforce quality database that is currently being assembled. The database is designed to describe the quality of the current applicant population from year to year. Another part of this effort will be to compare the quality of the new hires with the entire applicant pool, using the database described above. In addition to data on applicants, OPM will also collect data from samples of current

incumbents in the engineering, scientific, and computer occupations. OPM's design incorporates many features we proposed in a 1988 report.<sup>4</sup>

OPM, using the database, plans to develop indicators of quality and measures of performance. Quality indicators are to consist of education, results of standardized tests, biographical data, experience, and recognition. Preliminary data should be available in the latter part of 1990.

Following the development of the database, OPM plans to conduct studies focusing on employees in critical occupations and the effectiveness of human resource management programs such as recruiting, training and special pay rates. As part of its effort to measure workforce quality, OPM will provide leadership in research and information exchange.

OPM expects to achieve several results from its workforce quality measurement program. OPM hopes to be able to answer questions about the quality of the workforce, how that quality is changing, and how the federal government compares with the nonfederal employers. In addition, OPM hopes to be able to provide measures of quality and assess current human resource management programs and their effect on the quality of the workforce.

Efforts are also underway to address the need for workforce quality data at the agency level. At the Department of Defense (DOD), a study of the quality of DOD's research engineering and scientific workforce is nearing completion. In this study, DOD has been attempting to identify trends in the quality of scientists and engineers recruited over a 30-year period. To measure quality, DOD is assessing the education level and research contributions of its research engineers and scientists at the point of employment. Preliminary analyses indicate that trends in the quality of the DOD engineering and scientific workforce deserve concern.

Concern over the quality of entry-level auditors led the President's Council on Integrity and Efficiency to initiate a study of the auditing workforce several years ago.<sup>5</sup> In that study, the Council, in conjunction with OPM, determined the factors associated with quality applicants for federal auditing positions. The Council concluded that GPA and how recently the degree was earned were good indicators of performance and

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<sup>4</sup>Federal Workforce: A Framework for Studying Its Quality Over Time (GAO/PEMD-88-27, Aug. 4, 1988).

<sup>5</sup>Entry Level Hiring Of Auditors - Final Report, President's Council on Integrity and Efficiency (July 29, 1988).

therefore should be given greater weight as selection factors in the recruiting and hiring process.

The only agency-specific studies we encountered in our review on workforce quality were done by the Navy's Auditor General and the HHS's Public Health Service. The Auditor General commissioned an internal study to look at the academic quality of the Naval Audit Service's audit staff in an effort to assess the quality of current staff and the results of recent hiring. The Naval Audit Service could not readily determine the academic quality of entry-level staff from college transcripts because a third of the transcripts were incomplete or illegible. At the Public Health Service, a study completed in October 1989 concluded that while there is no conclusive proof that quality is declining, there are several indications that the quality of the medical workforce needs to be monitored. These indications included a decline in the number of medical staff applications at NIH. Also, the average rate for staff fellows, senior staff fellows, and epidemiology staff fellows converting to permanent employment status fell from 8.3 percent from 1975 to 1979 to 4.2 percent from 1983 to 1987. In addition, the report cited the perceptions of scientific managers that NIH was not attracting the best because of the intense competition from nonfederal sources for the diminishing pool of scientific talent.

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## Conclusions

Federal starting pay is not competitive with that of other employers in the public and private sectors, according to various studies and our interviews with agency officials and college students. In addition, there is concern that because the government cannot match the salaries other employers offer, the quality of applicants and new employees is being affected. These concerns are based on indicators such as college GPA. Our focus group interviews with highly qualified college students indicate that there may be cause for concern. An objective assessment of the quality of the workforce is not possible at this time because of a lack of conclusive data. Recognizing this need, OPM has research underway that will provide the first comprehensive data on workforce quality. Initial results of OPM's preliminary studies should be available in the latter part of 1990.

For the three occupations we reviewed, federal starting pay was not competitive with the salaries offered by other employers. On the basis of our review of College Placement Council data on starting salaries offered in 1989 to graduates in accounting, engineering, and nursing, current federal salaries, even when bolstered by special rates, are less

than private and other public sector starting salary offers. According to Council data, current federal government starting salaries are behind starting salaries offered by other employers nationally by as much as 4 to 49 percent, depending on the occupation and the qualifications of the individual. The salary difference is more pronounced among accountants and engineers than among nurses.

The special rates paid at the locations we visited, with the exception of nurses, improved the abilities of the agencies to offer competitive salaries to varying degrees. However, the special rates authority under title 5 has limitations. It is limited to 30 percent of base pay. In addition, the lead agency may not be willing or able to pay the full 30 percent, even though other affected agencies may want to pay a higher rate to be competitive. We did identify an alternative that allows NIH to set its own minimum starting salary above the first step. This authority, according to NIH officials, made a significant difference in its ability to recruit nurses. The authority for other agencies to offer starting salaries above the minimum rate is now permitted by law only on the basis of superior qualifications at GS-11 and above and GM grades 13, 14, and 15.

The federal pay system, as established in title 5 of the U.S. Code, places more value on ensuring internal equity among jobs in the federal government than on achieving equity with the private and public sector employers. This policy, combined with the lack of full comparability raises in recent years, has led to noncompetitive starting salaries. OPM, in its recent study, said that the federal pay structure is not flexible and not responsive to market forces. Recognizing these problems, OPM has proposed legislation to allow flexibility in the setting of starting salaries. OPM found such flexibility commonplace with other employers both public and private. NACLE has also recommended a general increase in entry-level salaries for law enforcement officers and has recommended that flexibility be permitted in making salary offers at the entry level. We found the practice of allowing flexibility in the setting of starting salaries in two of the four states we visited. On the basis of our analysis of available data in about 60 locations, we believe such flexibility is needed throughout the federal sector.

On numerous occasions in different forums we have urged Congress to enact pay reform legislation embodying the principle of locality pay, increased starting salaries, and other related measures. After years of inaction there is now movement. The Director of OPM has been working to promote legislation that embodies the above principles. The House Post Office and Civil Service Committee has passed a bill that forms a

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basis for negotiation, as has the Senate Governmental Affairs Committee. We strongly endorse these efforts to fashion final legislation.

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## **Agency Comments**

The Director, OPM, in comments on a draft of this report, concurred with our assessment that legislation is needed to allow the agencies the option of setting starting salaries above the minimum step for all positions. She said that the administration's pay reform proposal submitted to Congress contains a provision that would allow agencies such authority. See appendix I for details of OPM's comments.

# Better Information on Timeliness Is Needed to Improve the Hiring Process

The federal government's hiring system is seen as time-consuming and unnecessarily complex. Agency officials we spoke with and recent studies are critical of the federal government's hiring process. To address concerns about the hiring process, OPM has increased its delegations of hiring authority to agencies in recent years. These delegations have included direct hire authority and delegated examining authority. We were unable to determine the timeliness of the various hiring methods used by agencies because of inconsistent data and incomplete personnel records. Although most agencies have systems for monitoring the timeliness of staffing actions, OPM has not evaluated their effectiveness.

OPM and the Department of the Navy have taken steps to automate parts of the hiring process, which should improve timeliness and documentation.

## Centralized Hiring Process Is Seen as a Barrier to Effective Recruiting

Recent studies have cast considerable doubt on whether the federal government's merit hiring system is fulfilling one of its principles, which is recruiting and selecting the most qualified people. During the past several years, a consensus has been building among those who have studied federal recruiting issues that the hiring system is time-consuming, cumbersome, and ineffective in a competitive labor market. Agencies we surveyed in 1987 considered the federal hiring process not only time-consuming but also a barrier to locating quality candidates. A principal source of the criticism of the system comes from those officials most familiar with it. The then Director of OPM described the system in 1988 as "slow; it is legally trammelled and intellectually confused; it is impossible to explain to potential candidates. It is almost certainly not fulfilling the spirit of our mandate to hire the most meritorious candidates." The OPM official responsible for overseeing federal hiring summarized the problem as follows: "The current collection of procedures and actions required before an agency can hire an employee . . . has gotten out of hand and now tends to work not for merit but against judgment."

OPM, in a 1985 study of federal hiring, reviewed 1,377 hiring actions at 118 randomly selected installations. Although it encountered limitations in the personnel records, OPM found that the hiring actions under the register process generally took longer to process than actions for candidates hired by other methods. In addition, there was no significant difference in the quality of candidates hired by methods other than the register process. This was based on supervisory perceptions of

on-the-job performance. The OPM study also found that the federal government's appointment system was unnecessarily complicated; for example, there are over 200 ways to process a career or career-conditional appointment.

Criticism of the hiring system is not limited to OPM. In 1989, the Volcker Commission included the goal to "simplify the recruiting process" as a part of its overall program for improving the public service. In the report, the Volcker Commission stated:

"Even when the public sector finds outstanding candidates, the complexity of the hiring process often drives all but the most dedicated away. Perceptions of public service as a lackluster career are compounded by the belief among potential candidates that getting a government job is an exercise in frustration."

In supporting this point, the Volcker Commission reported that 56 percent of the honor students it surveyed said that obtaining an appointment to the federal service is a complex and time-consuming process. The Volcker Commission recommended continued use of decentralized hiring authority as a means of improving the process.

In its Civil Service 2000 report the Hudson Institute noted that:

"in spite of recent improvements, the time between posting a vacancy and hiring a new employee is often far longer than necessary. This gap can discourage qualified applicants, who may find other employment before a federal job offer can be tendered."

One of the strategies recommended by the Institute is to shorten the time between application and hiring.

As part of our general management review of OPM, we surveyed 699 personnel officers from a universe of 1,582 in 18 departments and agencies. About 64 percent of these personnel officers considered the length of time it takes for the applicant to be hired as a barrier to a great or very great extent. In addition, the percentage of agency personnel officers included in our survey who perceived the hiring process as a great or very great barrier was 50 percent for EPA, 78 percent for HHS, 70 percent for the Navy, and 66 percent for DVA. Moreover, about 49 percent of all the personnel officers considered cumbersome OPM rules or procedures as hiring barriers to a great or very great extent. The percentage of

agency personnel officers included in our study with the same perception was 25 percent for EPA, 44 percent for HHS, 57 for Navy, and 49 percent for DVA.

## Timeliness of Hiring Methods Cannot Be Determined Because of Incomplete Personnel Records

At 12 of the 13 locations we visited, agency officials verbally confirmed the findings of these studies. These officials perceived the OPM process as ineffective. One EPA personnel official told us that the OPM register process had the greatest negative impact on hiring the most qualified candidates. At all 13 sites we visited, agencies were using direct hire authority as well as the OPM register process. At 12 of the 13 sites, officials considered the direct hire process to be much more effective and a quicker hiring tool.

At 9 of the 13 locations we visited, we attempted to document the length of time it took for agencies to hire new staff from outside the federal government. We analyzed either all or a representative sample of hiring actions between October 1, 1988, and March 31, 1989. Our purpose was to calculate the elapsed times from the request for a personnel action to the effective date of the hiring action. By analyzing the elapsed time, it would be possible to determine the timeliness of the various methods for hiring new employees.

We found that the personnel records at eight of the nine sites often lacked documentation of the dates when a manager requested to fill the vacancy, when an offer was made to a prospective new hire, or when the hiring action was to be effective. Only the Portsmouth Naval Shipyard had completely recorded dates on its paperwork. For example, for the period October 1, 1988, to March 31, 1989:

- At the VA Medical Center in Decatur, Georgia, there were 167 hiring actions. Of these, we reviewed 55 hiring actions after eliminating those that either could not be located or those where the employee had been terminated or had previous federal experience and therefore was not considered a new hire. We could not make a valid analysis of the remaining 55 files because in 43 cases (78 percent) the forms did not include the dates identifying either the request for personnel action or selection dates.
- At the Consolidated Civilian Personnel Office responsible for the Naval Sea Systems Command, we reviewed 76 personnel folders after eliminating employees having prior federal service, those who had left the Command, and those employees whose personnel folders could not be located. For the 76 files, we were unable to compute the time taken in

the hiring process for 36 (47 percent) of the new hires because of missing dates on the forms from program managers requesting the personnel actions (SF-52).

- At EPA Region I in Boston we reviewed 62 specific hiring actions. Because of inconsistent and incomplete recordkeeping and the wide-ranging variability in data, we could not make definitive determinations on the timeliness of the various hiring methods.
- At HHS' National Institutes of Health Clinical Center, we reviewed 94 files for new hires. We could not compute the time taken in the hiring process for 15 of these cases because dates were not available in the file. In the remaining cases, there was a wide variance in the time frames that precluded any conclusion on timeliness. In one case, we calculated a negative figure for elapsed days because the paperwork was done after the applicant was offered the position. In other cases, according to NIH officials, delays occurred because of hiring freezes and other internal problems.

As a result of our individual personnel case reviews, we found that it is difficult to determine how long the hiring processes take because of missing dates and paperwork that does not reflect the process. For example, paperwork completed after the candidate had been selected usually did not reflect the time taken to locate and screen applicants. An official at NIH's Clinical Center told us that the process of preparing the necessary paperwork is at times not started until after the candidates have been identified and screened and offers have been made. Similarly, an official of the Portsmouth Naval Shipyard explained that the paperwork for engineering applications is not started until candidates have been found or offers accepted. A Navy personnel official told us that the Consolidated Civilian Personnel Office in Crystal City, Virginia, has a separate automated workload tracking system for tracking personnel actions that is not based on forms such as the SF-52. This system provides information on the timeliness of staffing actions.

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## OPM Reviews of Agency Systems for Monitoring Timeliness Did Not Assess Systems' Effectiveness

The lack of consistent and/or complete data prohibits managers from knowing how long different segments of the hiring process take and where improvements can be made in the process to streamline it. In our general management review of the Department of Labor we found that timeliness problems in the staffing process resulted from an inadequate system for monitoring the progress of staffing actions and the lack of consistent time standards for filling vacancies.<sup>1</sup> OPM, as a part of its oversight efforts in fiscal year 1987 and the first half of 1988, reviewed over 800 installations governmentwide. In these reviews OPM checked to see if the agency had a system in place to monitor the timeliness of the staffing process. OPM found that at 81 percent of the installations the agencies had a system in place to monitor the timeliness of staffing actions. At EPA, OPM found it was 82 percent; at HHS it was 71 percent; at Navy it was 92 percent; and at DVA it was 80 percent. In its guidance to its evaluators at the time, OPM did not require a determination of the system's effectiveness in tracking the timeliness of staffing actions.

Accurate and complete personnel records are indispensable to an effective monitoring system. On the basis of the incomplete personnel records we found, the effectiveness of these monitoring systems is unknown. OPM, under its current personnel management evaluation, focuses on topics of concern either governmentwide or on an agency-specific basis. For example, in fiscal year 1989, one of eight governmentwide topics that OPM selected was on agency efforts to resolve problems related to recruitment and retention of a clerical workforce. One of five topics that OPM looked at on an agency-specific basis was the timeliness of employee performance ratings. No assessment of the effectiveness of tracking the timeliness of staffing actions was done in fiscal year 1989, nor is it in the fiscal year 1990 evaluation plan.

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## Improvements to the Hiring Process Are Underway

To speed the employment process, OPM and the Department of the Navy have efforts underway that, if successful, will address such problems as the timeliness of the process and the completeness of individual personnel records.

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<sup>1</sup>Strong Leadership Needed To Improve Management at the Department of Labor (GAO/HRD-86-21, Oct. 21, 1985).

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**OPM Staffing Service  
Center Has Improved the  
Timeliness of Hiring  
Through Automation**

In addition to the use of direct hire, OPM has improved its processing of employment applications by reducing the processing time. The OPM Staffing Service Center in Macon, Georgia, was established in the 1970s, partially in response to the extremely long processing times taken by the then Civil Service Commission's Washington, D.C., offices. The Center processes direct hire employment applications, applications for certain occupations, as well as regular applications made to OPM. In fiscal year 1988, the Center processed through its automated operations about 600,000 applications, according to OPM data.

With OPM's Automated Applicant Referral System, which is designed to streamline the application and rating process, the Center, according to OPM data that we did not verify, has reduced its processing times for applications and certificates. For example, the processing time for applications in 1985 took between 10 and 12 days. By 1989, the Center had reduced the processing time to 3 to 4 days, according to unvalidated figures supplied by the Center.

According to the Director of the facility, the Center has over the years broadened its services. Initially, it processed applications, and later it scored exams as well. More recent services include job information through "hotlines" and a database of job opportunities as well as maintaining registers for certain occupations. The improvements OPM's Staffing Service Center has made to the automated processing of applications, we believe, are a step toward ensuring that both applicants and agencies are provided timely service.

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**Navy Is Developing an  
Automated Paperless  
Hiring Process That  
Addresses Documentation  
and Timeliness Concerns**

The Navy's Consolidated Civilian Personnel Office in Crystal City, which services over 12,000 civilian employees, is developing an automated "paperless" system for processing and documenting personnel actions. The new system, according to a Navy document, will be capable of

- preparing and classifying position descriptions,
- evaluating applicant eligibility,
- rating and ranking candidates,
- referring candidates to managers,
- transferring standard personnel forms between offices,
- electronically storing and retrieving official personnel folders, and
- providing the ability to track the status of personnel actions.

The Navy's new paperless system, which officials expect to be complete by 1993, will not use the Standard Form 171. Instead, a new application will be used with specific questions for each occupation. The questions are designed for short answers, which the computer will use to rate and rank candidates within seconds. The new process, we believe, will both speed up and better document the hiring process. According to the Navy, the benefits of the new system will be (1) estimated savings or cost avoidance of \$400,000 annually, (2) the ability to track the status of personnel actions with a personal computer, (3) computer access to official personnel folders, and (4) better control of the personnel management process.

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## **Conclusion**

The federal hiring process is seen as complex, and this complexity affects its timeliness. This view of federal hiring systems is shared by OPM and agency officials alike. OPM's efforts to simplify the process through greater delegation of hiring authorities and automation of its central processing functions have increased in recent years. However, because of incomplete personnel records and inconsistent data, we were unable to document whether the increased use of direct hire and delegated examining expedited the hiring process at the four agencies we visited. While OPM has in previous reviews found that most agency installations have systems in place for monitoring the timeliness of staffing actions, it has not evaluated the effectiveness of these systems. Effective monitoring systems are essential if agencies are going to be able to identify bottlenecks and improve their staffing operations.

Improving the timeliness of the hiring process will be difficult with incomplete personnel records and inconsistent data. Monitoring systems that must rely on poor data will not be effective in providing agency managers with the type of information they need to ensure that their hiring process works effectively.

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## **Recommendation to the Director of OPM**

We recommend that the Director of OPM, as a means of improving documentation of agency personnel records used in the hiring process, incorporate into OPM's evaluation program effectiveness reviews of agencies' systems for monitoring the timeliness of staffing actions.

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## **Agency Comments**

In commenting on a draft of this report, the Director of OPM said that OPM is currently considering the inclusion of staffing timeliness in its governmentwide evaluation program for fiscal year 1991. Additionally,

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**Chapter 3**  
**Better Information on Timeliness Is Needed**  
**to Improve the Hiring Process**

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as a part of its efforts to improve hiring timeliness, she said OPM will deal with internal agency capabilities for monitoring and managing staffing timeliness. She also described recent improvements OPM has made to its own staffing operations to better serve agencies and improve documentation of staffing actions.

# Better Ensurance of Merit in Hiring Is Needed

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The principle of merit is the foundation upon which federal recruiting activities must be based. The goal is simple: give citizens an equal chance to compete for federal jobs, objectively and fairly evaluate their qualifications, and then hire the best qualified. Achieving this goal, however, has been anything but simple. In the past dozen years significant changes have occurred in the way selections for the civil service are made. A recent change has been the growing use of direct hire authority by agencies. Although this authority was originally intended as a means of providing the needed flexibility in cases where there is a shortage of qualified applicants, it now is being used as a means of expediting the hiring process overall.

Current direct hire procedures, which are vague, do not fully meet the requirements of the merit principle governing federal recruitment. Agencies have made hiring decisions in situations where there have been more qualified applicants than positions without rating and ranking the applicants to determine the best qualified. Written records of employment decisions essential to determining merit have not been maintained in most locations we visited, and OPM oversight of agency direct hire operations has been limited.

Agencies are entering a period when competition will be intense because of tightening labor markets, where the need for flexibility such as that provided by direct hire will become greater. OPM and the agencies need to ensure that sufficient safeguards of open and fair competition are maintained when direct hire is used.

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## Expanded Use of Direct Hire

The past decade or so has been a tumultuous period in the history of the federal civil service. Since the passage of the Pendleton Act, open and fair competition in federal recruitment had been virtually synonymous with competitive examinations. In 1978 this concept changed with the passage of the Civil Service Reform Act. The Reform Act requires only that the government select civil servants on the basis of relative ability, knowledge, and skills as determined through fair and open competition.

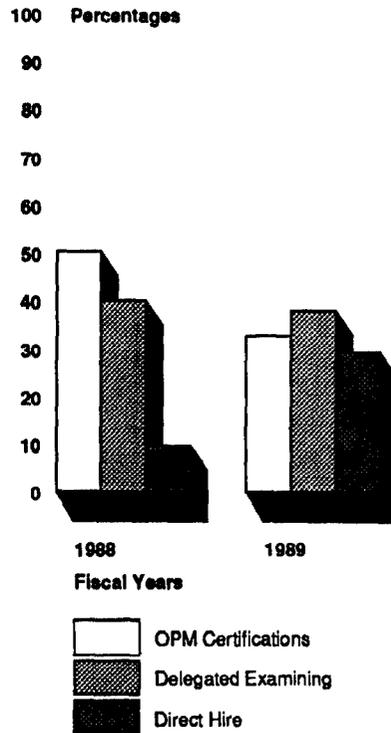
Until 1982, the federal government for nearly 30 years had used a nationwide, open, written competitive examination to rate, rank, and hire entry-level applicants for a wide range of professional and administrative career occupations. During this period there have been several examinations used. The most recent was the Professional and Administrative Career Examination (PACE). It was used from 1974 until 1982,

and it was the primary competitive examination for the federal government.

Allegations that PACE adversely affected certain racial and ethnic groups resulted in OPM signing a consent decree (Luevano vs. Devine) effective January 1982 in which it agreed, among other things, to eliminate the use of PACE. As an interim hiring method, OPM established a new Schedule B (excepted service) appointment authority. Under Schedule B authority, agencies develop and use their own recruiting and selection procedures. This method, according to the former director of OPM, had significant flaws. She described the system as “virtually inaccessible to potential applicants” and lacking “overall quality control” for the hiring process. OPM revoked Schedule B authority effective July 1, 1990.

Direct hire as a hiring tool has been available to agencies for many years, albeit on a restricted basis. Direct hire, as described in the 1981 OPM guidance, is intended as a hiring tool to recruit for occupations where there are shortages. Recently, OPM has increased the delegation of direct hire authority to agencies to aid their recruiting efforts. In fiscal year 1989 it became the third most used method of hiring for the competitive service, accounting for 29 percent of all those hired into the competitive service during the fiscal year. The use of direct hire authority by federal agencies has tripled in the past year, as shown in figure 4.1.

Figure 4.1: Hiring Methods Used in Fiscal Years 1988 and 1989



Source: OPM Career Entry Management Reports.

The personnel officers we interviewed preferred this hiring method in order to more quickly hire candidates they have identified. At all of the 13 sites we visited, agencies were using direct hire authority as well as the OPM register process. At 12 of these sites, agency officials told us that direct hire authority was an important aspect of their recruiting abilities for those occupations for which it was approved.

The original intent of direct hire was to provide relief to agencies in filling hard-to-recruit-for occupations—occupations with a shortage of qualified applicants. However, the rapid growth in the use of direct hire in fiscal year 1989 and OPM's use of direct hire as a college recruiting tool for administrative and professional positions, when viewed against the common perception that the OPM register process is burdensome and unproductive, indicate that direct hire is now being used to a greater extent to streamline the hiring process.

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## Agency Use of Direct Hire Must Comply With Merit Principles

Proponents of the Civil Service Reform Act of 1978 argued that laws, regulations, and rules governing the civil service had become outdated, inflexible, and too complicated. To codify and clarify the principles of the merit system, a definitive statement of these principles was included in the Civil Service Reform Act of 1978. The Reform Act, which amended title 5 covering the civil service, enumerated nine merit principles that now form the basis for all federal personnel practices. The first of these principles addresses recruitment and hiring.

Title 5 requires that recruitment should be from qualified individuals from appropriate sources in an endeavor to achieve a workforce from all segments of society. Selection and advancement should be determined solely on the basis of relative ability, knowledge, and skills after fair and open competition that ensures that all receive equal opportunity. Open and fair competition has the following component parts:

- There must be sufficient publicity about vacancies to attract a large pool of applicants from a broad spectrum of society.
- All those who apply must be fairly and equally considered. The standards applied in competitively comparing applicants must be reasonably accurate in predicting job performance and fitness. The standards must not operate to favor applicants for other factors, such as political affiliation, gender, or race.
- Those selected must be the most competent applicants, thereby creating a more efficient and effective civil service.

These merit selection requirements also apply to any recruitment and hiring activities, such as direct hire, carried out by agencies under authority delegated to them by OPM.

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## How Direct Hire Works

Direct hire authority, as originally envisioned, provides agencies with flexibility to recruit for positions in shortage occupations in cooperation with OPM. Under direct hire authority, agencies can directly receive applications, competitively examine applicants, and make selections in compliance with competitive selection rules, such as veterans preference. In a variation of direct hire, OPM will receive applications and rate the qualifications; agencies then can directly hire anyone OPM rated as qualified.

According to OPM policy, a decision to implement direct hire should be made only when shortage conditions exist and after other methods of recruitment and selection are determined to “not be as effective” as the

direct hire method. Authorization to use direct hire authority can be initiated upon agency request or as a result of a decision by the OPM examining office that this authority is necessary.

OPM's policy, while identifying certain shortage conditions that justify the authorization of the direct hire method, does not require that the cause of these conditions be identified. OPM's policy describes the conditions that define a shortage in terms of the number of applicants on the OPM register, not the labor market as a whole. According to OPM criteria, the use of direct hire authority is warranted when the conditions listed below exist (this list is not all-inclusive):

- there are no eligibles (qualified applicants) on a register,
- the number of eligibles is "insufficient" to issue a full certificate,
- the number of eligibles with justifiable selective or quality ranking factors (special job requirements unique to a position or agency) essential to meet agency staffing needs is "insufficient,"
- an extensive pattern of declinations or failures to respond exists, or
- a combination of the above conditions is expected to recur frequently.

Once a shortage condition has been determined, OPM examining offices are responsible for determining the direct hire procedure most appropriate considering the nature of the shortage and the agency's staffing needs. Direct hire procedures are based on two plans. Under both plans the appropriate OPM examining office is to grant approval for the delegation, based on agency requests, and monitor the implementation of the direct hire authority in accordance with OPM office instructions and provisions. Following is a description of each plan:

- Under Plan One, selection is primarily based on a numerical rating of an applicant's education and experience. Plan One is used when there is a shortage of qualified applicants who are available. Determinations of a shortage are made on the basis of whether there was an "insufficient" number of qualified applicants. The term sufficient is not defined. Under Plan One an agency must give all qualified applicants a numerical rating to which points are added for veterans preference. If applicable, an agency may then appoint any qualified applicant without regard to the applicant's standing in the ranking of other qualified applicants. However, at the close of the period specified by OPM an agency must be able to show that those appointed were either among the best qualified or met or exceeded a predetermined numerical score. A variation of Plan One has OPM or the agency under delegated hiring authority receiving

and rating the applications, after which agencies are free to directly hire candidates deemed qualified by the rating process.

- Under Plan Two, an agency may make immediate offers to qualified applicants. Selections do not need to be based on a numerical rating and ranking. Plan Two is used when a “critical shortage” of qualified applicants exists for the positions available. OPM’s procedures do not define the term critical shortage.

Besides the requirement to rank applicants under Plan One, the principal difference between the two plans is the amount of documentation that must be maintained. Under Plan One, agencies must maintain records of all applicants available for consideration and periodically compile a list in ranked order to recapitulate selections. Determination of compliance with competitive selection procedures is to be made by the OPM examining office that granted the authority. However, under Plan Two, agencies do not have to assign numerical scores or periodically review their selections to bring them within competitive selection procedures.

## OPM’s Direct Hire Procedures May Not Ensure That Merit Requirements Are Followed

OPM’s direct hire procedures under certain conditions may not ensure that merit requirements are followed. Plan Two, the most flexible form of direct hire, is the most frequently used form at the 13 locations we visited. Eight of the 13 sites with direct hire authority were using Plan Two authority for direct hire. We found that statistics on the numbers of interviews held, applications received, offers made, and offers accepted and declined were maintained [on the results of recruiting efforts] at only 3 of the 10 locations we visited that are actively involved in outside recruiting. At the three sites where recruiting information is regularly maintained, a modified version of Plan One was used at one location, while at the two other locations Plan Two was used.

Fair and open competition may not be always ensured under Plan Two. We identified two locations using Plan Two where agencies, after extensive recruiting efforts and following OPM procedures, made selections without documenting the rating and ranking of applicants when there were more applicants than positions. At both locations, worldwide direct hire authority for engineers was involved. At one location, in fiscal year 1988 through July 30, 1988, an agency hired 95 individuals. The agency interviewed 495 individuals at colleges and universities and in addition received 1,000 mail-in applications. At the second location, an agency hired 34 applicants from October 1988 to August 31, 1989, after making offers to approximately 150 individuals from a pool of 207 applicants;

387 students were initially interviewed. OPM officials familiar with the use of direct hire said that there is a constant fluctuation in shortages depending on the location.

OPM procedures provide that the examining office that granted direct hire should monitor the recruiting conditions and the number of applications received and withdraw direct hire authority when there are more qualified applicants than can be placed. This is to occur after the agency has already made a selection. These procedures are silent, however, on what selection procedures should be used when an agency's recruiting efforts have produced more applicants than positions. For example, under Plan Two OPM does not require agencies to rate and rank applicants when there are more applicants than positions even though the shortage conditions upon which the direct hire authority was based may no longer exist.

When there are 207 applicants and 34 are hired, some procedure is needed to determine who will be offered jobs and who will not. At the site where there were 207 applicants, an undocumented selection process was used. Following a review of basic qualifications, selection decisions were made by panels. The procedures used by the panels to make selections were not documented. Officials told us that they did not use the freedom offered by Plan Two to make offers on the spot because they wanted time to assess all the applicants. In effect, they voluntarily reverted to Plan One. As stated previously, merit principles require that competition be open and fair and that employment decisions be based on knowledge, skills, and abilities. To make employment decisions based on these principles generally requires that applicants be rated and ranked on the basis of their qualifications and the requirements of the position. With so many applicants and no requirement to rate and rank to determine the best qualified, it is not possible to tell if the most qualified were in fact selected.

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## **Merit Cannot Be Ensured Without Records of Employment Decisions**

Determining if merit has been achieved in cases where there are more applicants than positions requires records. Records of who applied, how they were rated and ranked, and who was selected are required under Plan One. At the location where there were 207 applicants, officials told us that candidates were selected and offers made after a vote by a panel of managers. The agency did not retain records of these employment decisions. If Plan One was used in this situation, the selection process that was followed would have to have been recorded and maintained for audit by OPM.

In critical shortage situations where there are only a few applicants, records of employment decisions may not always be necessary. However, without records of recruiting efforts and results, determining if a shortage situation exists is not possible in the first place. Consequently, agencies may be using a form of direct hire that is not really necessary for their situation. Since the procedures do not define what a shortage is, we found it difficult to differentiate between a critical shortage and a shortage of applicants. OPM officials we interviewed could not define a critical shortage. Such a definition, if available, could be used by agencies to determine for themselves which direct hire plan is most appropriate to their needs. With written records, such decisions could be reviewed to determine if OPM's procedures were complied with. (OPM's direct hire guidance is reprinted in app. III.)

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## **Ensurance of Merit Can Be Enhanced Through Better OPM Oversight**

Ensuring that merit system principles are adhered to in recruitment and hiring actions is the primary responsibility of the agencies. However, OPM can better ensure the effectiveness of agency systems and procedures through day-to-day monitoring of program operations or periodic on-site compliance reviews.

To carry out day-to-day oversight of agency direct hire activities, OPM relies on its examining offices. We found that this oversight primarily consists of reviewing agencies' reports of individuals hired under the delegated authority. According to an OPM official involved in planning fiscal year 1990 on-site evaluations, OPM has not done any on-site reviews of agency direct hire operations in fiscal year 1989 and will not do any evaluations to determine if the use of direct hire complies with merit requirements this fiscal year. Prior to fiscal year 1989 OPM conducted on-site compliance reviews of agency personnel operations called installation assessment visits (IAVs). In an effort to determine what OPM found in these visits, we reviewed 33 randomly selected IAV reports done at the four agencies we visited. These oversight reviews were done by OPM in fiscal years 1987 and 1988. We found that while OPM evaluation guidelines required a review of other staffing methods, they did not require any such review on the use of direct hire. Consequently, these reports did not reveal any problems or benefits of the direct hire authority. According to OPM staffing officials, local OPM offices will begin to review the qualifications of individuals hired under direct hire in October 1990. These reviews will not assess if direct hire was used in compliance with merit requirements; rather, they will simply assess that the positions that were filled through use of direct hire were properly authorized.

OPM has included the use of delegated authorities in its fiscal year 1990 on-site evaluation program. But its review will focus on how helpful these delegations have been to agencies and problems agencies are having other than compliance. As we reported in our general management review, these reviews, while having much appeal, can only work in concert with good agency personnel management evaluation programs. Yet, according to an OPM official familiar with agency oversight efforts, there is very little ongoing agency activity in this area.

By issuing areawide or location-specific direct hire authorizations, OPM has recognized that shortage conditions are not uniform. Determining whether direct hire is needed is the responsibility of the cognizant OPM examining office, with the exception of OPM nationwide and worldwide direct hire authorizations, which are authorized at OPM headquarters. OPM, defining the conditions under which each form of direct hire is to be used, requires that a delegation of direct hire authority be changed from one plan to another when recruiting conditions change. Under OPM procedures, such changes occur after an agency has filled its vacancy(ies) and when there are more applicants than positions available at other agencies.

Because OPM, in its letter of authorization, does not require agencies to inform it of changes in recruiting conditions, effective oversight was limited in cases where such local authorizations have been made. At one OPM area office we visited, the office specified the particular type of direct hire authority to be used based upon the shortage situation. We found, however, that the agency was not required to notify the OPM area office of any change in the shortage situation.

Officials of an OPM regional office told us that direct hire is rarely granted on an indefinite basis. Agencies are usually granted direct hire for a specific period, at the end of which OPM will review the continuing need for direct hire. However, according to an official of an OPM area office, OPM does not use any explicit criteria to determine whether or not a shortage exists. Even if such criteria existed, we doubt that a determination could be made because at a number of sites we visited, we found that little data are collected on the results of recruiting activities.

Under direct hire procedures for Plan Two, unlike the procedures for the direct hire of temporary employees, OPM does not require the agencies to maintain documentation, such as the number of vacancies, applications, and a file of qualified candidates. Such information is necessary to determine if agencies should continue with Plan Two or convert to

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Plan One when there are more applicants than positions. Specifically, without documentation that OPM or an agency can review, ensuring fair and open competition will be difficult.

A recent MSPB survey of federal personnel officials indicates that without effective oversight, abuse of hiring actions is possible.<sup>1</sup> MSPB reported that 43 percent of the personnel officials it surveyed had seen employment selections based on friendship rather than merit. In addition, the chances of any abuse being detected may be limited, according to these same officials. Only 29 percent of personnel officials believe that OPM has been effective in monitoring agency personnel systems to detect abuses.

While agencies have the primary role in protecting merit, title 5 of the U.S. Code is very explicit in requiring OPM to establish and maintain an oversight program when it delegates personnel authorities.

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## Conclusions

Achieving flexibility within the requirements of the merit system is a challenge that OPM and agencies need to address. Direct hire is viewed by agency officials as an effective means of recruiting and hiring employees in shortage occupations. Although we were unable to document to what degree direct hire improves the hiring process, we do know that direct hire is popular and provides greater hiring flexibility to agencies.

Accordingly, OPM's procedures for direct hire should be modified to better ensure merit while maintaining flexibility. For example, there is no explicit provision for determining what type of direct hire is most appropriate to meet the needs of an agency and the requirements of the merit system.

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## Recommendations to the Director of OPM

To better ensure that fair and open competition remains the hallmark of entry into the federal civil service, we recommend that OPM revise and update its direct hire procedures to

- provide criteria that agencies can use to determine which plan of direct hire is most appropriate to their fluctuating needs;

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<sup>1</sup>MSPB Report: Federal Personnel Management Since Civil Service Reform: A Survey of Federal Personnel Officials, Office of Policy and Evaluation, Merit Systems Protection Board (Nov. 1989).

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- require agencies, as a condition of using direct hire authority, to maintain complete personnel records and to document the results achieved through recruiting efforts;
  - incorporate direct hire as a part of its evaluation efforts and require agencies in their internal personnel management evaluations to assess whether the use of direct hire complies with merit system requirements; and
  - ensure that the requirements of open and fair competition are clearly specified in delegations of direct hire authority designed to facilitate college recruiting by agencies.

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## Agency Comments

The Director of OPM agreed that additional guidance and oversight are needed in agencies' use of direct hire. She said OPM is currently reviewing its guidance and will issue revised guidance following this review.

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# Better Communication and Data Should Enhance Recruitment and Outreach Efforts Currently Underway

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Competitive pay and a speedy hiring process by themselves cannot ensure that the federal government will attract the kinds of people it needs. The federal government must also be able to offer a positive and compelling message to potential employees. In an ever tightening labor market, though, the federal government is handicapped by an outreach effort more attuned to a time when job applicants were plentiful. The problems most often cited with the federal government's outreach are insufficient employment information, poor image, and its limited recruiting presence on college campuses.

Efforts to address these problems are underway. OPM has initiated numerous actions aimed at improving the situation. Many of the locations we visited have recruiting efforts in place. Their success depends on how well OPM and the agencies are able to communicate their efforts to the right audience with the right message at the right time. To ensure that its message and products reach agency recruiters, OPM and agency management must monitor recruiting activities and evaluate the results of these activities.

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## Lack of Federal Employment Information Is a Problem for College Students

The federal government's limited outreach to potential employees has put it at a disadvantage in a tight job market. College students are among potential recruits who are not receiving sufficient information about job opportunities in the federal government. Surveys of college placement officials by OPM and MSPB cite the limited availability of employment information as a problem. The Volcker Commission, in its survey of honor students at over 200 colleges and universities, found that only 30 percent of the students said they would know how to go about getting a federal job if they wanted one.

OPM, in its 1989 college relations and recruitment study, reported that 73 percent of the college officials surveyed needed additional information on federal career and employment opportunities, and 49 percent said that federal agency recruiting literature was poor or worse than private sector literature. In addition, the study reported a clear lack of priority or commitment to campus recruitment by most federal agencies. When the federal government does recruit on campus, its presence is too limited and/or too sporadic to promote federal jobs.

In our focus group sessions some students had difficulty answering whether the government could satisfy their individual criteria for jobs because they did not know enough about federal employment. For example, students at one school believed government jobs were not

available in the location where they wanted to live. Even though 85 percent of all federal employees are located outside of the Washington, D.C., area, these students thought that there were few federal jobs outside of the nation's capital. Focus groups at other schools showed similar lack of knowledge of federal career opportunities. Students cited two reasons for this lack of knowledge. First, they said they are more familiar with private firms because they use their products or services or see them advertised. Second, the students said that, when compared with private firms, federal agencies do a poor job of providing employment information on college campuses.

Our visits to the career placement centers of the universities where we held our focus group interviews confirmed the students' views on the scarcity of federal job information. At the schools we visited, recruiting literature from private firms typically filled several bookcases, whereas the recruiting literature from federal agencies filled a single shelf or less. Moreover, in many instances the federal information was out of date or poorly suited to help students in their job searches. Going directly to federal agencies for employment information was not considered an easy alternative. The students generally believed that contacting the government is a burdensome and lengthy process.

At the schools where we were able to obtain data, the government's recruiting presence was substantially less than that of private firms. For example, at one university, of the 222 organizations holding campus interviews in 1989-90, 7 were federal agencies. At another school, in the fall of 1989, 97 organizations held campus interviews; 9 of these organizations were federal agencies. At the same school, in the spring of 1990, 94 organizations were expected to hold campus interviews; 4 of the 94 were expected to be federal agencies. At a third school, 5 of the 68 organizations scheduled to interview students were expected to be federal agencies.

The image of the federal government as an employer also puts the government at a disadvantage. Three of every four college officials surveyed by MSPB mentioned the negative public image of the federal bureaucracy as a significant factor to be overcome by federal recruiters. The Volcker Commission confirmed this view in its survey of honor students. Only 6 percent of the students surveyed strongly believed that government was a challenging and intellectually stimulating place to work. Seventy percent did not believe it offers a good chance for responsibility early in one's career, and 86 percent did not think that a government job would allow them to use their abilities to the fullest extent.

Among recommendations and suggestions made in the various studies were the following:

- Take aggressive action to shorten and simplify the competitive recruitment process while preserving merit principle.
- Increase on-campus recruitment by individual agencies.
- Begin contacts with students earlier, and visit colleges to provide information in advance of the actual recruiting trips.
- Create a unified federal job bank to help students find available jobs.
- Provide information regarding federal positions widely and from a central source.

OPM's own recommendations emphasized a number of activities aimed at both enhancing and expanding its recruiting efforts and those of the agencies.

## Image Seen as Affecting Outreach Efforts

Most of the agency officials we interviewed saw the image of the federal government as affecting their recruiting efforts. However, a concerted recruiting effort can overcome some obstacles federal recruiters face, including bolstering the federal government's image. We identified several agencies that have successfully overcome the federal government's image and have attracted sufficient numbers of applicants to fill their vacancies.

Officials at 10 of the 13 installations we visited indicated that the image of the federal government was a greater factor affecting their ability to recruit than the availability of job information. In 8 of the 13 locations, officials told us that the lack of job information was a factor in recruiting.

The students we interviewed expressed mostly unfavorable views of federal employment. Their negative views were numerous and touched upon the work environment, pay, and management style. While many felt that federal jobs offered good benefits and job security, these job dimensions alone would not persuade many students to accept a job in the government. The most common perception of federal employment was that it is rife with bureaucracy, paperwork, and inefficiency.

The students expressed the concern that in such an environment they would quickly become frustrated over their inability to make things happen. Many of the students also believed that working for the federal government meant sacrificing both financial and intangible rewards.

These students thought federal salaries were too low and that there were few opportunities for advancement. They were also concerned that federal employees receive little recognition for good ideas.

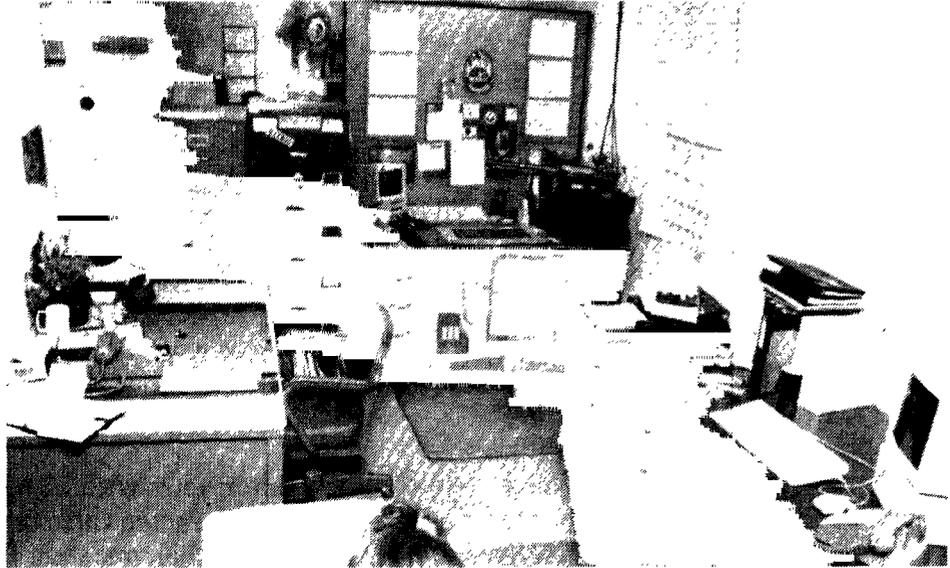
In contrast, some of the negative impressions we heard from students were contradicted by the excitement and sense of mission held by the PMIs we spoke to. As one PMI explained to us, she was deriving a large amount of personal satisfaction working for NIH:

"I feel very, very strongly about health issues . . . . It was very important to me that I be involved in something I could identify with and feel like I could make a difference. I'm enjoying my time at NIH. I feel it has given me excellent opportunities. For right now I am very happy with a career in federal government."

Poor working conditions at many agencies contribute to the perception that the federal government's image affects recruiting. The problem of less than optimal working conditions was brought to our attention by officials in the Department of the Navy and NIH.

For example, officials of a Navy component that hired about 31 entry-level engineers in fiscal year 1989 said that they discourage candidates from visiting their offices in Crystal City, Virginia, because they are concerned that the candidates will be dismayed by the poor working conditions and will decline job offers. In the past, candidates have declined job offers after a visit to the offices. We were told that last year five of six prospective employees who toured Navy facilities declined Navy offers. These prospective hires were discouraged by the cramped working conditions and the high cost of living in the Washington, D.C., area. We visited the office of one group of that Navy component (see fig. 5.1). The office for the group, which has an annual budget of \$100 million to use in weapons acquisition and maintenance, is small, crowded, and poorly ventilated. Several employees in the group are located in a different office because of inadequate space. In the office, four employees share one work area with no partitions between their work stations.

Figure 5.1: Interior of a NAVSEA Office,  
Crystal City, Virginia



In conducting their recruiting efforts, agencies such as Navy try to overcome these problems by emphasizing the nature of the work, the training that new employees will receive, or the career development opportunities that will be available to them.

## Agencies That Actively Recruit Are Attracting Sufficient Numbers of Applicants

We found that agencies who actively recruit were able to fill their hiring needs for engineers and accountants. However, as we discussed in chapter 2, the quality of applicants is a concern. The Department of the Navy and NIH, which have recruiting programs, have been able to attract applicants for engineering, accounting, and nursing positions. The Department of the Navy, according to an OPM official, has one of the best recruiting efforts in the government.

Navy personnel actively recruit at colleges for new accountants and engineers. NIH not only visits colleges during their career days to present programs about job opportunities at NIH but also maintains a continuing relationship with colleges and universities. Moreover, NIH advertises for nurses in newspapers, professional journals, and nursing directories. However, we were able to obtain verifiable vacancy data from agency officials at only 4 of the 13 sites we visited. Officials at another two sites were able to determine the number of vacancies from other available data, including accessions and separations information. In most cases, we were unable to obtain conclusive data on recruiting problems,

such as vacancy and turnover rates, ratios of offers to declinations, and levels of quality.

As a result of interviews with 387 students on 29 recruiting trips to colleges during fiscal year 1989, NAVSEA, as of August 31, 1989, had received 207 applications from college students majoring in engineering. While NAVSEA could not provide the exact number of offers made after the interview process, an official estimated that offers were made to about 150 students. Navy officials told us that, in recruiting engineers, Navy personnel stress to students the promotional opportunities as well as the diversity of work in the government. Other advantages of federal employment to be emphasized include training, responsibility, early career challenge, and job security.

In telephone interviews with 21 newly hired engineers at the Navy, we asked what had attracted them to the Navy positions. The engineers could choose more than one item. The nature of the work was most often cited (15) as the primary incentive for accepting Navy positions. Two other reasons frequently given were (1) the "good sell" the recruiters made and (2) the training offered to the new engineers.

The Portsmouth Naval Shipyard has a formal college recruiting program for engineers. Before the recruiting season, the Shipyard's Engineering Recruitment Committee meets to discuss plans and strategies for the upcoming recruitment process. The Shipyard has been able to fill its vacancies. Statistics for the Shipyard for recruiting years 1988 and 1989 show that Shipyard officials interviewed 495 and 364 students on campuses, respectively. For recruiting year 1988, 103 students received job offers, and 37 were hired.

Navy's Financial Management Intern program has had an active recruiting program since the early 1970s. In fiscal year 1989, it had a goal of filling one-half of its 120 intern positions with accountants, a hard-to-fill occupation. A total of 299 accountants and auditors were interviewed on campuses. The number of applications received was 1,027; however, this number is distorted because it includes applicants from the OPM register who were not directly recruited. The Navy made 76 offers to accounting graduates, and 65 of them accepted the offers.

NIH has been able to meet its goals for nurse recruitment, unlike other government hospitals we visited in Boston, Washington, D.C., and Atlanta. Previously, NIH was facing the same problems that affected

other government hospitals, including noncompetitive pay, cumbersome hiring processes, and restrictive personnel management practices.

NIH's special pay legislation has been a significant factor in its ability to recruit nurses. In addition to special pay authorities, NIH also used focus groups to obtain nurses' views on how their work life could be improved. More aggressive advertising of nursing opportunities at NIH was also done. Advertising for nurses appears in newspapers, professional journals, and magazines of a more general circulation. As a result of NIH's special pay and recruiting efforts, the Clinical Center met its goal of a fully staffed nursing force in fiscal year 1989. This goal was not achieved in the prior two fiscal years.

The Boston EPA regional office does not frequently advertise or recruit on college campuses. However, one advertisement placed in a leading Sunday newspaper resulted in about 300 applications for about 50 positions; 200 to 250 of the applicants were judged to be qualified, according to EPA personnel officials.

In contrast, at one location we visited in HHS, where there was a need to fill four accounting positions, officials said that they had received only one application from outside the federal government in 2 years. In the past, this office has done no college recruiting because of limited resources, according to agency officials. However, an official from the Office of Finance told us that a person with a recruiting background has been hired to assist in locating applicants from outside the federal government.

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## Students Report That Personal Contacts Are More Effective Than Other Recruiting Techniques

Direct one-to-one contact with knowledgeable agency representatives is the most effective recruiting technique that agencies can use in college recruiting, according to the students in our focus group interviews. "What will I be doing?" was cited most frequently as the question the students want answered. The students in our focus groups wanted to know what a job entails and how they could contribute to the organization. They felt that such information could help them determine if they would find their niches. Salary and benefits were also cited as variables students wanted to know about.

While knowing what information students want is important, the presentation of that information is also important. The students we spoke with expressed strong preferences on the recruitment techniques that

appeal to them. Overwhelmingly, the students preferred personal contacts with employers' representatives. The students we spoke with found personal contacts effective because, as one student explained, "I get a better feel for what is happening when I talk to somebody." Another student said, "I want to see real people, find out what they like, what they don't like. I want to be able to evaluate them as to whether they are telling the truth. I can't tell from a video or literature. I want to see a real person in front of me."

Since personal recruiting was so important to the students, we asked them what qualities recruiters should possess. Most of the students told us that recruiters—particularly those intending to interview—should actually do the work for which they are hiring. This was important to the students because they want to find out as much as possible about the position and in some cases want answers to technical questions. The students said that recruiters from personnel departments lack the expertise to provide those answers. As expressed by an undergraduate computer science student, "So many times the people who interview us are nontechnical people. They are people from the personnel department who know absolutely nothing about what we would be doing and really know very little about the division we would be working in." This belief was reinforced by the PMIS. As one commented, "I remember coming up and talking with [a] guy from personnel. You've got this form and you go through this procedure. It's very bureaucratic. It is a turnoff—especially for a person who is not really committed to the federal government."

Several students told us that brochures generate interest in an organization and provide quick background information. Despite the fact that many students thought brochures were useful for quick background information, they were quick to note that they were no substitutes for personal contacts with employer representatives.

In six of the nine focus group sessions, students thought videos were not effective recruiting tools. Some did not like the time it takes to view a video and get the information they want. Some students thought videos do not honestly portray organizations. According to one undergraduate, "a recruiting video has a credibility gap with me . . . Somehow I think a video . . . would have lots of well-dressed, happy people wandering around. That doesn't tell me anything. I don't believe in that." Similarly, another student said, "My reaction to [videos] is that they are glorified commercials almost. It is hard not to be skeptical about what you view in a video just because we are so inundated with that all the time." A

few students said videos could be a useful tool as long as they are done well and accompanied by an agency or organization representative who could answer questions.

The students' reactions to career fairs were mixed. Some thought career fairs were effective because of the opportunity to meet prospective employers all in one place. Of those students who did not like career fairs, several believed that organizations attending career fairs were not serious about hiring. Several students agreed that one way to make career fairs more attractive would be to have on-site interviews. Some students also pointed out that interviews at career fairs would keep them from having to independently arrange meetings with prospective employers.

While many students made no comment about telephone hotlines and recorded messages as a means of conveying employment information, most who did comment disliked them. They preferred speaking to a live person and obtaining precise answers to their questions. Some students also did not like listening to irrelevant information, while others noted that recorded messages would be better if students could dial toll-free numbers and leave a message to have a representative call them back with more specific information.

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## **OPM Study Identified Attributes of Successful Recruiting Programs**

Agencies have addressed their recruiting needs in a variety of ways, some successful and some not. During fiscal year 1989 OPM did a pilot study on recruiting effectiveness. The study indicates that agencies, despite all the problems they face, can successfully address their recruiting problem. OPM's on-site study of recruiting practices at 35 installations in the southeastern United States identified attributes of successful recruiting programs. We saw indications of these characteristics in the recruiting programs at three of the sites we visited. Some of the attributes of successful recruiting programs OPM identified are as follows:

- High-level management is more actively involved in the recruitment planning process.
- The planning process is more structured and uses turnover data more actively in recruitment planning.
- College recruitment is more active, particularly at colleges with significant minority enrollments.
- Available delegated recruitment authorities are used more aggressively.
- Recruiters are given better training.

- Line managers have greater involvement with personnel specialists in the recruitment process.

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## Performance Data on Recruiting Efforts Needed to Ensure Effectiveness

Although OPM has launched a number of initiatives, and agencies have active college recruitment efforts underway at 9 of the 13 locations we visited, success may be difficult to determine without consistent information on the results achieved. Success may be even more elusive without an overall recruiting strategy with measurable objectives against which results can be evaluated. When asked what their overall recruitment strategy was, officials at six locations said it was to create an applicant pool of the most desirable applicants. The principal strategy cited by most of the officials we interviewed simply consisted of filling vacancies as they occur.

Although a strategy can establish the goals of a recruiting program, data on program accomplishments are vital in measuring success. The need for such data was a major issue in our recent report on IRS' recruiting efforts.<sup>1</sup> We found that better program direction and oversight of recruiting activities was needed to ensure that recruiting efforts are assessed properly and the use of scarce resources is maximized. Our work indicates that the number of vacancies to be filled should be the first piece of data a recruiter would use in developing a recruiting strategy. Yet we were only able to obtain consistent vacancy data at 4 of the 11 locations for which we requested these data. At two other locations the number of vacancies could be computed from other data readily available. Data that would be helpful in assessing the results of a recruiting effort such as the agency's cost-per-hire were often not available. Only at 2 of 13 locations were officials able to provide us cost-per-hire data. The quality of applicants, as we noted in chapter 2, was a concern of the officials we interviewed. However, data on the quality of new hires was collected at only 2 of 13 locations, and assessments of new hire performance were made at only 7 of the 13 locations.

We did identify some instances where information on the results of agency recruiting efforts was maintained. For example, the Portsmouth Naval Shipyard collects and reports information on the details of its engineer recruiting program, including recruiting goals, hires, losses, schools visited, costs, number of interviews, number of plant visits, number of offers, acceptance rate, average GPA, and minority hiring. The

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<sup>1</sup>Tax Administration: Need for More Management Attention to IRS College Recruitment Program (GAO/GGD-90-32, Dec. 22, 1989).

Naval Sea Systems Command and the Office of the Navy Comptroller provided us with some of this information.

OPM, through its policies, and more recently in its college recruiting and relations report, has urged that managers evaluate the effectiveness of their personnel management activities. OPM cites the importance of collecting data on recruiting activities and evaluating the results to measure the most effective techniques that aid in achieving objectives. OPM itself is moving in this direction in evaluating recruitment activities. Its recent study of agency recruitment activities identified numerous areas where agencies can improve their recruiting efforts, most notably in the area of evaluation. In March 1990 OPM also completed a study of visitors to its Job Information Centers. The objectives of the study included (1) what prospective job applicants expect to receive from the centers and (2) the effectiveness of the centers in meeting these expectations. The study identified what these centers did well and where improvements could be made. Among the findings reported was that the highest level of satisfaction was with services provided by centers staffed with OPM personnel, in contrast to the centers that provided only self service. The report concluded that the process of periodically evaluating clients' needs was important in maintaining the quality of services offered.

Similarly, OPM should monitor the results from its new initiatives, which are discussed more fully below, to ensure that the effects on federal recruitment are as intended. For example, prospective employees could view tests as undesirable administrative burdens. Also, depending on test results, agencies may not be able to hire applicants they actively recruit. Given the newness of the initiatives, OPM needs to monitor them closely to be able to make any needed changes as quickly as possible.

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## **Data Problems Are Not Unique to the Federal Government**

The problems we encountered in trying to collect data on the results of recruiting efforts are not unique to the federal government. Cornell University researchers have found that the treatment given to recruiting by most of the 145 private sector organizations they surveyed tends to be informal.<sup>2</sup> Despite the high cost of recruiting and its role in obtaining management level employees, data collection and evaluation of

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<sup>2</sup>Rynes, Sara L. and Boudreau, John W., "College Recruiting in Large Organizations: Practice, Evaluation, and Research Implications," reprinted in *Personnel Psychology* (New York State School of Industrial and Labor Relations, Cornell University, 1986).

recruiting effectiveness was rarely done. For example, less than 15 percent of the companies surveyed were able to report turnover data. Moreover, few organizations record the data required to determine how the new employees performed relative to the different recruiting methods used. The study concluded that since data are not generally collected, evaluations of recruiting programs tend to be subjective rather than quantitative. The Cornell study also said that without quantifiable data, managers cannot determine which recruiting activities make a difference, and recruiters may need to know the effectiveness of particular selection techniques. For example, the Cornell researchers found that recruiters receive little guidance on questions to ask applicants, although evidence exists that some inquiries predict future performance better than others.

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## **Better Communications Should Improve OPM's Ongoing Recruiting Efforts**

OPM has launched a significant number of recruiting initiatives in recent years; however, many agency officials we interviewed in 1989 were unfamiliar with these efforts. OPM currently communicates its new initiatives to senior departmental or agency officials. However, information on the progress of these initiatives did not always reach the agency recruiters we contacted.

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## **Agency Recruiters Are Not Familiar With OPM's New Initiatives**

In June 1988, OPM announced a recruiting and hiring initiative—"Career America." We provided our observations on that initiative in July 1988 in congressional testimony. Although we supported OPM's effort to improve the government's recruiting and hiring process, we did not react more specifically because many details about the process were unknown.

The initiative consists of two broad components for filling administrative and professional positions: (1) a series of recruiting brochures to provide better job information to applicants and (2) an examining and hiring program. Under the examining and hiring program, which went into operation in May 1990, applicants are able to qualify for federal employment in two ways: (1) sitting for an examination from a series of written tests that will be used to evaluate their potential for successful performance in six occupational areas or (2) applying directly to federal agencies that will have direct hire authority to recruit and hire candidates with high GPAS. In the past, OPM has used a single written test to screen candidates for these positions (this test is discussed in ch. 4). The

tests will be job-related but will also include an evaluation of the candidates' civic virtue and moral character based on an Individual Achievement Record. According to OPM, the Individual Achievement Record will measure what individuals have been able to accomplish with the opportunities they have been given.

In our interviews with agency recruiters, we found that many of these recruiters had only some or little familiarity with all of OPM's new initiatives. For example, officials at six of the installations had little or no familiarity with the Career America program and brochure. Moreover, officials at six of the sites had little or no knowledge of OPM's proposal to expand the use of direct hire by lowering from 3.5 to 3.0 the GPA needed to hire without OPM involvement. (OPM subsequently kept the required GPA at or above 3.5 for direct hire under the Outstanding Scholar provision.) Officials at 7 of the 13 installations we visited were not aware of OPM's automated application process (this process is discussed in ch. 3).

In addition, we found that officials at 5 of the 13 sites knew little or nothing about OPM's new telephone hotlines providing job information to applicants. Moreover, officials at six sites had little knowledge of the new examinations OPM was developing for professional and administrative positions. OPM officials communicate with the senior personnel officials in each agency; getting the information down to recruiters at the working level is the responsibility of agency personnel officials. In an earlier report on recruitment of ADP personnel, we found that about one-half of the top information managers we interviewed did not know about such recruiting tools as direct hiring, special rates, and Career America.<sup>3</sup>

OPM is aware of the need for improved communications and has taken a number of steps to improve its communications with agencies. Its first such effort was a national recruiting symposium held in June 1988. One of the needs participants identified at the symposium was the need for an agency recruiters' network to help improve communications. More recently, OPM formed an interagency steering committee on recruiting and special personnel programs. The committee is to identify mutual areas of concern and plans for action. In addition, we found OPM's Boston area office has organized an informal agency recruiters network that meets at least twice a year, according to OPM officials.

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<sup>3</sup>Federal ADP Personnel: Recruitment and Retention (GAO/IMTEC-89-12BR, Feb. 7, 1989).

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## Outreach to Potential Applicants Is Being Increased

OPM has developed a nationwide college relations program by expanding regional contacts with agency recruiters and universities. To expand these regional contacts, all OPM recruiting offices have developed newsletters and advertising to keep the academic community informed of government recruiting efforts. OPM has provided portable exhibits to be used at job fairs and career days and has begun developing a new recruiting video aimed at college students. In addition, it will be distributing the Federal Career Directory, which provides descriptions of federal agencies, their career opportunities, and contacts for employment information. In March 1990, OPM introduced its Federal Occupational Career Information System (FOCIS), which is a computer-based version of the Federal Career Directory. FOCIS gives additional information about agencies that is not available in the Directory. OPM has also developed a workshop and newsletters for college placement directors to inform them about career opportunities in the public service and to explain the examination and application process.

To assist agencies, OPM has begun developing a recruiters' training course that will include modules for agency recruiting managers, including those who interview on campus, line managers, upper level managers, and top executives. OPM also has authorized the use of commercial recruiting firms by agencies to locate job applicants in some situations.

For applicants, OPM has begun operating a 900 telephone number from its Macon, Georgia, facility. Dialing the number will allow interested persons to choose from a menu of options to hear information on job announcements stored in OPM's computer files. The callers are charged 40 cents per minute per call. In addition, OPM is creating an automated recruiting information system (ARIS) that lists educational institutions, media, and community and constituency groups. ARIS will help regional offices and agencies in their recruiting efforts.

OPM has expanded and streamlined the cooperative education program, which is a work-study program that currently has 12,000 participants and is a major source of new recruits for the federal government. It has also expanded the PMI Program—the number of interns allowed to be hired each year has been increased from 200 to 400.

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## Conclusions

Given the demographics of the current and future labor pool, the federal government, not unlike private industry, will need to develop a pool of

the most qualified applicants from which it can recruit. The federal government has in the past limited its outreach to potential employees. But OPM and the agencies we visited have taken some important steps to improve outreach and to ensure that the federal government will be prepared for the major recruiting challenge it will face in the future. However, our focus groups with college students indicate that both OPM and agencies have not yet reached these highly qualified students with a positive and compelling recruiting message. In doing research on recruiting activities, OPM has taken a step in the right direction.

If the federal government is to be successful in implementing improvements and achieving results, it must manage its recruiting efforts like any other program. Data on recruiting activities and accomplishments are not readily available or are often incomplete. Recruiting efforts can be managed more effectively. To do so, recruiting needs have to be determined, strategies defined, objectives established, and data on recruiting activities collected and evaluated.

OPM's recent initiatives and individual agency efforts need to be better communicated. We learned through our on-site visits that agency recruiters are often unaware of OPM efforts or new approaches that other federal agencies are developing or have implemented. As a part of its ongoing efforts to improve communications, OPM should determine what barriers exist within the agencies and ensure that agencies distribute information about their efforts to those individuals actually involved in recruiting. In addition, OPM should help arrange ways for other agency recruiters to learn about these new approaches.

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## **Recommendations to the Director of OPM**

OPM has undertaken some significant steps in getting the federal government into a competitive recruiting posture. To enhance these efforts, we recommend that the Director take the following actions:

- Develop a "model" recruiting program for agencies to use as a reference in designing their individual recruiting efforts. This model should incorporate procedures for developing recruiting strategies and for measuring the success of recruiting activities and operations.
- Determine why information it provides to agencies is not being communicated to recruiters by the agencies, and in cooperation with the agencies establish a recruiters' network to better communicate with and receive feedback from agency recruiters on OPM recruiting initiatives and policies.

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## **Agency Comments**

The Director of OPM, in her comments on our draft report, described a number of actions directed at improving guidance to and communications with agencies on recruiting operations. In partnership with agencies, she said, OPM will begin to develop the first Federal Personnel Manual chapter on recruiting, which will contain a “model” recruiting plan for agencies.



# Comments From the Office of Personnel Management

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



OFFICE OF THE DIRECTOR

UNITED STATES  
OFFICE OF PERSONNEL MANAGEMENT  
WASHINGTON, D.C. 20415

JUN 19 1990

Mr. Richard L. Fogel  
Assistant Comptroller General  
U.S. General Accounting Office  
General Government Division  
Washington, D.C. 20548

Dear Mr. Fogel:

We are pleased to have this opportunity to respond to the General Accounting Office's draft report FEDERAL RECRUITING AND HIRING: Pay Flexibility, Revised Merit Procedures, and Evaluation Data Needed.

We agree with the overall findings of the report that recruitment and hiring have become increasingly difficult because of disparities between Federal and private sector pay and the tightening of the labor market. Therefore, simpler and more timely recruitment and hiring procedures and additional flexibilities are needed along with additional guidance.

We concur with GAO's assessment that legislation is needed to allow agencies the option of setting starting salaries above the minimum step of the grade for all positions, not just individuals at the GS-11 level and above as current statute provides. The Administration has proposed a comprehensive pay reform package which includes this recommendation along with a variety of much-needed reforms. The pay reform proposal would significantly improve the government's recruiting and hiring activities and address a broad spectrum of the comments made in this draft GAO report. We would like to provide the following comments on various chapters in the report containing specific recommendations.

Chapter Three: Better Information on Timeliness  
Is Needed to Improve the Hiring Process

In Chapter Three of the draft report, GAO recommends OPM's evaluation program include effectiveness reviews of agencies' systems for monitoring the timeliness of staff actions. We are currently considering the inclusion of a governmentwide review of staffing timeliness in the OPM agenda for FY '91. For the past several years, we have made intensive efforts to improve agency internal personnel management evaluation. An important dimension of this effort is coverage in agency self-evaluation programs. As part of that program, we are formally establishing three OPM/agency work groups to address a number of evaluation issues. OPM will deal with internal agency capabilities for monitoring

See comment 1.

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staffing timeliness, and impress upon agencies the need for better recordkeeping and timeliness data.

In the report, GAO criticizes the complexity of the cumbersome centralized hiring system. For shortage and difficult-to-fill occupations of engineer, scientist and mathematician, we have implemented a new system for filling entry-level positions at GS-5 and GS-7. This new system incorporates simplified and streamlined application procedures along with automation technology. The new Automated Applicant Referral System (AARS) will require an applicant to submit only an automated scan application form to one central location. (A Standard Form 171 or resume is not required until they are contacted for a job interview.) The processing and rating of these applications take only a few days rather than weeks or months as has been the case using manual procedures. Afterwards, the information is electronically transmitted to the examining office covering the geographic area for which the applicant has indicated availability. Once this has been done the applicants are notified and their names are immediately available for referral to Federal agencies.

Again, using up-to-date computer and telecommunications technology, Federal agencies can obtain a list of top ranking eligibles directly from the OPM inventory using a touch-tone telephone. The list of the top candidates who meet the requirements of the position to be filled will be sent directly to the requesting agency using the latest facsimile (FAX) technology. This could be as fast as 15 minutes.

This new automated applicant referral system represents a major improvement in reducing the paperwork and time required to process, rate and, most importantly, refer top quality candidates to Federal employers for hard-to-fill jobs. Other occupations including accountants, auditors, computer specialists and nurses are scheduled to be included under this system.

Among other efforts, we are currently working with Navy's Northeastern Region in Philadelphia to develop and test a system for electronic certification from registers of eligibles directly from computer to computer in a "paperless" system. The ECONet (Electronic Certificate Operations Network) system will enable Navy civilian personnel offices to submit (electronically) requests for certification (SF 39) and referral criteria to receive highly qualified candidates. The agency will have the ability to request

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certificates and referrals and retrieve certificate print files and data files through a microcomputer linked to OPM. The data files will enable the agency to feed certificate and applicant data directly into other automated personnel systems. If successful, this pilot project may serve as a prototype for an expanded system, allowing access to ECONet by additional Navy personnel offices, as well as those of other agencies who wish to participate. This will result in significant savings in time and resources in the register certification process.

We plan to continue delegations of examining and hiring authority when appropriate.

In efforts to ascertain the overall time frame involved in filling positions, we have recently made changes to the Standard Form 39, Requests For Referral of Eligibles, to obtain the date of the Standard Form 52. With this information, we hope to be able to track and evaluate the timeliness of agency personnel actions.

**Chapter Four: Better Assurance of Merit  
in Hiring Is Needed**

In today's highly competitive labor market a timely examining process is essential for effective recruitment and hiring. An important tool to provide for a streamlined and timely method of hiring to fill shortage category jobs is direct-hire. GAO expressed concerns that direct-hire authority is used to expedite the hiring process overall and that open competition and merit principles governing Federal recruitment may be jeopardized.

As pointed out in the GAO report, the labor market is tightening and recruitment for needed talent is becoming increasingly more difficult every year. Direct-hire authority is intended to provide the needed flexibility to recruit and compete effectively for quality candidates. In tight labor market situations where competition from nonfederal employers is intense, it is critical for agencies to be able to recruit and make offers of employment to shortage eligibles quickly. Otherwise these shortage eligibles may no longer be available for Federal employment when the normal processing has been completed. We do not disagree that direct hire continues to be justified only under shortage conditions and that selections must comply with basic principles of open competition and merit.

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With the increased use of direct-hire in various forms, we agree with GAO's recommendation that additional guidance and oversight are needed. We are reviewing the need for additional guidance to clarify appropriate uses of and requirements for direct hire. We will update and issue revised direct-hire guidance following our review.

Concerning the new recruitment and hiring program for professional and administrative occupations at the GS-5 and 7 level, Administrative Careers With America, the direct-hire authority for college graduates with a high grade-point average applies only to hires under the Outstanding Scholar provision of the Luevano Consent Decree. The grade point average needed to qualify for this special type of hire remains at 3.5 on a 4.0 scale. The plan for a similar provision lowering the grade-point average to 3.0 in the new Administrative Careers With America examination was not implemented.

Chapter Five: Better Communication and Data Will  
Enhance Recruitment and Outreach Efforts  
Currently Underway

Last year, in a letter to Heads of Executive Departments and Agencies transmitting the College Relations and Recruiting Study, we emphasized that "if we are to change the way we do business," we need to work together "in partnership" to improve college relations and recruitment programs. We made four solid recommendations to the agency heads which can assure that the Federal Government can successfully compete in the marketplace of tomorrow. Agency heads must:

- give priority support and commitment to the recruiting function;
- engage in a far-reaching public relations and advertising campaign to "create messages to celebrate public service careers";
- enhance the skills of on-campus recruiters and program managers; and
- educate and inform the college and university community about Federal career opportunities and our employment system.

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OPM is acting upon that commitment and encouraging agencies to do the same. In addition to the numerous communication and networking vehicles mentioned in GAO's report, we are continuing the education process of students and career planning and placement directors by developing new recruiting tools and employment information systems.

In the fall, a nationwide advertising campaign will take place with ads placed in major technical and minority publications to publicize public service career opportunities.

In addition to a recently introduced Federal Occupational Career Information System (FOCIS), OPM is designing a nationwide electronic college bulletin board system that will contain specific job information and be linked to our nation's colleges and universities.

Efforts to simplify student employment programs are continuing. Last year alone more than 70,000 students worked in Federal agencies. We believe managers in Federal agencies are beginning to recognize the value of student employment programs as one of the pipelines for attracting quality students into full-time Federal careers and will continue to promote their use.

We are increasing interagency meetings with Federal agencies to facilitate better communications and encouraging them to do likewise internally within their own organizations.

Plans are underway to establish a recruiter clearinghouse which will contain information on "model" recruiting programs.

In connection with the establishment of the recruiter training modules, we are developing a recruiter handbook which will give agency recruiters "models" for designing and implementing successful recruiting strategies.

In July 1990, in partnership with Federal agencies, we will begin developing the first Federal personnel manual chapter on recruiting, which will also contain a "model" recruitment plan.

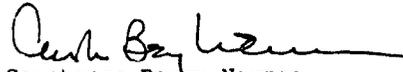
OPM, in partnership with Federal agencies, has introduced many

**Appendix I  
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new recruiting products and strategies to help Federal agencies prepare for the Civil Service 2000 challenges and more needs to be done. We will continue to examine our approaches and improve Federal recruiting programs to assure that public service can attract, employ and retain citizens of the highest caliber to carry out our nation's business.

Again, thank you for soliciting our views on the draft report.

Sincerely,



Constance Berry Newman  
Director

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The following are GAO's comments on the Office of Personnel Management's letter dated June 19, 1990.

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## **GAO Comments**

1. We originally made a recommendation to give OPM the authority to establish procedures that allow agencies the option of setting starting salaries above the minimum step for all positions. However, since pay reform legislation includes such an increase in starting salaries, we have dropped the recommendation and endorsed the need for the legislation.

# Overview of Federal Hiring Methods

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Agencies have several different hiring methods available to them, depending on the jobs they are filling. These include the OPM register system, delegated examining authority, and direct hire authority.

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## OPM Register Process

Under the OPM register system, OPM directly receives applications, does the review of qualifications and/or testing of applicants, and rates the applicants adding points for veterans preference, if applicable. OPM places them in rank order on a list (register) of qualified applicants. An agency wishing to fill a vacancy requests from OPM a certificate of eligible applicants. OPM then identifies a small number of the top ranked applicants. The names of these individuals are placed on a certificate and sent to the agency. Under this system, agencies can request that OPM review the application of a particular candidate and then send the agency a certificate of candidates. Agencies call this procedure “name requests.” When OPM issues a certificate to the agencies under the register system, agency managers must select from the top three candidates (under the “Rule of Three”), or a new certificate must be requested.

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## Delegated Examining by an Agency

OPM also can delegate the authority to examine the qualifications of candidates, otherwise known as “delegated examining authority.” OPM’s criteria for granting delegated examining authority include the agency’s status as the predominant employer of that occupation in a particular geographic area. Generally, under delegated examining authority agencies test candidates or otherwise review their applications. The agencies then follow procedures similar to those OPM uses in its process. They prepare certificates of the candidates in the order of the ratings assigned to the applicants. Agencies may request direct hire authority from OPM during the negotiation of the delegated examining authority agreement.

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## Direct Hire Authority

Direct hire authority is delegated by OPM to an agency in situations where there is a shortage of qualified applicants for an announced vacancy. Under direct hire authority, agencies can directly receive applications, competitively examine applicants, and make selections. Different types or plans of direct hire can be used, depending on the severity of the shortage in the particular occupation.

Under Plan One, selection is based on a numerical rating of an applicant’s education and experience. Plan One is used when the number of qualified applicants that is available or the number of available highly

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qualified applicants is “insufficient.” Under Plan One, an agency must give all qualified applicants a numerical rating to which are added points for veterans’ preference. An agency may then appoint any eligible applicant without regard to his or her standing in ranked order or numerical score. However, at the close of the period specified by OPM an agency must be able to show that those appointed were either among the best qualified or met or exceeded a predetermined numerical score. There is also a modified form of direct hire under Plan One. Agencies receive applications and then forward them to OPM for rating. Once OPM has rated the application and determined that the applicant has met or exceeded the requirements, agency recruiters can then make selections. Conversely, under other forms of direct hire no OPM involvement is required.

Under Plan Two, selections are made without a numerical rating. Plan Two is used when a “critical shortage” of qualified applicants exists for the positions available. Under this plan, the agency directly receives applications, determines if the applicant meets the qualifications requirements, and then is free to make an employment offer without regard to the applicant’s standing with other applicants.

# Federal Personnel Manual Guidance on Use of Direct Hire

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## Appendix D.

### Direct-Hire Authority for Eligibles in Shortage or Critical Shortage Occupations

#### D-1. BASIC PROGRAM

a. **Purpose.** This program is designed to provide the needed flexibilities to effectively recruit eligibles for career-conditional appointment to positions in shortage or critical shortage occupations. The program covers the direct receipt of applications, the examination of competitors and the determination of compliance with competitive selection rules by the agency in cooperation with the appropriate register-holding OPM area office. These procedures permit these functions to be carried out swiftly and efficiently, thus expediting the recruitment and selection of eligibles who are in short supply.

b. **Use of direct-hire.** The use of direct-hire authority may be authorized by the examining office having jurisdiction over the positions to be filled only after a determination that the shortage conditions are such that the use of streamlined recruitment and selection procedures would not jeopardize merit principles or provisions of civil service rules and regulations. Conditions that would generally warrant the use of this direct-hire authority include but are not limited to the following:

- (1) no eligibles on register
- (2) insufficient eligibles to issue full certificate
- (3) no or insufficient eligibles with justifiable selective or quality ranking factors essential to agency staffing needs.
- (4) extensive patterns of declinations or failures to respond.
- (5) combinations of the above conditions that are expected to be recurring frequently.

c. **Shortage conditions.** When shortage conditions exist and a determination has been made that other methods of recruitment and selection would not be as effective, the examining office may authorize the use of the direct-hire authority under specific procedures and requirements designed to address the par-

ticular shortage situation and meet the principles of open competition. The initiation of this direct-hire authority may be through agency request or upon determination by the OPM examining office that such authority is necessary.

#### D-2. PROCEDURES

a. **Agency requests.** Any agency which desires to utilize direct-hire authority should submit its request to the OPM examining office having jurisdiction over the positions to be filled. If jurisdiction for the positions extends across two or more OPM regions, request for a coordinated authority should be submitted to the Deputy Associate Director for Staffing, U.S. Office of Personnel Management, Washington, D.C. 20415. The request should specify the shortage positions, locations, specific recruitment goals, and recruitment methods to be used in achieving the goals and a timetable for accomplishment.

b. **Approval.** Upon determination that conditions warrant the use of direct-hire authority, the OPM region having jurisdiction may approve the request of the agency. This approval, including instructions and procedures to be followed, will be given in writing or transmitted using OPM Form 775. The use of the authority is contingent on the agency adhering to its recruitment plan and following the procedures and policies determined to be applicable by the examining office.

c. **Examining office responsibilities.** In administering the direct-hire authority, the examining office will coordinate recruitment and public notice to assure that there is an open-continuous announcement or other competitive procedures for the receipt of applications for the positions to be filled during the entire time the direct-hire authority is in effect. The examining office will assist the agency in establishing procedures to monitor the use of and to implement

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EXAMINATION

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the provisions of the direct-hire authority. This will include whatever training is necessary in techniques to administer tests and rate applications. Agency personnel who perform competitive examining functions must be formally designated as special examiners by the examining office. OPM Form 1660-B, *Nomination of OPM Examiner*, should be used for this purpose.

d. **Agency responsibilities.** The agency must accept on an open-continuous basis, applications from all interested candidates including applications that may be referred by the examining office. All prospective applicants must be given substantially the same information on requirements and application procedures. An agency may develop and issue recruitment material to be used in targeted recruitment to increase the effectiveness of the direct-hire authority. The agency must assure that its practices and procedures adhere to conditions and provisions of the direct-hire authority including any documentation and reporting requirements specified by the approving examining office.

**D-3. DIRECT-HIRE AUTHORITY**

**Examining office determination.** Depending on the nature of the shortage situation and the staffing needs of the agency, the OPM examining office will determine the type of direct-hire authority that would be most appropriate. The following are the basic methods by which selections may be authorized under direct-hire authority.

(1) *Shortage of available eligibles (Plan One).* This method of direct-hire provides for the direct recruitment, examination, and immediate selection of eligibles for shortage occupations by an agency. The determination of compliance with competitive selection rules is deferred until the end of a period specified by the examining office with vacancies held in reserve to make necessary amendatory actions to regularize selections. Under Plan One an agency is authorized to recruit and make selections according to the following procedures.

- (a) All qualified competitors are given numerical ratings to which is added five or ten points for veteran preference, if warranted.
- (b) The appointing officer may appoint any eligible without regard to the eligible's standing in register order with other eligibles. However,

the appointing office must maintain records of all applicants available for consideration and must periodically compile a list in register order to be used to recapitulate selections made during the preceding period. Determinations of compliance with competitive selection procedures (rule of three, veteran preference, objections, etc.) will be made by the examining office from this list and the related applicant records.

- (c) Any amendatory actions necessary to bring the list into compliance must be initiated immediately. Unless there is assurance of recurring vacancies or the agency has reserved vacancies to take the necessary amendatory actions, further selection under this authority must be suspended or terminated until the necessary actions are taken.

(2) *Shortage of highly qualified eligibles.* The use of Plan One procedures may be authorized when there is a shortage of highly qualified applicants essential to the staffing needs of an agency. Plan One procedures may be modified to permit an agency to directly recruit, examine, and make immediate offers of appointment of eligibles with numerical scores at or above a predetermined level. The score level to be used in this method of direct hire is determined by the examining office to be the level at which eligibles are in shortage and are expected to receive consideration for appointment. Under this method, Plan One procedures for recruitment and examinations will apply; however, consideration for appointment and recapitulation of selections are limited only to eligibles with scores at or above the predetermined score level. This score level may be adjusted as the recruitment situation or the availability of highly qualified eligibles changes.

(3) *Critical shortage of eligibles (Plan Two).* This method of recruitment permits an agency to recruit and make immediate offers of appointment to qualified persons for critical shortage occupations without the need to assign numerical scores or periodically recapitulate their selections in order to bring their hires within the rule of three and in conformance with requirements relating to passing over preference eligibles. These procedures reduce recruitment and appointment procedures to the bare essentials that will be in keeping with competitive principles. The use

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*Appendix D. Direct-Hire Authority for Eligibles in Shortage or Critical Shortage  
Occupations*

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of this direct-hire plan may be authorized by the examining office when the following conditions are met:

- (a) The appropriate examining office has determined that applicants for the  $\phi$  positions  $\phi$  concerned are in critically short supply;
- (b) has determined in advance that all qualified persons are immediately within reach for appointment; and,
- (c) the shortage conditions are expected to continue during the period for which the authority has been issued.
- (d) To ensure the maximum use of the available eligibles, the OPM examining office will establish procedures to refer applications of eligibles not needed by the recruiting agency to meet the needs of other agencies. The OPM examining office will monitor the shortage conditions and the use of the direct-hire authority through agency reports of selections,

the accumulation of non-selected applications, and numbers of eligibles on the register or inventory in relationship to the known staffing needs of the agencies. If the monitoring office finds that an excess of eligibles exists that cannot be placed through informal referral or formal certification, the office will suspend the use of the direct-hire authority immediately.

**D-4. SUSPENSION OR TERMINATION OF  
AUTHORITY**

The OPM examining office will monitor the use of direct-hire authority and the supply of applicants for the  $\phi$  positions  $\phi$  concerned. The agency's authority to make direct appointments will be modified, suspended, or terminated immediately when procedures and requirements for the use of the authority are not being met or when the shortage conditions of applicants for the position no longer exists.

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# Thirteen Agency Sites Included in GAO's Review

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<b>Agency</b>	<b>Location</b>
Atlanta Veterans Affairs Medical Center	Decatur, GA
National Naval Medical Center	Bethesda, MD
Boston Veterans Affairs Medical Center	Boston, MA
EPA Region I	Boston, MA
EPA Region IV	Atlanta, GA
HHS's Office of Finance	Washington, D.C.
HHS's Office of Inspector General	Washington, D.C.
HHS's Office of Inspector General, Office of Audit - Region IV	Atlanta, GA
National Institutes of Health, Clinical Center	Bethesda, MD
Naval Audit Service Headquarters	Falls Church, VA
Naval Sea Systems Command	Washington, D.C.
Navy Accounting & Finance Center, Office of the Comptroller	Washington, D.C.
Portsmouth Naval Shipyard	Kittery, ME

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# Major Contributors to This Report

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**General Government  
Division, Washington,  
D.C.**

Steven J. Wozny, Assistant Director, Federal Human  
Resource Management Issues  
John K. Needham, Evaluator-in-Charge  
Sandra M. Scantlebury, Site Supervisor  
Robert N. Goldenkoff, Staff Evaluator  
Eva L. Rezmovic, Analyst-in-Charge

---

**Office of the General  
Counsel, Washington,  
D.C.**

Jill P. Sayre, Attorney-Advisor

---

**Atlanta Regional  
Office**

Tonia B. Brown, Site Supervisor

---

**Boston Regional Office**

Lloyd J. Miller, Site Supervisor



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