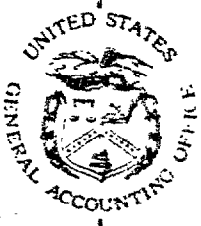


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# REPORT TO THE CONGRESS



## Impact Of Employment Ceilings On Management Of Civilian Personnel B-165959

Department of Defense

BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

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APRIL 30, 1971



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-165959

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

This is our report on the impact of employment ceilings on management of civilian personnel in the Department of Defense.

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

Copies of this report are being sent to the Director, Office of Management and Budget, and the Secretary of Defense.

A handwritten signature in cursive script that reads "James B. Stacks".

Comptroller General  
of the United States

D I G E S T

WHY THE REVIEW WAS MADE

This review was made to assess the impact of hiring restrictions directed by the Revenue and Expenditure Control Act of 1968 on the Department of Defense, to compare compliance procedures under the act's restrictions with procedures under the previous civilian personnel ceiling system, and to compare operations under the act and the previous system.

Previous reviews concerned with Department of Defense personnel ceilings dealt with the practice of contracting for personal services, questionable use of overtime, and management of personnel ceilings and recruiting. (See p. 26.)

Before this review was completed, the act's personnel limitations were repealed. A ceiling system previously imposed by the Bureau of the Budget was then reinstated. GAO also inquired into developments in personnel controls following those events. (See p. 23.)

FINDINGS AND CONCLUSIONS

Ceilings are not best method

Personnel ceilings or hiring limitations do not provide the most effective management control over civilian personnel. That is true, in GAO's opinion, whether the restrictions are imposed by statute or by the Office of Management and Budget (formerly Bureau of the Budget). Personnel ceilings tend to be

- arbitrarily applied because of the difficulty of making them fit program requirements;
- inflexible because they do not allow for changes in skills as needed in changed programs;
- uneconomical when they permit accomplishment of programs through use of overtime labor at premium pay; and
- ineffective in controlling spending since, as an alternative, programs may be accomplished through contracting with firms or institutions for personal services. (See pp. 29 and 30.)

GAO believes that personnel levels can be better controlled through budget and program planning procedures.

Impact of act's restrictions

The reduction of civilian personnel under the 1968 act was absorbed without serious impact on programs. In some cases, a result was imbalances of work-force skills: too many workers in some skills and not enough in others. Those imbalances, combined with personnel shortages, probably would have affected overall programs adversely if the restrictions had remained in effect. (See p. 8.)

The most significant effect of the hiring limitations, together with the spending reductions required by the law, was to increase emphasis on priorities in the allocation of personnel and funds. The emphasis given to work priorities because of employment restrictions, imposed by statute and by the Executive Branch, will have long-range beneficial effects, GAO believes. (See p. 31.)

There was more flexibility in management of personnel under the ceilings imposed by the Executive Branch--which were set annually--than under the statutory hiring restrictions. Under the ceiling system, managers were able to make orderly personnel plans on an annual basis; under the statutory restrictions, they were subject to unanticipated changes in hiring authority. Causing more uncertainty was the hiring ratio directed under the statutory restrictions which prescribed that, for every four civilian employees leaving the Department, only three could be replaced. Thus vacancies and hiring frequently were controlled by attrition rather than by management judgments on the needs of programs and activities. (See p. 24.)

Department of Defense officials responsible for manpower management agree that, in this period of reduction in defense activity, fund limitations cause more effective control over employment than do personnel ceilings. (See p. 25.)

RECOMMENDATIONS OR SUGGESTIONS

GAO proposed to the Director of the Bureau of the Budget that departments and agencies be permitted to accomplish their programs without restrictions on numbers of personnel, being limited only by the availability of funds. (See p. 31.)

Personnel management could be substantially improved by a continuing evaluation of the programs and activities of Department of Defense component organizations by an independent group of officials. GAO proposed that the Secretary establish a group for that purpose. (See p. 32.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Department of Defense said it did not consider that establishing a group to reevaluate programs and activities would significantly improve its present review process. The Department said also that virtually every level of management was making maximum effort to achieve savings necessary to meet budget reductions. (See p. 32.)

The Director of the Office of Management and Budget, upon request of the Deputy Secretary of Defense, agreed in December 1970 to eliminate employment ceilings in the Department of Defense for a 1-year trial period. (See p. 32.)

GAO has not been informed of the means by which the Secretary of Defense plans to assess the effectiveness of fiscal and program constraints on employment levels during the test period. (See p. 32.)

Accordingly, GAO recommends that the Secretary establish a centralized group of officials to assess the effectiveness of fiscal and program constraints on employment levels in the Department of Defense. (See p. 33.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report is furnished to the Congress because of its continuing interest in civilian personnel ceiling controls.

## C o n t e n t s

	<u>Page</u>
DIGEST	1
CHAPTER	
1      LIMITATIONS ON CIVILIAN PERSONNEL RESOURCES	4
2      IMPACT OF STATUTORY LIMITATIONS ON MANAGE- MENT OF CIVILIAN PERSONNEL	8
Impact of hiring limitations on the Navy	9
Impact of hiring limitations on the Army	18
Impact of hiring limitations on the Air Force	20
3      IMPACT OF CIVILIAN PERSONNEL CEILINGS SUB- SEQUENT TO REPEAL OF STATUTORY LIMITATIONS	23
4      OTHER REVIEWS OF MANAGEMENT OF CIVILIAN PERSONNEL	26
5      CONCLUSIONS, AGENCY COMMENTS, AND RECOM- MENDATION	29
Recommendation	33
6      SCOPE OF EXAMINATION	34
APPENDIX	
I      Letter from the Assistant Secretary of De- fense (Comptroller) dated November 4, 1970, to the General Accounting Office	37
II     Letter from the Assistant Director, Office of Management and Budget dated January 18, 1971, to the Comptroller General	39
III    Summary of civilian personnel strength changes, fiscal year 1969	43

APPENDIX

Page

IV Principal officials of the Department of Defense and the Departments of the Army, Navy, and Air Force responsible for administration of activities discussed in this report

44

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## CHAPTER 1

### LIMITATIONS ON CIVILIAN PERSONNEL RESOURCES

On June 28, 1968, the Congress enacted the Revenue and Expenditure Control Act of 1968 (Pub. L. 90-364) which imposed restrictions on hiring of civilian employees and expenditures by the Executive Branch. Because of continuing interest in the management of personnel resources by the departments and agencies of the Government, the General Accounting Office examined into the impact of these limitations on the Department of Defense. We also inquired into the impact of personnel ceilings imposed by the Executive Branch after the hiring limitations were repealed. The scope of our work is outlined on page 34.

Reviews of manpower management have increased our concern about the effectiveness of numerical limitations or ceilings in controlling the employment and use of civilian personnel. Personnel ceilings often are the main consideration in the selection of a particular means of accomplishing tasks or programs--relying on in-house capability, contracting for services, or authorizing overtime labor.

Before fiscal year 1969, civilian personnel ceilings for the executive departments and agencies generally were established on the basis of annual budgets and were administered by the Bureau of the Budget--now the Office of Management and Budget. The Department of Defense allocated the personnel spaces made available by the Bureau of the Budget to the military departments. They, in turn, allocated spaces to the various commands, and the commands to their installations.

Section 201--Limitation on the Number of Civilian Officers and Employees in the Executive Branch--of the Revenue and Expenditure Control Act of 1968 provided, in part, that

--no person be appointed as a full-time civilian employee to a permanent position in the Executive Branch during any month when the number of such

employees was greater than on June 30, 1966 (revised by Pub. L. 90-580, October 17, 1968, to exempt certain positions in support of Southeast Asia operations); during any period when appointments were so prohibited, the head of any department or agency could appoint a number of persons as full-time civilian employees in permanent positions equal to 75 percent of the number of vacancies in such positions which occurred during the period by reason of resignation, retirement, removal, or death;

--the number of temporary and part-time employees in any department or agency in the Executive Branch during any month not be greater than in the corresponding month in 1967 (revised by Pub. L. 90-580, October 17, 1968, to the average number on an annual basis, not exceeding the average number during 1967); and

--the Director, Bureau of the Budget, be responsible for administering the hiring limitations and be given authority to allocate vacancies to be filled from one department or agency to another.

Section 202 of the act provided that expenditures during fiscal year 1969 be at least \$6 billion less than the amount included in the budget approved by the Congress.

On June 28, 1968, the Bureau of the Budget issued Bulletin No. 68-15 to the Heads of Executive Departments and Establishments implementing the statutory limitations. Employment ceilings previously established by the Bureau for the end of fiscal year 1969 were rescinded, and responsibilities of agency heads for administration of the "75 percent replacement rule" were defined. The agencies were told that contracting with firms and institutions should not be used to circumvent the employment restrictions.

Instructions for implementing Public Law 90-364 and Bureau of the Budget Bulletin 68-15 in the Department of Defense were issued by the Secretary of Defense on July 15, 1968, to the Secretaries of the Army, Navy, and Air Force and to other organizations of the Department. The following policies provided guidance.

- The reduction in civilian employment should be achieved by voluntary personnel actions to the greatest practical extent.
- Elimination of marginal functions, consolidations of organizations for efficiency, and improved productivity should be considered to the extent feasible in order to maintain operational effectiveness.
- Contracting with firms and institutions would not be used to circumvent the prescribed employment restrictions. Contracting for products or services would be continued when fully supported under criteria provided in pertinent Department of Defense directives.
- Department of Defense components were encouraged to reassign vacancies between organizational elements under their jurisdiction and among various types of positions so as to achieve the most effective use of those vacancies authorized to be filled.

The Secretary of Defense stated that each component of the Department would be furnished a ceiling for full-time permanent positions as of June 30, 1969, and that the hiring authority might be revised in the future. On August 30, 1968, the Assistant Secretary of Defense (Manpower and Reserve Affairs) notified the military departments that the rate at which appointments could be made of full-time employees to permanent positions becoming vacant on or after September 1, 1968, was reduced from 75 percent to 70 percent. Other changes in the rehire rate were made on January 13, 1969--Army 70 percent; Navy 74 percent; and Air Force 85 percent.

On February 17, 1969, the President of the United States expressed his concern that Federal Government employment was considerably higher than it should be. In a letter to heads of executive departments and agencies, he said that he had asked the Budget Director to issue instructions for review of civilian employment levels. Reductions were to be carried out through an orderly process of attrition and were to apply to all executive departments and agencies including activities excluded from the employment limitations of the Revenue and Expenditure and Control Act of 1968.

Section 201 of the Revenue and Expenditure Control Act of 1968 was repealed by the Congress on July 22, 1969. The system of managing civilian personnel ceilings previously used by the Executive Branch was restored; the stated objective was the continuing of the restraint and reduction of overall Federal employment.

The principal officials responsible for administration of the activities discussed in this report are identified in appendix IV.

## CHAPTER 2

### IMPACT OF STATUTORY LIMITATIONS

#### ON MANAGEMENT OF CIVILIAN PERSONNEL

Increased emphasis on evaluation of programs and establishment of priorities was, in our opinion, one of the most significant effects of the implementation of the Revenue and Expenditure Control Act of 1968 at the military headquarters, commands, and installations included in our examination. Although limitations on the hiring of personnel were absorbed without major impact on mission capabilities during fiscal year 1969, command and installation officials said that operations and programs would have been adversely affected had the hiring limitations continued.

The impact of hiring limitations on total operations could not be readily distinguished from the effects of other circumstances. Most significant was the reduction of expenditures required under section 202 of the act; changes in operational requirements, shifts in program emphasis, reassignment of work among installations, and availability of the types of work skills needed also affected work load management.

Within specific programs and work areas the impact of hiring limitations was more evident than in the total work load of a command or installation. Imbalances in workforce skills--too many workers in some skills and not enough in others--caused by loss of personnel through attrition contributed to a need for reductions in force in some instances. Increased use was made of temporary and part-time employees and overtime labor. Use of contractors in some industrial-type operations increased, but this was not significant in relation to total programs.

We did not identify any instances of increased assignment of military personnel to replace civilians lost through attrition. We were told, however, that in many cases duties of separated civilians were absorbed by the personnel remaining, including assigned military personnel. In other reviews of the assignment and utilization of personnel, we noted military personnel in positions that could be converted

to civilian positions if limitations imposed by civilian personnel ceilings were removed.

Although our examination was made primarily in the Navy, limited inquiries were made in the Army and the Air Force. Differences in the manner of implementing the hiring limitations were attributed to differences in organizational structure and, to a lesser extent, in management philosophy. The implementing procedures used also reflected differences in civilian personnel situations in July 1968, when section 201 became effective, as compared with those at June 30, 1966. In essence, the Navy integrated the hiring limitations into its existing personnel ceiling control and budget procedures; the Army delegated rehire authority to its commands at specified rates; and the Air Force used a procedure based on both rehire rates and quarterly target end strengths.

#### IMPACT OF HIRING LIMITATIONS ON THE NAVY

The Navy used existing procedures for administering civilian personnel ceilings. Although not specifically directed by the Department of Defense to reduce the total number of civilians employed to the level existing on June 30, 1966, hiring limitations were converted to numerical ceilings and administered by the Navy with that objective. Quarterly employment ceilings were allocated by the Office of Civilian Manpower Management on the basis of attrition studies and the replacement rate prescribed for the Navy by the Department of Defense. Commands and installations were required to operate under the ceilings placed upon them by naval headquarters. Thus, the commands were not directly concerned with implementing the statutory hiring limitations.

To achieve personnel reductions on a program priority basis, the Navy chose to impose ceilings on its commands through program budget decisions rather than through extensive hiring restrictions. Accordingly, ceilings for the various naval activities were assigned by linking personnel reductions to budget reductions through a program designated "Project 693." After all budgetary effects had been weighed, it still was necessary to delete about 1,200 positions on a service-wide basis.



The extent to which the Navy was successful in achieving its objective of coordinating personnel reductions with revised program priorities is illustrated below. This summary is based on a May 1969 report in which the Office of Civilian Manpower Management attributed only 2,000 of the estimated reduction of 13,300 civilian positions for fiscal year 1969 directly to the operation of section 201 (see app. III):

Fiscal year 1969 budget reduction by the Department of Defense	4,500
\$1 billion funds cut under section 202 of Public Law 90-364	4,300
\$39 million cut in funds for personnel compensation in other than industrial fund activities	2,500
Section 201 of Public Law 90-364	<u>2,000</u>
Total reduction in civilian personnel for fiscal year 1969	<u>13,300</u>

To obtain information on the effect of the hiring limitations on operations, we visited the following commands and installations.

#### Naval Ship Systems Command's shipyards

Officials at Headquarters of the Naval Ship Systems Command discussed with us the impact of the hiring limitations on the operations of its shipyards.

A program budget decision approved by the Office of the Secretary of Defense in December 1968 directed that a substantial part of the reduction in civilian personnel imposed on the Navy was to be made at the Command's shipyards. This was to be achieved by revising priorities; i.e., canceling some overhaul work, deferring other work until fiscal year 1970, transferring work to commercial shipyards, and increasing the use of overtime labor. About 5,500 permanent positions, or 6 percent of the total employment, were eliminated during fiscal year 1969.

Seventy-seven ships were deleted from the overhaul schedule presented with the program budget for fiscal year 1969. Reasons for these deletions were summarized as follows:

Operational shift, not replaced because of funding constraints	15 ships
Deferred to future years because of funding reductions	26 "
Overhaul canceled, ship inactivated or scrapped because of funding reductions	18 "
Overhaul canceled for other reasons	9 "
Transferred to Naval Reserve Training, subject to overhaul under that program.	9 "

San Francisco Bay Naval Shipyard

Civilian employment at the San Francisco Bay Naval Shipyard was reduced by about 1,100 positions or 5.2 percent, during fiscal year 1969. Since the Shipyard's work load also was reduced by the Command, we could not attribute any adverse impact to the reduction in personnel. Changes in work load--i.e., reassignment, deferral, or cancellation of planned shipwork--were attributed by the Command to other causes. In all, 21 ships were deleted from the Shipyard's planned work load schedule for fiscal year 1969.

Procedures for administering personnel ceilings prior to enactment of Public Law 90-364 remained unchanged, and the reduction in personnel was accomplished largely through attrition. It was the policy of the Shipyard to make no reductions in force for the purpose of conforming with assigned ceilings. No specific hiring restrictions were imposed by the Command, but a voluntary hiring restriction was used at the Mare Island site in April 1969 until it was decided that the June 30, 1969, ceiling could be reached.

The most significant result of personnel reduction through attrition was an imbalance of work-force skills. Contributing to this problem was the phaseout of certain ship construction work and completion of a major ship conversion project. In April 1969, reduction-in-force actions involving about 400 positions were taken to correct this imbalance. About 90 percent of the employees affected were offered employment in other trades at the Shipyard. In June 1969, plans were made for a reduction in force of 160 additional positions which would not be required unless

firm indications of additional new construction were received.

Shipyard officials attributed the need for reduction-in-force actions to changes in the work "mix" rather than the ceiling limitation, but the Command indicated that these actions could have been avoided had it not been for the statutory hiring limitations.

Use of overtime labor was not increased significantly at the Shipyard in fiscal year 1969 as a result of the reduced number of personnel. The increase over the overtime labor used in fiscal year 1968 that did occur was attributable to the relatively low use of overtime in the last two quarters of fiscal year 1968.

Departmental and Command officials were concerned that planned input of apprentices would be severely reduced because of hiring limitations. About 40 percent of the Shipyard's skilled work force, built up during World War II, would be eligible for retirement within 5 years, and apprentices were needed to replace the anticipated losses. No restrictions on the hiring of apprentices were made at the Shipyard and more apprentices were hired during fiscal year 1969 than planned.

Contracts awarded to commercial shipyards for overhaul work and other services decreased during fiscal year 1969, primarily because of budget reductions.

## Naval Material Command's laboratories

Officials of the Office of the Director of Laboratory Programs, Naval Material Command, discussed the hiring limitations and the effect on operations of its 12 laboratories.

As part of the "Project 693" budget reduction program, funds available for naval research and development in fiscal year 1969 were reduced by \$20 million. This reduction in funds was apportioned to each systems command, the Office of Naval Research, and the Director of Laboratory Programs. These organizations were responsible for reviewing projects with the project sponsors and for identifying those on which work could be reduced, deferred, or canceled.

During fiscal year 1969, personnel ceilings imposed on the Director of Laboratory Programs caused a reduction in the civilian work force of about 1,500 positions, or 6.4 percent. The commander at each laboratory center was responsible for meeting assigned ceilings; the Director of Laboratory Programs provided general guidance compatible with that of the Departments of Defense and Navy.

Estimating that net savings of \$13.3 million could be realized if action was taken by January 31 to meet assigned June 30, 1969, ceilings, the Director considered the use of reductions in force because civilian employment at the laboratories was above the ceiling in effect prior to the enactment of Public Law 90-364. Subsequently, plans were revised in keeping with Bureau of the Budget and Department of Defense policy to avoid reductions in force, and the period for making fiscal year 1969 employment reductions at the laboratories was extended to permit greater reliance on attrition.

In September 1968, the Director of Laboratory Programs assigned year-end ceilings which represented a 10-percent across-the-board reduction at each center from the July 31, 1968, employment level.

### Naval Weapons Center, China Lake, California

In the Directorate of Laboratory Programs, the largest reduction in personnel was planned for the Naval Weapons

Center. As a result of ceilings imposed by the Chief of Naval Material, civilian employment was reduced by about 330 positions, or 6.5 percent, during fiscal year 1969.

After the effective date of the Revenue and Expenditure Control Act of 1968, the Chief of Naval Material continued to assign personnel ceilings to the Naval Weapons Center as he had done previously. Ceilings were achieved by attrition, restrictions on hiring, use of a screening board to review all requests for full-time regular appointments, re-allocation of billets (positions) among the various departments, and other management techniques.

An informal hiring limitation of one replacement for each two employees separated, adopted by the Center on July 3, 1968, was superseded by formal instructions on July 18, 1968, reinstating control through assigned personnel ceilings. Subsequently, various temporary rehire restrictions were imposed, either by the Chief of Naval Material or by the Center, to achieve the required reduction in the work force. Reduction-in-force actions initially planned by the Center, involving about 300 positions, were canceled because of instructions from the Chief of Naval Material implementing the Bureau of the Budget directives.

By July 27, 1968, the Center had prepared a list of projects planned for fiscal year 1969 which it considered to be of relatively low priority. The purpose of this list was to advise the Deputy Chief of Naval Material of the Center's views on how savings in money and manpower could be achieved if the overall scope of the Center's effort was reduced. We were told that no immediate work load reductions were made. This list, and a similar list prepared in May 1969 for fiscal year 1970 projects, later served the Naval Material Command and project sponsors in establishing priorities for work scheduled for the Center.

During fiscal year 1969, the number of full-time, permanent employees decreased, primarily in clerical and public works functions. Greater use was made of temporary and part-time employees. Use of overtime labor increased during the second half of the fiscal year over the rate for the preceding two 6-month periods by about 15 percent in man-hours and 25 percent in cost. Personnel ceilings and hiring restrictions contributed to increased use of overtime. The level

of procurement of research and personal services remained approximately the same as in the preceding year, and we found no significant increase in work transferred to other Government installations during fiscal year 1969.

We attempted to assess the impact of the hiring limitations at the Center by inquiring into the status of 10 major programs and the operations of four functional areas. Status reports did not show any significant delays attributable to the hiring limitations; although, in some instances, the need for additional manpower was listed as a minor problem.

In the functional areas, the central staff capability was affected by a number of changes during the year including (1) acquisition by transfer of some activities from the Corona Laboratories, (2) transfer of underseas research activities to another laboratory, and (3) conversion to a full industrial fund operation. The Weapons Development Department was affected by reductions in secretarial and clerical support and in recruitment of junior professional personnel. In the Research Department, two projects were eliminated because of loss of personnel, and the studies of 10 other professionals were terminated. In the Public Works Department, imbalance in work-force skills resulted in inspection slippages and in deferment of some priority maintenance work.

Although the hiring limitations apparently did not significantly affect the total level of operations of the Naval Weapons Center during fiscal year 1969 because of (1) increased use of overtime labor and temporary and part-time employees and (2) deferment of some projects and reduced effort on relatively low-priority work, Center officials felt that there soon would have been a significant impact had the restrictions continued.

Differences in the impact of the hiring limitations at the San Francisco Bay Naval Shipyard and the Naval Weapons Center reflected differences in work assignment procedures at the two types of facilities.

- Naval shipyard work loads are based on long-range plans for ship repair, overhaul, conversion, and construction necessary to support fleet operations. Although these requirements are authorized and funded through the operational program, they are carefully evaluated by the Naval Ship Systems Command which considers the collective capabilities and plans of all naval shipyards.

Shipyards operate under the Navy Industrial Fund, in a manner similar to a business enterprise. They are reimbursed from operational funds of the organizations for whom the work is performed. Because this is so, overall shipyard programs generally are controlled by established industrial techniques so that work loads are based on funded operational requirements.

- The activities of the naval research facilities have become increasingly centralized through consolidation of functional capabilities and missions. This centralization was continued in fiscal year 1969 with the transfer of certain functions to the Naval Weapons Center and the transfer of other functions from the Center to other installations. Research projects are authorized and funded by the several naval systems commands and by other organizations.

In recent years, the number of approved and funded projects has exceeded the capacity of the laboratories. The assignment of projects to laboratories is a competitive process involving project sponsors, the Director of Laboratory Programs, and Office of Naval Research. We did not examine the effectiveness of procedures for coordinating evaluation and assignment of research projects. It appears that savings could be realized if responsibilities for evaluation and assignment were placed with a single organization in the Navy.

#### Navy Air Systems Command's air rework facilities

The Navy Office of Civilian Manpower Management had assigned civilian personnel ceilings, which represented a

reduction of about 3 percent from the preceding year, to the Naval Air Systems Command. The Command, in turn, assigned personnel ceilings to its seven naval air rework facilities in proportion to the level of employment at each facility. In total, civilian employment was reduced at these facilities during fiscal year 1969 by about 1,750 positions, or 5 percent, chiefly through attrition.

To establish personnel ceilings for the rework facilities, total work load and manpower requirements for the seven facilities were viewed as a whole. If the work load at one facility was above its capacity, work might be shifted to another facility with comparable capability. Usually there are two facilities which can perform the same type of work--one on the east coast and one on the west coast.

Because the scheduled work load was reviewed and revised quarterly, it was difficult to determine the effect of the hiring limitations. Navy officials stated that work load changes could not be attributed to one cause, but could result from four major circumstances--(1) availability of funds, (2) availability of manpower, (3) authorization of overtime labor, or (4) changes in the work program.

The general plan for accomplishing assigned work loads with a decreasing work force at the air rework facilities was to use alternative methods, such as increased overtime labor, temporary and part-time employees, and contracting for rework of aircraft components. Funds requested for overtime work in fiscal year 1969 were approximately \$15 million higher than for fiscal year 1968.



IMPACT OF HIRING LIMITATIONS  
ON THE ARMY

The Army restricted the appointment of civilians in full-time permanent positions to the number needed to fill 75 percent of the vacancies occurring after July 1, 1968. Pursuant to Bureau of the Budget direction, on September 1, 1968, the rate was reduced to 70 percent. Subsequently, the Army reduced its rate to 35 percent on March 1, 1969, and restored it to 70 percent for the month of June 1969. Personnel reductions totaled 12,780 positions during fiscal year 1969.- (See app. III.)

Establishment of priorities was left to the discretion of individual Army commands. They were instructed by Headquarters of the Army to review their programs and submit recommendations for elimination of marginal functions and consolidation of activities and organizations under their control.

The commands were permitted to honor hiring commitments made prior to July 1, 1968, but these appointments were to be counted against future vacancies that could be filled in accordance with the rehire rate. Employment of temporary and part-time personnel was restricted to the average number of civilians in these categories during 1967. Military personnel, overtime labor, and contract services were not to be used to circumvent the hiring limitations.

Army officials told us that the most significant management problem posed by the hiring limitations was lack of operating flexibility. Reduction of personnel through attrition resulted in an imbalance of work-force skills. They cited a number of areas in which operating problems had been encountered and expressed the opinion that some would become critical if the limitations remained in effect. Some of these were:

- Needed maintenance of real property being deferred with resulting deterioration and eventual higher costs to repair.
- Heavy work load caused by Vietnam wounded and rapid turnover of personnel, creating problems in hospitals.

- Small organizational units hurt by the loss of only a few spaces.
- Staff imbalances throughout the Army because of the loss, without replacement, of people with needed skills.
- New programs, such as those for disadvantaged persons, that were expected to suffer from lack of staffing.

#### Army Materiel Command

Since the Army Materiel Command employed approximately 155,000 civilian employees, we discussed the impact of the hiring restrictions with its representatives. Civilian employment was reduced by about 4,800 positions, or 2.9 percent, during fiscal year 1969.

Operating problems encountered by the Command, attributable in part to reductions in personnel, included:

- General decline in the rate at which receiving and shipping actions were completed in the time allotted for this work.
- General increase in the backlog of preservation and packaging of general supplies.
- Stopping of the intern recruiting program in February 1969 at about 54 percent of the goal for the year.
- Shifting of skills because of attrition of personnel, with resulting imbalance in the work force, loss of productivity, and increased costs.

Overtime labor decreased during fiscal year 1969 because its use was restricted to the support of Southeast Asia operations, top-priority work, and replacement of needed materials in inventory. Officials expressed concern about continuance of the apprenticeship programs but, because these programs are decentralized, information was not readily available on the impact of the hiring restrictions.

.Army Materiel Command officials told us--as had officials at Headquarters of the Army--that the greatest problem caused by reduction of personnel through attrition was lack of flexibility in managing the work force. Problems were encountered because of periodic changes in the rehire rate at which vacancies could be filled, coupled with lack of knowledge as to when further restrictions would become effective and the lack of year-end strength objectives. It was much more difficult to manage the Command's operations with fluctuating hiring restrictions than it would have been had a year-end strength limit been furnished at the beginning of the year and remained unchanged.

#### IMPACT OF HIRING LIMITATIONS ON THE AIR FORCE

Headquarters, United States Air Force, assigned to its commands target personnel ceilings which were adjusted month-by-month in consideration of reductions in positions actually achieved. Particular attention was given to monitoring the use of temporary and part-time employees. A reserve or "pool" of positions was managed by the Office of Manpower and Organization, Deputy Chief of Staff for Programs and Resources, to provide flexibility for meeting emergency situations.

The initially authorized rate of 75 percent for filling vacancies with full-time permanent employees--i.e., three new employees could be hired to replace each four employees separated--was reduced to 70 percent effective September 1, 1968, and increased to 85 percent by the Department of Defense as of January 1, 1969. As of April 1, 1969, a 33-percent rate was imposed administratively in response to the President's expressed desire to achieve reductions in employment beyond those required by the law. Reductions totaling 10,200 positions were achieved during the fiscal year. (See app. III.)

The Air Force had some advantage over the Army and the Navy as far as achieving the base strength at June 30, 1966, was concerned, since the number of civilians actually employed at the time of enactment of Public Law 90-364 was not far above that level. Increased contracting for personal services during that time was the primary reason for lack of significant change in civilian employment. The Air Force

was at a relative disadvantage with regard to part-time and temporary employment, and careful control of these positions was necessary. Employees were added in positions supporting Southeast Asia operations which were exempted from controls soon after the act went into effect.

Air Force officials identified management problems because of the hiring limitations similar to those reported by the Army and the Navy--i.e., deferral or postponement of work and potential impairment of operational readiness. Imbalance of the work force resulted from loss through attrition of personnel with needed skills.

#### Air Force Logistics Command

The Logistics Command, with an assigned strength of approximately 123,000 positions at June 30, 1968, is the principal employer of civilian personnel in the Air Force. Our inquiries on the effect of the hiring limitations on the Command's operations were directed to the Directorate of Maintenance Engineering under the Deputy Chief of Staff, Systems and Logistics, and to officials at Logistics Command Headquarters, Wright-Patterson Air Force Base, Ohio. During fiscal year 1969, civilian employment was reduced by about 3,000 positions, or 2.4 percent.

Logistics Command officials told us that, in establishing priorities and restricting work to the most critical areas, housekeeping functions usually were the first to suffer. For example, priority was given to processing receipts and issues of materials whereas rewarehousing of materials was deferred. In maintenance, priority was given to work on engines whereas scheduled aircraft maintenance programs were deferred.

Depot maintenance overtime labor increased about 13 percent over the budget estimated in fiscal year 1969, from 3.8 percent of total pay in fiscal year 1968 to 4.5 percent of total pay. Command officials attributed all this increase to the hiring limitations.

Some of the work load management problems had accumulated over a number of years and were intensified by, but not directly attributable to, hiring limitations. For example, the unprogrammed work load--i.e., work that had not been

anticipated--had increased over a period of years and an increasing portion of this work was contracted with commercial companies while the size of the work force had stabilized or decreased. Fund restrictions precluded any substantially increased reliance on contractors during fiscal year 1969.

## CHAPTER 3

### IMPACT OF CIVILIAN PERSONNEL CEILINGS

#### SUBSEQUENT TO REPEAL OF

#### STATUTORY LIMITATIONS

Section 201 of the Revenue and Expenditure Control Act of 1968 was repealed by the Second Supplemental Appropriation Act approved by the Congress on July 22, 1969. In its report of July 8, 1969, the Committee of Conference on the bill expressed the intent of the Congress to continue to exercise control over Federal employment through the traditional appropriation process by providing or withholding appropriations for salaries.

After repeal of section 201, civilian personnel ceiling procedures prescribed by Bureau of the Budget were restored. Ceilings are authorized through the budgetary process, and personnel spaces are allocated to the departments and agencies through Program Budget Decisions.

Personnel ceilings in the Department of Defense were administered by the Office of the Assistant Secretary of Defense, Systems Analysis, prior to enactment of Public Law 90-364. During fiscal year 1969, the statutory limitations were administered by the Assistant Secretary for Manpower and Reserve Affairs. With the repeal of section 201, the Director for Operations, under the Principal Deputy Assistant Secretary to the Comptroller of Defense, was made responsible for the administration of ceilings on civilian employment. In the Army, Navy, and Air Force, responsibility remained with the offices that administered civilian manpower ceilings before and during the period of the statutory limitations.

To compare the experience of the Department of Defense under the statutory limitations and under the current restrictions on employment assumed by the Executive Branch, we discussed events subsequent to the repeal of section 201 with Bureau of the Budget and Department of Defense officials responsible for personnel ceiling administration. In brief, we were told that, in the Department of Defense:

- Under present budgetary restrictions, funds provide a more effective control over employment than do personnel ceilings.
- Since vacancies and rehire authority are no longer controlled by attrition, a substantial degree of flexibility in managing personnel spaces has been restored.
- Additional flexibility has been provided through a reserve or "pool" of spaces delegated to the Department for conversion of contract operations to in-house performance where justified.
- An experimental suspension of numerical ceiling controls is being tested in selected laboratories.
- Total civilian employment in the Department is decreasing largely because of the reduction in defense effort.

With the reinstatement of year-end strength ceilings, managers are in a position to direct their personnel plans toward definite targets. Under the statutory limitations, personnel management not only was affected by the uncertainties of attrition, but also by unanticipated changes in rehiring authority in many cases. Assigned ceilings are preferred over the uncertainties of the statutory restrictions in agencies or organizations with high turnover rates. Those organizations with large numbers of lower grade employees, usually subject to high turnover, were penalized under section 201, since only three new employees could be hired to replace four employees who were separated.

Subsequent to repeal of the statutory restrictions, the Bureau of the Budget amended its guidelines governing civilian personnel ceilings. Two reserves or "pools" of spaces were established to permit Federal employment of civilians to perform services previously acquired by contract, where appropriate. One reserve is assigned to, and administered by, the Department of Defense and one is administered by the Office of Management and Budget for all other agencies. Defense officials informed us that, as of April 1970, only limited use of the reserve had been made because of reductions in defense programs.

Under "Project Reflex," 12 defense laboratories have been relieved of numerical ceilings as an experiment in suspension of personnel ceiling controls. Control over employment is exercised through approved programs and fund limitations, and through a balance between contract and in-house effort in each case. Although the experiment is still in process, manpower officials told us that no particular problems had arisen.

The several officials with whom we discussed current procedures expressed the opinion that fund limitations currently provide more effective control than personnel ceilings over defense employment. Under the expenditure reductions program designated "Project 703," a \$3 billion reduction of defense programs for fiscal year 1970 was allocated equally to the Army, Navy, and Air Force.

Army and Navy manpower officials attributed the current absence of requests for adjustment of ceilings by their commands and installations to a general lack of funds at the operating level for hiring all the people authorized. Air Force representatives did not feel that funds outweighed personnel ceilings as a control factor, but they said that they knew of no ceiling problems. They felt that an effective balance between positions and funds had been coordinated by budgetary and program controls.

Bureau of the Budget officials told us that some agencies of the Government needed more employees even though reductions in total Federal civilian employment had been planned. Adjustments among agencies can be made because of extensive reductions planned in Department of Defense employment.

Under estimated reductions in work force for defense activities in the 1971 budget, the proposed civilian personnel ceilings are lower than those for fiscal year 1970. Manpower officials said that the current installation cut-back, closure, and realignment program has been reflected through the budgetary process and has not been a matter of great concern in manpower administration.



## CHAPTER 4

### OTHER REVIEWS OF

#### MANAGEMENT OF CIVILIAN PERSONNEL

Previous reports on reviews in the Department of Defense in which personnel ceilings affected in-house operations, contracts for personal services, use of military personnel in civilian positions, and extensive use of overtime are summarized below.

#### CONTRACTING FOR PERSONAL SERVICES

1. Use of contract technical services personnel by the Ground Electronics Engineering Installation Agency, Detachment No. 2, Fuchu Air Station, Japan, cost about \$230,000 a year more than use of Government personnel would have cost (B-146824, March 1964). The Agency had recognized that contractor-furnished employees cost substantially more than equal numbers of civil service employees and had asked for authority to convert a number of contract positions. Lack of manpower authorization had prevented replacement of the contractor personnel.

GAO recommended measures to ensure conversion of contract positions in order to develop in-house capabilities. The Air Force said that contract technicians were being replaced by civil service employees and military personnel.

In this case, contractor personnel worked in positions similar to those held by civilian and military personnel and were supervised by Government personnel who retained final control over their employment. The Civil Service Commission subsequently decided that this contract, and all others like it, constituted a form of personnel procurement not authorized by law and violated provisions of the Civil Service Act, the Veteran's Preference Act, the Classification Act, and other personnel statutes.

2. Costs at Cambridge Research Laboratories could be reduced if personal services provided by contractors for Government activities were converted to in-house operations (B-146981, November 1967). Air Force studies indicated

annual savings of as much as \$750,000 through conversion of contract services amounting to about \$3,000,000. In this case, use of contractor personnel was attributed to administrative ceilings placed on the use of civil service personnel. The extended time required to process and obtain approval or disapproval of amendments to personnel ceilings had been the major factor in the continued use of contractor services.

The Department of Defense concurred, in part, with our observations and told us that personnel authorizations had been increased to permit the Laboratories to convert 25 service contracts to Government operation. The Department did not agree that personnel manpower ceiling practices had prevented economical management of programs and resources. We suggested that personnel ceilings be made consistent with project approvals and that more expeditious procedures be provided for processing adjustments to personnel requirements.

3. Estimated annual savings of \$766,000 or more could be achieved if contract services costing about \$7.8 million at several Air Force locations were performed in-house. Reliance on contractors was attributed to personnel ceilings and to lack of adequate cost studies (B-158685, July 1968).

At one location, the Electromagnetic Compatibility Analysis Center, we estimated savings of at least \$475,000 for operations costing about \$5 million under contract. The Center had been established in 1961 with minimum contractor support and with the intent that it would be converted to in-house operation in 2 years or less. Although some effort had been made toward conversion, reliance on the contractor had increased. Conversion of the Center to Government operation was delayed because of personnel ceilings.

4. Our report on "Management of Civilian Hiring Limitations and Recruiting by the Department of Defense is Costly" (B-165959, December 30, 1969) dealt with circumstances in effect immediately before enactment of the Revenue and Expenditure Control Act of 1968. Lack of sufficient flexibility in the system for managing personnel ceilings, together with recruiting problems, had resulted in the uneconomical and undesirable practice of contracting for personal services.

5. In other examinations made at the specific request of committees, subcommittees, and members of Congress, we found that installations or organizations experienced difficulties in operating under civilian personnel ceiling procedures. Ceilings generally placed arbitrary restraints on accomplishment of authorized programs.

#### MILITARY PERSONNEL IN CIVILIAN POSITIONS

In January 1968, we reported to the Subcommittee on Manpower and Civil Service, House Committee on Post Office and Civil Service, on a requested review of the civilianization program which had as its objective the conversion of military positions to civilian positions to release military personnel for assignments requiring military skills (B-146890). A number of positions so converted would have been established as civilian positions in the first place had it not been for personnel ceilings.

#### EXTENSIVE USE OF OVERTIME

Overtime labor was the principal source of manpower other than regular employment at eight Army, Navy, and Air Force installations (B-157201, November 1969). These installations consistently planned the use of costly overtime labor to accomplish work loads in excess of their regular capability. In most cases, the principal limiting factor on manpower availability was civilian personnel ceilings.

## CHAPTER 5

### CONCLUSIONS, AGENCY COMMENTS

#### AND RECOMMENDATION

##### CONCLUSIONS

Civilian personnel resources are acquired either through direct employment or through contracting with firms and institutions that furnish personal services. In either case, the Government bears the cost. Effective management of these resources and the reduction of expenditures through acquisition of only those resources actually needed, in our opinion, depend upon (1) continuing evaluation of missions, programs, and activities to distinguish between those which are essential and those which are desirable and (2) establishing priorities to meet changing circumstances and needs.

Both the Congress and the Executive Branch have been, and still are, greatly concerned about limiting the total number of civilians employed by the Federal Government to those needed to perform essential missions and functions. The basic method limiting total employment has been one of establishing personnel ceilings. As a result, the departments and agencies have undertaken those programs and activities that could be accomplished within the limitations provided by the available personnel.

Personnel ceiling or hiring limitations, whether imposed by statute or by the Executive Branch, do not provide the most effective management controls over civilian personnel resources, in our opinion. Personnel ceilings tend to be

- applied in establishing program priorities to do as much work as can be accomplished with the resources available;
- arbitrarily applied because of the difficulty of integrating them with program requirements;
- inflexible because they are not responsive to changes in work-force skills needed to accomplish changed programs;

- uneconomical when they permit use of overtime labor at premium pay to accomplish authorized programs; and
- ineffective in controlling expenditures since, as an alternative, contracting with firms or institutions that furnish personal services to the Government may be used.

Limitations on funds seem to be more effective than civilian personnel ceilings in controlling employment, in our opinion. Personnel resource requirements can be effectively controlled through deliberate program planning, budgeting, and evaluation procedures without use of rigid employment ceilings.

National priorities are established by the President and the Congress for programs and activities considered essential to the welfare of the United States. These priorities change, as shown by the present increased emphasis on domestic programs and decreased emphasis on defense programs in the Federal budget proposed by the President and in the deliberations of the Congress.

It is the responsibility of the highest officials in the Department of Defense to make decisions concerning programs and priorities needed to accomplish--within the limitations of funds appropriated--the objectives for the Department established by the President and the Congress. Yet, all too frequently congressional attention is drawn to fund-consuming activities which seem to have little relationship to the primary mission of the Department, i.e., to provide for the security of the United States.

In the budgeting process, the Secretary of Defense considers the need for major programs and activities proposed by the military departments. Evidence of a systematic critical evaluation--at the secretarial level of the Department of Defense or the military departments--of the programs and activities actually carried out by commands, installations, and component organizations was not found in our review or in discussions with officials of the departments.

Individual organizations had to make decisions on the allocation of available resources where they could be used most effectively when confronted with reductions in the personnel or funds for their operations. Increased emphasis given to the evaluation of programs and establishment of priorities was, we believe, the most constructive action taken by the various defense headquarters, commands, and installations to operate under the restrictions imposed by the Congress. Some programs and activities were considered to be essential and of highest priority and were continued; others were considered desirable but of lower priority and were deferred; and some were canceled. The impetus given to program and work priorities under the restrictions imposed by the Congress and--after these restrictions were removed--the restraints on resources imposed by the Executive Branch will have long-range beneficial effects.

#### AGENCY COMMENTS

Our findings were presented to the Secretary of Defense and to the Director, Bureau of the Budget (now the Office of Management and Budget), for comment. We proposed that the Bureau delegate authority to the departments and agencies to accomplish the programs for which they are responsible without restriction as to the numbers of personnel to be used, being limited by the total funds made available to them.

In his November 4, 1970, letter commenting on our findings (see app. I), the Assistant Secretary of Defense (Comptroller) said that the Department planned to explore the use of civilian controls with the Office of Management and Budget. Certain steps had been taken to improve the effectiveness and flexibility of personnel ceilings within the Department, including a reserve of spaces for conversion of uneconomical contracts, a test of the effect of the removal of numerical ceilings on selected research laboratories, and increased emphasis on relating personnel ceilings to program and financial decisions in the budget process.

The Deputy Secretary of Defense compared the use of financial constraints with the use of ceiling controls in a letter dated November 17, 1970, to the Director, Office of Management and Budget. He said:

"\*\*\* I propose the elimination of ceilings, on a trial basis, so that we may jointly assess the effectiveness of fiscal and program constraints on employment levels. I am confident that experience will show that positive improvements will be realized in operating level manpower management, with no real loss with respect to control of overall employment levels in DOD [Department of Defense]."

The Director, Office of Management and Budget, agreed on December 26, 1970, to eliminate administrative ceilings on employment for the Department of Defense for a 1-year trial period. On January 18, 1971, the Office of Management and Budget furnished us copies of the correspondence on this matter. (See app. II.)

We also proposed that the Secretary of Defense establish a group of high-level officials responsible to him for continuing objective evaluation of missions, programs, and activities of the component organizations within the Department. Substantial improvements in the management of total personnel resources could be achieved, in our opinion, through continuous evaluation by officials independent of the component organizations.

In his November 4, 1970, letter (see app. I), the Assistant Secretary of Defense (Comptroller) said that maximum effort was then being directed within the Department at virtually every level of management to achieve the savings necessary to meet reduced budgetary levels and that it was not considered that a special, formally established group within the Office of the Secretary would significantly improve the reviews currently taking place within the Department.

As noted above, subsequent to the date of the Assistant Secretary's comments, the Office of Management and Budget agreed to eliminate ceilings on employment for the Department of Defense for a 1-year trial period. We have not been informed of the means by which the Secretary plans to assess the effectiveness of fiscal and program constraints on employment levels during the test period. We believe, however, that consideration should be given to

establishing a centralized group in the Office of the Secretary of Defense for this purpose.

RECOMMENDATION

Accordingly, we recommend that the Secretary establish a centralized group of officials to assess the effectiveness of fiscal and program constraints on employment levels in the Department of Defense.



## CHAPTER 6

### SCOPE OF EXAMINATION

Our examination was focused upon the Department of the Navy at headquarters and command levels and two naval installations. To identify significant differences within the Department of Defense in implementing section 201 and to ascertain its impact, we also made inquiries at headquarters and command levels of the Army and the Air Force and at the Bureau of the Budget.

Within the Department of the Navy, we concentrated upon activities of the naval shipyards and the naval research and development laboratory centers. We inquired at command level into the impact of the hiring limitations on the naval air rework facilities and visited the San Francisco Bay Naval Shipyard, California, and the Naval Weapons Center, China Lake, California.

Since the repeal of section 201 occurred at approximately the time that our fieldwork was completed in 1969, we extended our inquiry to bring our observations into proper perspective. We met with officials of the Department of Defense, the military departments, and the Bureau of the Budget (now the Office of Management and Budget) to bring our information on ceiling controls up to date and to obtain their viewpoints on events subsequent to elimination of the statutory restrictions.

APPENDIXES

1



ASSISTANT SECRETARY OF DEFENSE  
WASHINGTON, D.C. 20301

COMPTROLLER

NOV 4 1970

Mr. C. M. Bailey  
Director, Defense Division  
U. S. General Accounting Office

Dear Mr. Bailey:

This is in response to your draft report on examination of the impact of personnel ceilings on management of civilian personnel resources (OSD Case #3140).

The draft report recommends that the Secretary of Defense establish a high level group of knowledgeable officials to reevaluate missions, programs and activities within Department of Defense in order to identify duplication or fragmentation of activities and to identify programs and activities not currently essential to the Department's mission. Maximum effort is currently being directed toward precisely this end within the Department in order to achieve the savings necessary to meet reduced budgetary levels. This effort involves virtually every level of management within the Department of Defense. It is not considered that a special, formally established group within OSD would significantly improve or facilitate the reviews currently taking place within the Department of Defense.

The draft report also recommends that the Office of Management and Budget delegate maximum authority to the Departments and Agencies to accomplish the programs for which they are responsible without restriction as to the number of personnel resources to be used, being limited by the total funds made available to them.

This recommendation would require that OMB discontinue the civilian ceiling controls it has imposed in the past, a step which OMB has indicated previously it does not consider advisable. The OMB position with respect to ceilings was reaffirmed in its letter of November 26, 1969 to Representative Henderson in response to his letter questioning the need for and effectiveness of ceilings. However, we plan to explore this further with OMB.

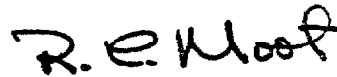
If ceilings cannot be abolished we will continue to work closely with OMB in attempting to insure that the controls are carefully related to approved programs and financing, and that the system for administering these controls provides the flexibility required to meet changing conditions.

APPENDIX I

In our comments on a previous GAO report dated December 30, 1969, Subject, "Management of Civilian Hiring Limitations and Recruiting by the Department of Defense is Costly," we outlined certain steps taken to improve the effectiveness and flexibility of personnel ceilings within Department of Defense. These steps included a reserve of spaces for conversion of uneconomical contracts, a test of the effect of removal of numerical ceilings on selected research laboratories and increased emphasis on relating personnel ceilings to program and financial decisions in the budget process.

We consider that these steps, coupled with the current and foreseeable fiscal constraints, should improve the effectiveness and responsiveness of personnel ceilings if they continue to be imposed by the Office of Management and Budget.

Sincerely,



Robert C. Moot  
Assistant Secretary of Defense

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

January 18, 1971

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

Dear Elmer:

In view of your interest in the use of ceilings to control civilian employment in the Executive Branch and particularly in the Department of Defense, we believe that the action reflected in the enclosed exchange of correspondence between Director Shultz and Deputy Secretary Packard represents a development about which you will wish to know.

We plan to follow closely the success of this experiment, and will advise you of its success.

Sincerely,



Roger W. Jones  
Assistant Director

Enclosures

APPENDIX II

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

DEC 26 1970

Honorable David Packard  
Deputy Secretary of Defense  
Washington, D. C. 20301

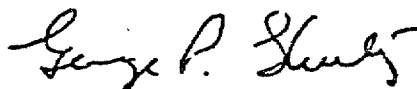
Dear Mr. Packard:

We have received your letter of November 17, 1970, with your proposal that employment ceilings be eliminated for the Defense Department on a trial basis.

We generally agree with the thrust of the arguments presented in your letter and, therefore, are willing -- for a one year trial period -- to eliminate administrative ceilings on employment for the Department of Defense.

However, in order to carry out our responsibilities both within the Executive Branch and also in connection with our annual budget submission to the Congress, we will still require your Department's estimates of where civilian employment will stand at the end of FY 1971 and 1972.

Sincerely,



Director

THE SECRETARY OF DEFENSE  
WASHINGTON, D. C. 20301

NOV 17 1970

Honorable George P. Shultz  
Director, Office of Management and Budget

Dear George:

Recent criticism by the GAO has led to a review within the DOD of civilian employment ceilings as a management tool, and to the conclusion that their elimination could in many cases, without any effective loss of control, eliminate unproductive paperwork and delays in responding to changes in requirements.

The reserve for contract conversions recently established by your office, and delegated in turn to the military departments, should alleviate one aspect of the problem. The reserve represents a recognition that fiscal considerations are paramount once the workload has been financed and, by implication, that ceilings are meant to insure that funds are not diverted into unapproved manpower programs. I believe that the fiscal outlook for the foreseeable future is such that the risk of unacceptably high employment levels in DOD is extremely low, and that this would be an excellent opportunity to evaluate the benefits which would accrue to our operations if overall numerical ceiling controls were eliminated.

Experience during FY 1970 has clearly demonstrated that financial constraints have been a more effective control on total DOD employment than ceilings. Yet complaints persist that the existence of a ceiling system is inhibiting operating managers. This is primarily due to the procedures, established when ceilings were controlling, which require each succeeding echelon to exercise its total ceiling for effects before requesting a net increase of higher authority. The resultant delays have, over the years, discouraged operating management from seeking relief, particularly where contract out, overtime and temporary hire solutions, although often unecconomical, are available. In addition, there is a danger, peculiar to the DOD, that military will be assigned tasks which should be performed by civilians.

Even where ceiling controls are flexible and responsive, they must be administered. Ceilings must be allocated, reallocated, adjusted and monitored at every level. This not only involves a significant



APPENDIX II

expenditure of effort at all levels within the Department, but also serves in many instances to divert management attention from the job that must be done to the relationship between that job and the ceiling controls which have been imposed. Obviously, the less restrictive the ceiling the less negative is that impact on our operation. But if ceilings are not required for control purposes, they do not represent a management benefit commensurate with the effort involved in their administration.

For the above reasons, I propose the elimination of ceilings, on a trial basis, so that we may jointly assess the effectiveness of fiscal and program constraints on employment levels. I am confident that experience will show that positive improvements will be realized in operating level manpower management, with no real loss with respect to control of overall employment levels in DOD.

Sincerely,



DEPUTY

SUMMARY OF CIVILIAN  
PERSONNEL STRENGTH CHANGES  
FISCAL YEAR 1969

	<u>Navy</u>	<u>Army</u>	<u>Air Force</u>
<b>FULLTIME PERMANENT POSITIONS</b>			
(notes a and b):			
July 1, 1968	397,842	377,787	299,368
Losses (note c)	<u>53,350</u>	<u>53,563</u>	<u>40,213</u>
	344,492	324,224	259,155
Accessions	<u>40,050</u>	<u>40,783<sup>d</sup></u>	<u>30,011</u>
June 30, 1969:			
Actual	384,542	365,007	289,166
Allowable	<u>384,488</u>	<u>365,565</u>	<u>290,944</u>
Under or over(-)	<u>-54</u>	<u>558</u>	<u>1,778</u>
Net reduction	<u>13,300</u>	<u>12,780</u>	<u>10,202</u>
Percentage reduction	<u>3.34</u>	<u>3.38</u>	<u>3.41</u>
<b>TEMPORARY AND PART-TIME POSITIONS</b>			
(notes a and b):			
July 1, 1968	7,077	20,595	1,023
June 30, 1969	16,522	13,672	262
Average strength, FY 1969	11,885	15,780	2,815
Allowable average strength based on average for FY 1967	12,619	24,171	4,260
<b>INTERMITTENT EMPLOYEES:</b>			
July 1, 1968	1,528	1,057	143
June 30, 1969	5,818	5,817	1,905

<sup>a</sup> Excludes functions other than military and military assistance.

<sup>b</sup> Excludes positions in support of Southeast Asia operations exempted from controls by law.

<sup>c</sup> Attrition figures shown include losses to other Federal agencies and other military departments which were generally replaceable on a 1:1 basis.

<sup>d</sup> Includes a net increase of 86 in transfers between civil and military functions, Corps of Engineers, and net increase of 3,265 in reclassification of positions between temporary and permanent.

APPENDIX IV

PRINCIPAL OFFICIALS OF THE  
DEPARTMENT OF DEFENSE  
AND THE DEPARTMENTS OF THE ARMY, NAVY, AND AIR FORCE  
RESPONSIBLE FOR ADMINISTRATION OF THE ACTIVITIES  
DISCUSSED IN THIS REPORT

Tenure of office  
From                      To

DEPARTMENT OF DEFENSE

SECRETARY OF DEFENSE:

Melvin R. Laird	Jan. 1969	Present
Clark M. Clifford	Mar. 1968	Jan. 1969

ASSISTANT SECRETARY OF DEFENSE  
(MANPOWER AND RESERVE AFFAIRS):

Roger T. Kelley	Feb. 1969	Present
Alfred B. Fitt	Oct. 1967	Jan. 1969

DEPARTMENT OF THE ARMY

SECRETARY OF THE ARMY:

Stanley R. Resor	July 1965	Present
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ASSISTANT SECRETARY OF THE ARMY  
(MANPOWER AND RESERVE AFFAIRS):

William K. Brehm	Apr. 1968	Present
------------------	-----------	---------

DEPARTMENT OF THE NAVY

SECRETARY OF THE NAVY:

John H. Chafee	Jan. 1969	Present
Paul R. Ignatius	Aug. 1967	Jan. 1969

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

James D. Hittle	Feb. 1969	Present
Randolph S. Driver	Jan. 1968	Feb. 1969

Tenure of officeFromToDEPARTMENT OF THE AIR FORCE

## SECRETARY OF THE AIR FORCE:

Robert C. Seamans, Jr.	Jan. 1969	Present
Dr. Harold Brown	Oct. 1965	Jan. 1969

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

Richard J. Borda	Oct. 1970	Present
James P. Goode (acting)	Apr. 1970	Oct. 1970
Dr. Curtis W. Tarr	June 1969	Apr. 1970
James P. Goode (acting)	Mar. 1969	June 1969
J. William Doolittle	Apr. 1968	Mar. 1969