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# Need For Department Of Defense To Reconsider Continuing The Referral Program B.166843

**UNITED STATES  
GENERAL ACCOUNTING OFFICE**

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MARCH 6, 1972



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

DEFENSE DIVISION

B-166843

Dear Mr. Secretary:

This is our report on the review of the Department of Defense Referral program. It highlights the limited accomplishments and costly operation of the Referral program, as well as the availability of numerous other sources of employment assistance to military retirees.

Copies of this report are being sent today to the Director, Office of Management and Budget; the Secretaries of the Army, Navy, and Air Force; the Secretary of Labor; the Chairman, Civil Service Commission; the Administrators of the Veterans Administration and the Small Business Administration; the Chairmen of the House and Senate Committees on Government Operations <sup>< 1500</sup> and the House and Senate Committees on Appropriations; and the Director of the Defense Supply Agency. <sup>< 300</sup>

Sincerely yours,

Acting Director, Defense Division

✓ The Honorable  
The Secretary of Defense 5

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ABBREVIATIONS

CRA	Centralized Referral Activity
DOD	Department of Defense
OASD (M&RA)	Office of Assistant Secretary of Defense (Manpower and Reserve Affairs)
USES	U.S. Employment Service

D I G E S T

WHY THE REVIEW WAS MADE

Congress has a long-standing interest in sponsoring and supporting effective job placement programs for veterans returning to civilian life.

On December 28, 1968, the Secretary of Defense approved the development by the Department of Defense (DOD) of a nationwide automated man-job-matching employment service for military retirees, now known as the Referral program. House Report 91-698 subsequently questioned the program's value, since the President planned to establish a similar program in the Department of Labor.

Because DOD continued to operate its Referral program notwithstanding congressional reservations, the General Accounting Office (GAO) posed, and sought answers to, the following questions.

- What are the results of the program in terms of retiree and employer participation, as well as of the number of placements?
- What is the cost of the program? and what has been achieved for the money expended?
- What other sources of employment assistance are available to retirees?

FINDINGS AND CONCLUSIONS

GAO's review showed, for the first year of Referral program operations:

- That about 24,000, or one third of the eligible military retirees, had registered in the program and that only 212, or less than 1 percent of those registered, had been placed. (See p. 5.)
- That fewer than 1,600 employers had expressed interest in participating in the program and that only 105 had hired retirees through the Referral program. (See p. 6.)
- That the program objective of enhancing employment opportunities for retirees had not been met because, of 324 job titles in the program, only three job titles--salesman, insurance work, and manager/supervisory/superintendent, general--covered the majority of referrals and placements. (See p. 9.)

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--That the identifiable costs for the first year of program operations approximated \$390,000, or about \$1,800 for each retiree placed. (See p. 10.)

GAO also found that numerous other public and private sources of employment assistance, including some with man-job-matching systems, were available to military retirees on a preferential basis. (See p. 10.)

GAO believes that the results of the review show that the premises on which DOD established the feasibility for the Referral program--that is, that a completely new system for a nationwide computerized man-job-matching employment service, developed entirely in-house, was necessary to meet the unique needs of retiring service personnel--cannot be supported. (See p. 13.)

RECOMMENDATION OR SUGGESTION

The Secretary of Defense should consider discontinuing operation of the computerized man-job-matching employment service of the Referral program because it has been costly; it has shown limited accomplishments; and it duplicates, in many respects, the employment assistance provided by the Department of Labor through the United States Employment Service.

## CHAPTER 1

### THE REFERRAL PROGRAM

Late in 1968 the Department of Defense conducted a study of existing programs designed to assist the military retiree or separatee in making the transition from a military career to a full-time civilian career and to determine the feasibility of using a computerized job-referral service. On December 28, 1968, the Secretary of Defense approved such a service for retired personnel only, and development of the Referral program began in March 1969.

DOD decided that a completely new system, to be developed entirely in-house, was required to meet the unique needs of retiring servicemen. DOD Directive 1332.25, setting out policy and operating guidelines for the Referral program, was published on December 1, 1969, and responsibility for program management was assigned to the Office of the Assistant Secretary of Defense (Manpower and Reserve Affairs) (OASD(M&RA)). A target date of June 1970 was set for system implementation.

Computer programming and operation responsibilities were assigned to the Defense Supply Agency which operates the Referral program at the Centralized Referral Activity (CRA) located at the Defense Electronics Supply Center, Dayton, Ohio. OASD (M&RA) and CRA developed, published, and distributed instructional and promotional materials and all employer and retiree forms necessary to support the program.

Counseling and registration responsibilities were assigned to each of the military services. A network of over 350 Referral registration sites was established at military installations, mainly as adjuncts to existing pre-separation and preretirement counseling programs. Referral counselor training courses were held at various locations across the Nation during April and May 1970 to prepare local site Referral officials for their roles in counseling and registering participating servicemen.

On June 1, 1970, registration forms were first accepted by CRA from military retirees. On August 3, 1970, the

Referral program became fully operational when the first employer job orders were accepted and the actual man-job matching commenced.

On April 15, 1971, DOD Directive 1332.26 superseded DOD Directive 1332.25 and placed on each of the military services the major management responsibility of assisting eligible separating military personnel to adjust to civilian life.

The stated objectives of the Referral program for the serviceman were to:

1. Enhance the employment opportunities for retirees seeking new careers after leaving active military service.
2. Provide counseling and voluntary registration in a computerized man-job-matching system, into which employers across the Nation would submit job requirements.
3. Improve communications between military retirees and prospective employers.

The stated objective of the Referral program for the employer was to offer a new means of communication between retirees and prospective employers and thereby enhancing employers' access to a significant pool of skilled and motivated manpower.

A proposal to consider expansion of the Referral program to provide for registration of separatees, as well as retirees, has been presented to OASD (M&RA).

## CHAPTER 2

### QUESTIONABLE NEED FOR A COSTLY

### SEPARATE JOB PLACEMENT PROGRAM

### FOR MILITARY RETIREES

During the first year of Referral program operation, DOD placed in jobs only 212 of the nearly 24,000 military retirees who had registered in the program and incurred program operating costs of \$390,700. Statistical trends show a declining participation by retirees and a continuing low-level participation by employers, although operating costs are expected to remain at the same level.

Because there is no evidence of improved trends in these statistics, the need for continuing the Referral program is questionable, especially when numerous public and private employment assistance programs offering preference to veterans are available to job-seeking veterans.

### RETIREE PARTICIPATION

The Referral program was established on the premise that the 65,000 to 70,000 military personnel retiring from active duty each year would use its employment service. During the first year of program operations, only 23,980 military retirees registered in the program. Only 212 of those registered retirees actually were placed in jobs. In that same period 8,565 registered retirees who had not been placed were removed from the program because their 6- or 12-month eligibility periods had expired. Of the 15,203 retirees remaining in the program in August 1971, about 1,000--who were registered but who were not yet retired or available for employment--could not be referred to employers for at least 90 days and 4,776--who were retired and who had been available for 4 months or longer--never had been referred to employers.

Data on the number of registered retirees and on the number who were placed during the 11 months of program operations following the initial registration period are shown



graphically in appendix I. This graph shows that there was no significant increase in the number of retirees registered or placed during successive months' operations, a trend which, we believe, would not normally be characteristic of a successful, growing program.

We mailed questionnaires to 124 retirees<sup>1</sup> to determine how many retirees knew of the Referral program before retirement and to determine how many had participated in and had been placed through the program and whether they had received employment counseling.

We received replies from 53 retirees, of whom 50 indicated that they had planned to obtain employment after retirement. Although 34 of the 53 retirees knew about Referral before retirement, only 17 had elected to register in the program. Of the 53 retirees who replied, 21 stated that they were currently employed but none had obtained employment through the Referral program. Most indicated that they had obtained employment by applications submitted directly to employers or through the help of relatives and friends. Replies from 39 of the 53 retirees contacted showed that they considered counseling essential in obtaining civilian employment, but only nine showed that they had been given employment counseling and resume preparation assistance by a military counselor.

#### EMPLOYER PARTICIPATION

Initial efforts by OASD (M&RA) officials to interest employers in the Referral program were made through news releases, speeches, and letters to employers. In addition to those efforts at headquarters level, the Defense Electronics Supply Center sent letters to over 11,000 employers soliciting their participation, but only about 1,600 employers indicated an interest in the program. As of August 10, 1971, 1,216 employers had submitted job orders but only 105 had hired retirees through the Referral program.

The number of employers expressing an interest in the Referral program and the number of job orders and vacancies submitted by employers for the 11 months of program operations following the initial registration period are shown

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<sup>1</sup>Selected by statistical sample from the May 1971 list of Army retirees.

graphically in appendix II. This graph shows declines which, for the most part, stabilized by December 10, 1970, at a relatively low level both in the number of new employers expressing an interest in the Referral program and in the number of job orders and vacancies submitted to CRA.

Every employer receiving Referral resumes is required to return each resume within 45 days, with a report of the action taken, even if the registrants have not been contacted or hired. For the retirees who registered through August 10, 1971, CRA sent out 187,600 resumes (including multiple referrals for the same retirees) and received 104,924 report actions as follows:

<u>Reported actions</u>	<u>Number of resumes</u>
Retirees not contacted by employers:	
Qualified, but not selected	19,467
Not qualified	47,216
Filled by other registrants	219
Filled from other sources	<u>4,089</u>
	70,991
Duplicate resumes to the same employer	9,667
Retirees contacted by employers but not hired:	
Qualified, but not selected	7,965
Not qualified	9,111
Declined offer	<u>6,978</u>
	24,054
Retirees placed	<u>212</u>
Total	<u><u>104,924</u></u>

As shown above, over two thirds of the reported actions indicated that the employers did not contact the retirees and more than one half of the reported actions indicated that the retirees referred by CRA were considered not qualified.

The fact that these 1,216 employers were expected to respond to 187,600 DOD referral forms, and did respond to 104,924, seems to be a costly administrative burden both

for DOD and for the employers and to be of questionable effectiveness in terms of the number of placements made.

We mailed questionnaires to 63 employers who had hired military retirees through the Referral program and to 90 employers who had submitted job orders but had not hired any retirees through the program. One of the purposes of our questionnaires was to obtain information about participating employers' needs to seek employees from outside the employers' local areas.

The responses showed that about 50 percent of the hiring employers and 80 percent of the nonhiring employers never, or only occasionally, needed to go outside their local area to seek employees. This would negate, to some extent, the opportunity for military retirees to be employed through a nationwide computerized Referral program.

## JOB OPPORTUNITIES

During the first year of operations, three of the 324 job titles contained in the DOD Job Thesaurus (the DOD dictionary of job titles and codes) covered the great majority of job vacancies, referral actions, and placements. The three job titles were salesman, insurance work, and manager/supervisor/superintendent general. These accounted for 42,900 of the 58,500 vacancies, 151,500 of the 187,600 referrals, and 129 of the 212 placements, or 73 percent of the vacancies, 81 percent of the referrals, and 61 percent of the placements. It seems clear that the program--rather than enhancing the job opportunities for retirees, as envisioned by the program objectives--produced a very limited variety of job opportunities.

For the 10 job titles having the largest number of retirees' names on active file as of August 10, 1971, we compared the number of active registrations with the cumulative number of vacancies reported by employers. The number of retirees actively registered significantly exceeded the number of job vacancies for eight of the 10 job titles. This imbalance would be even greater if the number of registrants for those job titles previously removed from the program were considered.

## REGISTRANTS' EVALUATION OF BENEFITS RECEIVED

The Referral program requires each registrant to complete a Referral Critique Form after he has been removed from the program and to return it to OASD (M&RA). The 215 critiques that had been returned as of April 20, 1971, showed that, of the 187 retirees who reported that they were currently employed, only 21 indicated that they had obtained employment through the Referral program. Only 102 of the 215 retirees, or less than one half, reported that Referral counseling had been helpful.

## HIGH COST OF PLACEMENTS

The costs to establish and operate the Referral program seem disproportionately high, compared with the results achieved. CRA and OASD (M&RA) furnished us with a figure of \$274,400 as the estimated program start-up cost

for fiscal years 1969 and 1970. The estimated cost to operate the program for the first year (fiscal year 1971) was \$390,700, for a total cost of \$665,100. On the basis of the costs of placing 212 retirees during the first full year of operations, the operating cost alone for each job placement was over \$1,800. Since DOD expects operating costs to continue at about the same level during fiscal year 1972, it is likely that the cost for each placement will remain at this high level unless placements increase significantly.

#### OTHER SOURCES OF EMPLOYMENT ASSISTANCE

A number of Government and non-Government agencies and employment assistance services are available to military personnel. Some of these services provide computerized systems and nationwide service, and some have preferential assistance features for retired or separated military personnel. A partial list of Government and non-Government sources for these services is included in appendix III. The principal sources available from the Federal Government follow.

- U.S. Employment Service (USES)
- Veterans Administration
- Civil Service Commission
- Small Business Administration
- Professional Career Information Center,  
Department of Labor

Since the Referral program duplicates in many respects the employment assistance provided by USES, Department of Labor, we have described this service in more detail below.

#### U.S. Employment Service

We visited the Department of Labor's State and local employment service offices in Columbus, Ohio, and local employment service offices in Dayton, Ohio, and Louisville, Kentucky, to determine the extent to which USES offices provided employment assistance to military retirees. We found that both local and out-of-area employment assistance was available to military retirees at over 2,400 local employment service offices throughout the United States and

that such assistance was available to them before and after retirement.

USES offices can provide the retiree with the latest information about the known job vacancies in the local area. In many cities (66 as of April 1971) the USES offices operate job banks which use computers to record and store all job openings in the area known to the employment service. Labor expected to have 100 operational job banks by June 30, 1971, and expected each State to operate a State-wide job bank system to facilitate the exchange of job information among USES offices within the State by July 1972. A biweekly Job Opportunity List of all unfilled job openings in the Cleveland job bank, furnished to all military separation centers in Ohio by the Ohio Bureau of Employment Services, is an example of the uses being made of the job banks.

Statewide and nationwide employment assistance also is available to the retiree through the USES clearance procedures. Each State employment office prepares a job inventory list reflecting current labor demand information in terms of specific unfilled job opportunities that have been reported by the local employment offices within the State. The distribution of the job inventory list extends the job openings on a statewide and nationwide basis. Through the clearance procedures a retiree can apply for any of the job openings shown on the job inventory list by having a clearance application (resume) sent to the USES office that listed the opening.

If no suitable job opening is contained in the job inventory list, the USES office can forward the retiree's resume to one or more USES offices in other locations. The office receiving the resume then contacts local employers to explore the availability of a suitable job opening.

For the retirees interested in finding jobs in the professional, scientific, technical, and managerial fields, specialized employment assistance is available through the USES Professional Office Network. The network, which is an integral part of the USES clearance system, has more than 150 offices throughout the country.

When appropriate, the job inventory list may also include a Labor Supply and Demand Summary that can be used by the retiree to determine whether his skills are in excess supply in a given location. The Labor Supply and Demand Summaries are primarily labor-supply indicators in which only significant supply information is reported, such as labor available as the result of layoffs, plant closings, and unusually large numbers of applicants in the active file. This summary will also show the number of applicants available in short-supply categories.

At each of the USES offices we visited, we found that Veterans Employment Service representatives participated in group meetings. At these meetings the veterans representative advises the retirees and separatees of the employment assistance available at the USES offices and invites them to visit the local USES office for individual employment counseling. In calendar year 1970 a total of 28,615 military retirees attended these meetings.

Veterans receive priority consideration and referral to job opportunities through the USES. In the local employment office in Louisville, the Veterans Section processes employer job orders 1 day before the orders are put in the job bank and before the jobs are opened to all other applicants. The Veterans Employment Service representative's records indicated that a total of 36 retirees were placed through the Louisville office during the first 5 months of calendar year 1971. Of these 36 retirees, 10 were placed in professional jobs and 26 in nonprofessional jobs in the Louisville area.

State and local USES offices give assistance to the Referral program by distributing Referral job-order forms and employer brochures. The local offices also receive a monthly summary of the skills registered with Referral so that employers can determine whether skills are available through Referral.

## CONCLUSIONS

The Referral program has had relatively little success in providing job opportunities or job placement assistance to military retirees. The assistance and placements the program did provide were accomplished at a high unit cost. In the first year of program operations, less than 1 percent of the 24,000 retirees who registered were placed in jobs, fewer than 1,600 employers expressed an interest in participating in the program, and only 105 employers hired retirees through the program.

The Referral program is expected to cost about the same for the second year of operations as it did for the first year. After 2 years of operation, it will have cost over \$1 million to establish and operate the program's computerized man-job-matching service. It is likely that the cost for each placement during the second year will remain at a high level, unless placements increase significantly.

A number of other sources of employment assistance are available that offer adequate opportunities to retirees making the transition from a military career to a civilian career. The Referral program duplicates in many respects the employment assistance provided by USES and by the Veterans Administration representative cooperating with USES. In addition, employment assistance is available through employment agencies, various associations and councils formed for this purpose, newspaper and magazine advertisements, and personal contacts.

We believe that the results of the first year of operation show that the premises on which DOD established the feasibility of the Referral program--that is, that a completely new system for a nationwide computerized man-job-matching employment service, developed entirely in-house, was necessary to meet the unique needs of retiring service personnel--cannot be supported.

## RECOMMENDATION

We recommend that the Secretary of Defense consider discontinuing operation of the computerized man-job-matching employment service of the Referral program because it has



been costly; it has shown only limited accomplishments; and it duplicates, in many respects, the employment assistance provided by the Department of Labor through USES.

## CHAPTER 3

### SCOPE OF REVIEW

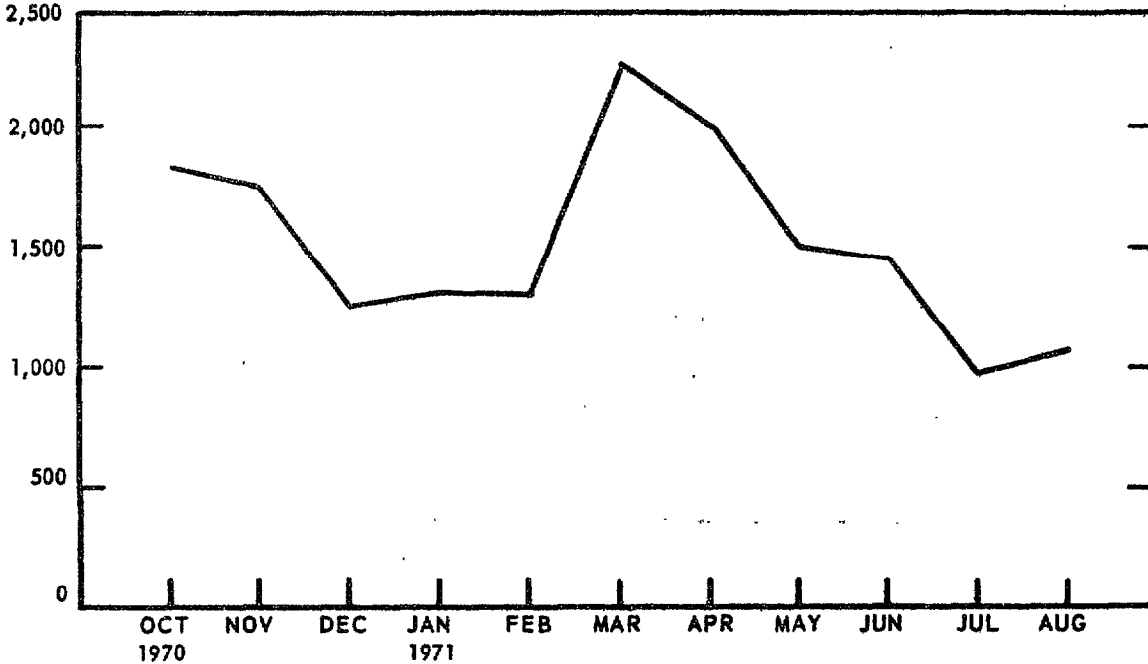
Our review covered the period from inception of the operation of the Referral program, June 1, 1970, through August 10, 1971.

We examined into activities at CRA, obtained pertinent data and information concerning the Referral program at OASD (M&RA), and visited certain military installations where military retirees had registered in the program.

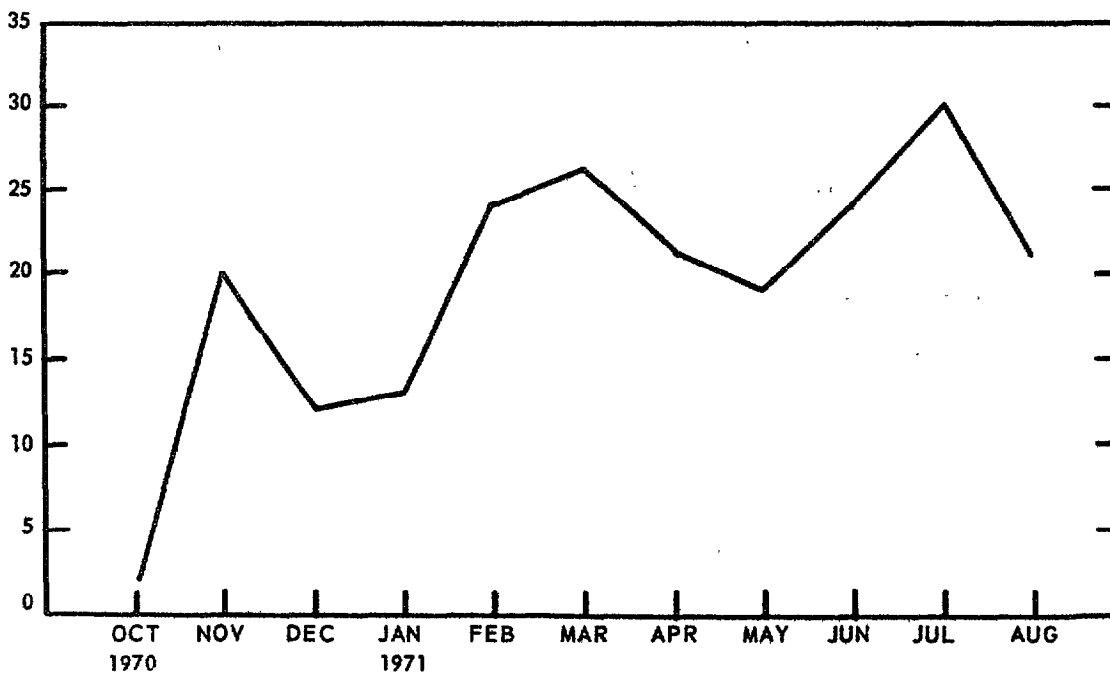
We interviewed officials of the Department of Labor, Manpower Administration; visited State and local USES offices and a Veterans Administration Center; and mailed questionnaires to selected employers and military retirees.

**NUMBER OF RETIREES REGISTERED IN THE REFERRAL PROGRAM  
AND NUMBER PLACED WITH PARTICIPATING EMPLOYERS<sup>1</sup>**

NUMBER REGISTERED



NUMBER PLACED

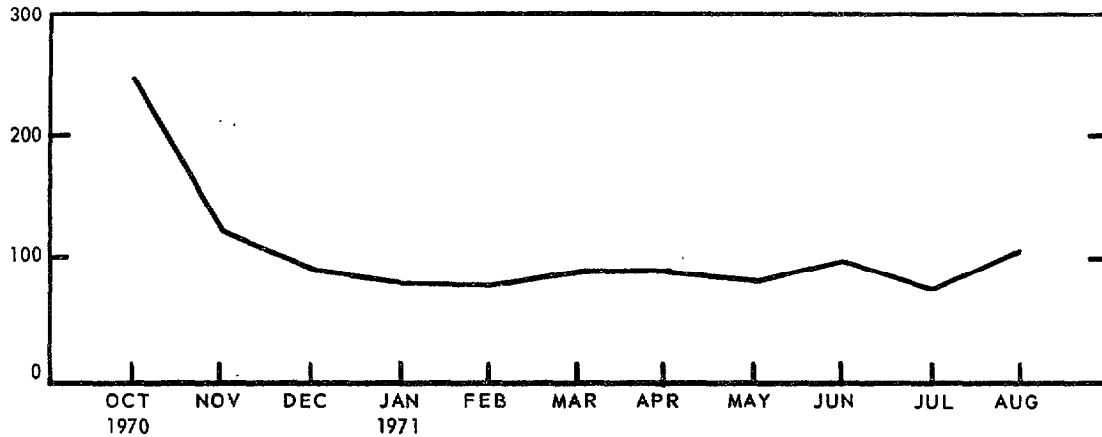


<sup>1</sup> Between June 1, 1970, when the program officially started, and September 10, 1970, there were 6,966 retirees registered but none placed.

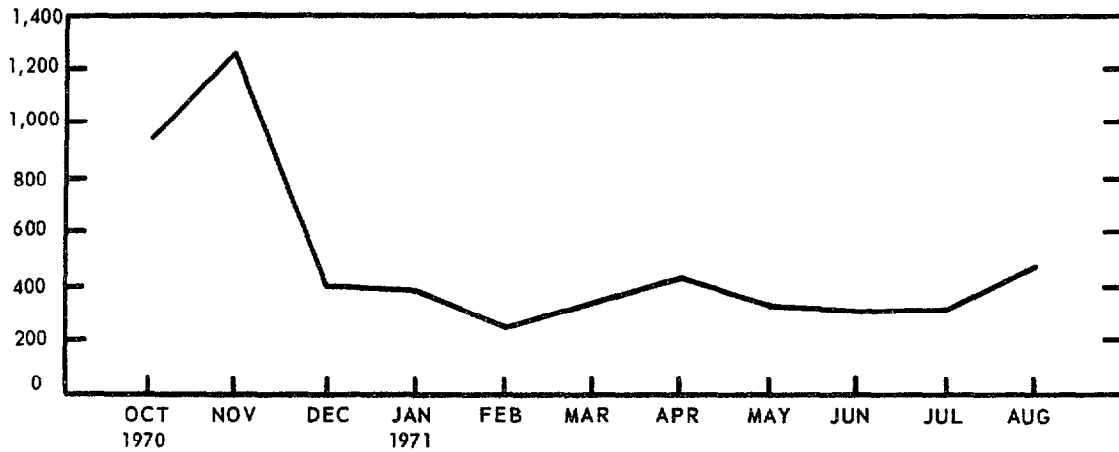
APPENDIX II

**NUMBER OF EMPLOYERS EXPRESSING INTEREST IN THE REFERRAL PROGRAM, AND NUMBER OF JOB ORDERS AND VACANCIES SUBMITTED BY EMPLOYERS<sup>1</sup>**

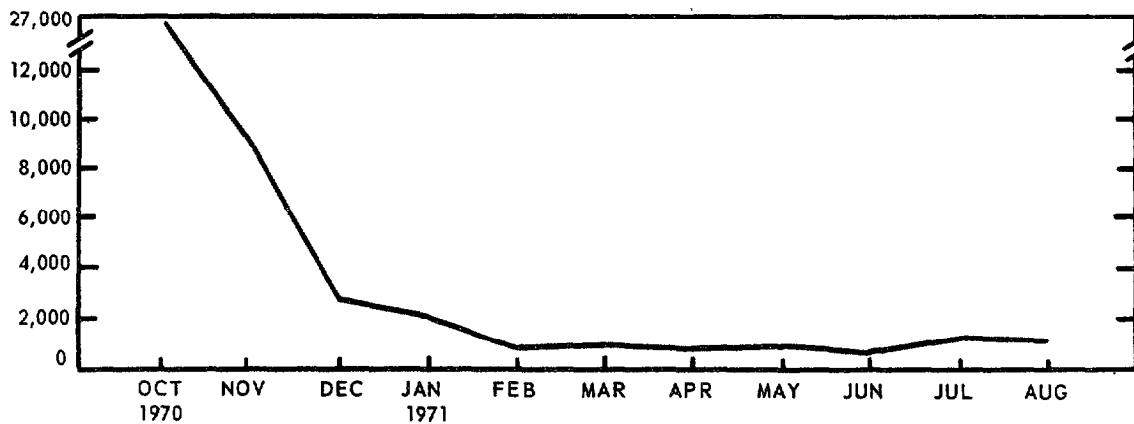
NUMBER OF EMPLOYERS EXPRESSING INTEREST



NUMBER OF JOB ORDERS



NUMBER OF VACANCIES



<sup>1</sup> Between June 1, 1970, when the program officially started, and September 10, 1970, there were 422 employers, 1,055 job orders, and 10,648 vacancies registered.

## OTHER SOURCES OF EMPLOYMENT

## ASSISTANCE AVAILABLE TO MILITARY RETIREES

## GOVERNMENT SOURCES

Veterans Administration

The Veterans Administration (VA) provides counseling services to veterans and informs them of veterans' rights and benefits, including education and training required to prepare for a specific civilian occupation or to fulfill the requirements for specific job offers. The VA operates regional offices throughout the United States and Veterans Assistance Centers (VACs) in many major metropolitan areas.

VACs exist primarily to provide personalized services to recently separated veterans. Benefit specialists advise veterans of their entitlements to educational assistance, loan-guaranty benefits, disability compensation, insurance, etc. VA counselors administer tests and counsel veterans regarding training and educational programs.

We visited the VAC in Cincinnati, Ohio, and were informed that it also provided counseling under contract with a local university. In addition, the office has a counselor from the Cincinnati office of the Ohio Bureau of Employment Services whose duties are identical to those of any counselor in the local employment service office, i.e., providing assistance in registering skills and making referrals to employers using Cincinnati's job bank. The office also has a contact representative at Wright-Patterson Air Force Base, Dayton, to advise and offer assistance to military personnel.

The VAC cooperates in organizing job fairs for veterans; last year over 80 employers interviewed veterans at the job fair in Cincinnati.

Civil Service Commission

The Commission has 65 Interagency Boards of Civil Service Examiners and has at least one of these boards located in each State. The Interagency Boards operate Job Information Centers to advise and process applicants who are interested in Federal employment.

## APPENDIX III

### Small Business Administration

The Small Business Administration provides assistance to small businessmen and is particularly significant for retirees who contemplate forming businesses of their own. As part of its services, the Small Business Administration offers professional advice from volunteer consultants to retirees planning to open small businesses.

### Department of Labor Professional Career Information Center

Job placement assistance may be obtained at no charge by contacting the Department of Labor, Manpower Administration, Professional Career Information Center, Washington, D.C.

### State and local governments

Many job opportunities are available in State, county, and local governments. Normally there is a civil service system at each government level from which information can be obtained on job openings, requirements, and salary ranges.

## NONGOVERNMENT SOURCES

The Retired Officers Association provides its membership of about 133,000 retired commissioned officers with employment assistance ranging from resume preparation to resume referral. It is supported entirely by dues of its members.

The College Placement Council is a nonprofit organization that operates a free, nationwide, computerized Graduate Resume Accumulation and Distribution system for college alumni who have completed their military service. An interested candidate submits a special resume form to the council where it is microfilmed and filed for retrieval. The resume remains active in the computer file for 6 months, during which time it is sent to prospective employers for direct contact with the candidate. Since July 1966 about 20,000 retirees have used the system.

The Navy League offers counseling to retiring officer and enlisted personnel and will provide practice interviews



