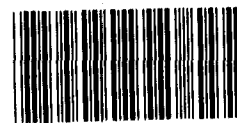


August 1991

DEFENSE FORCE
MANAGEMENT

The 1990 Reduction-
in-Force at the Mare
Island Naval Shipyard



144834

San Francisco Regional Office**301 Howard Street, Suite 120
San Francisco, CA 94105-2241**

B-245402

August 30, 1991

The Honorable Barbara Boxer
The Honorable Ronald V. Dellums
The Honorable Vic Fazio
House of Representatives

In December 1990, you asked us to evaluate the September 1990 reduction-in-force (RIF) at the Mare Island Naval Shipyard. Several employees and union officials had complained that the RIF had resulted in discrimination against women, veterans, and those with seniority. In April and June 1991, we briefed your offices on the results of our work. This report summarizes the issues included in those briefings.

In response to your request and subsequent discussions with your offices, we examined (1) the reasons for the RIF; (2) its impact on women and blacks, and shipyard actions to reduce that impact; (3) the appropriateness of using separate job categories for nuclear and ocean engineering work; and (4) the layoff rates for white-collar positions versus blue-collar positions.

Background

Mare Island is one of eight Navy shipyards that repair and overhaul Navy ships. In January 1990 Mare Island requested authority for a RIF, which the Secretary of the Navy approved in March 1990. In June Mare Island decided which positions should be eliminated and ranked competing employees in each "competitive level"—job categories that group together similar positions. Employees were ranked for retention during the RIF on the basis of their tenure, veterans' preference, and seniority (adjusted for performance ratings). Layoff notices were issued in August and were effective on September 28. Employees who were laid off had the right to appeal to the Merit Systems Protection Board (MSPB) or file a grievance under Mare Island's union-negotiated grievance procedures.

Results in Brief

Because of its decreasing work load, Mare Island obtained the Navy's permission to reduce its work force. About 900 employees retired or transferred from the time the RIF was requested through September 1990, when the RIF took effect. As a result of the RIF, 444 employees were laid off. Layoffs were based on Mare Island's selection of positions for elimination and application of RIF retention factors.

It appears that the RIF had a disproportionate impact on women and blacks. Women could not match the veterans' preference and seniority of male employees. In addition, the shipyard chose to eliminate a large percentage of its less-skilled blue-collar positions, a disproportionate number of which were occupied by blacks.

The shipyard did not recognize that the RIF would have a disproportionate impact until after layoff notices were issued, at which time the shipyard took steps to retain or rehire some minorities who had lost their jobs. The shipyard stated that it could not carry out a Department of Defense (DOD) required equal employment opportunity (EEO) impact analysis until the Navy issued implementing instructions. The instructions were issued about 1 month after the RIF and contained little guidance on how to interpret and use the analysis.

Because Mare Island used separate competitive levels for ocean engineering and nuclear positions, about 50 employees who could have competed for these positions were dismissed. The employees could not compete for these positions because Mare Island judged that they could not obtain, within a 90-day period, either (1) the access to classified information that was needed to perform ocean engineering work or (2) certification to perform nuclear work. We believe that Mare Island could have taken steps to increase the possibility that otherwise qualified employees could meet these special qualification requirements and thus compete for ocean engineering and nuclear positions.

Most employees laid off were blue-collar employees. However, the ratio of blue-collar workers to white-collar workers after the RIF was consistent with the ratio that existed in January 1990.

Mare Island's RIF: Its Impetus and Its Regulations

In January 1990, Mare Island requested authority to reduce its 9,185-employee work force because its work load was diminishing. For example, according to a Naval Sea Systems Command (NAVSEA) official, Mare Island had lost about 270,000 staff-days of work when the Navy decided to decommission instead of overhaul the U.S.S. Queenfish.

Between January and September 1990, about 900 employees retired or transferred from Mare Island. Information provided by the shipyard shows that Mare Island's work force had decreased to 8,294 competing employees on September 28, 1990, and that Mare Island laid off 444 employees.

In preparation for a RIF, regulations (5 C.F.R. 351.403) require the agency to establish competitive levels. Competitive levels must include jobs that are (1) in the same grade and classification series (occupation) and (2) similar enough in duties, qualification requirements, pay schedules, and working conditions that an employee in any position in the level can perform the critical elements of any other without a loss in productivity beyond that normally expected of any new, but fully qualified employee. To clarify this criterion, the Federal Personnel Manual Supplement 351-1 states that the work program probably would be unduly interrupted if an employee needed more than 90 days from the RIF's effective date to successfully perform the position's critical elements.

The law (5 U.S.C. 3501-3503) and the regulations (5 C.F.R. pt. 351) establish the following factors (given in order of priority) used to decide which employees will be retained: tenure, veterans' preference, and seniority (adjusted for performance ratings). Using these factors, the agency ranks each employee for each competitive level and records this ranking into what is called a retention register. The criteria for these factors are defined as follows:

- "Tenure": Career employees, generally employees with 3 or more years of service, are at the top of the register. They are followed by career conditional employees (newer employees expected to become career employees in due time). Last in this category are employees with temporary or indefinite appointments.
- "Veterans' preference": Within each tenure group, disabled veterans are listed first, followed by veterans. Non-veterans are ranked last.
- "Seniority and performance ratings": Within each veterans' preference subgroup, employees are listed by their length of service, which is adjusted for performance ratings. Employees receive no additional time for ratings below "fully successful," 12 years for "fully successful," 16 years for "exceeds fully successful," and 20 years for "outstanding." Adjustments for the three most recent annual ratings are averaged.

As the agency eliminates positions in a competitive level, incumbent employees are released from their positions, starting at the bottom of the retention register. Released employees may move to positions in other competitive levels if they are in a higher tenure group or veterans preference subgroup than the incumbents, are fully qualified, and can perform all critical elements of the positions without undue interruption of the work. Released employees also may move to positions in other

competitive levels if they are in the same tenure group or veterans' preference subgroup, have more seniority than the incumbents, and the positions are the same or essentially identical to previously held positions. Employees may not compete for jobs that are more than three grade levels below their positions at the time of the RIF.

EEO Impact Analysis Not Performed

On May 11, 1990, the Assistant Secretary of Defense, Force Management and Personnel, required the military services to perform an impact analysis before a RIF to assess and guard against any disproportionate impact on EEO groups. The services were asked to provide copies of implementing guidance within 30 days. However, the Navy did not issue instructions calling for the analysis until October 1990. When the instructions were issued, they did not contain substantive guidance on how to use the analysis during the RIF process to assess and guard against any disproportionate impact.

The Navy's Office of General Counsel informed us in a June 1991 letter that, after Mare Island issued layoff notices and it appeared that a disproportionate number of women were being affected,¹ various steps were taken to reduce that impact. The shipyard placed 15 employees (12 women and 3 blacks) whose positions had been eliminated, or who were displaced by other employees, in an apprenticeship program. In addition, Mare Island rehired 14 employees who were women, black, or both.

Reasons for Not Performing Impact Analysis

The shipyard stated that it could not implement the requirement for an impact analysis until the Secretary of the Navy issued instructions for this implementation, which were not issued until October 1990—the month following the RIF.² The October 1990 Secretary of the Navy Instruction 12351.5C restated the requirement for an analysis and required activities to estimate the number of adversely affected employees by EEO group when RIF authority is requested. However, it did not provide guidance on how to perform the analysis, how to interpret the results of the analysis, or what options were to be used to guard against a disproportionate impact on EEO groups. For example, where a RIF is being performed, activities need guidance on economic and mission

¹The Navy letter did not state whether Mare Island considered the impact on blacks to be disproportionate.

²Although Mare Island had no guidance on how to prepare an analysis, in early May 1990 the shipyard's EEO officer indicated a concern about the RIF's potential impact on minority males and females.

trade-offs to be made to offset disproportionate impacts on women and minorities.

In addition, Mare Island officials stated that the shipyard did not have sufficient time and staff to perform the analysis. A Navy official stated that (1) Mare Island had only 5-1/2 months to complete the RIF from the date it was approved, (2) the RIF was conducted manually and needed to be redone several times as additional employees left the work force, and (3) Mare Island used a 10-person team to conduct the RIF, which amounted to 22 percent of the Staffing Branch and 11 percent of the shipyard's personnel staff.

Statutory and Regulatory Ranking Factors Contributed to Greater Layoff Rate for Women

The layoff rate for women was 2.7 percentage points greater than the layoff rate for men, as shown in table 1.

Table 1: Women and Men Employed and Laid Off as of September 28, 1990

Women:	
Employed	1,43
Laid off	11
Layoff rate	7
Men:	
Employed	6,85
Laid off	33
Layoff rate	4
Layoff rate difference	2.7

Our analysis of Navy personnel information shows that female employees generally could not match the retention factors of male employees. Only 6 percent of the women (compared with 49.4 percent of the men) had the benefit of a veterans' preference. In addition, men had an average of 16.8 years of seniority, compared with women's 11 years.

The electrical shop illustrates the impact that veterans' preference and seniority had on layoffs. As of September 28, 1990, 131 journeyman electricians were assigned to positions in the shop. Mare Island laid off 29 of the 131 electricians. Although women made up only 7.6 percent (10 of 131) of the competitive level's work force, they made up 20.7 percent (6 of 29) of the employees laid off. The six released women

lacked veterans' preference and had insufficient seniority to retain their positions. One of the 6 women, for example, was credited with about 28 years of service: 9 years for seniority plus 19 years for two "out-standing" and one "exceeds fully successful" performance ratings. She needed an additional 6 years of seniority or a veterans' preference to avoid release from her position.

Positions Chosen for Elimination Led to Greater Layoff Rate for Blacks

The layoff rate for blacks was about 4.8 percentage points greater than the layoff rate for other employees, as shown in table 2.

Table 2: Blacks and Others Employed and Laid Off as of September 28, 1990

Blacks:	
Employed	770
Laid off	75
Layoff rate	9.7'
Others:	
Employed	7,524
Laid off	369
Layoff rate	4.9'
Layoff rate difference	4.8'

Except for the average performance rating adjustment (14.6 years for blacks and 15.6 years for others), the differences between retention factors for blacks and other employees were smaller than the differences between those for women and men. With respect to veterans' preference, for example, 39.4 percent of blacks (compared with 42.1 percent of other employees) had the benefit of veterans' preference. The average years of seniority of the two groups were virtually the same. Nevertheless, Mare Island's choice of which positions to eliminate led to a greater layoff rate for blacks.

A major factor in the greater layoff rate for blacks was Mare Island's decision to eliminate 23.5 percent (247 of 1,053) of its lower-graded blue-collar positions (wage grade levels 1 through 9), many of which were assistants to higher-graded positions. As of September 28, 1990, blacks occupied about 18 percent (190 of 1,053) of these positions, although they made up only 8 percent (580 of 7,241) of the balance of the shipyard's work force. At grade level 5, for example, Mare Island eliminated about 54 percent (114 of 211) of its positions, and about 47

percent (31 of 66) of the blacks who occupied these positions were laid off.

Mare Island officials stated that lower-graded positions were eliminated because changes in the amount and type of work had reduced the need for lower-graded work. Higher-graded positions were retained, they said, because employees in these positions (1) could perform the less-skilled work performed by employees in lower-graded positions, as well as the duties of their own positions and (2) would be more difficult to replace should the work load increase. In addition, a Navy official stated that Mare Island could no longer afford to provide skilled workers with unskilled workers to assist them.

Mare Island Took Some Actions to Mitigate the RIF's Impact on Women and Blacks

The difference in the layoff rates for women and blacks would have been greater, had Mare Island not accelerated the start of an apprenticeship program. Originally scheduled to start in April 1991, the program began in October 1990. Mare Island transferred 82 employees into it, including 31 employees (37.8 percent) who were women, black, or both. Retention registers show that the positions previously held by 12 of the 31 employees were eliminated, and that 3 of the 31 employees were displaced by other employees during the RIF.

In addition, Mare Island reduced the RIF's impact on women and blacks by rehiring some of the laid-off employees. Between October 1990 and March 1991, Mare Island rehired 26 employees who had been laid off, including 14 employees (53.8 percent) who were female, black, or both.

Competitive Levels for Ocean Engineering and Nuclear Work

About 50 employees in ocean engineering and nuclear levels were safeguarded from being displaced by employees, even though the employees had higher retention factors and similar job skills. To increase the possibility that employees could compete for ocean engineering and nuclear positions, Mare Island could have (1) provided employees with an opportunity to show that they could meet the security requirement for ocean engineering positions in fewer than 90 days and (2) discussed with other shipyards alternative methods for qualifying employees for less-complex nuclear work in fewer than 90 days.

Ocean Engineering Competitive Levels

The shipyard created the ocean engineering levels because some positions required employees to have access to classified information. Normally, access to classified information for the ocean engineering

program requires a special background investigation that can take over a year. According to a Mare Island official, however, in 1987 NAVSEA allowed employees to be given access on an interim basis, because the shipyard needed to quickly expand its ocean engineering work force for a project. Interim access was generally approved if (1) the employee already had a security clearance and had submitted the paperwork necessary for a special background investigation and (2) a Mare Island security review of the paperwork indicated that interim access could be requested. Authority for interim access was in place for the 1990 RIF but was withdrawn in May 1991 because the project was completed and the authority was no longer needed.

A January 1991 MSPB decision (which was not appealed) upheld Mare Island's establishment of separate ocean engineering competitive levels essentially because the extensive time required to obtain access to classified information would have caused undue interruption and loss of productivity. The decision relied in part on testimony by a Mare Island official who said that authorization for initial access would take 5 to 6 months with the most expeditious efforts.

Notwithstanding this testimony, information supplied by Mare Island showed that 17 of the 177 ocean engineering employees who had been granted interim access over a 2- to 3-year period had received it within 90 days. In addition, the information shows that, once paperwork was submitted, interim access was obtained in 90 days or less for 24.3 percent (43 of 177) of the employees. Our analysis shows that interim access could be obtained for many employees within the 90-day period, particularly if the need is urgent and they are provided advanced notice of the need to prepare their documentation.

Such notice could have been given under provisions of the Federal Personnel Manual Supplement, which states that an agency may ask employees to update qualifications statements before a RIF and may establish a formal deadline for receiving such information. At the time of the RIF, personnel officials review this paperwork to determine what other positions employees can compete for. On April 12, 1990, Mare Island did inform employees of the need to update experience information in their official personnel file before May 4, 1990. However, the notice did not address security access paperwork.

The applicable regulations do not specifically require agencies to provide employees with an opportunity to show that they could meet security access requirements. But if Mare Island had chosen to advise

employees of the need to prepare security access paperwork to qualify for ocean engineering positions, some might have been prepared to show that they could achieve interim access within 90 days.

Nuclear Competitive Levels

Although some of the positions in nuclear competitive levels clearly required extensive training and experience, others in the same levels had lower requirements. We were advised that the Portsmouth Naval Shipyard has been able to qualify employees for less-skilled nuclear positions within the 90-day period.

Nuclear work involves work on shipboard nuclear reactors and related equipment. Mare Island has performed such work since the 1950s; however, separate position descriptions were not developed for many nuclear positions until 1989. The shipyard initially established separate nuclear competitive levels in 6 of its 15 production shops. According to Mare Island official, employees occupying nuclear positions in these shops generally required more training. Separate competitive levels were established in a seventh production shop when the shipyard found that the shop would lose 18 of its 22 qualified nuclear workers during the RIF.

The May 1989 memorandum justifying separate competitive levels for nuclear positions stated:

“Nuclear work is mission essential. It requires specialized classroom and on-the-job training An employee lacking such training (as well as one to two years of actual nuclear experience), cannot successfully perform the critical elements of nuclear work.”

Mare Island requires certification of employees assigned to nuclear positions. The shipyard allowed employees to displace employees occupying nuclear positions only when they already had nuclear training and the shipyard judged that they could be certified or recertified within a 90-day period.

According to the shipyard, certification requires up to 1 year. For certification, employees must complete required training courses and demonstrate proficiency on the job. To acquire proficiency, new workers are assigned to work with experienced personnel. They are recommended for certification when the first-line supervisor considers them fully qualified, at which time they may be assigned to nuclear positions.

Training requirements for nuclear workers vary considerably—from about 55 to 455 hours depending on an employee's occupation and position, according to information provided by the shipyard. Machinists in one of Mare Island's machine shops, for example, are required to complete 94 hours of training if assigned to basic nuclear worker positions, but 358 hours of training if assigned to refueler positions.

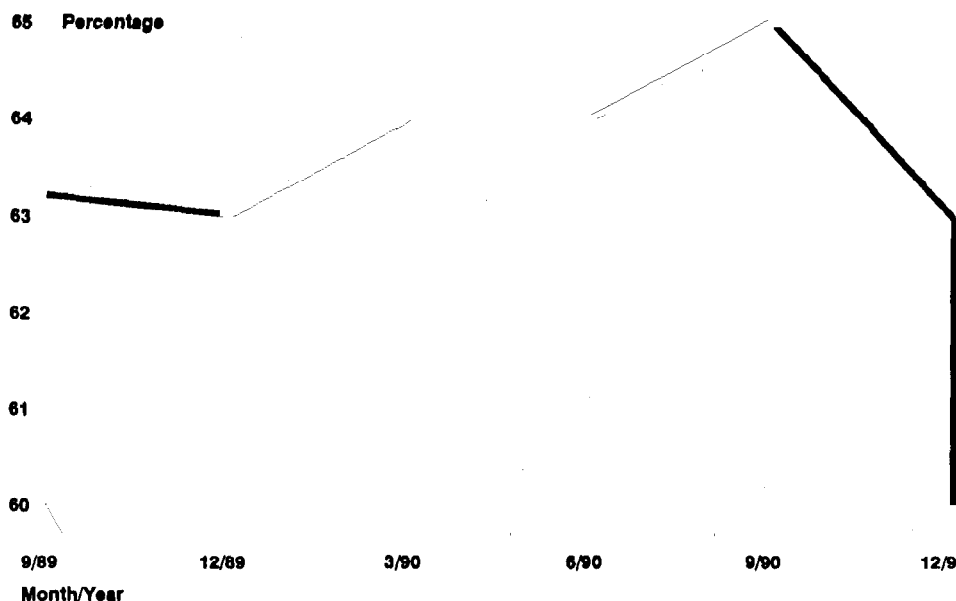
Although Mare Island stated that the certification process can take up to 1 year, we identified another shipyard that has found that the process could be completed within a 90-day period for some less-complex nuclear positions. A Portsmouth Naval Shipyard official, who was preparing for a RIF, expects the shipyard to have separate competitive levels for nuclear workers requiring extensive training for highly specialized work, such as refueling. He said that the shipyard did not currently plan to include basic nuclear positions in separate competitive levels, because its experience indicated that fully qualified journeymen could be trained and complete the on-the-job proficiency requirements for basic positions in fewer than 90 days. Alternative ways to certify workers for less-complex nuclear work within 90 days, may have been identified if Mare Island had contacted other shipyards, such as Portsmouth.

More Blue-Collar Employees Laid Off Than White-Collar Employees

As of September 28, 1990, blue-collar employees made up 64.7 percent (5,365 of 8,294) of the shipyard work force, and 93.7 percent (416 of 444) of the layoffs. A Mare Island official stated that the prevalence of blue-collar layoffs was due to the relatively small number of blue-collar workers who left during the year preceding the RIF. The larger percentage of white-collar workers who left reduced the need to layoff white-collar workers at the time of the RIF.

Figure 1, based on information obtained from Mare Island financial and operating statements, shows that blue-collar workers made up a generally increasing portion of the force during the year preceding the RIF (September 1989-90). It also shows that the blue-collar work force in December 1990, as a percentage of the total work force, had returned to the December 1989 level.

Figure 1: Blue-Collar Work Force as a Percentage of Total Work Force From September 1989 Through December 1990



Recommendations

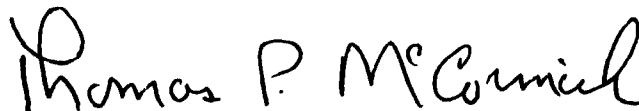
The RIF's apparent disproportionate effect on women and blacks might have been recognized and addressed earlier had the Navy issued timely instructions with substantive guidance on how to carry out an EEO impact analysis. Therefore, we recommend that the Secretary of the Navy develop and issue guidance to Navy activities on how to interpret and use the EEO impact analysis, submit such guidance to the Assistant Secretary of Defense for Force Management and Personnel as requested in his May 1990 memorandum, and monitor all activities experiencing RIFs to ensure timely and effective implementation of the guidance. We also recommend that the Secretary direct activities undergoing RIFs to maximize opportunities under the regulations for employees with higher retention factors to qualify and compete for jobs in separate competitive levels with unique requirements.

Our scope and methodology are discussed in appendix I. As you requested, we did not obtain official agency comments; however, we discussed the results of our work with DOD, Navy, and Mare Island officials and have incorporated their comments where appropriate.

As agreed with your offices, unless you publicly announce its contents earlier, we will make no further distribution of the report until 30 days from the date of this letter. At that time we will send copies to the Chairmen, Senate and House Committees on Appropriations and Armed Services; the Director, Office of Management and Budget; and the Secretaries of Defense and the Navy. We will also make copies of the report available to other interested parties upon request.

Please contact me at (415) 904-2000 if you or your staff have any questions concerning this report. Other major contributors to this report are listed in appendix II.

Sincerely yours,

A handwritten signature in black ink that reads "Thomas P. McCormick". The signature is written in a cursive style with a large initial "T" and "M".

Thomas P. McCormick
Regional Manager, San Francisco
Regional Office

Objectives, Scope, and Methodology

In December 1990, Representatives Barbara Boxer, Ronald V. Dellums, and Vic Fazio asked us to evaluate the September 1990 reduction in force (RIF) at the Mare Island Naval Shipyard. In response to the request and subsequent discussions with their offices, we examined (1) the reasons for the RIF; (2) its impact on women and blacks, and shipyard actions to reduce that impact; (3) the appropriateness of using separate job categories for nuclear and ocean engineering work; and (4) the layoff rates for white-collar positions versus blue-collar positions.

We conducted our review from February 1991 through July 1991. We interviewed officials and examined documents at the Mare Island Naval Shipyard located in Vallejo, California, and at the Office of Personnel Management, the Navy Civilian Personnel Management Office, and the Naval Sea Systems Command located in the Washington, D.C., area.

To determine layoff rates for female and black employees, we analyzed personnel information from the Navy Civilian Personnel Data System (NCPDS). To identify the reasons for greater layoff rates for female and black employees, we analyzed NCPDS information, Mare Island retention registers, and other documents generated during the RIF.

To examine issues related to competitive levels, we reviewed selected position descriptions, MSPB decisions, and grievances filed by employees; observed practices at production shops with union and Mare Island officials; and interviewed employees and former employees who alleged unfair treatment, union and Mare Island officials, an MSPB administrative law judge, and a personnel official at the Portsmouth Naval Shipyard. We selected Portsmouth because it was preparing for a RIF and the work performed there is similar to the work performed at Mare Island. To estimate the number of employees affected by multiple competitive levels, we analyzed a listing of employees by work schedule, classification series, grade level, tenure, veterans' preference, and seniority adjusted for performance ratings.

As agreed with the requesters' offices, we did not evaluate Mare Island's performance appraisal and competitive level assignment policies and procedures to determine whether they were discriminatory. The issue of discrimination against women is the subject of an ongoing EEO complaint. In addition, as agreed with the requesters, we did not validate the reliability of the NCPDS information because of the time that would have been required.

We conducted our work in accordance with generally accepted government auditing standards.

Major Contributors to This Report

**National Security and
International Affairs
Division, Washington,
D.C.**

Paul L. Jones, Director, Defense Force Management Issues
Foy D. Wicker, Assistant Director
Robert T. Bontempo, Assignment Manager
Mae F. Jones, Writer-Editor

**San Francisco
Regional Office**

John M. Schaefer, Evaluator-in-Charge
Samuel H. Scrutchins, Evaluator
Kathleen E. Seymour, Evaluator
M. Neil Lloyd, Evaluator
Jonathan Silverman, Reports Analyst

Ordering Information

The first five copies of each GAO report are free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20877**

Orders may also be placed by calling (202) 275-6241.

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

**Official Business
Penalty for Private Use \$300**

**First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100**
