

BY THE COMPTROLLER GENERAL



Report To The Congress OF THE UNITED STATES

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Part-Time And Other Federal Employment: Compensation And Personnel Management Reforms Needed

Workers employed less than full time now comprise almost 14 percent of the Federal work force, and this figure should increase substantially because of the Part-Time Career Employment Act of 1978.

These workers receive the same basic pay rate as full-time workers, but their eligibility for fringe benefits depends on their type of appointment, tour of duty, and expected length of service. This approach has resulted in inconsistent and inequitable benefits within the Federal work force--some employees receive too many benefits, some none, and others not enough.

Where administratively feasible, less than full-time Federal workers should be made eligible for a pro rata share of fringe benefits based on the number of hours they work. This would be more rational and equitable and would make fringe benefits commensurate with actual employment.

Fringe benefit costs, including unemployment compensation, should be fully recognized and charged to the employing Federal agencies.



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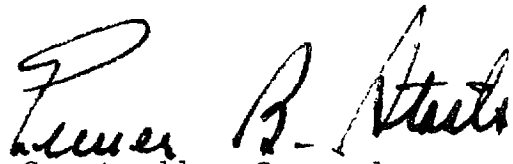
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To the President of the Senate and the
Speaker of the House of Representatives

This report recommends a new policy which would make less than full-time employees eligible for fringe benefits where administratively feasible and prorate their benefits, or the Government's share of the costs to finance them, on the basis of the amount of time they work. Since fringe benefits, like pay, are part of a job's compensation, such an approach would be more rational and more equitable. The existing method of determining employees' eligibility for fringe benefits and the amount of benefits provided, in conjunction with employing agency personnel actions, has resulted in many inconsistencies and inequities.

We also are recommending several other changes to help improve Federal personnel management and to fully recognize and properly allocate fringe benefit costs, including retirement and unemployment compensation.

We are sending copies of this report to selected committees of the Congress and to the Director, Office of Management and Budget; the Director, Office of Personnel Management; the Secretaries of the Treasury, Agriculture, the Interior, and Labor; the Postmaster General; and the Chairman, National Commission on Unemployment Compensation.


Comptroller General
of the United States

D I G E S T

Part-time, intermittent, seasonal, or temporary Federal workers generally receive the same basic pay rate as permanent, full-time workers, but their eligibility for fringe benefits depends on their type of appointment, tour of duty, and expected length of service. These factors are controlled largely by the employing agency. (See pp. 2, 9, and 10.)

This has resulted in inequitable and inconsistent fringe benefits among workers employed less than full time. Contributing factors also include the methods of determining the amount of benefits provided, employees' movement in and out of the work force and/or covered positions, and inconsistent employment designations and personnel actions by employing agencies. (See pp. 9 to 13 and 20.)

Inequities also exist between benefits of less than full-time workers and those of full-time Federal workers. (See pp. 13 to 16.)

Studies indicate that the private employers who extend benefits to part-time workers generally prorate the benefits on the basis of hours worked or earnings. (See pp. 16 to 20.)

At present, some less than full-time Federal employees receive too many benefits, some none, and others not enough. For example, part-time employees with career-type appointments generally are entitled to all fringe benefits, while employees with noncareer appointments and no prescribed tour of

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duty generally are entitled to none, regardless of how many hours they are employed in a year or how many years they are reemployed in that capacity. (See pp. 9 to 13.)

NEW FRINGE BENEFIT POLICY NEEDED

The Federal Employees Part-Time Career Employment Act of 1978 provides increased part-time job opportunities throughout the Federal Government. Also, the administration has taken certain other steps designed to expand part-time career employment. GAO lauds these developments. (See pp. 6 to 8.)

The Congress included in the act a provision to prorate the Government's contribution toward certain new part-time employees' health insurance benefits on the basis of the number of hours employees work.

GAO endorses that provision and believes it should be expanded to include other forms of less than full-time Federal employment and all fringe benefits. Less than full-time employees should be eligible for fringe benefits; employees' benefits, or the Government's share of the costs to finance them, should be prorated on the basis of the amount of time they work. This would be more rational and equitable and would make fringe benefits commensurate with actual employment. (See pp. 20 and 21.)

Congressional action is needed to establish a more consistent and equitable fringe benefit policy for this increasingly important segment of the Federal work force and to properly recognize and allocate Federal fringe benefit costs. GAO is recommending that the Office of Personnel Management (formerly the Civil Service Commission) and the Department of Labor develop legislative changes and propose them to the Congress. (See pp. 23 and 36.)

PERSONNEL MANAGEMENT CONSIDERATIONS

How Federal work is organized into jobs and how jobs are designed directly affect Government economy and efficiency. But as long as employees' eligibility for fringe benefits continues to be based on their type of appointment, tour of duty, and expected length of service, it is important that these factors be appropriate and consistent. (See p. 25.)

Administration ceilings on total employment and permanent, full-time employment limit employment flexibility and cause agencies to sometimes design jobs, not in terms of work to be done, but on the number of personnel ceiling spaces available. (See pp. 25 to 27.) The Part-Time Career Employment Act of 1978 changes the method of counting permanent part-time employees for personnel ceiling purposes. The administration is experimenting with a new program. (See pp. 7 and 8.)

The Office of Personnel Management needs to improve its employment guidance to Federal agencies. As long as the present method of determining employees' fringe benefits continues, the Office also needs to better monitor agencies' employment designations to help insure that the resulting fringe benefits are equitable, consistent, and cost effective. (See pp. 27 and 28.)

FRINGE BENEFIT COSTS SHOULD BE FULLY RECOGNIZED AND ALLOCATED

(A number of hidden fringe benefit costs associated with Federal employment, both full time and less than full time, are not recognized or charged to the employing agency.) Since agencies are not charged for these costs, there is less incentive for them to manage their workload properly. In fact, not charging agencies for such costs actually may help discourage good personnel management. (See pp. 29 to 33.)

These hidden fringe benefit costs represent a subsidy to the employing agency. For example, unemployment compensation benefits for former or furloughed Federal employees cost \$542 million in fiscal year 1978. Except for the U.S. Postal Service, Federal agencies were not charged for these costs. (See pp. 34 and 35.)

Recognizing all fringe benefit costs and charging them to the employing agency would not only enable the Congress and the public to better evaluate the cost effectiveness of Government programs but also encourage better personnel management.

Accordingly, GAO believes that each Federal agency should be charged the full costs of its (1) employees' health insurance, life insurance, and civil service retirement benefits, less employee contributions, and (2) former or furloughed employees' unemployment compensation benefits. (See pp. 29 to 31 and 35.)

RECOMMENDATIONS

The Director, Office of Personnel Management, should:

- Propose to the Congress legislation to
 - (1) provide prorated fringe benefits to less than full-time Federal employees where administratively feasible and
 - (2) charge each Federal agency the full costs of its employees' health insurance, life insurance, and civil service retirement benefits, less employee contributions. (See pp. 23 and 32.)

- Reexamine the types of appointments, tours of duty, and projected lengths of service Federal agencies use and issue regulations clarifying when certain designations should be used. (See p. 29.)

- Reevaluate the practices of continuing full health and life insurance coverage

of employees in a nonwork status for up to 1 year and granting full-time retirement credit for less than full-time Federal service without corresponding employer and employee contributions. (See p. 32.)

As long as the present method of determining employees' eligibility for fringe benefits continues, the Director, Office of Personnel Management, also should improve the Office's monitoring of Federal agencies' personnel actions affecting less than full-time employees' eligibility for fringe benefits. (See p. 29.)

GAO recommends that the Secretary of Labor study and report to the Congress by June 30, 1980, the feasibility and costs of requiring Federal agencies to budget and pay for Federal employees' unemployment compensation benefits. As part of its ongoing evaluation expected to be completed by June 30, 1980, the National Commission on Unemployment Compensation also could study the feasibility of such a policy. (See p. 36.)

AGENCY COMMENTS

The Office of Management and Budget; Office of Personnel Management; and Departments of the Treasury, the Interior, Agriculture, and Labor agreed that the existing fringe benefit approach needs to be reevaluated. (See pp. 23 and 24.)

The Office of Personnel Management agreed that it should (1) review and recommend changes in present fringe benefit policies for less than full-time employment, (2) provide agencies with better guidance in relating less than full-time employment categories to fringe benefit coverage, and (3) better monitor agency employment actions for less than full-time employment. As part of its reevaluation, the Office agreed to consider prorating less than full-time employees' benefits, wherever it is administratively feasible. (See pp. 50 and 51.)

The Office of Personnel Management agreed also to explore alternative procedures for crediting and financing prior Federal service for which full employee-employer retirement contributions were not made, but it did not agree to reevaluate the practice of continuing for up to 1 year free health and life insurance coverage of employees in a nonwork status. Also, the Office took no position on GAO's recommendation to charge each Federal agency the full costs of its employees' retirement, life insurance, and health insurance coverage, less employee contributions. (See p. 32.)

The Office of Management and Budget agreed that there is considerable merit in charging Federal agencies for the unemployment compensation benefits their former employees receive, but recommended that no legislative action be initiated until the matter is thoroughly analyzed and until the final report of the National Commission on Unemployment Compensation is available. (See p. 36.)

The Department of Labor questioned the cost effectiveness of requiring Federal agencies to pay for any unemployment compensation payments made to former or furloughed employees but agreed to make an indepth study of the advantages/disadvantages and costs of adopting such a chargeback system. (See p. 36.)

GAO believes that the advantages of more cost visibility and accountability outweigh cited disadvantages. (See pp. 36 and 37.)

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ABBREVIATIONS

AMA	American Management Association
CSC	Civil Service Commission
ERISA	Employee Retirement Income Security Act of 1974
GAO	General Accounting Office
IRS	Internal Revenue Service
OMB	Office of Management and Budget
OPM	Office of Personnel Management

CHAPTER 1

INTRODUCTION

Part-time, intermittent, and temporary employees are a substantial and growing part of the total Federal work force. There were about 396,000 such employees on the Federal payroll in April 1978 (almost 14 percent of the work force):

Full time in temporary positions	142,547
Part time	184,665
Intermittent	<u>69,240</u>
Total	<u>a/396,452</u>

a/See app. I for details.

Most of the above workers are employed on a full-time or part-time basis throughout the year, but some of them work only when needed (e.g., intermittent employees). Others are employed on a seasonal basis to perform work which lasts less than a year but is recurring. For example, the Internal Revenue Service (IRS), Forest Service, and Postal Service employ thousands of seasonal-type workers during their peak workloads.

Certain aspects of less than full-time Federal employment, such as its uses, advantages and disadvantages, and constraints on the increased use of such employees, have been examined. 1/ But the compensation of such employees has largely been ignored. Recent compensation studies by us, the former Civil Service Commission (CSC), 2/ the President's Panel on Federal Compensation, and others have generally dealt only with the pay and fringe benefits of permanent, full-time Federal employees. Rising personnel costs and executive and congressional interest in expanding part-time job opportunities prompted our review of how less than full-time Federal employees are compensated.

1/See prior GAO reports entitled "Part-Time Employment In Federal Agencies" (FPCD-75-156, Jan. 2, 1976) and "Personnel Ceilings--A Barrier to Effective Manpower Management" (FPCD-76-88, June 2, 1977).

2/Under Reorganization Plan No. 2, the fringe benefit function of the Civil Service Commission was transferred in January 1979 to the Office of Personnel Management (OPM).

Since they generally receive the same rate of basic pay as full-time Federal employees, we concentrated on their eligibility for the major fringe benefits--annual and sick leave, holidays, health and life insurance, and civil service retirement--which account for about 90 percent of benefit costs. This is our first report dealing exclusively with this subject.

EMPLOYMENT CATEGORIES

Federal employees can be hired under one of many different appointments, such as career-conditional, temporary, and excepted-indefinite. Appointments can be permanent or temporary. Permanent appointments, such as career-conditional, are appropriate for positions with no time limit, while temporary appointments are for positions established for 1 year or less.

Linked to each appointment is a tour of duty or work schedule, such as "full-time," "part-time," and "intermittent." Full-time employees normally work 40 hours a week. Part-time employment is regularly recurring, prescheduled work which is less than 40 hours. Intermittent employees work on an irregular basis with no prearranged duty schedule. In addition to these basic categories, some agencies employ substantial numbers of seasonal employees to perform a variety of full-time work which is generally prescheduled and recurring but which lasts less than a year.

The Postal Service is not bound by OPM's appointment regulations. It has its own less than full-time employment categories, such as "part-time flexibles," "part-time regulars," and "casuals." The flexibles do not have a prescheduled tour of duty; the regulars do. Casuals are used periodically to augment or substitute for the regular work force.

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USE OF LESS THAN FULL-TIME EMPLOYEES

Part-time, intermittent, seasonal, and temporary employees now hold a variety of white-collar, blue-collar, and postal jobs. Although often used in clerical positions, they also occupy various professional and semiprofessional jobs. Generally, however, they are not supervisors or managers.

Temporary, intermittent, and seasonal workers are employed to (1) augment the regular work force during peak

periods, (2) replace employees on leave, and (3) assist with special projects. Also, evidence suggests that such employees help agencies accomplish their missions without exceeding yearend personnel ceilings on total executive branch employment and full-time Federal workers. (See pp. 26 and 27.)

Permanent, part-time workers usually fill positions not requiring full-time employees. According to recent OPM statistics, most permanent, part-time employees work as general clerical and administrative types, clerk-stenographers, reporters, clerk-typists, medical officers, nurses, contract representatives, and food service workers.

ELIGIBILITY FOR BENEFITS

Fringe benefits for Federal employees were designed for the permanent, full-time worker and are specified by law. The law generally allows OPM to exclude less than full-time employees (except postal employees) from certain benefit coverage. As a result, eligibility for these benefits depends on the type of appointment, tour of duty, and expected length of service. Unlike civil service employees, postal employees' pay and benefits, by law, are generally subject to collective bargaining. (See p. 11.)

The major fringe benefits for Federal civil service employees are summarized below.

Leave and holidays

Annual leave is based on length of creditable Federal service (civilian and military)--13 days a year for less than 3 years' service, 20 days for 3 to 15 years' service, and 26 days for 15 or more years' service. Sick leave, regardless of length of service, is 13 days annually. There are nine legal public holidays established by law.

✓ The Annual and Sick Leave Act of 1951, as amended, 5 U.S.C. § 6301 et. seq. covers Federal employees who have a regular prescheduled tour of duty. Employees with an intermittent tour of duty, irrespective of appointment type, are not entitled to annual or sick leave. Regularly scheduled part-time employees earn annual and sick leave on a pro rata basis--1 hour annual leave for every 20, 13, or 10 hours worked, depending on length of service, and 1 hour sick leave for every 20 hours worked, regardless of service time. To be paid for a Federal holiday, an employee must have a prearranged tour of duty, be in a pay status, and be normally scheduled to work that day.

Health and life insurance

Federal employees may select from a variety of group health insurance plans. Under a sharing formula the Government pays about 60 percent of the insurance premiums. Employees may also elect to be covered by group life insurance equal to their annual rate of pay (rounded to the next highest \$1,000, plus \$2,000), with a minimum coverage of \$10,000 and a maximum coverage of \$60,000. The Government pays one-third of the premium. Employees may purchase additional coverage of \$10,000 with no Government contribution. Life insurance may be retained after retirement, but coverage is reduced after age 65. Retirees receive the regular insurance at no cost, but they pay for the optional coverage until age 65.

The laws establishing the Federal life and health insurance programs (Public Law 83-598, 68 Stat. 736, and Public Law 86-382, 73 Stat. 708) authorize OPM to exclude certain types of employees from coverage. The legislative history of the 1954 life insurance law indicates that these exclusions are to be made when coverage is administratively impractical. OPM has accordingly excluded several types of employees, including those (1) serving under appointments limited to 1 year or less, (2) whose employment is of uncertain or purely temporary duration, (3) expected to work less than 6 months in each year, and (4) working as intermittents.

Retirement 1/

Most permanent employees are covered by the civil service retirement system. Retirement benefits are financed from (1) employee contributions of 7 percent of basic pay, (2) matching agency contributions of 7 percent of basic pay, (3) payments by the Treasury for interest on the system's unfunded liability and for the cost of allowing credit for military service, (4) appropriations to finance increases in the system's unfunded liability resulting from new or liberalized benefits, extension of coverage to new groups of employees, or increases in pay on which benefits are computed, and (5) interest earned on retirement fund assets invested in U.S. securities.

1/These are the general provisions applicable to most employees under the system. Certain groups of employees receive better benefits, and they and their employing agencies make slightly higher contributions than those described in this report.

Retirement annuities are based on employees' highest average annual pay for any 3 consecutive years and on length of service. Employees retiring at age 55 after at least 30 years' service, age 60 after at least 20 years' service, or age 62 after at least 5 years' service are eligible for an immediate annuity. Retiring employees may also insure annuities to their survivors by electing, at the time of retirement, to accept a reduced annuity.

Employees have vested rights in the retirement program after completing 5 years' creditable service. Those who terminate their Federal service after 5 years but before eligibility for an immediate annuity are eligible for a deferred annuity beginning at age 62. An immediate disability annuity is available to employees at any age who have completed 5 years' service. Survivors of Federal employees who die after completing at least 18 months service are entitled to annuities.

Section 8347 of title 5, United States Code, authorizes OPM to exclude temporary and intermittent employees from coverage. Therefore, OPM regulations exclude various employees whose appointments are limited. About 232,000 employees not eligible for the retirement program are covered by social security.

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In addition to the widely recognized fringe benefits, former, furloughed, and some active Federal employees may, depending upon State law, be eligible for unemployment or "underemployment" benefits (if they earn less than a specified amount). The Department of Labor reimburses the States for benefits paid to former or furloughed Federal employees--\$542 million in fiscal year 1978. Data is not available on how much of that amount went to less than full-time employees, but they do collect these benefits. (See ch. 5.)

CHAPTER 2

THE PART-TIME EMPLOYMENT OPTION

Several factors are responsible for the growing interest in part-time employment:

- It is viewed as one type of alternative work schedule, along with flexitime, job-sharing, and the compressed workweek.
- Its job-sharing aspect has a positive effect on unemployment and underemployment.
- It is viewed as one method of improving employee productivity in repetitive and high-stress jobs.
- It is becoming more attractive to working parents, retirees, and to those whose attitudes are changing toward work and the quality of working life in society.
- It is promoted by advocacy groups for elderly citizens, the handicapped, and women's organizations.

The advantages of part-time employment include (1) greater flexibility in shifting personnel to meet fluctuating workloads, (2) expanded service hours to the public, (3) lower personnel costs because overtime for full-time employees can be reduced, (4) a mechanism for meeting affirmative action goals, (5) retention of experienced employees who cannot or do not wish to remain full-time, (6) higher productivity because of reduced tardiness, absenteeism, break periods, errand-running, and fatigue, (7) a greater ability to recruit more mature and reliable employees whose specialized skills may be unavailable for full-time positions, and (8) a significant recruitment tool, when fringe benefits are provided, to attract individuals who are in considerable demand, such as doctors, nurses, accountants, engineers, lawyers, and computer specialists and operators.

But part-time work also has its disadvantages, including (1) increased administrative costs for training, supervision, and paperwork requirements, (2) the possibility of needing additional office equipment and space, (3) lack of employee commitment and loyalty to the agency's goals, (4) inappropriateness for many types of administrative, supervisory, and executive positions as well as for positions which involve team efforts, travel, or considerable coordination with other organizational units, and (5) increased costs when fringe benefits are provided.

Fringe benefits for part-time employees have traditionally been justified primarily on the basis of fairness because many believe that working a reduced workweek should not involve economic penalties. Benefits for new part-time employees are usually justified primarily as a recruiting edge in the labor market and as a retention device.

PART-TIME EMPLOYMENT OPPORTUNITIES
ARE BEING IMPROVED

The Federal Employees Part-Time Career Employment Act of 1978 (Public Law 95-437, approved October 10, 1978) was enacted to increase part-time employment opportunities throughout the Federal Government. It requires each Federal agency to (1) develop its own procedures and criteria for designating certain new or vacated positions as part time, (2) establish part-time hiring goals and timetables, and (3) periodically report its progress to OPM. The act also relaxes the traditional Office of Management and Budget (OMB) personnel ceilings which have inhibited employment of such workers. (See pp. 40 to 44.) Beginning October 1, 1980, it will require that permanent, part-time employees, working 16 to 32 hours per week, be counted on the basis of the numbers of hours worked instead of the number of people on the payroll. To compensate for the proportionately higher fringe benefit costs associated with increased part-time employment, the act prorates the Government's contribution toward new part-time employees health insurance benefits.

The Congress mandated part-time jobs for several reasons--the primary one being to fulfill the needs of those individuals with productive potential who cannot meet the requirements of a standard workweek. The Congress recognized that permanent part-time employment

- allows older individuals to make a gradual transition into retirement;
- provides employment opportunities to handicapped individuals or others who require a reduced workweek;
- allows parents to balance family responsibilities with the need for additional income;
- benefits students who must finance their own education or vocational training;
- benefits the Government, as an employer, by increasing productivity and job satisfaction while lowering turnover rates and absenteeism, offering management

more flexibility in meeting work requirements, and filling shortages in various occupations; and

--benefits society by offering an alternative for those who require or prefer shorter hours (despite the reduced income), thus increasing jobs available and reducing unemployment while retaining the skills of individuals who have training and experience.

Before the act was passed, the administration began a self-initiated, 1-year experiment in five agencies--Veterans Administration, General Services Administration, Environmental Protection Agency, Export-Import Bank, and Federal Trade Commission--to expand part-time job opportunities for persons with family responsibilities, students, and others who cannot or do not want to work a 40-hour week.

To facilitate the increased use of part-time workers in test agencies, the Government is experimenting with a different method for computing personnel ceilings. The experiment, which began October 1, 1978, is designed to (1) break down artificial barriers that may have inhibited the employment of permanent, part-time workers and (2) test a new employment approach that appears to have advantages for personnel managers. (See app. III.)

Under the experiment, agencies' total employment is being controlled in terms of the number of hours worked. Essentially, it gives the test agencies a "bank account" of a total number of hours for the fiscal year to "spend" as they see fit. The expectation is that there will be a zero balance at the end of the year. This differs substantially from the present system, which only counts the number of employees on agency rolls at the end of the fiscal year.

CHAPTER 3

A MORE RATIONAL AND EQUITABLE FRINGE BENEFIT

APPROACH IS NEEDED

We endorse the ongoing programs to increase less than full-time employment within the Federal civil service. However, employing agencies need more guidance in extending fringe benefits to this growing category of Federal employees.

While there may be some underlying compensation patterns, there is no consistent, coordinated policy to guide the extension of fringe benefits to Federal workers who are employed less than full time. Instead, their eligibility for fringe benefits that were designed for full-time employees is based on various laws; OPM regulations; and the type of appointment, tour of duty, and expected length of service assigned by their employing agency. This approach, coupled with existing procedures and practices for computing the amount of benefits provided, has resulted in inconsistencies and inequities within the Federal work force.

INCONSISTENCIES AND INEQUITIES AMONG BENEFITS OF LESS THAN FULL-TIME FEDERAL EMPLOYEES

Some less than full-time employees are entitled to all six major fringe benefits--annual and sick leave, paid holidays, health and life insurance, and civil service retirement. Others who may be doing similar work and working the same number of hours are entitled to none, although they are generally covered by social security. The reasons for these differences stem from the various laws, OPM interpretations of those laws, and agency personnel actions.

Unless excluded by law or regulation issued pursuant to law, employees are eligible for each major benefit. As discussed in chapter 1, the leave laws exclude intermittent employees with no established tour of duty and provide prorated leave to part-time employees on the basis of the number of hours worked. The health insurance, life insurance, and retirement laws authorize OPM to exclude certain other categories of workers whose employment is temporary or of uncertain duration.

The two basic types of Federal appointments are (1) "career" or permanent, and (2) "noncareer" or temporary. OPM's fringe benefit regulations are based on the assumption that benefits are necessary to attract and retain a career work force. Under these regulations, life and health insurance and retirement benefits generally are supposed to be extended only to those employees who hold career appointments. Employees with noncareer appointments receive only social security coverage, but those with a prescribed tour of duty also receive annual leave and sick leave benefits and may be eligible for pay for holidays.

Basing fringe benefit eligibility primarily on the type of appointment and tour of duty assigned by the employing agency results in internal inequities and inconsistencies, some of which are below.

Seasonal employees receive full range of benefits

Seasonal employees are used extensively by several agencies, including IRS, the Forest Service, National Park Service, and Passport Office. OPM's regulations do not specifically address benefits for seasonal workers. Like other workers, however, their benefits are dictated by their type of appointment, tour of duty, and expected length of service. Most are employed under career or career-conditional appointments and generally have prescribed tours of duty. Some are employed for virtually the whole year, but others are frequently placed in a nonwork, nonpay status for varying portions of the year as a condition of employment.

Seasonal workers are covered by civil service retirement and, if expected to work 6 months, qualify for health and life insurance. They retain their insurance even if the projected 6 months of work does not materialize. While in a nonpay status, they also retain their insurance at no cost to themselves or to their employing agency for up to 1 year. Seasonal employees assigned to a prescribed work schedule are also entitled to leave and paid holidays. Many also qualify for unemployment compensation.

Although there is a legitimate need for seasonal employees in many Federal agencies, the practice of extending them full health and life insurance and civil service retirement coverage is, in our opinion, inconsistent with the intent of authorizing legislation. Although the law authorizes OPM to exclude them, as well as other types of short-term employees from these fringe benefits, OPM does not.

Noncareer employees receive few benefits

On the other hand, temporary, intermittent, and seasonal employees not expected to work at least 6 months in the year--all of whom may be doing the same kinds of work--receive few, if any, benefits. Although noncareer appointments last only 1 year, temporary employees may be reemployed in the same job year after year without benefit coverage. Although they could not provide specific data, OPM officials told us thousands of workers may be employed under a succession of temporary appointments for periods exceeding a year. But such employees are not eligible for health and life insurance or civil service retirement, regardless of how many years they may be so employed.

Many, including OPM, believe that fringe benefits such as insurance and civil service retirement should be reserved for career employees. However, we believe that it is inequitable to extend benefits to seasonal employees who have career appointments and deny benefits to temporary workers who are reemployed under noncareer appointments year after year. Such differences raise serious questions about the present fringe benefit policy based on the type of appointment and tour of duty. Also, it may be that this inequitable situation is not only a compensation problem but an appointments problem as well. (See pp. 27 and 28.)

Postal Service compensation practices are more liberal

Postal employees' compensation differs from that of the regular Federal work force. Federal white-collar and blue-collar employees' pay is based on the principle of comparability with private sector pay for the same kind of work and is reassessed and adjusted annually. Except for workers compensation (ch. 81, title 5, United States Code) and retirement (ch. 83, title 5, United States Code), postal employees' pay and benefits are set by collective bargaining between employee representatives and management. However, the fringe benefits now provided to postal employees are basically the same as those of other Federal employees. Eligible postal employees are, for example, enrolled in the same health and life insurance programs and are covered by civil service retirement. As a result of collective bargaining agreements, however, the Postal Service pays a higher share of its employees' health insurance premiums and also pays their entire regular life insurance premium.

Like other similarly employed Federal workers, part-time postal employees with an established tour of duty within the administrative workweek ("regulars") are eligible for all six major fringe benefits. But unlike their Federal counterparts, part-time postal employees without a regular tour of duty are eligible for annual and sick leave and pay for holidays.

Part-time postal employees who work intermittently ("flexibles") earn annual and sick leave prorated on the number of hours worked. They are compensated for holidays at a higher hourly rate of basic pay. Instead of being based on the standard 2,080 annual hours applicable for regular postal employees, flexibles' hourly rate of pay is based on 2,008 hours (2,080 hours, less the 72 hours in holidays). They are also entitled to health and life insurance and civil service retirement.

Conversely, temporary postal employees who periodically work on a full-time basis ("casuals"), particularly during the Christmas rush, are covered by social security but none of the major fringe benefits.

OPM's regulations extend full credit (from date of appointment to date of separation) for civil service retirement to part-time employees with a prearranged tour of duty who are expected to work at least 6 months annually; but the regulations generally extend credit to seasonal employees only for the time actually worked. Certain "substitute" postal workers employed intermittently are, by law, treated like permanent, part-time employees. That is, they earn a full year's retirement credit for a calendar year of service. Until recently, their retirement annuities were calculated as if they were employed full time.

At the time of our review, the then CSC computed flexible employees' retirement benefits on the basis of their annualized average pay (the job's full-time salary), not actual average pay. That, coupled with the full-time service credit, meant that those retired employees' starting annuities could greatly exceed their actual preretirement earnings. For example, assuming that a retiring employee's high 3-years' average pay was about \$3,100, based on a constant hourly pay rate of \$6 during that period and a weekly average of 10 hours' work, the annualized average salary used to compute annuity would have been about \$12,000, instead of \$3,100. Assuming 30 years' service, that individual's starting annual annuity would be about \$6,750--more than twice as much as the preretirement average salary.

This situation has reportedly been corrected. OPM now computes flexible employees' average pay for retirement purposes on the basis of actual earnings. This change, however, is not retroactive; retirees whose annuities were computed on their annualized average pay will continue to receive the higher annuity.

INEQUITIES BETWEEN BENEFITS OF FULL-TIME AND LESS THAN FULL-TIME FEDERAL EMPLOYEES

Inequities also exist between full-time and less than full-time Federal employees with respect to creditable service for pay, leave, and retirement and for health and life insurance. These inequities need to be examined and considered in formulating a more rational and more equitable fringe benefit policy for less than full-time employees.

Fringe benefits are part of the compensation package provided to permanent, full-time Federal employees. Considering the costs involved, the policy of extending certain benefits, in full, to less than full-time employees is questionable. The benefits received by less than full-time employees should be commensurate with the extent of their Federal service and proportionate to the benefits paid to full-time personnel. In some cases, less than full-time employees, such as career seasonals and part-timers, now receive the same fringe benefits or more than their full-time counterparts, even though they may work substantially less. The practice of basing benefits primarily on a calendar year of service rather than time actually worked should be reexamined from the standpoints of equity and cost.

Retirement credit

To qualify for optional retirement, Federal employees, by law, must complete 1 year of creditable service within their last 2 years immediately before separation. This provision was intended to prevent former employees from returning to Federal service for a short period solely to qualify for an annuity. Technically, however, it can prevent less than full-time employees who earn retirement credit only for time actually worked (i.e., intermittents) from qualifying for an annuity. There are, however, ways around this restriction. (For example, seasonal employees who are nearing retirement can be permitted to work long enough to earn the necessary retirement credit.) OPM considers this restriction a problem and is considering ways to correct it.

As discussed earlier, part-time employees are credited with a full year's service regardless of the number of hours actually worked. This creates inequities when employees who work most of their careers on a part-time basis are converted to full-time status a few years before retirement. The annuity for such individuals would be disproportionately high since it would almost always be based on the last 3 years of service during which the employee was paid at the full-time rate; however, agency/employee contributions to the retirement fund for such persons during their entire career are less than for their full-time counterparts. OPM retirement officials told us that this practice is a potentially serious problem, although data relating to its extent and impact was not available.

The 94th Congress considered legislation that, if enacted, would have required part-time workers employed 16 to 30 hours a week to work 173 hours (about 1 month of full-time work) to receive 1 month's retirement credit. The then CSC and others opposed this bill because it (1) meant that some part-time employees would receive annuities of more than 50 percent below those payable under current practices and (2) would not have applied equally to all part-time employees. Those working less than 16 hours or more than 30 hours a week would have continued to receive full retirement credit.

Federal employees whose appointments do not confer civil service retirement eligibility can be converted to appointments which do confer eligibility. For example, the Postal Service in 1973 began converting about 13,000 employees serving under temporary and indefinite appointments in third-class post offices to part-time flexibles, thereby making them eligible for the civil service retirement program. Such employees received retroactive creditable service for civil service retirement, even though the previous service also counts toward social security.

Employees granted retroactive retirement credit are required to (1) make the retirement fund contributions that ordinarily would have been payable during that period, plus interest, or (2) accept an annuity reduced by 10 percent of the contributions and interest owed. Although data on the number of employees receiving such creditable service was not available, OPM officials told us that most employees accept the reduced annuity.

Conversely, employees with appointments conferring civil service retirement, as well as health and life insurance coverage, who, without a break in service longer than

3 days are transferred to or reemployed in one of the categories not conferring eligibility, are permitted to retain and continue their coverage. They and their employing agency are, of course, required to pay the necessary insurance premiums and retirement fund contributions. Some would argue that denying continued coverage to such employees would be inequitable. We can appreciate this argument.

But since fringe benefits are part of employees' total compensation, simple equity would demand that all employees be eligible for coverage and receive a pro rata share of benefits based on the amount of time they are employed.

Insurance protection

Except for the Government's share of certain new part-time employees' health insurance premiums, employees' health and life insurance coverage or premiums are not prorated. Consequently, less than full-time Federal employees electing coverage pay the same premium rate while they are employed and enjoy the same measure of insurance protection as full-time employees; although they work fewer hours, the Government's share of the costs of their insurance is the same as that of full-time employees.

Employees' health and life insurance premiums are paid by payroll deduction. Employing agencies' related premiums--33-1/3 percent of the group life premium and about 60 percent of the group health premium--are tied to employees' premiums. Consequently, when Federal employees are on furlough or in a nonwork status and do not receive a pay check, they retain their full health and life insurance coverage at no cost for up to 1 year, and there are no corresponding employing agency payments. While it may not be practical to curtail such employees' coverage, the premiums of other participating employees and agencies must be higher to subsidize this practice. Less than full-time employees, such as seasonals, are more apt than full-time employees to be in a nonwork, nonpay status. (See p. 31.)

The amount of regular group life insurance available to Federal employees varies according to their annual salary. But because the law's minimum coverage is \$10,000, some less than full-time employees' coverage may exceed the amount they would receive by applying the regular formula.

As discussed in chapter 2, the Part-Time Career Employment Act of 1978 prorates the Government's contribution

for new part-time employees' health insurance on the basis of the number of hours worked, with employees paying a correspondingly greater proportion of the premium. The Government's share of other less than full-time employees' health and life insurance premiums should also be prorated on the basis of the amount of time they are employed. Also, the practice of continuing full health and life insurance protection at no cost for up to 1 year needs to be reevaluated. (See p. 31.)

COMPENSATION PRACTICES OF NON-FEDERAL EMPLOYERS SHOULD BE CONSIDERED

There is no available data on the comparability of less than full-time Federal and non-Federal employees' total compensation. But some data is available on private sector employees' eligibility for major fringe benefits.

Private sector practices

As discussed earlier, permanent, part-time Federal employees and many other less than full-time employees who also have career-type appointments are automatically entitled to fringe benefits. In the private sector, however, fringe benefits for part-time employment, primarily because they are proportionately so expensive, are a controversial issue. Fringe benefits can--but need not and seldom do--cost more for part-time than for full-time employees. Benefits for part-timers would be more costly if all benefits were paid in full, but, in practice, private employers apparently withhold some fringe benefits or prorate them so that their cost is not excessive.

We reviewed private employers' compensation practices as reported by the American Management Association (AMA), American Society for Personnel Administration (in cooperation with the Bureau of National Affairs), Bureau of Labor Statistics, and the Conference Board. ^{1/} Our review indicated that many private employers who have insurance and pension programs for their full-time employees prorate those benefits to workers who are employed on a part-time or seasonal basis. These studies, conducted between 1972 and 1977, discuss fringe benefit eligibility but generally do not describe the specific nature or level of benefits or indicate whether private sector employees contribute part of their pay to finance them.

^{1/}An independent, nonprofit business research corporation.

For the most part, private employers who do extend fringe benefits to part-time workers prorate the benefits on the basis of hours worked or earnings. Some employers, however, provide full benefits to employees who work at least 50 percent as much as permanent, full-time workers.

The most recent available study--a 1978 survey report published by AMA 1/--discussed the following findings with respect to private sector practices.

- Vacation leave is by far the fringe benefit most frequently offered to part-time employees; 80 percent of all organizations made it available to their part-time employees in 1977, almost always on a pro rata basis.
- Sick leave for part-time employees is also usually prorated to time worked, but only 55 percent of all organizations made it available to their part-time workers. (Since a few organizations did not allow sick leave for full-time employees either, only 40 percent of the organizations actually discriminated against part-time workers.)
- Life and health insurance plans were offered to part-time workers by just over one-half of the organizations employing them (almost all full-time employees received these benefits). The life insurance benefit was prorated about one-third of the time. In the remainder of the cases, life and health insurance benefits were the same for part-time and full-time workers.
- Pension benefits were offered to part-time employees by 59 percent of their employers (93 percent of the organizations offered pensions to full-time employees). Part-time employees' pension benefits were prorated in more than two-thirds of the cases.

The AMA survey report also disclosed that 57 percent of the employers' fringe benefit costs for part-timers were lower than for full-timers because they did not extend all benefits to part-time workers. Part-timers' fringe benefit costs were proportionately higher than full-timers for 19 percent of the employers, primarily because some

1/"Alternative Work Schedules, Part 2 and 3, An AMA Survey Report," Stanley D. Nollen and Virginia H. Martin.

fringe benefits such as health insurance, social security, and unemployment are proportionately more expensive for part-time workers.

Among all fringe benefits, the one that prompts the most comment from employers and is the most difficult to reconcile with part-time employment is retirement. That may stem from the different methods used by the Federal and private sector in determining retirement eligibility for employees.

Although some, including OPM, said that there is little difference between the Government's concept of retirement eligibility for its employees and for private employees covered by the Employee Retirement Income Security Act (ERISA) of 1974 (Public Law 93-406), we disagree. In some cases there can be fundamental differences. As discussed earlier, Federal employees' retirement eligibility is governed primarily by appointment type and tour of duty without regard to hours actually worked--generally only employees with career-type appointments are eligible. Employees with temporary appointments, even if they are employed for virtually the whole year, are automatically excluded. But, under ERISA, private sector employees who work at least 1,000 hours annually (about half the year) are generally required to be covered by their employer's pension plan.

Seasonal employees' eligibility for fringe benefits in the Federal and private sector may also differ. Unlike career seasonals in the Federal service, most seasonal employees in the private sector apparently do not receive fringe benefits. The Conference Board, for example, reported that very few private employers extend fringe benefits to seasonal employees. Specifics are shown in the following table.

<u>Type of benefit</u>	<u>Number of employers</u>	<u>Employers covering seasonals</u>	
		<u>Number</u>	<u>Percent</u>
Paid holidays	121	40	33.1
Paid vacations	121	8	6.6
Paid sick leave	110	4	3.6
Health insurance	123	13	10.6
Life insurance	121	10	8.3
Pension plan	109	13	11.9

a/The Conference Board study does not define the term "seasonal" or indicate whether the same employees are hired year after year.

State/local government practices vary

Several States and cities have begun programs to create more government part-time positions, especially for professionals. Other States either are studying the issue or are conducting special demonstration projects. Maryland and Massachusetts have passed legislation requiring the expansion of part-time job opportunities. Their part-time employment efforts have existed for several years and are of particular interest because fringe benefits are provided to part-time employees.

In Massachusetts, a part-time employee is defined as one who works at least 50 percent of the regular hours that a full-time employee works a year. Intermittent employees (those working less than 50 percent of the full-time workweek) are excluded from all fringe benefits. Major provisions for part-time employees follow:

- Sick leave, annual leave, and paid personal leave are granted on a prorated basis at the same proportion the part-time service bears to full-time service. A year of part-time service is a year of calendar service, so the amount of annual leave is increased at the same rate as full-time employees after working the same number of calendar years.
- Part-time employees scheduled to work on a State holiday will receive time off with pay for the number of hours scheduled to work.
- Part-time employees are eligible for retirement benefits on a prorated basis provided they meet the same requirements for creditable service as full-time employees (creditable service being calculated on actual time worked, not on a calendar-year basis).
- Part-time employees who work at least 20 hours a week are eligible for health and life insurance coverage at the same cost as for full-time employees.

In Maryland, permanent, part-time employment is defined as a work schedule of at least 2 days a week for at least 50 percent, but not more than 75 percent, of a full-time work schedule. Maryland's new law grants part-time employees a pro rata share of the benefits that are available to full-time employees. Before the law, employees working between 50 and 75 percent of their agency's workweek received 50 percent of the fringe benefits. Employees

working less than 50 percent received no benefits. Now, all part-time employees earn leave in direct proportion to the amount of time worked. Other regulations provide

--holiday pay if the part-time employee is scheduled to work on that day,

--health and life insurance coverage equal to that offered to full-time employees, and

--retirement service credit based on a calendar year, not total time worked.

CONCLUSIONS

Although there may be some underlying patterns, there is no definitive policy guiding the extension of full-time fringe benefits to Federal workers who are employed less than full time. Primarily because of (1) inconsistencies in employment categories and (2) employees' movement in and out of covered positions, the present practice of basing fringe benefit eligibility on the type of appointment, tour of duty, and expected length of service is questionable. Some employees receive too many benefits, some none, and others not enough.

Fringe benefits now provided to less than full-time employees with career status undoubtedly aid in recruiting and retaining employees. But that is not the issue here. The issue is, or should be, whether the fringe benefits granted are rational; cost effective; consistent with those provided by other employers; and fair to the employees involved, other similarly employed Federal workers, permanent full-time Federal employees, and to the taxpaying public who pays the largest proportion of the costs.

Fringe benefits, like pay, are part of the compensation for performing Federal jobs, and the Government may be moving toward a legislated policy of total pay and fringe benefits comparability with the private sector. Full-time Federal jobs are classified at certain levels which have specified salaries or hourly rates of pay. Less than full-time workers, regardless of their employment category, receive pay commensurate with the amount of time they are employed.

We believe that, when administratively feasible, all Federal employees should be eligible for fringe benefits.

These benefits, or the Government's share of the contributions to finance them, should be prorated on the basis of the number of hours or days employees actually work. Such an approach would

- be more rational and equitable to all and would make the resulting benefits commensurate with actual employment,
- enhance the new part-time employment program by providing adequate financial incentives for part-time and other forms of less than full-time Federal employment, and
- recognize that fringe benefits are part of a job's compensation and would be consistent with prevailing non-Federal practices and the proposed policy of total compensation comparability.

To some extent, all benefits, except health insurance, are now prorated. But problems occur (and the proration frequently ceases) when employees' appointment or duty status changes during their career or when they move in and out of positions conferring fringe benefits eligibility. The Congress has recognized the proportionately higher fringe benefit costs associated with expanded part-time employment by requiring that the Government's contribution for new, permanent, part-time employees' health insurance be prorated.

Although we did not ascertain the costs of making less than full-time Federal employees eligible for a pro rata share of the various fringe benefits, we do not believe that the costs would be substantially greater than they are now. A new policy of prorated fringe benefits, in conjunction with the improvements in work force management and benefit costing discussed in chapter 4, should (1) offset the added costs of expanded benefit coverage and (2) provide a sound framework for a more rational, equitable, and cost-effective compensation program.

Before prorating fringe benefits, several changes would have to be made in the law and in established administrative procedures, but such changes should not serve as a barrier in formulating a new benefits policy. Here are our suggestions:

- Sick leave is already prorated for employees who have a prescribed tour of duty. This approach could be expanded to prorate sick leave to other employees

on the basis of the number of hours actually worked. Each employee could receive 1 hour of sick leave credit for each 20 hours worked.

- Annual leave is also now prorated for employees who have a prescribed tour of duty. They receive 1 hour of annual leave credit for each 20 hours, 13 hours, or 10 hours of work, depending on their length of Federal service. This could also be extended to employees who do not have a prescribed tour of duty by basing the accrual on hours actually worked.
- Pay for holidays is now provided to employees with a prescribed tour of duty who are normally scheduled to work on that day. That approach is totally reasonable and should not be changed.
- Health insurance is now provided in full, at no added cost, to employees with career status. The prorated method in the 1978 act for new part-time employees could be extended to most, if not all, Federal workers employed less than full time.
- Life insurance is not prorated per se, but the minimum coverage is \$10,000. Considering the formula for determining the amount of coverage (salary rounded to next highest \$1,000, plus \$2,000), the Government's contribution for employees earning \$7,000 or less annually is proportionately higher than for other employees. Under the prorated method the \$10,000 minimum could be prorated downward, or the Government's contribution for those employees could be prorated as follows:
$$\frac{\text{salary (if less than \$7,000)} \times 1/3}{\$7,000}$$
- Civil service retirement, the fringe benefit that has the most serious long-term cost consequences, is based on years of service and the average salary for the 3 consecutive highest paid years. It's now prorated, provided less than full-time employees do not convert to full-time status before retirement. But employees' civil service retirement benefits could be made more commensurate with their preretirement earnings and actual service. For example, 1 month's creditable service for retirement could be calculated for each 173 hours of service

1/This one-third is the Government's standard contribution rate.

(as discussed on p. 14) and the average salary could be expressed as the annualized salary of the position. Another option would be to calculate retirement benefits, separately, for full-time service and less than full-time service and net them to get the actual starting benefit. Also, less than full-time employees should probably have the option of participating in either social security or civil service retirement.

RECOMMENDATION TO THE DIRECTOR, OPM

The Director, OPM, should formulate and propose to the Congress legislation to make less than full-time Federal workers eligible for various fringe benefits, where administratively feasible, and prorate their benefits, or the Government's contribution to finance them, on the basis of the time they work. The Director may wish to consider the proration methods suggested on pages 21 to 23.

AGENCY COMMENTS

OMB agreed that the policy for extending fringe benefits to less than full-time Federal employees needs to be reviewed. OMB said it will review the need for legislation after OPM studies the issues presented in this report.

OPM agreed that the present fringe benefit approach has caused inequities and inconsistencies. It will review the fringe benefits policy for less than full-time employment and make recommendations to the Congress. As part of its review, OPM agreed to consider our recommendation to prorate fringe benefits, when administratively feasible, on the basis of earnings or time worked. Until it can solve administrative problems of prorating the Government's share of the costs of new part-time employees' health insurance benefits (as required by the Part-Time Career Employment Act of 1978), OPM does not believe that the new cost-sharing requirement should be extended to other fringe benefits or to other forms of less than full-time Federal employment.

Agencies who depend on authorizing legislation and on OPM's regulations in extending full-time fringe benefits to part-time, seasonal, and intermittent employees said better, more definitive policies are needed.

--The Department of the Treasury said that clear-cut regulations are very much needed to insure equitable treatment of part-time employees Government-wide and to make certain that the part-time policy is

mutually advantageous to the Government as well as to employees. Treasury said regulations are also needed because most believe the program has suffered from fringe benefits that may not have been "earned."

- The Department of the Interior agreed that a policy is needed to guide employing agencies in extending various fringe benefits to less than full-time employees. Interior said that all career-type employees should be eligible for fringe benefits but agrees that less than full-time employees should not receive greater benefits than those who work full time.
- The Department of Agriculture agreed that a more rational, equitable fringe benefit policy is needed.
- The Department of Labor agreed that a policy covering fringe benefits for less than full-time employees is long overdue. Labor said that such a policy should serve as an incentive, not as a disincentive, for individuals to seek less than full-time Federal employment.
- The Postal Service did not comment on the need for a better fringe benefit approach because its pay and fringe benefits are subject to collective bargaining.

CHAPTER 4

ADDITIONAL CONSIDERATIONS:

BETTER WORK FORCE MANAGEMENT AND FULL

BENEFIT COSTING ARE NEEDED

To help ensure that the fringe benefits extended to less than full-time Federal employees serve management and employee needs and are consistent, equitable, and cost effective, personnel management and cost allocation should be improved. Regardless of how fringe benefits are extended, the manner in which the Federal workload is organized into jobs and the way jobs are structured affect the economy and efficiency of Government operations.

As discussed in chapter 3, we believe that a new policy of making less than full-time Federal employees eligible for various fringe benefits and prorating their benefits, or the Government's share of the costs, offers several advantages. But as long as employees' fringe benefit eligibility continues to be based solely on their type of appointment, tour of duty, and expected length of service--factors controlled largely by the employing agency--it is important that these factors be appropriate and consistent.

Proper personnel management is one of the keys to achieving and maintaining the established objectives of comparability of pay with the private sector and equal pay for equal work. Since we and others endorse the concept of total compensation comparability with the non-Federal sector, the principle of equal pay for equal work should also be expanded to include fringe benefits. That is, workers similarly employed should be eligible for similar fringe benefits.

To some extent, the employment practices and resulting fringe benefit inconsistencies discussed in chapter 3 stem from, and are exacerbated by, OMB's established personnel ceilings. That, coupled with other ineffective management controls and the failure to properly recognize and allocate certain personnel costs, undermines the integrity of Federal appointment and compensation systems.

TYPES OF APPOINTMENTS AND TOURS OF DUTY SHOULD BE MORE UNIFORM

Employing agencies largely control the factors determining employees' eligibility for fringe benefits. The type

of appointment, tour of duty, and expected length of service assigned by the employing agency are supposed to be based on the nature of the job. In practice, however, employing agencies have a great deal of discretion to structure jobs as they see fit, thereby (either intentionally or unintentionally) influencing fringe benefit eligibility. In fairness to employing agencies, they are constrained by personnel ceilings. OMB's ceilings on total employment and permanent, full-time employment limit agencies' employment flexibility and sometimes cause agencies to structure jobs not around the work to be done, but on the number of ceiling spaces available.

Personnel ceilings adversely affect
employment and fringe benefits eligibility

OMB's imposed ceilings on both total employment and the size of the full-time work force within each executive branch agency apply only to the last day of each fiscal year. We and others have criticized the ceilings as an inefficient management control and a barrier to increased part-time employment. 1/

Some of the ways agencies use less than full-time employees to discharge their responsibilities and yet remain within ceiling limitations follow:

- Part-time employees are assigned to work 39 hours a week, or 25 pay periods full time, and the last pay period of the fiscal year part time.
- Seasonal and intermittent employees are furloughed at the end of the fiscal year.
- Temporary employees are dismissed at the end of the fiscal year and rehired at the beginning of the new fiscal year.

The effects of such employment practices include (1) misuse of hiring authorities, (2) distortion of Federal manpower statistics, and (3) higher administrative cost associated with moving employees in and out of work status.

1/See GAO reports "Part-Time Employee in Federal Agencies" (FPCD-75-156, Jan. 2, 1976) and "Personnel Ceilings--A Barrier to Effective Manpower Management" (FPCD-76-88, June 2, 1977).

Such practices can also result in the extended employment of temporary workers who are not eligible for certain fringe benefits, despite their length of service. Conversely, some workers employed on a seasonal basis are entitled to these fringe benefits.

We continue to believe that the personnel ceilings should be eliminated or relaxed to allow agencies greater flexibility in using whatever types of employees are needed to most efficiently accomplish agency functions. Eliminating or relaxing the ceilings also affords an opportunity to achieve more consistent and equitable fringe benefits by eliminating the necessity to use certain appointment and tour designations just to remain within the imposed manpower ceilings. Without the overriding personnel ceilings, agencies would be permitted to manage their workload in accordance with OPM's guidance and regulations by structuring jobs around the work to be accomplished.

Improved guidance on agencies' employment practices is needed

OPM's authority over employment categories is limited. By law, the head of each Federal agency is authorized to determine the nature and exact types of positions required to accomplish its business. Subject to OPM's regulations, most Federal agencies hire individuals under one of the various types of appointments. The employing agency also assigns employees a tour of duty and estimates whether they will be employed at least 6 months during the year. As discussed earlier, these factors are critical from a fringe benefit standpoint. For example, employees scheduled to work on an intermittent basis are generally not eligible for fringe benefits, but part-time employees are.

OPM evaluates agencies' employment programs periodically. These evaluations are aimed at the agency's total employment program and the relationship of resource utilization, compliance with public policy, etc., to overall efficiency and mission accomplishment. According to OPM officials, limited resources do not permit them to evaluate agency employment programs solely from the standpoint of fringe benefits.

Because of agencies' personnel ceilings and perhaps because of OPM's limited authority and resources, OPM has not been effective in assuring that Federal agencies are making the most appropriate and cost-effective appointments. For example, OPM's regulations suggest, but do not require, that temporary limited appointments be used for

seasonal-type work. Various agencies employ seasonal-type workers under career conditional appointments (generally conferring fringe benefit eligibility). Although the type of appointment should be determined by the nature of the job, agencies can (and some do) use career-type appointments for seasonal work, while others use temporary appointments. The employing agency makes that decision.

Many Federal workers, maybe thousands according to OPM, are employed year after year under temporary appointments. They are not eligible for health and life insurance or civil service retirement. OPM is now studying the feasibility of providing fringe benefits to temporary employees who serve longer than 1 year under a succession of temporary appointments.

The long-term employment of these workers without health and life insurance protection or civil service retirement credit is an appointments problem as well as a compensation problem. If agencies employed such workers properly, they would probably be eligible for these benefits.

OPM has attempted to eliminate agency abuses of the temporary appointment. For example, it emphasized to its regional offices in May 1974, and again in April 1976, the need to insure that agencies do not fill continuing positions with people hired under temporary appointments.

OPM has not issued instructions on projecting annual lengths of service, nor has it evaluated agencies' projections or tour-of-duty assignments. To assist agencies in meeting their employment responsibilities, OPM has, however, prepared audit guidelines for internal agency auditors.

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In view of the appointment and work schedule inconsistencies and the long-term employment of temporary and seasonal workers, employing agencies apparently need better guidance to assure appropriate use of employment designations and equitable, consistent, and cost-effective fringe benefits.

Relaxing the personnel ceilings and relying more on the budget to control the nature and size of the work force will require better manpower management by Federal agencies and effective OPM monitoring of agencies' appointments and work schedules.

RECOMMENDATIONS TO THE
DIRECTOR, OPM

The Director, OPM, should reexamine the types of appointments, tours of duty, and projected lengths of service of employing agencies and issue regulations clarifying the use of these designations.

As long as less than full-time Federal employees' eligibility for fringe benefits continues to depend on their type of appointment, tour of duty, and expected length of service, the Director should improve OPM's monitoring of agencies' personnel actions to help assure that fringe benefits are equitable, consistent, and cost effective.

AGENCY COMMENTS ON
EMPLOYMENT CATEGORIES

OPM fully agreed that it should (1) provide agencies with better guidance in relating employment categories to fringe benefit coverage and (2) better monitor agency employment actions for less than full-time employees.

The Departments of the Treasury, the Interior, Agriculture, and Labor generally agreed that they need better guidance on the various employment categories and their resultant fringe benefits. The Department of Labor said that eliminating or relaxing personnel ceilings would enhance personnel management and, at the same time, result in more consistent fringe benefits. The Postal Service, which uses man-hours (budget) rather than rigid personnel ceilings to carry out its mission, agreed that budgetary controls, in lieu of ceilings, would enable Federal agencies to better manage their workload.

FRINGE BENEFIT COSTS SHOULD BE
FULLY RECOGNIZED AND CHARGED
TO EMPLOYING AGENCIES

A number of hidden benefit costs associated with Federal employment are not recognized or charged to the employing agency. This is true of all types of Federal employment but more prevalent with less than full-time employment. Since employing agencies are not charged for such costs, they lack incentive to properly manage their work force. In fact, not charging agencies for these costs may actually discourage good personnel management. These hidden benefit costs represent an unintended subsidy to the employing agency.

Retirement

The benefits accruing under Federal retirement systems represent a large and growing long-term financial commitment of the U.S. Government. Full recognition of these growing liabilities is essential not only in determining and allocating the costs of Government operations but in evaluating the cost effectiveness of agencies' operations.

Because benefit costs attributable to future general pay increases and annuity cost-of-living adjustments are not fully recognized or funded, the costs of agencies' operations are understated. For example, we estimate that unrecognized and unallocated costs of the civil service retirement system amounted to about \$5.9 billion in fiscal year 1978. The amount is expected to increase to \$6.1 billion in 1979 and to \$6.5 billion in 1980.

We have previously recommended that the Congress enact legislation requiring all Federal retirement systems to be funded on a dynamic normal cost basis 1/ and that the difference between dynamic normal cost and employee contributions be charged to agency operations. 2/

As discussed in chapter 3, less than full-time employees receive retroactive civil service retirement credit for prior noncovered service. Employees not eligible for civil service retirement who subsequently become eligible are required to make retirement fund contributions that ordinarily would have been payable during that period, plus interest, or accept a reduced annuity. But employing agencies, except the Postal Service, are not required to make retirement contributions normally payable for that service. Also, agencies can convert less than full-time employees to full-time status a few years before retirement and neither the agency nor the employee is required to pay their fair share of the benefit costs attributable to the prior years' service.

1/An estimate of the amount of funds, considering expected future general pay raises for active employees and annuity cost-of-living adjustments for retirees, which if accumulated annually and invested over covered employees' careers will be enough to pay their future benefits.

2/"Federal Retirement Systems: Unrecognized Costs, Inadequate Funding, Inconsistent Benefits" (FPCD-77-48, Aug. 3, 1977), and "Need for Overall Policy and Coordinated Management of Federal Retirement Systems" (FPCD-78-49, Dec. 29, 1978).

Unlike all other employing agencies, the Postal Service, by law (5 U.S.C. 8348(h)(1)) is required to reimburse the civil service retirement fund for that portion of any increase in the system's unfunded liability attributable to (1) postal employee-management collective bargaining agreements or (2) administrative actions that increase postal employees' pay upon which retirement benefits are based. As discussed on page 14, many postal employees have received retroactive retirement credit. Since the conversion of those employees stemmed from a labor-management agreement, the Postal Service is required to reimburse the civil service retirement fund for the increases in the unfunded liability attributed to the conversion.

Group health and life insurance

As discussed in chapter 3, Federal employees in a nonpay status can retain their health and life insurance coverage for up to 1 year at no cost to them or their employing agency. OPM's chief actuary estimates that, at any given time, about 1.5 percent of the employees enrolled in group health and life (for the most part less than full-time, permanent employees) are in a nonpay status and are not paying for their continuing coverage. About 2.3 million Federal employees are enrolled in the health benefits program. Based on OPM's 1.5 percent estimate, almost 35,000 of the employees are in a nonpay status at any given time.

To offset the cost of continuing coverage for employees in a nonpay status, the basic health and life insurance premiums for all participating employees and agencies have been set about 1.5 percent higher. As long as employees in a nonpay status continue to receive insurance coverage, the employing agency, not other participants, should be required to pay the necessary premiums.

- - - -

All costs of compensating Federal employees should be recognized and charged to employing agencies. Such costs should be considered in formulating an overall fringe benefit policy and in employing less than full-time, as well as full-time, employees. This would not only enable the Congress and the public to better evaluate the cost effectiveness of Government activities but would also encourage better personnel management.

RECOMMENDATIONS TO THE DIRECTOR, OPM

The Director, OPM, should propose to the Congress legislation to charge each Federal agency the full costs of its employees' participation in group health and life insurance and civil service retirement programs, less any employee contributions toward those benefits.

The Director should also reevaluate the practices of continuing full health and life insurance coverage of employees in a nonpay status for up to 1 year and granting full-time retirement credit to employees for less than full-time Federal service without corresponding employee and agency contributions.

These recommendations should enable Federal employees' fringe benefits to be fully recognized and properly allocated and should encourage employing agencies to improve their personnel management.

AGENCY COMMENTS ON COST ACCOUNTABILITY AND GAO's EVALUATION

OPM took no position on our recommendation to charge Federal agencies the full costs of their employees retirement, health insurance, and life insurance benefits, less employee contributions. As the trustee of the retirement and insurance funds, OPM said its principal concern is that funds are available to pay these benefits.

Although OPM had reservations about requiring either employees or employing agencies to make retirement contributions to cover periods of less than full-time or other Federal service for which deductions or contributions were not made, it agreed to explore alternatives for crediting and financing such service for retirement purposes.

OPM did not agree to reevaluate the practice of continuing health and life insurance coverage of employees in a nonpay status for up to 1 year without employee or corresponding agency contributions. It said that such a benefit is designed to protect the employee who becomes ill or disabled and exhausts his/her accrued sick leave and annual leave. Also, OPM said that it is administratively simpler to include the costs of all such leave of absence without pay coverage in the overall premium rate and to spread those costs across all program participants and their employing agencies.

As OPM admits, the premiums for its group insurance programs are high for younger and healthier employees, and many of them purchase more insurance for less in the private sector. Therefore, we do not believe that costs of such health and life insurance coverage should be included in the premium structure on which employee contributions are based. Also, many of the employees receiving free insurance coverage are not ill or disabled, but rather are employees who do not have or want continuous, full-time employment.

Operating agencies generally agreed that fringe benefit costs should be fully recognized and charged to employing agencies. Some agencies expressed reservations about how the costing would be effected and emphasized that they should be permitted to study and comment on any proposed reforms. The Postal Service, which is now required to pay for most of its employees' benefit costs, said that charging other agencies for those costs will require them to institute more cost control procedures. The Postal Service and other agencies suggested that employees' fringe benefits coverage be reduced in certain instances instead of charging agencies with the cost of full coverage.

We realize that charging individual agencies the costs of providing fringe benefits to their employees would not, by itself, alter the amount of funds available to pay the benefits. However, it should help make agencies and others more aware of total employment costs and result in positive efforts to hold down unnecessary Federal expenditures.

CHAPTER 5

UNEMPLOYMENT COMPENSATION PAYMENTS:

ANOTHER HIDDEN COST

Unemployment compensation benefits paid to former or furloughed Federal employees, full time or less than full time, represent another hidden personnel cost which is not reflected in agencies' budgets or recognized as a cost of Federal employment. With the exception of the Postal Service, Federal agencies are not charged for these costs which represent another subsidy to the employing agency.

The Department of Labor administers the unemployment compensation program for Federal employees (Ch. 85, title 5, United States Code) through agreements with States which ~~act as agents in taking claims from and paying benefits to~~ unemployed former Federal workers. The States are required to determine a former Federal employee's eligibility to receive benefits under the same provisions of the State's law which apply to claimants who worked in the private sector. Under the program an unemployed worker files a claim with the State. After verifying employment and wage data with the former employing agency, the State determines the employee's eligibility and the amount of benefits.

State benefits vary widely. For example, the maximum weekly benefit amount payable to an unemployed individual in July 1977 was \$63 in Texas and \$148 in Washington, D.C. Some employees may also qualify for "underemployment" benefits if they are working less than full time and earning less than an amount specified by the State.

Funds to pay benefits to former employees and servicemen are appropriated by the Congress to the Secretary of Labor who allocates the funds to the States according to their expected needs. Benefit payments have been substantial in recent years, totaling \$807.5 million in fiscal year 1977 and \$542 million in fiscal year 1978. The Postal Service, the only agency which pays unemployment compensation costs, does so by reimbursing the Department of Labor for payments made to former postal employees. Of the total Federal benefits paid during fiscal years 1977-78 about \$52 million and \$35 million, respectively, was charged to the Postal Service.

Except for the Postal Service, data was not available showing unemployment compensation costs attributable to individual agencies. Further, data was not available showing

what proportion of benefits was paid to less than full-time employees, but Labor officials believe that it is probably substantial.

The agencies we visited (aside from the Postal Service) were not able to provide data on how many former employees were receiving benefits, or the costs involved. Some information is available, however, indicating that less than full-time employees do claim and receive benefits. For example, an official of the New York State Department of Labor told us that a review of more than 1,100 seasonal employees at the Internal Revenue Service Center in Holtsville, New York, showed that about 600 of them had filed for benefits.

We believe that unemployment compensation payments to less than full-time employees represent a substantial portion of the total. The Postal Service recently reviewed various States' payments to postal employees and found that almost three-fourths of the recipients and two-thirds of the costs were for less than full-time employees. The Postal Service also found that 18 percent of the recipients were active postal employees.

The Postal Service is the only Federal agency which (1) reviews State notices of unemployment claims filed and (2) initiates appeals where appropriate. An official of the Postal Service's compensation division told us that it filed 4,157 appeals with the States in calendar year 1978 and won about 70 percent of them. Using statistics reported by the Department of Labor, the official estimated that these appeals saved the Postal Service about \$3.8 million. The official also said that the Postal Service contested 13,415 initial benefit eligibility determinations and won 56 percent of the cases, saving \$9.9 million.

The Postal Service's reported savings of \$13.7 million in benefit payments are particularly noteworthy in view of the reported administrative costs of only \$230,000.

Unlike private employers who, based on their employment experience, pay a tax on employee earnings to help finance unemployment benefits, Federal agencies, other than the Postal Service, do not contribute at all to the program. We believe they should be required to budget and pay for these benefits.

RECOMMENDATION TO THE SECRETARY OF LABOR

The Secretary of Labor should study and report to the Congress by June 30, 1980, the feasibility and costs of implementing a new policy requiring that each Federal agency budget and pay for any unemployment compensation payments made to its former, furloughed, or active employees.

AGENCY COMMENTS AND GAO's EVALUATION

OMB agreed that there is considerable merit in charging Federal agencies for their former employees' unemployment compensation benefits. OMB suggested that legislative action not be initiated until the matter is thoroughly analyzed and the National Commission on Unemployment Compensation reports its findings and recommendations to the Congress (now expected by June 30, 1980). As part of its ongoing evaluation required by Public Law 94-566, the Commission could also study the feasibility of such a policy.

The Department of Labor agreed that an indepth study should be made of the advantages/disadvantages and costs of adopting such a policy. It agreed that improved "policing" of the program by Federal agencies could reduce unemployment compensation payments. However, it questioned whether the savings would be enough to justify the added administrative costs (at the Federal and State level) which it estimated as \$41 million annually.

We question Labor's method of developing this estimate. It multiplied the estimated annual administrative costs now being incurred by the Postal Service (\$230,000) by 140 (the number of major Federal agencies, commissions, etc.), which would be \$32 million annually. To that it added \$9 million annually for estimated State employment security agency costs associated with the chargeback systems, and \$1 million in nonrecurring training and implementation costs.

We agree that additional administrative costs would be involved and that the Postal Service's estimate of \$230,000 annually is probably reasonable. But we do not believe it is at all reasonable to assume, as Labor has, that each Federal agency would incur similar administrative costs. The Postal Service is the second largest Federal employer and, by far, the largest employer of less than full-time workers who are more apt to become eligible for unemployment benefits.

Labor's estimate seems so unreasonably high that it cannot be considered of any value to policymakers in studying this issue. In this regard, Labor told OMB in October

1978 that such costs would range from only \$12 million to \$15 million annually, depending on whether Federal agencies reimbursed Labor for such payments or whether they reimbursed the States directly.

Labor's October 1978 response to OMB also cited (1) the positive benefits private employers have experienced in monitoring and contesting unemployment compensation claims made by their former employees and (2) the success the Postal Service has had in appealing claims filed by former postal workers. For example, Labor reported that appeal decisions favored private employers in about 33 percent of the calendar year 1977 cases. The Postal Service appealed more than 1,500 claims in the first 6 months of 1978 and won almost 70 percent of them. As noted on page 35, a Postal Service official estimated that its appeals resulted in savings of \$13.7 million in 1978.

An official of Labor's Unemployment Insurance Service told us that Labor knew little about what the administrative costs would be and that the variance between the two estimates shows the need for a more indepth study to identify the administrative costs.

Operating agencies, except the Postal Service, generally also expressed reservations about charging the employing agency for any unemployment benefits paid to its former employees. For example, the Department of the Treasury said that such a change would impose unreasonable costs and paperwork on both Federal and State agencies and should be assessed more carefully. The Department of the Interior said that such a change could undermine the new part-time employment program. However, the Postal Service, which pays for its former employees' unemployment compensation benefits, said that such a chargeback provision would require Federal agencies to become more cost conscious.

We believe, and OMB agrees, that Federal agencies should be required to pay their fair share of the costs of the Federal employees' unemployment compensation program. Although we realize that some added administrative costs would be involved in adopting a chargeback system, such a system should pay for itself through better administration and better personnel management and through prevention of fraud and abuse in the unemployment compensation program.

CHAPTER 6

SCOPE OF REVIEW

Our review included an examination of compensation laws, regulations, proposed legislation, the Federal Personnel Manual, and studies and statistics of OPM and the Bureau of Labor Statistics. We interviewed headquarters officials of several OPM offices and representatives of its New York region.

We reviewed data and discussed part-time, intermittent, temporary, and seasonal employees' compensation with officials of the following agencies:

- Department of Agriculture (Forest Service).
- Department of Health, Education, and Welfare.
- Department of the Interior (National Park Service).
- Department of State (Passport Office).
- Department of the Treasury (Customs Service and Internal Revenue Service).
- Government Printing Office.
- U.S. Postal Service.
- Veterans Administration.

We also obtained information on less than full-time employment from numerous public and private organizations such as the AMA, American Society for Personnel Administration, the Conference Board, the American Compensation Association, and the Council of State Governments. We also interviewed selected private-sector employers.

We developed information on the Federal unemployment compensation program through examinations of pertinent laws, regulations, and studies; and discussions with U.S. Department of Labor and other Federal agency officials; and discussions with representatives of the New York and New Jersey Departments of Labor.

FEDERAL CIVILIAN EMPLOYMENT BY WORK SCHEDULE
AS OF APRIL 1978
(note a)

Agency	Total	Full time		Part time regularly scheduled	Intermittent
		In permanent positions	In temporary positions		
General Accounting Office	5,440	5,203	-	149	88
Government Printing Office	7,599	7,295	75	3	226
Library of Congress	5,235	4,758	145	275	57
Federal Courts	12,850	11,845	284	721	-
State (includes aid)	30,052	28,366	751	765	170
Agency for International Development	-6,032	-5,678	-36	-283	-35
Treasury	138,126	108,639	20,722	4,315	4,450
Defense, Total	-982,093	-936,592	-24,799	-14,101	-6,601
Department of the Army	350,781	330,849	12,559	5,545	1,828
Department of the Navy	312,315	296,403	10,335	4,541	1,036
Department of the Air Force	241,672	235,445	933	2,423	2,871
Defense Logistics Agency	47,302	45,840	744	689	29
Other Defense activities	30,023	28,055	228	903	837
Justice	53,723	51,374	719	1,147	483
Interior	75,809	53,650	13,156	5,404	3,599
Agriculture	120,227	83,395	7,993	6,174	22,665
Commerce	40,140	29,504	4,275	1,788	4,573
Labor	20,998	19,102	815	464	617
Health, Education, and Welfare	159,114	141,480	5,041	10,232	2,361
Housing and Urban Development	17,877	15,062	2,121	316	378
Transportation	74,505	70,946	2,001	1,256	302
Energy	19,704	18,295	709	499	201
Canal Zone Government	3,311	2,955	39	89	228
Civil Service Commission	8,897	6,868	93	669	1,267
Environmental Protection Agency	12,587	10,015	965	1,274	333
Federal Deposit Insurance Corporation	3,581	3,501	6	17	57
General Services Administration	37,789	34,571	1,310	897	1,011
International Communications Agency	8,539	8,362	94	81	2
National Aeronautics and Space Administration	23,965	23,139	504	293	29
National Labor Relations Board	2,919	2,845	6	53	15
Nuclear Regulatory Commission	2,908	2,578	170	91	69
Panama Canal Company	11,382	10,025	868	285	204
Small Business Administration	6,029	4,354	1,492	140	43
Smithsonian Institution	4,251	3,814	151	163	123
Tennessee Valley Authority	43,420	16,644	26,382	36	358
U.S. Postal Service	650,648	526,690	1,813	109,010	13,135
Veterans Administration	231,110	197,689	5,918	22,911	4,592
All other agencies	52,888	31,708	19,130	1,047	1,003
Total	<u>2,867,716</u>	<u>2,471,264</u>	<u>142,547</u>	<u>184,665</u>	<u>69,240</u>

a/Civil Service Commission report "Federal Civilian Work Force Statistics--Monthly Release," May 1978.

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92 STAT. 1055

Public Law 95-437
95th Congress

An Act

To amend title 5, United States Code, to establish a program to increase part-time career employment within the civil service.

Oct. 10, 1978

[H.R. 10126]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Federal Employees Part-Time Career Employment Act of 1978".

Federal
Employees Part-
Time Career
Employment Act
of 1978.
5 USC 3391 note.

CONGRESSIONAL FINDINGS AND PURPOSE

SEC. 2. (a) The Congress finds that—

5 USC 3391 note.

(1) many individuals in our society possess great productive potential which goes unused because they cannot meet the requirements of a standard workweek; and

(2) part-time permanent employment—

(A) provides older individuals with a gradual transition into retirement;

(B) provides employment opportunities to handicapped individuals or others who require a reduced workweek;

(C) provides parents opportunities to balance family responsibilities with the need for additional income;

(D) benefits students who must finance their own education or vocational training;

(E) benefits the Government, as an employer, by increasing productivity and job satisfaction, while lowering turnover rates and absenteeism, offering management more flexibility in meeting work requirements, and filling shortages in various occupations; and

(F) benefits society by offering a needed alternative for those individuals who require or prefer shorter hours (despite the reduced income), thus increasing jobs available to reduce unemployment while retaining the skills of individuals who have training and experience.

(b) The purpose of this Act is to provide increased part-time career employment opportunities throughout the Federal Government.

92 STAT. 1056

PUBLIC LAW 95-437—OCT. 10, 1978

PART-TIME CAREER EMPLOYMENT PROGRAM

SEC. 3. (a) Chapter 33 of title 5, United States Code, is amended by adding at the end thereof the following new subchapter:

**“SUBCHAPTER VIII—PART-TIME CAREER
EMPLOYMENT OPPORTUNITIES**

5 USC 3391.

“§ 3391. Definitions

“For the purpose of this subchapter—

“(1) ‘agency’ means—

“(A) an Executive agency;

“(B) a military department;

“(C) an agency in the judicial branch;

“(D) the Library of Congress;

“(E) the Botanic Garden; and

“(F) the Office of the Architect of the Capitol; but does not include—

“(i) a Government controlled corporation;

“(ii) the Tennessee Valley Authority;

“(iii) the Alaska Railroad;

“(iv) the Virgin Island Corporation;

“(v) the Panama Canal Company;

“(vi) the Federal Bureau of Investigation, Department of Justice;

“(vii) the Central Intelligence Agency; and

“(viii) the National Security Agency, Department of Defense; and

“(2) ‘part-time career employment’ means part-time employment of 16 to 32 hours a week under a schedule consisting of an equal or varied number of hours per day, whether in a position which would be part-time without regard to this section or one established to allow job-sharing or comparable arrangements, but does not include employment on a temporary or intermittent basis.

5 USC 3392.

Regulations.

“§ 3392. Establishment of part-time career employment programs

“(a) (1) In order to promote part-time career employment opportunities in all grade levels, the head of each agency, by regulation, shall establish and maintain a program for part-time career employment within such agency. Such regulations shall provide for—

“(A) the review of positions which, after such positions become vacant, may be filled on a part-time career employment basis (including the establishment of criteria to be used in identifying such positions);

“(B) procedures and criteria to be used in connection with establishing or converting positions for part-time career employment, subject to the limitations of section 3393 of this title;

“(C) annual goals for establishing or converting positions for part-time career employment, and a timetable setting forth interim and final deadlines for achieving such goals;

“(D) a continuing review and evaluation of the part-time career employment program established under such regulations; and

“(E) procedures for notifying the public of vacant part-time positions in such agency, utilizing facilities and funds otherwise available to such agency for the dissemination of information.

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“(2) The head of each agency shall provide for communication between, and coordination of the activities of, the individuals within such agency whose responsibilities relate to the part-time career employment program established within that agency.

“(3) Regulations established under paragraph (1) of this subsection may provide for such exceptions as may be necessary to carry out the mission of the agency.

“(b) (1) The Civil Service Commission, by regulation, shall establish and maintain a program under which it shall, on the request of an agency, advise and assist such agency in the establishment and maintenance of its part-time career employment program under this subchapter.

Regulations.

“(2) The Commission shall conduct a research and demonstration program with respect to part-time career employment within the Federal Government. In particular, such program shall be directed to—

Research and demonstration program.

“(A) determining the extent to which part-time career employment may be used in filling positions which have not traditionally been open for such employment on any extensive basis, such as supervisory, managerial, and professional positions;

“(B) determining the extent to which job-sharing arrangements may be established for various occupations and positions; and

“(C) evaluating attitudes, benefits, costs, efficiency, and productivity associated with part-time career employment, as well as its various sociological effects as a mode of employment.

“§ 3393. Limitations

5 USC 3393.

“(a) An agency shall not abolish any position occupied by an employee in order to make the duties of such position available to be performed on a part-time career employment basis.

“(b) Any person who is employed on a full-time basis in an agency shall not be required to accept part-time employment as a condition of continued employment.

“§ 3394. Personnel ceilings

5 USC 3394.

“In administering any personnel ceiling applicable to an agency (or unit therein), an employee employed by such agency on a part-time career employment basis shall be counted as a fraction which is determined by dividing 40 hours into the average number of hours of such employee's regularly scheduled workweek. This section shall become effective on October 1, 1980.

Effective date.

“§ 3395. Nonapplicability

5 USC 3395.

“(a) If, on the date of enactment of this subchapter, there is in effect with respect to positions within an agency a collective-bargaining agreement which establishes the number of hours of employment a week, then this subchapter shall not apply to those positions.

“(b) This subchapter shall not require part-time career employment in positions the rate of basic pay for which is fixed at a rate equal to or greater than the minimum rate fixed for GS-16 of the General Schedule.

5 USC 5332 note.

“§ 3396. Regulations

5 USC 3396.

“Before any regulation is prescribed under this subchapter, a copy of the proposed regulation shall be published in the Federal Register and an opportunity provided to interested parties to present written comment and, where practicable, oral comment. Initial regulations

Publication in Federal Register.

92 STAT. 1058

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shall be prescribed not later than 180 days after the date of the enactment of this subchapter.

5 USC 3397.

“§ 3397. Reports

“(a) Each agency shall prepare and transmit on a biannual basis a report to the Civil Service Commission on its activities under this subchapter, including—

“(1) details on such agency’s progress in meeting part-time career employment goals established under section 3392 of this title; and

“(2) an explanation of any impediments experienced by such agency in meeting such goals or in otherwise carrying out the provisions of this subchapter, together with a statement of the measures taken to overcome such impediments.

“(b) The Commission shall include in its annual report under section 1308 of this title a statement of its activities under this subchapter, and a description and evaluation of the activities of agencies in carrying out the provisions of this subchapter.

5 USC 3398.

“§ 3398. Employee organization representation

“If an employee organization has been accorded exclusive recognition with respect to a unit within an agency, then the employee organization shall be entitled to represent all employees within that unit employed on a part-time career employment basis.”

(b) Subpart B of the table of chapters of part III of the analysis of chapter 33 of title 5, United States Code, is amended by inserting after the item relating to section 3385 the following :

“SUBCHAPTER VII—PART-TIME CAREER EMPLOYMENT
OPPORTUNITIES

“Sec.

“3391. Definitions.

“3392. Establishment of part-time career employment programs.

“3393. Limitations.

“3394. Personnel ceilings.

“3395. Nonapplicability.

“3396. Regulations.

“3397. Reports.

“3398. Employee organization representation.”.

SEC. 4. (a) Section 8347(g) of title 5, United States Code, is amended by adding at the end thereof the following: “However, the Commission may not exclude any employee who occupies a position on a part-time career employment basis (as defined in section 3391(2) of this title).”.

Ante, p. 1056.

(b) Section 8716(b) of such title 5 is amended—

(1) by striking out of the second sentence “or part-time”;

(2) by striking out “or” at the end of clause (1);

(3) by striking out the period at the end of clause (2) and inserting in lieu thereof “; or”; and

(4) by adding at the end thereof the following:

“(3) an employee who is occupying a position on a part-time career employment basis (as defined in section 3391(2) of this title).”.

(c) (1) Section 8913(b) of such title 5 is amended—

(A) by striking out “or” at the end of clause (1);

(B) by striking out the period at the end of clause (2) and inserting in lieu thereof “; or”; and

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(C) by adding at the end thereof the following:

“(3) an employee who is occupying a position on a part-time career employment basis (as defined in section 3391(2) of this title).” *Ante*, p. 1056.

(2) (A) Section 8906(b) of such title 5 is amended—

(i) by striking out “paragraph (2)” in paragraph (1) and inserting in lieu thereof “paragraphs (2) and (3)”; and

(ii) by adding at the end thereof the following new paragraph:

“(3) In the case of an employee who is occupying a position on a part-time career employment basis (as defined in section 3391(2) of this title), the biweekly Government contribution shall be equal to the percentage which bears the same ratio to the percentage determined under this subsection (without regard to this paragraph) as the average number of hours of such employee's regularly scheduled workweek bears to the average number of hours in the regularly scheduled workweek of an employee serving in a comparable position on a full-time career basis (as determined under regulations prescribed by the Commission)”.

(B) The amendments made by subparagraph (A) shall not apply with respect to any employee serving in a position on a part-time career employment basis on the date of the enactment of this Act for such period as the employee continues to serve without a break in service in that or any other position on such part-time basis. *5 USC 8906 note.*

SEC. 5. Each report prepared by an agency under section 3397(a) of title 5, United States Code (as added by this Act), shall, to the extent practicable, indicate the extent to which part-time career employment opportunities have been extended by such agency during the period covered by such report to each group referred to in subparagraphs (A), (B), (C), and (D) of section 2(a)(2) of this Act. *Agency report. 5 USC 3397 note.*

Approved October 10, 1978.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 95-932 (Comm. on Post Office and Civil Service).

SENATE REPORT No. 95-1116 accompanying S. 518 (Comm. on Governmental Affairs).

CONGRESSIONAL RECORD, Vol. 124 (1978):

Mar. 13, considered and passed House.

Aug. 25, considered and passed Senate, amended, in lieu of S. 518.

Sept. 22, House concurred in Senate amendments with an amendment.

Sept. 26, Senate concurred in House amendment.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 14, No. 41:

Oct. 10, Presidential statement.



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

December 1, 1977

PART-TIME EMPLOYMENT EXPERIMENT

FTE Controls

Background. The President asked all Federal agencies to provide more job opportunities for an important, but relatively untapped national resource--the part-time worker. In an effort to break down artificial barriers that may have inhibited part-time employment, the President authorized an innovative experiment with full-time equivalent (FTE) employment. In addition, he authorized the development of a new Government-wide accounting system that would measure Federal employment on an FTE basis and might ultimately be used as the primary means of control.

Objectives. The objectives of experimenting with an FTE accounting system include an opportunity and a challenge. It provides the opportunity to determine whether FTE controls can facilitate hiring of part-time employees by eliminating certain disincentives inherent in the existing ceiling system. (Under the existing system, each position occupied by part-time employees counts as one full space against the agency's total ceiling regardless of the number of hours worked by the employee.) Under an FTE control system, part-time employees would be counted in terms of the number of hours worked (i.e., the fraction of a normal 40-hour week they work) and not in terms of the number of people on the payroll.

But this is not all. It provides a challenge and a more far-reaching objective -- to test a new approach to controlling employment. The present system has been criticized for:

- setting controls only for the last day of the year;
- being inefficient and not adequately coordinated with workload, program, and funding needs;
- encouraging the use of overtime; and

- creating an administrative burden and "an illusion of control.

The experiment provides an opportunity to determine whether an FTE control system will be effective in:

- improving personnel management (including use of part-time employees),
- more closely relating personnel needs to funding and program levels, while
- keeping Federal employment within politically acceptable limits.

Proposed control. For the duration of the experiment, the existing personnel ceilings will be lifted for the test agencies. In lieu thereof, the agencies will be assigned new ceilings based on the number of work-years needed to achieve agency missions and objectives. The new ceilings will have the following characteristics:

- They will represent the maximum cumulative number of hours that can be worked by employees during a year, i.e., number of work-years.
- As in the case of funding levels, the ceilings will be based on an assessment of agency workload needs throughout the year, taking into account seasonal fluctuations in employment levels and overtime requirements.
- There will be separate FTE ceilings for full-time permanent and total employment (but hours may be shifted from the FTP ceiling to the total).
- The ceilings will apply to types of appointments rather than positions.

Reporting requirements. Test agencies will be required to report on the basis of both the number of employees on the payroll (i.e., present system of reporting) and the number of hours worked by those employees. For each type of report, agencies will have to include data on permanent part-time employment in addition to the normal full-time permanent and total employment data. Detailed reporting instructions will be issued by CSC.

Timing. The entire project is anticipated to last approximately 1-1/2 years. More specifically, there will be 3 phases:

- 3 months for the selected agencies to adopt an FTE accounting system and to work with OMB in the development of new ceilings,
- 1 year during which agencies will control employment on the basis of their FTE ceilings, and
- 3 months for evaluation of the experiment's results.

OMB and CSC roles. OMB and CSC will monitor the agency employment reports on a monthly basis to identify significant trends as they occur. In addition to assigning new ceilings, OMB will have the responsibility of assuring that Government-wide employment levels (head count) do not increase drastically as a result of the experiment. CSC will be responsible for approving and coordinating any other related part-time employment proposals.



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

Mr. Allen R. Voss
Director
General Government Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Voss:

This is a further comment on your draft report "Fringe Benefits for Federal Part-time, Intermittent, and Temporary Employees: an Overall Policy is Needed" (FPCD-78-19).

The draft report recommends that Chapter 85 of Title 5, United States Code, be amended to require each Federal agency to reimburse the Department of Labor for any unemployment compensation payments to its former, furloughed, or active employees.

As your draft report states, the thrust of the proposal is to give Federal agencies added incentives for better personnel management by having them pay the costs of the benefits their former employees receive.

As the system presently operates, with the exception of the Postal Service which is charged for benefits paid former postal employees, there are no specific incentives to encourage Federal agencies' active interest in ensuring that unemployment benefits are paid only to qualified claimants. Because the cost of such benefits does not come out of agency budgets, there is no gain to the agency from answering promptly State Unemployment Agency requests for information or disputing claims of former employees who may not be eligible for benefits. Given the obligations for benefits paid former Federal personnel, \$542 million in fiscal year 1978, the potential for savings from even a small percentage reduction is considerable.

To our knowledge, the Postal Service is the only Federal agency which carefully reviews State notices of claims filed, etc., and initiates appeals where appropriate.


We believe there is considerable merit to the draft report's proposal, but we would recommend that the issue be carefully studied before any legislative action is undertaken.

Among the matters to be considered before enacting legislation would be the additional administrative costs at the Federal and State level, and their relation to potential cost savings.

Another consideration would be to change legislation so that each Federal agency could reimburse the States directly for benefits paid its employees, rather than to run the paperwork through the Department of Labor. Many of the State agencies now are reimbursed for unemployment benefits paid to former employees of State and local government or nonprofit institutions, so the machinery for such reimbursement is in place. Federal agencies would require authorization to use appropriated funds for this purpose, however.

Thank you for the opportunity to comment on the draft report. We hope that you will continue to pursue the question of Federal unemployment costs. We believe, however, that legislative action should not be taken until the matter is thoroughly analyzed and the final report of the National Commission on Unemployment Compensation becomes available.

Sincerely,


Suzanne H. Woolsey
Associate Director for Human
Resources, Veterans and Labor

United States of America
**Office of
Personnel Management** Washington, D C 20415

In Reply Refer To RDP

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MAR 16 .

Mr. H. L. Krieger
Director
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Krieger:

This is in response to your request for comments on the GAO draft report entitled "Part-time and other Federal Employment Compensation and Personnel Management Reforms Needed".

This draft report, like the prior draft report on which we commented last August 11, presents a good and comprehensive analysis of the utilization by the Federal Government of less than full-time employees and their eligibility for retirement, life insurance, health benefits and other fringe benefits. We still have a few comments, however, which you may wish to consider including in your final report.

While past and present policy for extension of fringe benefits to less than full-time employees in Federal service and for computation of such benefits has resulted in some inequities and inconsistencies as described in the draft report, such inequities and inconsistencies have not arisen so much from a lack of a consistent policy as from an inadequate understanding of that policy by employing agencies and a lack of resources to monitor agency implementation of that policy. The Federal Government's long standing policy has been to offer fringe benefits to less than full-time employees to attract them to less than full-time positions which were difficult to fill with qualified personnel. In view of the increased current emphasis on less than full-time employment (particularly part-time) as a matter of general Federal personnel management policy, the past policy of offering attractive fringe benefits packages to fill such less than full-time positions needs to be reevaluated. We, therefore, fully agree with the draft report's recommendation that there is a need to review and recommend changes in present fringe benefits policy for less than full-time employment; that there is a need to provide agencies with better guidance in relating employment categories to fringe benefits coverages; and that there is a need to better monitor agency employment actions for less than full-time employees.

The draft report recommends that less than full-time employees should be eligible for the various fringe benefits. Further, these benefits, or the Government's share of the costs to finance them, should be prorated based on the amount of time they are actually employed, where administratively feasible. As the recommendation recognizes, it may not be administratively feasible to extend to all less than full-time employees eligibility for all fringe benefits, even if the benefit or the cost thereof is prorated. Fringe benefits are essentially offered by any employer to attract and retain employees who contemplate regular employment over a substantial period of time of at least one year or more. The extension of such benefits to employees who are not expected to work on a regular basis for at least one year is an expensive proposition which needs to be carefully evaluated in terms of whether there is any offsetting benefit for the employer. Extension of fringe benefits to employees who work intermittently, or only a few hours a week or pay period, would not warrant the administrative costs involved. It could also encourage individuals in ill health or with family members in ill health, to seek such employment principally to obtain the fringe benefits coverages. Such adverse selection could drive overall costs of the fringe benefits programs up for all employees and the Government.

Past and present fringe benefits policy has included the concept of proration of the fringe benefit itself, particularly retirement, based on either the amount of earnings or the amount of time actually credited for less than full-time employment. As we review our policy in this area, we will give consideration to extending the concept of benefit proration in other areas. Proration of fringe benefits based on the amount of earnings or the amount of time actually worked has been found to be administratively feasible in the past.

The concept of prorating the Federal Government's share of the costs of financing fringe benefits according to the amount of time a less than full-time employee actually works is a novel concept first introduced in Federal Government fringe benefits policy by the requirement in the Part-Time Career Employment Act of 1978 that the Government's share of the premium be prorated for part-time career employees working 16-32 hours a week. We are presently faced with several administrative problems in trying to implement this new requirement and, for the present, believe that it is premature to recommend as the draft report does, that such proration of fringe benefits costs be extended to other kinds of fringe benefits.

Fringe benefits programs such as retirement, life insurance and health benefits are basically insurance programs in which premiums are set on an annual and per capita basis, without reference to the amount of time the employee covered by the group insurance program actually works. When premium costs for covered employees are prorated according to the amount

of time actually worked, then employees who work less than full time begin to have to pay more premium dollar for the same amount of benefits protection offered the full-time employee. In effect, the premium saving advantage of participating in an employer sponsored group insurance program will soon be lost to the less than full-time employee and he will soon find that it is cheaper for him to buy his insurance independently. Forcing less than full-time employees from participation in the Government's group insurance programs appears to us to be an unfortunate disincentive to the Government's current effort to promote the employment of part-time career employees.

It is far from clear to us without further study that extension of fringe benefits to less than full-time employees, given exclusion of true intermittent and short service employees, is necessarily more expensive per hour a week to the Federal Government as the draft report assumes, than extension of such fringe benefits to full-time employees. We suspect that the experience of each type of benefit with less than full-time employees is different. At least in life insurance and health benefits, it has been our experience that less than full time employees are not as likely to elect to participate in the programs as are full-time employees. Thus, if some full-time jobs are restructured into several part-time jobs, the Government would not necessarily wind up with more employees electing to participate in the life insurance and health benefits programs and could very possibly wind up with fewer employees participating in the programs, particularly if premiums were increased through proration. Accordingly, the Government's total contribution to the programs would not necessarily increase as a result of the switch from full-time to part-time employment and prorating of health benefits premiums for positions employer working 16-32 hours a week is not likely to reduce the Government's contribution for health benefits costs.

The draft report also suggests that all employees who earn less than \$7,000 per year who elect to participate in the Federal Employees Group Life Insurance Program should have their premium prorated according to their salary earned, including full-time and part-time employees. Proration of this kind would simply deprive employees earning less than \$7,000 per year from obtaining any premium saving advantage from participating in the employer sponsored group insurance plan and such relatively low paid employees would find it cheaper to buy insurance independently. Since employees in this low wage category tend to be young and healthy employees, adopting a premium structure which would force them from participation in the program would tend to increase premiums for other higher paid, older and less healthy employees remaining in the program. In setting the premium structure for a life insurance plan, we have to be careful not to exclude the young and the healthy from the program. The present premium structure already weights premiums for younger and healthier employees to pay for the cost of continuing post-

retirement insurance without further premium payments and tends to make it possible for such employees to purchase more insurance for less on the private market. We plan to propose legislation this year which will permit us to restructure premium schedules to avoid problems such as these in the future without increasing the overall cost of the program to the Government.

The draft report further recommends reevaluating the practices of continuing health and life insurance coverage of employees in a non-work status for up to 1 year without employee or agency contributions and granting full-time retirement credit to employees for their previous less than full-time employment without corresponding employee and agency contributions. Life insurance and health benefits coverages have been continued for up to 1 year of leave of absence without pay as a protection to the employee who becomes ill or disabled. If an employee becomes ill or disabled and expends his accrued sick and annual leave, he can still undergo several months of medical treatment without having to seek either Federal workers compensation benefits or disability retirement. If the illness or disease is work related, the employee can qualify for workers compensation benefits and deductions for continued health benefits and life insurance may be withheld from the compensation payments; however, the claim may not be approved before the employee's leave runs out. Unfortunately, many employees become seriously ill or disabled without being able to qualify for workers compensation benefits. Many such employees prefer to take several months of leave of absence without pay when their sick leave and annual leave runs out, rather than seek disability retirement right away in the hope that they may be able to return to work. Even if they seek disability retirement, they may have to take leave of absence without pay before their claim is approved. Thus, the continuation of life insurance and health benefits for 1 year of leave of absence without pay encourages ill and disabled employees to rehabilitate themselves and assures continuity of life insurance and health benefits coverage pending approval of application for Federal worker's compensation or disability retirement.

No employee or employer contributions are made to the life insurance or health benefits program during periods of leave of absence without pay since there is no pay from which to make deductions and the employer only pays when the employee pays. It has been deemed to be administratively simpler to spread the cost of all leave of absence without pay time across all employees who are covered by the programs and paying deductions. Therefore, overall premium rates are slightly higher for both the employee and the employer to pay for continued coverage of employees during periods of leave of absence without pay.

As for the granting of full-time retirement service credit to employees for their previous less than full-time employment which was not subject to current deductions from employee pay and matching contributions from agency funds, the Civil Service Retirement law has since its enactment provided that an employee at retirement shall receive service credit from the beginning date of his employment to the ending date, subject to granting only six months of credit for each 12 months of leave of absence without pay. The simple fact that no deductions or employer contributions were made during some periods of less than full-time or other service has never been viewed as barring service credit for such service. The cost of crediting nondeduction service and leave of absence without pay service is simply spread over the normal cost of paying retirement benefits and, therefore, the employee and employer contributions for deduction service are slightly higher than they otherwise would be.

Workable alternatives to the "free" credit for nondeduction service and leave of absence without pay service are considerably more complicated than simply having the Civil Service Retirement System bill the employee and his former employing agency for the deductions and contributions not previously made during periods of nondeduction or leave of absence without pay service. The employee may not have the funds to pay and the agency would have to get a special appropriation account to pay such bills. Administration of such collections could be more trouble than it is worth. We will, however, explore alternative procedures for crediting and financing prior nondeduction service.

Also, since less than full-time Federal service which is not subject to retirement deductions is usually subject to FICA taxes for Social Security, it is not clear that such time should also be creditable for retirement and require additional contributions by the Federal Government as employer. This aspect of crediting less than full-time service for retirement purposes will have to be addressed as a part of the overall issue of integrating retirement and Social Security benefits.

Finally, the draft report recommends that Congress enact legislation requiring that each agency be charged the full cost of covering its employees in the retirement, life insurance, and health benefits programs (less employee contributions). As we have said before, the issue of charging benefit program costs is one primarily concerned with budgetary and cost allocation considerations policy. Our main concern as a trustee of the retirement, life insurance and health benefits trust funds is that these funds be capable of meeting their obligations through adequate financing; thus, the source or allocations of government contributions is not of as much concern as the adequacy of total income.

The Office of Personnel Management currently has no position on this recommendation for charging agencies with full benefits costs. It is perhaps worth noting, however, that agencies have always assumed the cost of personnel and payroll services which are necessary to advise employees of their benefits rights and eligibility and to maintain the necessary administrative records for documenting such rights and eligibility. Of course, such agencies also pay employer contributions. Such costs have always been considered as costs of day-to-day Federal agency personnel management. In this way, agencies have been very much aware of the impact of fringe benefits costs on agency budgetary matters.

Thank you for the opportunity to comment on this draft report.

Sincerely yours,



Frederick A. Kistler
Deputy Associate Director
for Compensation Operations

U.S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

APR 3 1979

Mr. Gregory J. Ahart
Director
Human Resources Division
U.S. General Accounting
Office
Washington, D.C. 20548

Dear Mr. Ahart:

This responds to your January 31, 1979, letter to the Secretary concerning your proposed report to Congress, subject: "Part Time and Other Federal Employment: Compensation and Personnel Management Reforms Needed," recommending that Federal agencies be charged for unemployment compensation for Federal employees (UCFE) paid to their former employees under 5 U.S.C. 8501 et seq., and be charged also for their prorata shares of related administrative costs.

Our September 6, 1978, letter commented on the unemployment insurance and other aspects of an earlier draft of this report. You are now recommending that we conduct a detailed study with respect to requiring all Federal agencies to be charged for UCFE benefits paid to their ex-employees, including administrative costs, and report our findings and recommendations directly to Congress.

The idea that each Federal agency should shoulder its part of UCFE benefit and administrative costs is not a new one. An informal study of this matter was conducted with the Department of Agriculture in the early 1960's when that Department was centralizing and automating its payrolling in New Orleans and other Federal agencies and State unemployment insurance agencies were likewise automating their activities. It was concluded at that time that the estimated administrative costs which would be incurred by USDA and the 51 State employment security

jurisdictions would be difficult to justify in view of the fact that no Federal agencies were being charged for UCFE benefits paid.

More recently, we responded to several questions posed by the Office of Management and Budget as to the feasibility of our Department charging all Federal agencies for UCFE payments on the same basis that our Department has been required since 1974, by P.L. 93-192, to obtain repayment of UCFE benefits paid to ex-Postal workers from the U.S. Postal Service.

In our Comptroller's October 27, 1978, response to OMB we included the Postal Service's own conservative estimate of its annual administrative cost of activity, \$230,000, associated with the UCFE programs and reimbursement of USDOL for UCFE benefits paid to ex-Postal Service workers. Multiplying Postal Service's estimate of the annual administrative costs of its UCFE-related activity by 140, the number of major Federal agencies, commissions, etc., indicates that Federal agency administrative costs alone would be \$32 million, none of which is being incurred now except for the Postal Service. It is this Department's understanding that the \$230,000 estimate of the Postal Service for the administrative cost (of reimbursing the Federal Unemployment Benefits Account (FUBA) for UCFE benefits paid to ex-Postal Service employees) does not include the kind of administrative costs now borne by all Federal agencies whose employees file claims for UCFE: i.e., the costs associated with responding to State Employment Security Agencies' requests for information on unemployment compensation claimants alleging to be ex-Federal employees. Such requests are generally for information regarding whether the claimant worked for the Federal Government, for how long, at what pay, and whether the claimant was in fact terminated, and under what conditions. In addition, we estimated that State employment security agency administrative costs for universal involvement in reimbursement of UCFE benefits would approximate \$9 million annually. Startup and other implementary administrative costs, including training seminars for both Federal and State agency personnel would, for the first year of operation, add \$1 million of non-recurring cost.

We agree that improved "policing" of the program by Federal agencies is desirable and that more intense interest in Federal agencies' filing appeals from paying UCFE benefits

may, if the appeals decisions favor the Federal agencies, conserve some Federal UCFE benefit funds. However, we have serious reservations that the administrative improvement or "savings" in benefit payments will bear any reasonable relationship to the annual administrative costs that will be generated by adopting a chargeback system.

Even though we estimate the total new Federal/State administrative costs of charging Federal agencies for their UCFE benefit costs and for their portions of administrative costs will be about \$41 million, we agree that an in-depth study should be made so that the advantages and disadvantages of such a system may be fairly and objectively compared to permit a decision to be made with regard to its adoption.

Sincerely,



R.C. DeMARCO
Inspector General - Acting

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