



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

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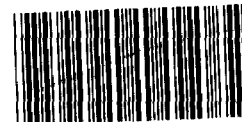
GENERAL GOVERNMENT
DIVISION

28 MAR 1985

B-203027 **RESTRICTED** — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Congressional Relations.

The Honorable William D. Ford
Chairman, Committee on Post Office
and Civil Service
House of Representatives

RELEASED



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Dear Mr. Chairman:

Subject: Information on the Administration's
Program to Reduce Grade 11-15 Positions
(GAO/GGD-85-48)

This report responds to your request for information on justification for the Office of Personnel Management (OPM) and Office of Management and Budget's (OMB) program to reduce the number of grade 11-15 positions in the federal General Schedule (GS) and General Merit pay systems. This program was established to reduce approximately 40,000 of these positions over a 4-year period beginning in fiscal year 1985. According to OPM, the objectives of the program are to (1) save approximately \$1.7 billion during the 4-year period and (2) improve position management in the federal government.

As of October 31, 1984, OPM statistics showed there were about 541,000 employees in grades 11-15 in the full-time federal white-collar workforce of 1,407,000 employees. OPM has not determined what the appropriate number of employees in grades 11-15 should be, but it believes that the results of several studies and analyses of federal workforce data show that too many employees are in these grade levels and the number should be reduced. Studies by the President's Private Sector Survey on Cost Control (the Grace Commission) and the Bureau of Labor Statistics (BLS), along with federal workforce average grade trends and OPM's position classification accuracy surveys were used to justify the program.

While we agree that position management should be improved whenever possible, we are not convinced that the studies cited provide a sound basis for initiating a governmentwide program to reduce 40,000 grade 11-15 positions.

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In performing our work, we (1) reviewed the Grace Commission, OPM, BLS, and Congressional Budget Office (CBO) studies, prior GAO and other reports on classification and position management in the federal workforce, and OPM's Central Personnel Data File statistics; and (2) interviewed appropriate OPM, OMB, BLS, and CBO officials.

GRACE COMMISSION STUDY

The Grace Commission reported that about 26 percent of the white-collar workforce in the private sector is in levels similar to grades 11-15.¹ OPM therefore concluded that the federal government, with 39 percent of its workforce in these grades, has 50 percent more of its workforce at high grades than does the private sector.

Our review of the Commission's report indicates that the private sector data used may not be representative of the private sector as a whole. The Commission did not provide information on the representativeness of its private sector sample. It based its workforce estimates on the averages of five unidentified "national firms." The report also did not include information on

--the size of the firms,

--the type(s) of industry the firms represented,

--the definition of "national firm," and

--the methodology that was used to select the five firms.

(The Department of Commerce's Bureau of the Census estimated in July 1983 there were 4.5 million firms in 84 different major industrial categories in the United States.)

INCREASE IN AVERAGE GRADE

OPM also used average grade statistics as support for the program. It stated that the average grade of full-time GS employees has steadily risen from 5.4 in 1950 to 6.7 in 1960, 7.8 in 1970, 8.1 in 1980, and 8.3 in 1983. OPM maintained that no more than 60 percent of the grade increase could be attributed to structural changes in the workforce, i.e., a greater

¹Report On Personnel Management, President's Private Sector Survey on Cost Control, Approved by the Subcommittee for the Full Executive Committee, Spring-Fall 1983, p. 91.

proportion of employees in higher graded series because of the increasingly technical and complex nature of work performed. It attributed 8 percent of the grade increase to the changes made in certain governmentwide classification series, such as the one-grade increase granted to certain air traffic controllers in 1977. OPM concluded that approximately 32 percent of the grade increase was attributable to poor position management and inadequate position classification.

In a September 1984 report,² CBO stated that about two-thirds of the average grade increase seemed to relate to the changing character of governmental work and that classification upgradings could account for an additional 5 percent. CBO did not, however, conclude that the remaining increase was solely attributable to poor position management and inadequate position classification. It cited separations due to past reductions-in-force actions that have been distributed in such a way as to leave a higher average grade for the remaining pool of workers as another factor which contributes to grade escalation.

Also, in a report³ on employment trends in the Department of Defense, we identified personnel policies and employment limitations in effect at various times that have produced some amount of grade escalation. These include such factors as the following:

- Hiring restrictions have encouraged agencies to hire employees already possessing specialized skills and experience to minimize the impact of staff shortages on operations. Since experienced personnel demand higher salaries and grades, hiring a few experienced personnel at higher grades instead of a larger number of entry level trainees (where attrition is greatest) raised the average grade.
- Attrition and reductions-in-force, when used to accomplish mandated reductions in federal employment levels, have tended to increase the average grade. In reductions-in-force, employee separations have occurred primarily in the lower grades because employees with the least federal service have been discharged first.

²Reducing Grades Of The General Schedule Work Force, Congress of the United States, Congressional Budget Office, September 1984, p. 9.

³Employment Trends And Grade Controls In The DOD General Schedule Workforce (FPCD-81-52, July 28, 1981).

- Contracting out of less complex and lower graded work, when used, has left a larger proportion of higher grade personnel.
- Mission and program changes resulting from congressional or agency mandates have resulted in increases in grade levels.

POSITION CLASSIFICATION ACCURACY
SURVEYS AND WAGE SURVEY DATA

OPM cited its 1974,⁴ 1978,⁵ and 1983⁶ position classification accuracy surveys as indications that the federal government has a continuing overgrading problem. OPM's 1983 study showed that about 14 percent of the government's full-time permanent GS positions were overgraded. Its 1978 study indicated a governmentwide overgrading rate of about 12 percent of the full-time permanent GS positions, and its 1974 study showed an overgrading rate in selected agencies of about 13 percent in grades 12-15.

However, the 1978 and 1983 studies were not designed to identify overgrading rates in specific grade levels. Furthermore, the 1974 study was not designed to project governmentwide misclassification because the study was based on a review of selected occupations and agencies using a non-random, error-seeking sampling method.

In addition to the studies mentioned above, in its July 27, 1984, Federal Personnel Manual Bulletin 312-8, OPM cited a comparison of estimates of the number of federal positions in specific occupations with BLS private sector wage survey data to show that the grade 11 level is where the proportion of federal employees in the workforce becomes larger than that of the private sector. However, according to BLS staff responsible for this survey, the BLS data was not designed to be used to show occupational distribution of private sector employment.

⁴Report On The Study Of Classification Accuracy In GS Grade Levels 12 Through 15, U. S. Civil Service Commission, Bureau of Personnel Management Evaluation, December 1974.

⁵Study Of Position Classification Accuracy In Executive Branch Occupations Under The General Schedule, U. S. Civil Service Commission, Bureau of Personnel Management Evaluation, 1978.

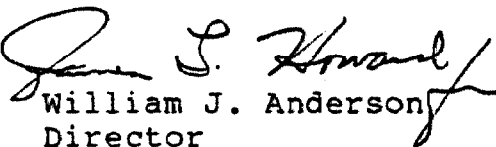
⁶A Report On Federal White-Collar Position Classification Accuracy, U. S. Office of Personnel Management, Agency Compliance and Evaluation, March 1983.

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In summary, we agree with the program's objective to improve position management in the federal government, but we are not convinced that OPM demonstrated a sound basis for a program to reduce 40,000 positions in grades 11-15 governmentwide. The federal and private sector comparisons were questionable because the representativeness of the private sector sample is unknown, all possible factors for the average grade increases were not considered, and it was not shown that positions in grades 11-15 were the main overgrading problem.

As requested by your office, we have not obtained agency comments on this report. We are sending a copy to the Chairwoman, Subcommittee on Compensation and Employee Benefits. As arranged with your office, unless the contents of this report are publicly announced earlier, we plan no further distribution until 10 days from the date of this report. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,


William J. Anderson
Director