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**FEDERAL  
DOWNSIZING**

**The Administration's Management  
of Workforce Reductions**

Statement of  
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THE ADMINISTRATION'S MANAGEMENT OF WORKFORCE REDUCTIONS  
UNDER THE FEDERAL WORKFORCE RESTRUCTURING ACT OF 1994

Summary of Statement by  
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The Federal Workforce Restructuring Act of 1994 (P.L. 103-226) establishes yearly employment levels for the government, measured in full-time equivalent (FTE) positions. The act requires the government to reduce its workforce by 272,900 FTE positions from fiscal years 1993 through 1999. To examine federal personnel policy and the number of FTE positions eliminated by the administration as a result of the act, GAO examined budget and FTE data and interviewed officials from the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM). GAO also reviewed pertinent downsizing documents, and sent surveys to 28 agencies to obtain information on the work schedules of separated employees to see where workforce reductions are occurring.

OMB monitors compliance with the act to ensure actual governmentwide FTE usage falls below yearly ceilings established by the act. The baseline for calculating these FTE reductions is the 1993 enacted base. According to OMB, this is the FTE level estimated by the previous administration, and presumably would have been the employment level were it not for the administration's current downsizing efforts.

Savings from the workforce reductions were to be used to finance the Violent Crime Reduction Trust Fund to carry out the purposes of the Violent Crime Control and Law Enforcement Act of 1994. While the amount of budget authority specified in the Violent Crime Control Act was transferred to the Trust Fund, there is no direct linkage between actual savings from workforce reductions and actual expenditures from the Trust Fund.

The largest share of the workforce reductions have taken place at the Department of Defense (DoD). Of the 86,000 FTEs that were eliminated governmentwide in fiscal year 1994, almost three-fourths came from civilian employees of DoD. In fiscal year 1995, 98 percent of the reductions are expected to come from DoD.

While both OPM and OMB have given agencies guidance on how to achieve workforce reductions, officials from both agencies told GAO that their agencies have not issued any guidance on what the mix of full-time, part-time, permanent, temporary, and intermittent employees in the federal workforce should be. In fiscal years 1994 and 1995, the greatest percentage reductions in non-DoD FTEs were in temporary positions.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the status of workforce reductions mandated by the Federal Workforce Restructuring Act of 1994 (P.L. 103-226). The act requires the federal government to reduce its workforce by 272,900 full-time equivalent (FTE) positions between 1993 and 1999.<sup>1</sup> To accomplish this downsizing while avoiding a reduction-in-force (RIFs), the act allows non-Defense executive branch agencies, with Office of Management and Budget (OMB) approval, to pay buyouts to employees in any designated component, occupation, grade, series, and/or location who agree to resign, retire, or take voluntary early retirement by March 31, 1995, unless extended by the head of the agency, but no later than March 31, 1997.

At your request, we have examined federal policy and guidance on downsizing and the number of FTE positions eliminated by the administration as a result of the act. Specifically, we addressed

- the administration's compliance with the Workforce Restructuring Act including how positions are counted toward FTE reductions and from what baseline, and whether savings resulting from FTE reductions are dedicated to paying for the Violent Crime Control and Law Enforcement Act of 1994;

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<sup>1</sup>According to OMB guidance, an FTE or work year generally includes 260 compensable days or 2,080 hours. These hours include straight-time hours only and exclude overtime and holiday hours.

- the targets of workforce downsizing, such as where the FTE reductions have occurred; who identifies targets for the individual agencies; on what basis the targets are determined; and what assurances there are that each buyout results in one FTE reduction, as required by the act; and
- how the workforce reductions are being managed, including whether agencies are being given any guidance on how to achieve workforce reductions; whether those reductions can be accomplished without RIFs; and what policies, if any, exist covering the appropriate mix of permanent, temporary, and intermittent employees.

We obtained our information by examining the administration's fiscal year 1996 budget, and reviewing available policy and guidance on downsizing and FTE tracking the Office of Personnel Management (OPM) and OMB provided federal agencies. We interviewed officials from these agencies as well. To see how selected agencies were reducing their workforce, we reviewed pertinent downsizing documents and contacted agencies to obtain data on separated employees' work schedules and types of appointment. We did not verify the information provided by agencies.

As you know, we have been asked by the Subcommittee on Treasury, Postal Service, and General Government, House Committee on Appropriations, to testify March 7 on the President's fiscal year 1996 budget and the Federal Workforce Restructuring Act. We believe the information in that testimony will be useful to this Subcommittee as well, and will be pleased to share it with you on the day of the Appropriations subcommittee hearing.

THE ADMINISTRATION'S COMPLIANCE  
WITH THE WORKFORCE RESTRUCTURING ACT

Under the Federal Workforce Restructuring Act, the total number of civilian executive branch FTE positions are not to exceed specific ceilings for fiscal years 1994 through 1999. OMB is responsible for ensuring that the FTE reductions meet these annual ceilings. Each December, agencies are required to submit a report to OMB that shows their anticipated FTE usage, by month, for the entire fiscal year. Further, each month agencies are to calculate actual employment levels and report the results to OPM. Based on these two sources of data, OMB conducts quarterly reviews of agency FTE usage to determine if agencies are likely to meet their fiscal year FTE targets. Should OMB find that the fiscal year FTE limitation is not being met, a governmentwide hiring freeze is to be imposed.

The 1993 Enacted Base Is the  
Starting Point for Calculating  
FTE Reductions Under the Workforce  
Restructuring Act

The baseline for counting the FTE reductions resulting from the Federal Workforce Restructuring Act is what is cited in the budget as the "1993 enacted base." According to OMB, this is the FTE level estimated by the previous administration in its final budget. In OMB's view, this would have been the employment level were it not for the current administration's downsizing

initiatives. The 1993 enacted base is 2,155,200 FTE positions. This is 16,400 FTE positions higher than the actual employment level of 2,138,800 FTE positions in fiscal year 1993. The pace of the workforce reductions is such that the administration still anticipates falling well below the annual mandated FTE ceilings through fiscal year 1996. In fiscal year 1994, for example, the budget shows that the administration was 31,900 FTEs below the 2,084,600 ceiling mandated by the Workforce Restructuring Act, and projects that it will be 25,500 FTEs below the 2,043,300 ceiling at the end of fiscal year 1995.

The Savings Resulting From  
Workforce Reductions and  
Whether They Are Being Used to Fund  
The Violent Crime Control and  
Law Enforcement Act of 1994

Savings from the workforce reductions mandated by the Workforce Restructuring Act were to be used to finance the Violent Crime Reduction Trust Fund to carry out the purposes of the Violent Crime Control and Law Enforcement Act of 1994 (P.L. 103-322). The President's budget and related Congressional Budget Office documents show estimates for budget authority and outlays for the Trust Fund separate from other discretionary spending. For fiscal year 1995, these amounts are \$2.423 billion and \$703 million respectively, in accordance with the Violent Crime Control Act.

The amount of budget authority to be transferred to the Trust Fund was specified in the Violent Crime Control Act; the outlays represent an estimate based on that budget authority. There is no direct linkage between actual savings from workforce reductions and actual expenditures from the Trust Fund. In general, savings from FTE reductions are difficult to calculate, and most agencies do not do so. Although some savings would be expected from large workforce reductions, according to OMB any savings estimated to result from FTE reductions would be used by agencies to meet their overall discretionary spending caps.

Moreover, any savings resulting from the pay and benefits of deleted FTEs would not be the amount of actual savings to the federal government. Gross savings would have to be reduced by costs associated with workforce reductions, such as buyouts or, in the case of RIFs, severance pay. Equally important, any savings would depend on what happened to the work previously performed by employees in the FTE positions that were eliminated. If some of the work was contracted out to private companies, for example, the contracting costs would reduce any net savings from workforce reductions.

## THE TARGETS OF WORKFORCE DOWNSIZING

### The Largest Share of the Workforce Reductions Have Taken Place at the Department of Defense

According to the administration's fiscal year 1996 budget, over 86,000 FTEs were eliminated governmentwide in fiscal year 1994. Nearly three-fourths of these reductions were among civilian employees in the Department of Defense (DoD). DoD is expected to experience an even larger share of the workforce reductions in fiscal year 1995. Of the 34,900 FTE positions to be eliminated this fiscal year, 98 percent are projected to come from DoD, while only 2 percent are to come from non-DoD agencies.

Of the non-Defense agencies, those experiencing large actual reductions in fiscal year 1994 were the Departments of Agriculture (4,600), the Treasury (3,800), Health and Human Services (2,700), and Transportation (2,700). During fiscal year 1995, the non-DoD agencies expected to undergo significant workforce reductions include the Federal Deposit Insurance Corporation/Resolution Trust Corporation (3,700), the Department of Veterans Affairs (3,300), the General Services Administration (2,600), and the Tennessee Valley Authority (2,000).

Additional FTE reductions may be required to meet the goals of the second phase of the National Performance Review (NPR). This initiative, intended to examine agencies' basic missions, has initially focused on five agencies where the administration has



proposed further workforce reductions. The five agencies are the Departments of Energy, Housing and Urban Development, and Transportation; the General Services Administration; and OPM. OMB officials told us that other agency downsizing or restructuring may be announced as a result of further NPR analyses under this second phase. Any workforce reductions resulting from this second phase would be over and above those already required by the Workforce Restructuring Act.

Interestingly, even during this period of downsizing, some agencies are expected to increase in size. The budget shows that in fiscal year 1995, for example, the Departments of Justice and the Treasury and the Environmental Protection Agency are each expected to increase by 1,300 FTEs or more.

#### How and Where Targets for Individual Agencies Are Determined

The Workforce Restructuring Act does not impose agency-by-agency employment ceilings. Instead, OMB is to see that within the governmentwide ceilings, agency FTE levels are aligned with program requirements and anticipated funding levels. OMB allocates planned governmentwide FTE levels for a fiscal year by individual agency FTE levels as part of the annual budget process. In consultation with agencies, OMB reviews agency missions, programs, and anticipated workloads, and arrives at FTE levels that it deems appropriate.

The Act's Requirement to Reduce  
The Governmentwide FTE Ceiling by One for  
Each Buyout Granted Appears to Have  
Been Met

To ensure that vacated positions are eliminated and not refilled, section 5(f) of the Workforce Restructuring Act requires a governmentwide reduction (excluding the DoD and the Central Intelligence Agency) in FTE positions for each buyout given. OMB has interpreted this to mean that, for each buyout that occurs in a fiscal year, the following year's FTE level should be reduced by at least one. Because this FTE offset is to be implemented governmentwide, the act designated OMB as the focal point for monitoring federal buyouts. In fiscal year 1994, according to OPM data, non-Defense agencies made about 15,000 buyouts. During that same period, the non-Defense workforce was reduced by about 22,700 FTEs. This suggests that there has been at least one FTE position reduction for each buyout granted. According to OMB, either agencies reduced their FTE levels by one for each buyout granted, or OMB offset the buyout with an FTE reduction at another agency.

## MANAGEMENT OF THE WORKFORCE REDUCTIONS

### OMB and OPM Have Given Agencies Guidance on How to Achieve Workforce Reductions

Both OMB and OPM have provided agencies with instructions on how to achieve workforce reductions. OMB, for example, has done this through its guidance on how agencies should prepare streamlining plans. In September 1993, the President called on each executive branch agency to submit a streamlining plan to OMB to ensure that agencies linked management reforms to their workforce reductions.

The guidance--a series of detailed and sometimes lengthy memos and bulletins--provided the heads of executive agencies with information on how to prepare streamlining plans. Among the items agencies were told to include in their plans were the steps being taken to flatten hierarchies, reduce headquarters staff, and pare down management control structures.

The OPM guidance we reviewed consisted of information on implementing the buyout authority. For example, a memo addressed to agency personnel directors summarizes the main points of the Workforce Restructuring Act, guides agencies in their use of buyouts, provides sample letters and surveys for agencies to use in communicating with employees about buyouts, and details new procedures for voluntary early retirement. OPM also operates a

computer bulletin board that provides callers with information on downsizing and many other topics.

Available Data Show That  
Workforce Reductions Mandated  
By the Workforce Restructuring  
Act Can Generally Be Achieved  
Without RIFs if They Are Evenly  
Distributed Across Agencies

The President's fiscal year 1996 budget projects an aggregate FTE reduction of about 137,500 FTEs at the end of fiscal year 1995, about half of the 272,900 FTE total reductions called for by the act. This leaves an additional 135,400 reductions to be made from fiscal years 1996 through 1999. Our analysis of available data show that these additional FTEs could be eliminated governmentwide by attrition alone, even assuming a separation rate as low as 1.75 percent per year. (Separation has historically run several percentage points higher).

This general observation, however, assumes a relatively even distribution of the remaining 135,400 reductions across the federal government. To date, some agencies have experienced more significant reductions than others, and this pattern is likely to continue in the future. As a result, RIFs may be necessary at some agencies. Moreover, the possibility of additional reductions resulting from the second phase of NPR could also require RIFs.

To Date, Non-Defense Agencies Have Reduced Their  
Temporary FTEs Proportionately More  
Than Their Permanent FTEs

OMB and OPM officials told us that their agencies have not issued any guidance on what the mix of full-time, part-time, permanent, temporary, and intermittent employees in the federal workforce should be.<sup>2</sup> The FTEs of employees appointed under temporary authorities and those with part-time and intermittent work schedules are reported separately to OPM, but are counted in total agency FTE levels.

As shown in table 1, the greatest percentage reductions in non-Defense FTEs between fiscal years 1993 and 1994 were in full-time temporary FTEs and part-time temporary FTEs. While permanent full-time FTEs dropped by only 1.1 percent, full-time temporary FTEs fell 7.5 percent and part-time temporary FTEs dropped 11.7 percent.

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<sup>2</sup>Permanent positions are generally those that have been established without time limit, or for a period of a year or more. Temporary positions are generally those that have been established for a period of less than a year. Intermittent employees are those employees who are employed on an irregular or occasional basis, with hours or days of work not on a prearranged schedule, and who are compensated only for the time actually worked or for services rendered.

Table 1: Changes in Full-Time, Part-time, and Intermittent FTEs Between Fiscal Years 1993 and 1994

Fiscal Year	Total FTEs	Full-time permanent FTEs	Full-time temporary FTEs	Part-time permanent FTEs	Part-time temporary FTEs	Intermittent FTEs
1993	1,173,145	1,077,351	53,749	25,409	6,852	9,784
1994	1,154,866	1,064,988	49,737	24,638	6,049	9,454
Percent change	-1.6%	-1.1%	-7.5%	-3.0%	-11.7%	-3.4%

Note: FTE figures will not match budget figures because OPM has not yet received all agency corrections and/or revisions to agency FTE reports.

Source: GAO calculations based on OPM summary reports.

Large percentage reductions in temporary and intermittent FTE categories between fiscal years 1993 and 1994 occurred in six agencies: the Departments of Justice, Health and Human Services, Transportation, and Veterans Affairs; the Environmental Protection Agency; and the General Services Administration. While these agencies collectively experienced only a 1-percent reduction in total FTEs, they had a 22-percent decline in full-time temporary FTEs, a 17-percent decline in part-time temporary FTEs, and a 17-percent decline in intermittent FTEs.

The flexibility to terminate other than full-time permanent employees appears to have diminished significantly. To obtain an indication of which employment categories have been reduced in fiscal year 1995 to date, we surveyed 28 agencies. Twelve agencies responded in time to be included in our testimony today

and these data are summarized in table 2.<sup>3</sup> Based on the data they provided, separations of full-time permanent employees were only 41 percent of the total separations in fiscal year 1994 while they were 60 percent of separations for these 12 agencies to date in fiscal year 1995.

Table 2: Reported Separations by Employment Category at Selected Agencies, FY 1993 - FY 1995

Employment category	Fiscal year 1993	Fiscal year 1994	Fiscal year 1995 (to date)	Number of buyouts made <sup>a</sup>
Full-time permanent	30,562	36,977	11,280	14,732
Full-time temporary	39,514	28,535	3,634	1
Part-time permanent	4,646	4,730	1,163	240
Part-time temporary	9,037	8,216	1,561	0
Intermittent	11,917	12,144	1,273	2

<sup>a</sup>The authority to offer buyouts has been in effect since March 30, 1994, and is scheduled to expire March 31, 1995.

Source: GAO survey.

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<sup>3</sup>The twelve agencies responding were the Departments of Health and Human Services, State, Transportation, and Veterans Affairs; Soil and Conservation Service; Geological Survey; Bureau of Indian Affairs; Bureau of Mines; Forest Service; NASA; Census Bureau; and the Environmental Protection Agency.

Of course, we cannot be sure these data are representative and we will continue to monitor trends in hiring and separations as downsizing continues.

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This concludes my prepared statement. I would be pleased to answer any questions the Subcommittee may have.

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