

GAO

Report to the Chairman, Subcommittee
on Civil Service, Committee on
Government Reform and Oversight,
House of Representatives

March 1998

FEDERAL DOWNSIZING

Agency Officials' Views on Maintaining Performance During Downsizing at Selected Agencies





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

General Government Division

B-276566

March 24, 1998

The Honorable John Mica
Chairman, Subcommittee on Civil Service
Committee on Government Reform and Oversight
House of Representatives

Dear Mr. Chairman:

A bipartisan consensus has emerged that the federal government must find ways to meet the public's demand for services with a reduced but more effective workforce. In response to this consensus, the number of civilian employees governmentwide decreased by about 12 percent between fiscal years 1993 and 1996. On an agency-by-agency basis, some agencies had reductions larger than 12 percent, including the Department of Housing and Urban Development (HUD), the Department of the Interior (DOI), the General Services Administration (GSA), the National Aeronautics and Space Administration (NASA), and the Office of Personnel Management (OPM).

In light of the demand for a smaller but more effective workforce, you asked us to review these five agencies to obtain information on the effects downsizing has had on their performance and what actions were taken to maintain performance. In response to your request, our objectives were to (1) determine which components within the five agencies were downsized and to what extent; (2) determine what actions were taken to maintain performance for one selected downsized component at each parent agency, the results of those actions on the component's performance, and the effect of the downsizing on customer service; and (3) identify lessons the five components learned about maintaining performance during a period of downsizing. The selected components were HUD's Office of Housing, DOI's Bureau of Reclamation (BOR), GSA's Public Buildings Service (PBS), NASA's Kennedy Space Center (KSC), and OPM's Investigations Service. Each of these components had experienced a sizeable downsizing of its workforce. In the case of the Investigations Service, unlike the other four components, most of its activities and employees were privatized (made part of a private company - see app. V).

Results in Brief

Most components within the five parent agencies were downsized to some extent, although how much varied considerably. The percentage of agency components' full-time equivalent (FTE) reductions from fiscal year 1993 through 1996 ranged from 3 percent to 100 percent at HUD, 2 percent to

87.5 percent at DOI, 10 percent to 37 percent at GSA, 3 percent to 42 percent at NASA, and 2 percent to 100 percent at OPM.¹

According to officials of the parent agencies and the five selected components, several actions helped the components maintain performance levels during the period of downsizing. They explained that it was difficult to isolate actions taken independently of downsizing from those taken because of downsizing. However, the actions the officials told us about generally fell into three categories: (1) refocusing of missions, (2) reengineering of work processes,² and (3) building and maintaining employee skills.

The officials said the five components were generally able to maintain performance and fulfill the requirements of their missions despite the relatively large downsizing that occurred from fiscal year 1993 to fiscal year 1996. The Investigations Service downsized by 61 percent,³ PBS by 21 percent, BOR by 20 percent, Office of Housing by 16 percent, and KSC also by 16 percent. Although the officials told us they could not connect specific actions taken with specific outcomes, they said that without the three actions mentioned earlier, the performance levels of the components would not have been maintained. Officials at some components also said that additional downsizing could hamper future performance. It should be noted that our results primarily reflect the viewpoints of officials from the agencies and components and are a snapshot at the time of our review. Performance measurement data, particularly baseline data with which current data could be compared, that would support agency officials' views or enable policymakers to track program performance and make informed decisions were limited. The data that were available tended to substantiate the views of component officials that they were meeting goals they had set for themselves.

According to component officials and employees or their representatives at the five components, customers remained satisfied with the

¹According to Office of Management and Budget (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.

²Commonly defined as a systematic, disciplined improvement approach that critically examines, rethinks, and redesigns mission-delivery processes to achieve dramatic improvements in performance in areas important to customers and stakeholders.

³Although the Investigations Service downsized by 61 percent according to its full FY 1996 FTE usage, the OPM GAO Liaison noted that if the Investigations Service downsizing was measured using the FTE complement at the close of FY 1996, a reduction of 96 percent occurred from the FY 1993 level. The privatization of Investigations occurred in the last quarter of FY 1996, which dramatically lowered the end-of-year staffing level.

components' performance during the period of downsizing. This view was generally supported by the limited customer survey data we reviewed. For example, surveys during the period covered by our review of building tenants under PBS and customers of KSC over time both showed stable rates of relatively high customer satisfaction. More limited survey data from a power program under BOR showed high satisfaction, and responses from a small group of lenders and realtors using HUD's Office of Housing services showed moderate satisfaction. On the other hand, our inquiries of a small number of Investigations Service, BOR, and Office of Housing customers showed mixed customer satisfaction. Investigations Service customers indicated continued satisfaction, while BOR and Housing customers revealed some dissatisfaction. BOR customers, however, stated that their dissatisfaction was not due to the downsizing.

Among the lessons that component officials said they learned, the most important was the need for early planning and open communication with employees. In emphasizing the need for early planning, one component official said that targeting buyouts (i.e., cash incentives for employees to resign) could have prevented mismatches at his component between buyout results and organizational needs. Another official said that his component should have communicated better with employees to minimize the inherent distrust and fear generated by downsizing.

Background

Beginning in 1993, both Congress and the administration agreed that federal employment levels should be cut as a means of reducing federal costs and controlling deficits. Through a series of executive orders and legislation, goals were established for reducing federal staffing levels. Two driving forces in the reductions were the Federal Workforce Restructuring Act of 1994 and the National Performance Review. The act, passed in March 1994, mandated governmentwide reductions of 272,900 FTE positions through fiscal year 1999. The National Performance Review, the administration's major management reform initiative, recommended that any reductions be accomplished through agency efforts to streamline operations, reduce management control and headquarters positions, and improve government operations through reinvention and quality management techniques.

In addition to reducing their workforces and streamlining their operations, agencies are required to measure their performance. The Government Performance and Results Act of 1993 requires agencies to (1) develop strategic plans covering a period of at least 5 years and submit the first of

these plans to Congress and OMB by the end of fiscal year 1997, (2) develop and submit annual performance plans to OMB and Congress beginning for fiscal year 1999 containing the agencies' annual performance goals and the measures they will use to gauge progress toward achieving the goals, and (3) submit annual reports on program performance for the previous fiscal year to Congress and the President beginning with fiscal year 2000. In addition, the Results Act established requirements for pilot projects so that participating agencies could gain experience in using key provisions of the Results Act and provide lessons for other agencies as well. Over 70 federal organizations, including GSA, HUD, and OPM, participated in the pilot projects for performance planning and reporting.

Between fiscal years 1993 and 1996, when the federal civilian workforce was cut by about 12 percent, the workforces of certain agencies were reduced by larger percentages. These included cuts of 14 percent at HUD, 13 percent at DOI, 22 percent at GSA, 13 percent at NASA, and 42 percent at OPM.

Scope and Methodology

To determine which components within HUD, DOI, GSA, NASA, and OPM were downsized and to what extent, we examined agency FTE data for fiscal years 1993 through 1996. These data were organized by component.

To address our remaining objectives, we selected one component from each agency, primarily on the basis of the percentage it downsized; however, we also considered such factors as public interest, the effects of downsizing on safety, and privatization of agency functions as selection criteria. We selected HUD's Office of Housing and GSA's PBS because, on a percentage basis, they accounted for the largest portion of their parent agencies' staffing reductions. We selected DOI's BOR because it was one of the most heavily downsized of DOI's components, and within BOR, we focused on the Denver Reclamation Service Center because of its central role in BOR operations. Within NASA, the Human Space Flight Program experienced the greatest percentage of downsizing, and from the program's centers, we focused on KSC because of its high profile as the space shuttle launch and recovery site and because of public concerns that had been expressed about shuttle safety. We selected OPM's Investigations Service because many of its functions had been privatized.

To determine what actions were taken to maintain performance in the selected components as a result of downsizing, the results of these actions on performance, the effects of downsizing on customer satisfaction, and

lessons learned, we interviewed officials from the parent agencies, components, unions, and employee associations. We also interviewed a small number of randomly selected BOR and KSC employees who were not represented by unions to obtain their views on agency performance during downsizing. We reviewed streamlining, performance, and customer service plans; where available, we examined performance and customer satisfaction measurement data.

We did not evaluate the performance or customer satisfaction measures used by the components or verify their performance measurement or customer satisfaction scores. Because of limited customer satisfaction data at the Office of Housing, BOR, and the Investigations Service, we interviewed a small number of randomly selected customers to determine their satisfaction with performance during downsizing. The lessons learned by components reflect the judgment of component officials. We did not independently assess how well these lessons were followed during components' actual downsizing experiences. The results of our work are limited to the components reviewed and cannot be projected to the entire agency or governmentwide.

Our work was performed at the headquarters of the parent agencies and components in Washington, D.C.; at the KSC in Florida; and at BOR's Reclamation Service Center in Denver, CO. We also interviewed BOR employees, KSC employees, HUD customers, BOR customers, and OPM customers in various locations throughout the United States. We performed our work between October 1996 and November 1997 in accordance with generally accepted government auditing standards.

We asked HUD, DOI, GSA, NASA, and OPM to provide comments on a draft of this report. The comments provided are discussed at the end of this letter.

Extent of Downsizing Varied Among Components and in Its Effect on Total Agency Reductions

Nearly all organizational components in each agency were affected, some more than others. The downsizing of components at the five parent agencies we reviewed ranged from around 2 percent to 100 percent. In addition, the effect of each component's downsizing on the parent agency's total reductions varied. For example, HUD's Office of Housing's FTE reductions between fiscal years 1993 and 1996 were 52 percent of HUD's total reductions, while BOR's FTE reductions were 15 percent of DOI's total reductions for the period. The extent of agency downsizing by selected organizational component is shown in table 1.

Table 1: Downsizing Between Fiscal Years 1993 and 1996 at Five Selected Agencies, by Organizational Components and Percentage of Total Agency FTE Reductions

Agency	Components	FTE reductions between FYs 1993 and 1996	Percentage of total agency reductions
HUD	Office of Housing	977	51.9 %
	Office of Administration	187	9.9
	Community Planning and Development	172	9.0
	Public and Indian Housing	171	9.0
	Field Directorate & Operational Support	157	8.3
	Other	230	12.1
	DOI	Bureau of Indian Affairs	2,394
Bureau of Mines		2,016	19.8
Bureau of Reclamation		1,518	14.9
Geological Survey		1,445	14.2
Bureau of Land Management		1,162	11.4
Other		1,641	16.1
GSA	Public Buildings Service	2,114	46.6
	Federal Supply Service	1,026	22.6
	Federal Telecommunications Service	903	19.9
	Other	492	10.8
NASA	Human Space Flight	1,909	48.2
	Center Management and Operations	807	20.4
	Science, Aeronautics, Technology	347	8.6
	Mission Support	348	8.8
	Other	553	14.0
OPM	Investigations Service	898	36.1
	Human Resources Development	520	20.9
	Administrative Services	518	20.8
	Employment Services	469	18.8
	Personnel Systems and Oversight	380	15.3
	Other ^a	+296	+11.9

^aIncludes three components that lost FTEs, and three components that gained FTEs, resulting in a combined FTE increase.

Source: GAO calculations based on agency-provided data.

Components Took Three Categories of Actions to Maintain Performance

Although officials told us it was difficult to isolate actions that agencies and their components took to maintain performance independently of downsizing from those taken because of downsizing, the actions they said were taken to maintain performance amid downsizing fell into three categories: refocusing their missions, reengineering their work processes, and taking steps to build and maintain employee skills. Detailed information on each component is provided in appendixes I through V.

Most Components Refocused Their Missions

The National Performance Review, budget reductions, and workforce reductions generally have led federal agencies to rethink how they operate and work to reinvent themselves to become more efficient organizations. According to component officials, most of the five components, under the guidance of their parent agencies, refocused their missions primarily to increase their efficiency. For example, BOR changed its emphasis from water project construction to water resources management because of the increased demand on limited water resources and cutbacks in federal spending. NASA's Human Space Flight program shifted its focus and scarce resources from operations—which it believed could be conducted more efficiently by private vendors—to its primary mission, research and development. OPM created US Investigations Services (USIS), Inc., to do the background investigations work OPM's Investigations Service previously provided to other agencies.

Components Reengineered Their Work Processes

In addition to refocusing missions, components reengineered their work processes to improve effectiveness and/or efficiency. Changes to work processes included consolidating functions into fewer locations, aligning operations more closely with private sector business practices, modernizing data processing systems, placing increased decisionmaking authority in field offices, and increasing reliance on contractors. HUD's Office of Housing, for example, consolidated single family housing activities from 17 field offices into 1 homeownership center, which officials said helped reduce processing times. The Office plans further consolidations by the year 2000. KSC changed from its traditional contractor oversight role to one of "insight." Under oversight, KSC directly oversaw contractors on a continual basis, but under insight, KSC will directly oversee contractor processes on a periodic basis. Another component, OPM's Investigations Service, privatized its investigations operations through the establishment of a private corporation owned by former Investigations Services employees under an Employee Stock Ownership Plan. An Investigations Service official said that USIS completed

about 20 percent more investigations in fiscal year 1997 than the Investigations Service did in fiscal year 1996.

Components Took Steps to Build and Maintain Employee Skills

Along with reengineering their work processes, components generally took steps to help ensure that they had the skilled workforces needed to maintain their performance in a downsized environment. These steps included retraining employees for additional responsibilities and consolidating expertise in fewer locations. For example, according to a PBS official, PBS lacked a workforce suited to its mission; however, it was training its staff to develop a workforce with the necessary skills. BOR officials said that although their workforce had retained the appropriate skills and experience, employees were being retrained and rotated among functions to develop future supervisors and managers.

Nevertheless, some officials were concerned about the sufficiency of current or future workforces for some components. In March 1997, the HUD Inspector General (IG) reported that the Office of Housing did not have the staffing levels and skill mixes it needed. The IG also reported staffing shortages in some areas, barriers to effective staff redeployment, and mismatches between skills and needs. The report stated that staff reductions would be compounded as anticipated budget restrictions led to further reductions by the end of fiscal year 2000. The report also said staffing needs continued to be most critical in the multifamily insured portfolio monitoring area and, to a lesser degree, in the multifamily note servicing area. The IG said this prevented the component from placing adequate resources on multifamily loss mitigation functions and properly managing troubled multifamily assets. In October 1997, HUD began implementing its 2020 Management Reform Plan, which included a specific initiative to refocus HUD's mission and retrain its workforce to perform a wider variety of interdisciplinary tasks. Office of Housing officials reported to us that one expected effect of the HUD 2020 Management Reforms will be that Housing will be able to focus a highly trained staff with adequate automated systems on the multifamily portfolio. Also, because of concern about the safety of the space shuttle as KSC downsized and a new contract for shuttle operations was implemented, NASA's Aerospace Safety Advisory Panel reviewed issues associated with program safety and management. It found that, overall, efforts to streamline the space shuttle program had not created unacceptable risks, but it was concerned with the long-term loss of critical skills and experience. The panel said these personnel issues were challenging and had the potential to adversely affect risk in the future.

Officials and Employees of the Five Components Generally Believed Performance Was Maintained and Customers Remained Satisfied

Component officials, employee representatives, and employees we spoke with believed that efforts to maintain performance had generally been successful. However, some expressed concern about whether performance could be maintained with additional downsizing. They also largely believed that their customers remained satisfied, a view generally supported by the limited customer survey data available; however, customers we spoke with did not always agree with that assessment.

According to Component Officials and Employees, Actions Taken to Maintain Performance Were Generally Successful

Officials, employee representatives, and employees we spoke with at all five components said that they generally believed performance had been maintained; however, some officials expressed concern about whether performance could be maintained with additional downsizing. Office of Housing officials, for example, believed downsizing had not greatly affected the Office's performance. Further, they reported to us that they anticipate the component's performance would not only be maintained but would improve after the additional downsizing called for by HUD's management reform plan is completed in the year 2000. Office of Housing union representatives had mixed opinions, with one agreeing with the Housing officials that there were few performance problems to date and another believing that performance had been negatively affected. KSC officials said they believed KSC was still able to perform its mission. However, they also said they were concerned about retaining the human resources needed to react to problems, meet unplanned requirements, and sustain work as the workforce continued to decline. Most KSC employees we spoke with supported their management's view. They said mission performance had been unaffected by downsizing but that it could be affected by future downsizing.

We found limited performance measurement baseline or trend data to validate the belief of component officials and employees that performance had been maintained. However, the data that were available showed that the components generally met performance goals they set for themselves. For example, at the time of our review, PBS had been developing performance measures under a Government Performance and Results Act pilot project, and while there were little trend data, the data that existed showed that PBS met or exceeded more than half of the goals it set for itself during downsizing. At KSC, available performance measurement data indicated that KSC had maintained performance during downsizing. The

data showed that KSC had maintained its shuttle launch schedule at lower cost and that the number of in-flight problems caused by ground processing had declined. BOR officials were unable to provide any BOR-wide performance measurement data to use in corroborating officials' views that performance had been maintained. The Results Act requires that agencies collect performance measurement data for managing their programs, and component officials told us they are currently developing these data.

**Customer Satisfaction
During Change Has Been
Mixed**

Officials, employee representatives, and employees we spoke with at all five components largely believed that their customers remained satisfied even as the organizations took action to maintain their performance during downsizing. This view was generally supported by the limited customer survey data available. However, customers of the Office of Housing and BOR that we spoke with did not always agree.

PBS and KSC officials cited customer survey results that supported their positive views of customer satisfaction during downsizing. PBS reported surveys of its buildings' tenants showed satisfaction increasing from 74 percent to 77 percent between fiscal years 1993 and 1996. KSC reported that its payload customers' satisfaction remained at about 4.2 on a scale of 1 to 5 with 5 being excellent service, despite downsizing, during fiscal years 1993 through 1996.

Because BOR, the Office of Housing, and the Investigations Service had little customer satisfaction data to support their opinions, we interviewed a small number of their customers. We interviewed seven randomly selected BOR customers consisting of six water districts located in rural areas in the western United States and one state agency. One customer was satisfied with BOR's performance, five were not satisfied, and one reported declining satisfaction. The most common reason cited for dissatisfaction was the view that BOR more often favored the water demands of politically powerful groups at the expense of rural farmers. However, none of the customers we talked to blamed their dissatisfaction on downsizing. Of the five Office of Housing customers we interviewed, three either were not satisfied or had mixed feelings with Housing's performance. All three said downsizing caused major losses of staff with adequate technical expertise. The two Investigations Service customers we spoke with said there had been no change in their satisfaction level since the Service had privatized.

Lessons Learned by Officials Include Maintaining Open Communication and Involving Employees in Advance Planning

Although officials from the components identified a number of lessons that they said helped them maintain performance during downsizing, most cited two overarching lessons. They believed that open lines of communication between management and employees were a must and that management must solicit employee input into the planning process. NASA officials told us that unions, employee associations, and employees should be involved with developing the agency downsizing implementation strategy. In addition, officials said that (1) people must be treated with compassion and must know they are valued by the agency; (2) there must be no favoritism even though management may be reluctant to let some people leave; (3) buyouts need to be planned to prevent a sudden loss of expertise; and (4) critical skills should be backed up by more than one person so that, if people leave, the agency still has employees with the required skills.

Agency Comments

We requested comments on a draft of this report from the heads of each of the five agencies or their designees from which we had obtained information. We received written comments from NASA in a letter dated January 22, 1998, from the Acting Deputy Administrator. The Acting Deputy Administrator had no comments on any of the substantive content of the draft report. However, he did suggest one technical change, which we have made in the report. See appendix VI for a reprint of NASA's letter. We requested comments from the Administrator, GSA, but despite several follow-up inquiries, no comments were received.

On January 28 and 29, 1998, we spoke with the GAO Liaisons at OPM, DOI, and HUD, respectively. The OPM GAO Liaison said that OPM had no substantive comments on the draft report. He suggested several technical comments to improve the accuracy or context in the draft report; we made these changes in this report where appropriate. The DOI GAO Liaison had no comments on the draft report. The HUD GAO Liaison told us that except for one statement attributed to Office of Housing officials that the Department cannot support, the agency had no comments on the draft report. Consequently, we deleted the sentence from this report.

As arranged with your office, unless you announce the contents of this report earlier, we plan no further distribution until 30 days after its issue date. At that time, we will send copies to the Ranking Minority Member of the Subcommittee on Civil Service, House Committee on Government Reform and Oversight, and to the Chairman and Ranking Minority Member

of the Senate Committee on Governmental Affairs. We will also send copies to the Secretaries of HUD and DOI, the Administrators of GSA and NASA, and the Director of OPM. We will make copies available to others on request.

The major contributors to this report are listed in appendix VII. If you have any questions about the report, please call me on (202) 512-8676.

Sincerely yours,

A handwritten signature in black ink that reads "Michael Brostek". The signature is written in a cursive style with a large initial "M".

Michael Brostek
Associate Director, Federal Management
and Workforce Issues

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Abbreviations

BOR	Bureau of Reclamation
DOI	Department of the Interior
FTE	full time equivalent
GSA	General Services Administration
HUD	Department of Housing and Urban Development
IG	Inspector General
KSC	Kennedy Space Center
NASA	National Aeronautics and Space Administration
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PBS	Public Buildings Service
USIS	US Investigations Service, Inc.

Office of Housing, Department of Housing and Urban Development

Extent of Downsizing Varied by Component

The Department of Housing and Urban Development (HUD) reduced its workforce by 1,894 FTEs between fiscal years 1993 and 1996. As shown in Table I.1, the Office of Housing accounted for the largest percentage of HUD's downsizing.

Table I.1: FTE Reductions at HUD Components Between Fiscal Years 1993 and 1996

Component	FTE reduction between FYs 1993 and 1996	Percent of FY 1993 FTEs reduced	Percent of total HUD FTE reduction
Office of Housing	977	15.9%	51.6%
Office of Administration	187	15.9	9.9
Community Planning and Development	172	16.9	9.1
Public and Indian Housing	171	11.2	9.0
Field Directorate & Operational Support	157	31.8	8.3
Other components	230	7.8	12.1
Total	1,894	14.2%	100%

Source: GAO calculations based on agency-provided data.

HUD and Office of Housing Took Three Actions to Maintain Performance During Downsizing

Actions taken that helped HUD's Office of Housing maintain performance during downsizing can be categorized into three general areas: (1) HUD refocused its mission, (2) Office of Housing reengineered its work processes, and (3) Office of Housing took steps to build and maintain employee skills.

HUD, according to its streamlining plan, had operated for years without a clear mission, resulting in an inability to mobilize its resources to meet the needs of America's communities. In a 1996 statement highlighting the agency's reinvention efforts, the Secretary of HUD stated that HUD's mission is to help people create communities of opportunities and that the programs and resources of HUD help Americans create cohesive, economically healthy communities.

HUD's Office of Housing has responsibility for (1) underwriting single family, multifamily, property improvement, and manufactured home loans and (2) administering special purpose programs designed specifically for the elderly, the handicapped, and the chronically mentally ill. In addition, the Office of Housing administers assisted-housing programs for low-income families, administers grants to fund resident ownership of

multifamily housing properties development, and protects consumers against fraudulent practices of land developers and promoters. In support of its mission, HUD officials said that Office of Housing took or planned a number of actions to help maintain performance during this period of downsizing. Routine, location neutral activities were consolidated into fewer offices. In August 1994, the Office of Housing consolidated single family housing activities from 17 field offices into the Denver Homeownership Center and reported reduced processing times as a result. By 2000, Housing plans to consolidate remaining single family loan processing, quality assurance, marketing and outreach, and asset management activities from its 81 field offices into 4 homeownership centers (including Denver), which officials said should enable them to reduce single family personnel by 50 percent. The multifamily housing program consolidated voucher processing in Kansas City in August 1995, property disposition in Atlanta and Fort Worth in October 1996, and risk-sharing lender activities in Greensboro, NC, in January 1997 to reduce processing time, improve customer service, and use staff resources more efficiently.

Multifamily housing officials planned to continue consolidating its 51 hub locations until activities are located in 18 hub locations and 33 additional smaller sites by fiscal year 1998. According to these officials, this will create economies of scale and maximize use of limited resources while still maintaining a local presence. They explained these consolidations were not done specifically because of downsizing, but they were part of an ongoing HUD reinvention effort, which permitted HUD to adjust to a fluctuating workload and maintain performance during downsizing. In addition to the consolidations, the Office of Housing began implementing paperless processing of mortgage record changes, default reporting, and other record changes.

Office of Housing officials told us their employees generally had the appropriate skills and experience to maintain performance during this downsizing period. However, in certain instances, the Office of Housing used contractors to supplement shrinking staff and provide technical expertise, such as physical inspections and property disposition rehabilitation reviews. The various consolidations reduced the need to have expertise in all functions in all offices. To augment employee skills, the multifamily housing program implemented work sharing using a “matrix” scheme of 5 teams consisting of 18 to 20 offices each. Under this scheme, offices within a matrix shared work so that, if an office needed help with a function, it could get it from another office in the team. Union

officials we spoke with also believed that Office of Housing employees had the skills and experience needed to maintain performance in most but not all locations; however, they warned that the skills would not be available as downsizing continued.

Although Office of Housing and union officials believed Housing had the skills and experience necessary to maintain performance, a March 1997 IG's audit was less optimistic. It found staffing shortages in some areas, barriers to effective staff redeployment, and mismatches between skills and needs. The IG report stated that staff reductions would be compounded as anticipated budget restrictions led to further reductions by the end of fiscal year 2000. The report said staffing needs continued to be most critical in the multifamily insured portfolio monitoring area and, to a lesser degree, in the multifamily note servicing area. Office of Housing officials reported to us that the realignment of functions and responsibilities as outlined in HUD's 2020 Management Reform Plan, initiated in October 1997, will enable Housing to focus a highly trained staff with adequate automated systems on the multifamily portfolio.

Actions Taken During Downsizing Were Generally Successful in Maintaining Performance, According to Officials

The Office of Housing reported that the creation of new methods to deal with its workload, such as the single family homeownership centers and work sharing, had allowed it to maintain, and in some cases, improve performance. Union officials differed on whether downsizing had affected performance. Two union officials thought performance had been negatively affected, while one union official said it had not been because employees took pride in their work and were willing to do what was necessary to get it done. Office of Housing performance measurement goals changed from year to year so there were few trend data, but the available data showed that Housing generally met or exceeded the goals it set for itself during this downsizing period. Trend data for one goal, to close sales on 95 percent of each year's single family inventory, were available. They showed closed sales were 95 percent of inventory in fiscal year 1994, 109 percent in fiscal year 1995, and 194 percent in fiscal year 1996. Housing officials told us that HUD was developing performance measures in compliance with the Government Performance and Results Act.

HUD's 2020 Management Reform Plan seeks to (1) consolidate most of its recordkeeping and many program activities in selected cities around the country and (2) focus the agency on assessing the quality of the government housing stock, and curtailing waste, fraud, and abuse. As part

of this plan, HUD would continue its downsizing efforts. In a November 25, 1997, audit-related memorandum providing for an interim review of HUD's reform plan, HUD's IG criticized the plan for setting a downsizing target without first analyzing HUD's workload and mission. The IG reported that HUD's staff reductions are resulting in a serious loss of technical expertise leading to concerns about the relative capacity of HUD's remaining staff to carry out their mission and responsibilities once reforms are in place. HUD officials had not yet responded to the audit-related memorandum at the time we concluded our work.

Customer Satisfaction During Downsizing Was Mixed

Office of Housing officials, citing feedback from lending institutions and a decreased number of complaints, believed customers were satisfied with their performance. A union official believed that customer satisfaction on the part of the private real estate industry had increased because private companies were asked to do more for themselves, which they applaud, but satisfaction on the part of the public had decreased because downsizing had reduced the opportunities for the public to interact with the Office of Housing. Another union official believed that customers had generally remained satisfied in spite of downsizing because the extra time employees were devoting to their jobs enabled the Office of Housing to continue providing levels of service after downsizing that were comparable to those provided before downsizing.

The Office of Housing provided results of two customer satisfaction surveys done during downsizing. A Denver Single Family Processing Center customer survey in 1995 with an 8 percent response rate indicated that the respondents were satisfied. A 1996 survey found moderate satisfaction among lenders and low satisfaction among realtors for the Section 203(k) Rehabilitation Mortgage Insurance Program, and it found high satisfaction among lenders and moderate satisfaction among realtors for the Section 203(b) Mortgage Insurance Program. However, in the absence of any similar surveys prior to downsizing, we could not tell if satisfaction among these customers had increased or decreased during downsizing. Further, the low response rates for the surveys undermine their value as accurate measures of customer satisfaction.

In the absence of agency data measuring changes in customer satisfaction during downsizing, we interviewed a small number of Office of Housing customers. The Office of Housing provided customer lists containing 80 customers composed primarily of nonprofit organizations representing industry groups and homeowners. From the 80 customers, we randomly

selected 10. We asked them if their satisfaction with the Office of Housing's performance had changed since 1992 and if their satisfaction had been affected by downsizing. Three of the organizations denied being customers, one could not be contacted, and one did not respond to our questions. Of the remaining five, two were satisfied with the Office of Housing's performance, but three were either dissatisfied or had mixed feelings. The dissatisfaction all three expressed was due to major losses, at headquarters or field offices, of staff with adequate technical expertise, and all three blamed downsizing. The organizations said these losses made it difficult for the organizations and their constituents to obtain information they needed. One organization described the situation at the Office of Housing as a "brain drain."

Lessons Learned
Include Maintaining
Open Communication
and Involving
Employees in
Advance Planning

Office of Housing officials identified a number of lessons learned they believed helped maintain performance during downsizing. They said agencies should involve employees who will be affected by downsizing in the planning and development of new organizational procedures. They said managers need to "be straight" with employees about what is happening because it makes acceptance easier; tell employees the situation as soon as possible so they can make decisions about their futures; not change direction after the inevitable is accepted because that causes downtime while employees become reoriented; and make every effort to convey to the employees how important they are to the agency's success and to ensure that the employees feel they are part of a team. Officials also said it is important to develop a cooperative relationship with employee unions.

Bureau of Reclamation, Department of the Interior

Extent of Downsizing Varied by Component

The Department of the Interior (DOI) reduced its workforce by almost 10,200 FTEs between fiscal years 1993 and 1996. Table II.1 shows components with the largest downsizing percentages.

Table II.1: FTE Reductions at DOI Components Between Fiscal Years 1993 and 1996

Component	FTE reduction between FYs 1993 and 1996	Percent of FY 1993 FTEs reduced	Percent of total DOI FTE reduction
Indian Affairs	2,394	18.3%	23.5%
Mines ^a	2,016	87.5	19.8
Reclamation	1,518	20.1	14.9
Geological Survey	1,445	12.6	14.2
Land Management	1,162	10.5	11.4
Other programs	1,641	5.2	16.1
Total	10,176	13.2%	100%

^aThe Bureau of Mines closed in February 1995. Some FTEs remained to shut down facilities.

Source: GAO calculations based on agency-provided data.

BOR Took Three Actions to Maintain Performance During Downsizing

Actions taken that helped Bureau of Reclamation (BOR) maintain performance amid downsizing can be categorized into three general areas: BOR (1) refocused its mission, (2) reengineered its work processes, and (3) took steps to build and maintain employee skills.

According to the Secretary of the Interior, his agency’s mission is to protect and provide access to the nation’s natural and cultural heritage and to honor its trust responsibilities to tribes. DOI’s internal operating manual states that BOR’s mission is to manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public. In fulfilling its mission, BOR designs and constructs water resources projects; develops and enhances recreational uses at BOR projects; conducts research and encourages technology transfer to improve resource management development and protection; assists other federal and state agencies in protecting and restoring surface water and ground water resources from hazardous waste contamination; and provides engineering and technical support to federal and state agencies, Native American tribes, and other nations.

Over the past decade, BOR shifted its mission emphasis from water project construction to water resources management, including water conservation, environmental restoration, and solutions to the water

problems of Native Americans and urban water suppliers. According to BOR officials, this reemphasis occurred at the same time as downsizing, but not because of downsizing.

In October 1994, BOR reengineered its Denver facilities into the Reclamation Service Center to provide administrative, research, scientific, and technical services to BOR, other DOI organizational components, water districts, and others. These services are provided through four major units, specifically, the Administrative Service Center, the Human Resources Office, the Management Services Office, and the Technical Service Center. As part of the restructuring, the Technical Service Center became self-supporting—dependent on client payments for its financing. In addition to establishing the Reclamation Service Center, BOR's 35 project offices were consolidated into 26 area offices.

BOR officials believed that BOR employees had the appropriate skills and experience to maintain performance amid downsizing, although they also believed additional younger people needed to be hired. To develop a cadre of people to be future supervisors and managers, the officials said BOR was rotating people among functions and retraining them. A union official also believed that BOR had the appropriate skills and experience to maintain acceptable performance with the workforce currently on board. Employees we spoke with generally agreed that BOR had the necessary skills, but they were concerned about the future. One employee said that skills were thinly spread, and although the work would get done, its quality might suffer. Another employee said there were skill gaps, and unless BOR was careful, it would not have the skills needed. Some employees also expressed concern that employees were leaving who would have been BOR's future leaders and that few young people were being hired.

Actions Taken During Downsizing Were Generally Successful in Maintaining Performance, According to Officials

BOR headquarters officials believed no performance problems had emerged because of downsizing; however, Reclamation Service Center officials were less positive. While Service Center officials generally agreed performance had not suffered greatly, they also noted that some problems had emerged, particularly in the Service Center's ability to provide computer support to other BOR units. Service Center officials believed that people were working harder and were tired because of fewer people to carry the same or even an increased workload, and performance may ultimately suffer because stress leads to mistakes. Service Center officials said there had already been incidents such as threats of violence and

bizarre behavior brought on by stress. A union official concurred that some performance problems had emerged, particularly the ability to provide all the computer support needed. Employees we spoke with, for the most part, agreed with headquarters officials that downsizing had not yet led to performance problems, although some said downsizing had caused a loss of expertise.

We found no BOR-wide performance measurement data to use in corroborating officials' views that performance had been maintained. The Power Programs' Power Management Laboratory had identified a number of fiscal year 1994 measures, such as FTES per operating unit and per megawatt, but there were no data for other fiscal years. A Power Program official said data for other fiscal years were being gathered but would not be available for several months, and consequently there were no data showing performance trends during downsizing. The 1994 data showed that BOR was performing within an acceptable range of the power industry's standards. At the Reclamation Service Center, an official suggested one performance measure would be whether its Technical Service Center unit broke even each year. The official pointed out that, although the Technical Service Center suffered a deficit of about \$180,000 in its first year of operation as a self-supporting activity in fiscal year 1995, it earned a surplus of about \$270,000 in its second year even after recovering the previous year's deficit. BOR officials said the agency was developing performance measures in compliance with the Government Performance and Results Act.

Customer Satisfaction Was Mixed, but Dissatisfaction Was Not Linked to Downsizing

BOR officials told us that, based on informal feedback, their customers remained satisfied with their work. One measure of satisfaction cited was that Technical Service Center customers continued to seek and pay for services. Furthermore, an official said, downsizing had benefited customer satisfaction because it forced BOR employees to become more customer-oriented. Employees we spoke with were not unanimous, but most employees felt that customers remained satisfied. One employee echoed management's statement that downsizing had benefited customer satisfaction because BOR employees had become more customer-oriented and added that having fewer people on projects resulted in more direct communication with customers about routine matters. On the other hand, one employee said BOR had been unable to adequately service two federal agencies and a water district, and another employee said it was hard to provide staff for all of the unit's projects.

A BOR official said there were no agencywide customer satisfaction data; however, BOR was developing an agencywide customer satisfaction survey that it hoped to administer at 3-year intervals. BOR's Power Program surveyed 942 customers in 1995 and found that 84 percent of the respondents thought BOR was doing a good to excellent job. There were no predownsizing data for comparison, but the Power Program intended to continue seeking customer feedback in the future.

In the absence of BOR-wide customer satisfaction data, we interviewed a small number of customers. BOR provided customer lists containing 627 customers. Customers included other federal agencies, international customers, and state agencies, but most of them were water districts located in rural areas in the western United States. From the 627 customers, we randomly selected 10 to survey of which 9 were rural water districts and 1 was a state agency. We asked them if their satisfaction with BOR's performance had changed since 1992 and if their satisfaction had been affected by downsizing. Two organizations denied being BOR customers, and one did not respond. Of the remaining seven, one was satisfied with BOR's performance, five were not satisfied, and one reported declining satisfaction. Reasons cited for dissatisfaction included longer turnaround time for decisions, diminished technical support, increased reporting requirements, and higher water fees. However, the most common reason cited for dissatisfaction was customers' belief that BOR is prone to favor the water demands of politically powerful groups, such as large population centers and environmental groups, at the expense of rural farmers. Four of the dissatisfied customers did not think that downsizing caused their dissatisfaction, and two were not sure.

Lessons Learned Include Maintaining Open Communication and Involving Employees in Advance Planning

BOR officials identified a number of lessons learned they believed helped maintain performance amid downsizing. First, officials said that agencies should include employees in planning and implementing the downsizing. The officials believed it was impossible to communicate with employees too much, and said to be open and honest with them. If there must be a reduction-in-force, officials said it should be conducted without favoritism even though there are some employees managers may not want to lose. By adhering to this principle, they said only two appeals resulted from BOR's reduction-in-force, both of which they said were quickly resolved. Officials also stressed the need to plan for buyouts. Although BOR's first buyout round was open to everyone, by phasing the time when employees left, officials said BOR prevented a sudden loss of expertise. In addition, the officials cited the need to provide training for employees in coping with

Appendix II
Bureau of Reclamation, Department of the
Interior

downsizing, and to also provide them time to talk out troubling issues with their peers. One official said, in addition to rewarding employees, agencies should also hold them accountable for their actions. The official said BOR cannot afford to tolerate poor performers since it has downsized and relies on customer reimbursement for funding.

Public Buildings Service, General Services Administration

Extent of Downsizing Varied by Organizational Component

The General Services Administration (GSA) reduced its workforce by 4,535 FTEs between fiscal years 1993 and 1996. As shown in table III.1, the Public Buildings Service (PBS) accounted for the largest percentage of GSA's downsizing.

Table III.1: FTE Reductions at GSA Organizational Components Between Fiscal Years 1993 and 1996

Component	FTE reduction between FYs 1993 and 1996	Percent of FY 1993 FTEs reduced	Percent of total GSA FTE reduction
Public Buildings Service	2,114	21.0%	46.6%
Federal Supply Service	1,026	21.8	22.6
Federal Telecommunications Service	903	36.9	19.9
Other components	492	16.3	10.9
Total	4,535	22.4%	100%

Source: GAO calculations based on agency-provided data.

GSA and PBS Took Actions to Maintain Performance During Downsizing

Actions taken that helped PBS maintain performance during downsizing can be categorized into two general areas: (1) reengineering work processes and (2) PBS taking steps to build and maintain employee skills.

According to its fiscal year 1998 budget overview, GSA's mission is to improve the effectiveness of the federal government by ensuring quality work environments for its employees. To that end, GSA began moving from being a mandatory source of services to being a provider of choice, which must compete with other providers in terms of cost, quality, and timeliness. GSA reported it is increasingly competing effectively for customer purchases of real property services. In support of GSA's mission, PBS is responsible for the design, construction, management, operation, alteration, and remodeling of space, owned and leased, in which accommodations for government activities are provided, and where authorized, for the acquisition, use, custody, and accountability of GSA real property and related personal property. In addition, PBS has responsibility for providing leadership in the development and maintenance of needed property management information systems for the government.

In January 1995, PBS reengineered its work processes to align itself more closely with private sector business practices, allow regional offices to operate more independently, and fill gaps left by downsizing. PBS decentralized property development operations to field offices to allow for

increased contact with customers. In July 1996, GSA implemented the “Can’t Beat GSA Leasing” program to reduce delivery times and enhance cost-effectiveness by cutting procedures and offering greater competition and choices to federal agencies. In November 1996, it initiated the “Can’t Beat GSA Space Alterations” program for the procurement of construction services that aim to be better, cheaper, and faster for customers. According to an official, PBS also solicited several national real estate services to identify private sector service providers with which PBS could contract to deliver leasing services to federal agencies. The official said these contracts will allow PBS’ smaller staff to continue to satisfy customers by outsourcing routine transactional details. Further, the official said PBS planned, in fiscal year 1998, to begin transitioning its automated data processing system from multiple applications operating on an antiquated mainframe computer to the use of integrated commercial applications to provide on-line transaction processing, permit data sharing, and support an easy to use query facility.

A PBS official said PBS lacked the necessary skills mix suited to today’s mission; however, it was developing the necessary mix, for example, by retraining staff in asset management and empty building space disposal. The official further said that PBS was losing experienced employees, forcing those remaining to assume higher-level responsibilities, but this situation also allowed PBS to train people to replace lost managers by providing opportunities for employees to act in management roles.⁴ The official added that PBS would have sufficient staff with the appropriate skills and experience to maintain performance only if its improved automated data processing system is successfully implemented.

PBS employee representatives differed in their views about whether PBS had the necessary employee skill mix. Officials of one union believed that PBS did not have the appropriate skill mix and experience to maintain performance, while an official of another union believed the skill mix and experience were sufficient to maintain acceptable performance. An employee association official also believed that PBS currently had a sufficient skill and experience mix and added that GSA had greatly increased employee training.

⁴During interviews with PBS officials for a separate GAO review, PBS officials noted that the inexperience of some staff has affected performance. For example, officials said a lack of experience was a contributing factor to significantly overestimating rental revenues for fiscal years 1996, 1997, and 1998 for the Federal Buildings Fund.

Actions Taken During Downsizing Were Generally Successful in Maintaining Performance, According to Officials

A PBS official said it was not possible to describe the effects of downsizing alone on PBS performance because it occurred concurrently with changes GSA had already planned to make before downsizing was mandated. However, the official said streamlining its operations enabled PBS to maintain its performance, and implementation of the new data processing system planned for fiscal year 1998 will further enhance its ability to maintain performance. In addition, the official said downsizing forced PBS to implement changes faster, and in that respect, downsizing had been healthy. Employee representatives we spoke with disagreed about the effect of downsizing on PBS performance. Officials of one union believed it had been affected because constant change did not allow people to settle in and learn their jobs and because, in his opinion, contractor employees cannot perform the work as well as federal employees. An official of another union believed performance had not been greatly affected because of good planning and preparation by the agency. An employee association official said performance was initially affected because employees were placed in jobs for which they were not qualified, and experienced employees were replaced by temporary workers.

The PBS official said GSA did not have good baseline performance measurement data because it had historically done little performance measurement; however, it is now focusing its attention on developing performance measures to meet Results Act requirements. PBS had developed performance measures under a Results Act pilot project, but they had been evolving from year to year, and there were little data showing trends. The data did show, however, that PBS met or exceeded more than half of the pilot project goals it set for itself during fiscal years 1994, 1995, and 1996.

Customers Remained Satisfied During Downsizing

PBS surveyed its buildings' tenants between fiscal years 1993 and 1996, and the results showed an upward trend in satisfaction ranging from 74 percent in fiscal year 1993 to 77 percent in fiscal year 1996. However, because different buildings' tenants were surveyed in different years, the results did not measure changes in satisfaction of the same tenants.

Union officials we spoke with disagreed on the extent of customer satisfaction. One union believed that the customer survey data misrepresented customer satisfaction because of a low response rate; however, another union believed that customer satisfaction was improving.

Lessons Learned Include the Need to Target Buyouts

A PBS official said GSA made a mistake in its first round of buyouts by not targeting them. In some areas and occupations, too many employees left, while in others, too few left, causing a mismatch between buyout results and organization needs. GSA had to use the staff who remained as best it could to repair the damage. The official said it was also a mistake for GSA to offer deferred buyouts over an 18-month period. Although deferred buyouts gave GSA more time to adjust to a downsized workforce, according to the official, the motivation of employees who knew they would be leaving was never the same.

Kennedy Space Center, National Aeronautics and Space Administration

Extent of Downsizing Varied by Component

NASA reduced its workforce by nearly 4,000 FTEs between fiscal years 1993 and 1996. Table IV.1 shows the components with the largest percentage in downsizing.

Table IV.1: FTE Reductions at NASA Components Between Fiscal Years 1993 and 1996

Component	FTE reduction between FYs 1993 and 1996	Percent of FY 1993 FTEs reduced	Percent of total NASA FTE reduction
Human Space Flight	1,909	24.3%	48.2%
Center Mgmt. and Operations	807	16.7	20.4
Science, Aeronautics, Technology	347	3.4	8.6
Mission Support	348	42.0	8.8
Other components	553	45.9	14.0
Total	3,964	15.9%	100%

Source: GAO calculations based on agency-provided data.

FTE Reductions at NASA Space Flight Centers

As table IV.1 shows, NASA's Human Space Flight Program experienced the largest percentage FTE reduction between fiscal years 1993 and 1996. Table IV.2 shows downsizing at Johnson, Kennedy, Marshall, and Stennis space centers, which are part of the Human Space Flight Program.

Table IV.2: FTE Reductions at NASA Space Flight Centers Between Fiscal Years 1993 and 1996

Center	FTE reduction between FYs 1993 and 1996	Percent of FY 1993 FTEs reduced
Marshall Space Flight Center	668	17.6%
Kennedy Space Center (KSC)	409	15.6
Johnson Space Center	316	8.4
Stennis Space Center	11	4.9

Source: GAO calculations based on agency-provided data.

NASA and KSC Took Three Actions to Maintain Performance During Downsizing

Actions taken that helped KSC maintain performance can be categorized into three general areas: (1) refocusing its mission (NASA), (2) reengineering its work processes (KSC), and (3) taking steps to build and maintain employee skills (KSC).

According to the Administrator of NASA, NASA's mission encompasses the following: (1) explore, use, and enable the development of space for human enterprise; (2) advance scientific knowledge and understanding of the Earth, the solar system, and the universe; (3) use the environment of space for research; and (4) research, develop, verify, and transfer advanced aeronautics, space, and related technologies. NASA has shifted the focus of its mission from operations to research and development. It has cut back on operations, bought commercial services from the private sector, and focused its efforts on technology development. In carrying out its part of NASA's refocused mission, KSC designs, constructs, operates, and maintains space vehicle facilities and ground support equipment for launch and recovery operations. It maintains responsibility for prelaunch and launch operations, payload processing for the space shuttle and expendable launch vehicle programs, landing operations for the space shuttle orbiter, and recovery and refurbishment of the reusable solid rocket booster.

As NASA refocused on being a high-tech research and development agency, it turned over more of its operations to contractors and in September 1996, it awarded a space flight operations contract to United Space Alliance. This contract consolidated a number of existing contracts under one prime contractor and gave the prime contractor overall responsibility for space shuttle operations, including orbiter vehicles, solid rocket boosters, external fuel tank, flight crew equipment, ground support systems, and integration of payloads. The space shuttle program remained NASA managed; however, according to KSC officials KSC changed from its traditional oversight role to "insight." Under oversight, KSC maintained continual surveillance over the contractor, telling it not only what to do but how to do it. Under insight, KSC will directly oversee contractor processes only periodically. KSC officials said they will maintain technical visibility through audit, surveillance, assessment of trends, software verification, the flight readiness review process, and independent assessment of problems.

KSC officials believed KSC had the workforce needed to carry out its shuttle operations; however, they were concerned about the future. Because KSC programs had lost "centuries" of operating and engineering knowledge, the officials worried about having the appropriate skills mix and experience to maintain performance as downsizing continued. Employees we spoke with generally agreed that KSC's skill mix and experience remained adequate, but some employees believed that if downsizing continued, skills and experience would become inadequate.

To help ensure that KSC would continue to have needed skills, its fiscal year 1997 buyout plan was designed to limit skill loss by limiting the number of buyouts in shuttle processing, safety and mission assurance, and payload processing. Further, some senior executive service positions, for example, shuttle processing and safety and mission assurance program directors, were excluded from buyout eligibility. In addition, KSC officials said they were planning for the succession of managers and other senior people that did leave. KSC instituted individual development plans for future managers and, as part of its senior executive service candidate program, offered programs in management development, project management, and skills training. To prepare for work on the international space station, KSC was cross-utilizing people currently working on the space laboratory program, which was winding down.

Actions Taken During Downsizing Were Generally Successful in Maintaining Performance, According to Officials

KSC officials said that KSC was still able to perform its mission. However, they were concerned about retaining the human resources needed to react to problems, to meet unplanned and new requirements, and to sustain the work as the workforce continued to decrease. Most of the employees we spoke with believed downsizing had not yet affected KSC's performance or shuttle safety. One employee, however, believed downsizing had begun affecting performance and said the quality of safety inspections would decline if personnel were not restored and the workload was not reduced. The employee believed safety of the shuttle program had been affected and cited a wrench left inside a solid rocket booster and water spilled on a maneuver pod as causes for concern. Other employees said, although the work gets done, they were concerned about the effect of further downsizing or overload of remaining employees on performance. Performance measurement data showed KSC maintained its shuttle launch schedule at lower cost during downsizing. In addition, as flight costs decreased, quality increased as measured by the decrease in the number of in-flight problems caused by ground processing.

Customers Remained Satisfied During Downsizing

According to KSC surveys, customers remained satisfied with KSC's performance during downsizing. Payload customers rated KSC's service on a five-point scale ranging from 1 for poor service to 5 for excellent service. Ratings during downsizing were 4.2 in 1993, 4.3 in 1994, 4.2 in 1995, and 4.2 in 1996. KSC found the apparent leveling off of satisfaction disturbing but attributed it to several factors: (1) during the survey's early years, KSC concentrated on improving those issues that drew the most frequent customer comments, but subsequently it concentrated on smaller, but

important, improvements; (2) inconsistent methods for counting survey results may have skewed the results; and (3) as KSC's performance improved, customers came to expect even more from it and became more critical in their survey responses. KSC viewed this critical customer feedback as positive because its customers recognized its commitment to improving customer service and became increasingly forthcoming with suggestions for improvements. Employees we spoke with also believed that customers so far remained satisfied with KSC's performance.

Downsizing Reportedly Has Not Affected Shuttle Safety

As KSC downsized and transitioned to the space flight operations contract negotiated with United Space Alliance, concern grew about the safety of the space shuttle. This led to a review by NASA's Aerospace Safety Advisory Panel of issues associated with the safe operation and management of the space shuttle program. The panel's conclusion concurred with NASA officials' beliefs that shuttle safety had not been adversely affected.

The panel found that NASA's efforts to streamline the space shuttle program had not created unacceptable risks. However, the panel also said there was a clear need for NASA to take steps to ensure the availability of a skilled and experienced civil service workforce in sufficient numbers to meet ongoing safety needs. The panel said these personnel issues were challenging and had the potential to adversely affect risk in the future. The panel said the space flight operations contract appeared to be a comprehensive and workable document espousing safety as paramount throughout. It also said there were minimal adverse safety implications, especially in the short term, largely because the people currently in place were dedicated to making the new scheme work. However, the panel was concerned with the loss of critical skills and experience among NASA personnel over the long term. It said that NASA should not be misled by the apparent initial success of all the transition efforts and that a major test of the new approach would likely be faced after there was significant turnover among incumbents at all levels.

Lessons Learned
Include Maintaining
Open Communication
and Involving
Employees in
Advance Planning

KSC officials identified a number of lessons learned that helped maintain performance during downsizing. The officials said agencies should recognize that they are going to have to downsize, be proactive, and not wait for downsizing to happen before acting. They said unions, employee associations, and employees should be involved in developing the agency downsizing implementation strategy. The officials said communication with employees should be open and honest. Communication, the officials said, builds credibility, while silence makes workers think something is going on behind the scenes, and openness helps retain key people by reducing their concerns about their jobs. The officials suggested that agencies should do positive things for employees—for example, hold job fairs, which promote the message that the agency is trying to help them, and offer training courses to help people cope with change. The officials said employee anxiety should be recognized and addressed. They believed that employees should be treated with compassion and should know that they are valued by the agency. Employees should be told the agency does not want them to leave, but if they do leave, respect them for taking actions they feel are in their own best interests. The officials said agencies should back up critical skills so that, if people leave, the agency still has employees with those skills.

Investigations Service, Office of Personnel Management

Extent of Downsizing Varied by Component

The Office of Personnel Management (OPM) reduced its workforce by 2,489 FTEs between fiscal years 1993 and 1996. Components experiencing the largest downsizing percentages are shown in table V.1. Although the Investigations Service downsized by 61 percent according to its full fiscal year 1996 usage, the OPM GAO Liaison noted that if the Investigations Service downsizing was measured using the FTE complement at the close of fiscal year 1996, a reduction of 96 percent occurred from the fiscal year 1993 level. The privatization of Investigations occurred in the last quarter of fiscal year 1996, which dramatically lowered the end-of-year staffing level.

Table V.1: FTE Reductions at OPM Components Between Fiscal Years 1993 and 1996

Component	FTE reduction between FYs 1993 and 1996	Percent of FY 1993 FTEs reduced	Percent of total OPM FTE reduction
Investigations Service	898	60.6%	36.1%
Human Resources Development	520	100	20.9
Administrative Services	518	76.3	20.8
Employment Services	469	40.7	18.8
Personnel Systems and Oversight	380	100	15.3
Other components ^a	+ 296	+ 17.8	+ 11.9
Total	2,489	42.3%	100%

^aIncludes three components that lost FTEs, and three components that gained FTEs, resulting in a combined FTE increase.

Source: GAO calculations based on agency-provided data.

Investigations Service Took Actions to Maintain Performance During Downsizing

Actions taken that helped OPM's Investigations Service maintain performance during downsizing can be categorized into two general areas. The Investigations Service (1) refocused its mission, and (2) reengineered its work processes.

Among other things, OPM's mission includes supporting agencies in merit-based examining and hiring. OPM oversees the merit principles and hiring and retention procedures used by agencies to select applicants for competitive positions in the federal service at general schedule grades and for federal wage system positions. Personnel background investigations are used in support of the selection and appointment process. The Office

of Investigations formerly performed these background investigations of federal employees, contractors, and applicants to provide a basis for determining an individual's suitability for federal employment and whether an individual should be granted clearance for access to national security information.

Investigation Service officials said they began downsizing the Investigations Service in 1993 by offering buyouts to employees. In May 1994 the Investigations Service laid off approximately 440 (of about 1,440) employees. As a result of continuing downsizing and reinvention of government initiatives, the investigations function was privatized in 1996 through the establishment of a private corporation known as the US Investigations Service, Inc. (USIS). USIS' workforce, with the exception of people with specialized skills, primarily marketing, finance, and human resources, was drawn from OPM's Investigations Service staff. At the time the Investigations Service was privatized, approximately 90 percent of those who worked in the office and received reduction-in-force notices accepted USIS job offers at the same salary, and with comparable benefits. The other 10 percent either stayed as part of OPM's Investigations Service, transferred to another agency, or retired. With a total staff of about 40 individuals, OPM's Investigations Service currently limits its functions to policy, agency oversight, contract management, processing of Freedom of Information and Privacy Act requests, adjudicating cases, and the making of suitability determinations.

The Investigations Service reengineered its work processes, which enabled it to maintain performance during downsizing. No longer designed to do background investigations, the Investigations Service oversees the government's contract with USIS. Officials told us that the creation of USIS, an employee-owned firm (owned by former federal civil servants) and the subsequent award of a 3-year contract to USIS to conduct federal background investigations, resulted in a seamless transition for OPM's former federal customers.

Actions Taken During Downsizing Were Generally Successful in Maintaining Performance, According to Officials

An Investigations Service official said performance was maintained or improved even as investigations were privatized. The official said that USIS completed about 20 percent more investigations in fiscal year 1997 than the Investigations Service did in fiscal year 1996, and also maintained the Service's timeliness record. In addition, the official said there had been no decrease in the quality of cases processed by USIS. A May 1997 USIS employee survey showed that 85 percent of the respondents recognized the importance of quality, and 80 percent believed that USIS puts the customer's needs first.

Customers Remained Satisfied During Downsizing

Investigations Service officials believed that USIS' customers were satisfied with its investigations; however, we found no customer satisfaction survey data to support this position. Two customers we spoke with said there had been no change in their respective satisfaction levels since prior to privatization. An OPM employee association official said there was no indication that customers were dissatisfied.

Lessons Learned Include Maintaining Open Communication and Taking Customer Satisfaction Into Account

An OPM union representative said that the union wanted to be more proactive and discuss the downsizing and possible impacts with OPM management early on, but that initial communications between management, employees, and union representatives were not very good. An Investigations Service official identified open communication as a lesson learned during the Investigation Service's downsizing and ensuing privatization. The official said there was no such thing as too much communication, and there should be open lines of communication whereby information can be passed in all directions. The official added that agencies and components should realize they will not be able to do everything and should concentrate on their most critical areas and functions. They should listen to their customers and ensure that their satisfaction is taken into account before making major decisions.

Comments From the National Aeronautics and Space Administration

National Aeronautics and
Space Administration
Office of the Administrator
Washington, DC 20546-0001



JAN 22 1998

Mr. Michael Brostek
Associate Director, Federal Management
and Workforce Issues
General Government Division
General Accounting Office
Washington, DC 20548

Dear Mr. Brostek:

We have reviewed the draft report entitled: Federal Downsizing: Agency Official's Views on Maintaining Performance During Downsizing at Selected Agencies and have no comments to any of the substantive content as presented. We feel that our efforts at restructuring our workforce to accomplish our mission more efficiently and with fewer civil servants has been extremely successful and has been accomplished with a minimal disruption of the workforce and no interruption to mission or performance. Thank you for the opportunity to participate in this study and comment on the draft report.

We would make one editorial change on page 13 and page 48 of the report where you refer to "the President's Aerospace Safety Advisory Panel." The Aerospace Safety Advisory Panel is a congressionally mandated entity, and we suggest that you change the wording to read NASA's Aerospace Safety Advisory Panel.

Sincerely,


J. R. Dailey
Acting Deputy Administrator

Major Contributors to This Report

**General Government
Division, Washington,
D.C.**

Steven J. Wozny, Assistant Director, Federal Management
and Workforce Issues
Clifton G. Douglas, Jr., Assignment Manager

Denver Field Office

Robert P. Pickering, Evaluator-in-Charge
Robert W. Stewart, Evaluator

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