



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

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FEDERAL PERSONNEL AND
COMPENSATION DIVISION

OCTOBER 16, 1979

B-165959

Mr. Arch S. Ramsay
Associate Director for Staffing
Services
Office of Personnel Management



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Dear Mr. Ramsay:

Subject: [Assistance to Displaced Federal Civilian
Employees--Avoiding Loss of Needed Trained
Personnel] (FPCD-80-3)

We have completed a review of assistance provided to Federal civilian employees displaced from their positions through no fault of their own when agencies reorganize or act to adjust to program, funding, personnel ceilings, or other changes. We made our review at six selected Federal facilities representing both civilian and Department of Defense (DOD) agencies in the Denver, Colorado, and Ogden, Utah, areas. Our work focused on the displacement assistance between January 1977 and December 1978. We reviewed program documents and available results data and held meetings with responsible program representatives in the field and at Washington, D.C., headquarters. As a result of our work we developed some opinions on positive placement programs, reemployment priority lists, and the displaced employee program (DEP). Information collected during our review is described more fully in the enclosures.

The Federal Government cannot afford to lose the services of competent experienced workers in whom it has invested substantial training and development. To protect this investment and retain persons with needed skills and expertise, it is important that Federal agencies have effective programs that provide their displaced employees with an appropriate level of consideration for position vacancies when they develop. We do recognize, however, that, regardless of program efficiency or the degree of consideration given to displaced employees, the number of placements can be no greater than the number of position vacancies available for which these persons qualify.

The current administration has expressed the need for special attention directed at the displacement issue. In

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an August 12, 1977, memorandum, the President expressed his concern that reorganization efforts have minimum hardship on employees and that agencies do everything they can to assist affected employees. Statements issued jointly by the Civil Service Commission and the Office of Management and Budget on December 14, 1977, further emphasized the importance of this issue and related several points agencies should consider. Among them were the following:

"When employees are to be displaced, agencies must undertake vigorous reassignment programs for the employees affected * * *.

"Phased or gradual implementation of such changes should be used wherever it is desirable and feasible, in order to provide additional time for normal attrition and for vigorous transfer, retraining and out-placement efforts * * *.

"The Civil Service Commission will provide priority Government-wide placement assistance to all displaced employees. Where appropriate, the Department of Labor will assist in finding private sector employment opportunities for such employees."

* * * * *

"The President has urged that all of us re-double our efforts to implement reorganization and other management actions in ways to minimize the human consequences."

POSITIVE PLACEMENT PROGRAMS

The six agencies included in our review affected the employment of over 1,800 personnel during January 1977 through December 1978 as a result of reorganization, position reclassifications, lowered personnel ceilings, or other management actions. We found that the displacing agency provided most placement assistance before the need for separation from Federal service. These efforts, referred to as positive placement, assisted over 70 percent of the affected employees.

The Code of Federal Regulations (CFR) and the Federal Personnel Manual (FPM) relate agency responsibility to their personnel whose employment is affected by management actions. CFR, title 5, chapter 1, part 330.302, states:

"Each agency shall operate a positive placement program for its own displaced employees. The program shall, as a minimum, assure employees scheduled to be separated by reduction in force the same priority consideration as separated persons who are included on the agencies' reemployment priority list for the commuting area."

Each of these agencies had a designated positive placement program or at least special procedures governing displacement assistance. However, individual agencies' programs or procedures varied considerably. We attributed these variations to the guidelines in the CFR and the FPM which provide for considerable flexibility in agency programs. As a result the scope and level of placement assistance afforded affected employees differed.

Representatives of your office and others consider DOD's priority placement program to be the most effective, efficient, and most sophisticated program in the Federal Government.) Its development was supported by the level of displacement activity that has traditionally been seen in DOD agencies and the fact that the program covers approximately one-third of total Federal civilian employment. DOD civilian personnel management, through the use of CFR and FPM guidelines, appears to be providing a quality service to its affected employees.

In contrast to DOD's priority placement program, the non-DOD agencies which cover the remaining two-thirds of the Federal civilian workforce develop and operate their positive placement efforts largely independent of each other.) The Department of Health, Education, and Welfare's special placement program to avoid demotions was developed in 1977 in response to extensive position classification problems and the need for selective reorganization. The Department of Housing and Urban Development also developed procedures on reassignment and placement assistance as a result of reorganization; it used these procedures for a designated period of time to handle affected employees. The Bureau of the Mint did not have a specially designated program; however, it did relate basic procedures to its affected employees and followed the Department of the Treasury's general guidelines.

While these agencies' positive placement efforts were very good during the review period, we believe they can be even more effective through greater uniformity and improved coordination among agencies. We acknowledge that the flexibility which regulations give to agencies agrees with the

current concept of decentralized personnel management advocated by the Office of Personnel Management. However, we feel that the variation in agencies' procedures and the degree and duration of placement assistance may affect employees' opportunities for placement, either positively or negatively, depending on the employing agency. To minimize these differences, we believe Federal agencies' positive placement efforts should, at a minimum, cover (1) eligibility for assistance, (2) duration of eligibility, (3) types of assistance provided, including counseling, job referral, and training, (4) referral procedures, including interagency referrals, and (5) restrictions on agencies for filling vacancies when qualified displaced persons are available. We also believe benefits could be realized from standard procedures for interagency coordination of placement assistance.

REEMPLOYMENT PRIORITY LISTS

When a displacing agency determines there is little likelihood of finding a new position for an affected employee before separation, the agency should record the affected employee's name and qualifications on its reemployment priority list. This affords employees certain consideration for vacant positions for which they qualify in their agency.

Each agency under review, except the Department of Health, Education, and Welfare, established a priority list for its commuting area. However, only two agencies--the Rocky Mountain Arsenal and the Denver Mint--were able to rehire from their lists. The arsenal rehired 27, and the Denver Mint rehired 22. Both arsenal and mint representatives advised us that, while many offers are made, few are accepted. According to these representatives, displaced employees generally decline offers through reemployment rights because most offers are for positions that are much lower in grade than previously held or because employees have already found new employment on their own.

We questioned the mandatory use of these lists as called for in the CFR and the FPM because there were no particularly favorable or unfavorable views expressed on their value. DOD's priority placement program management expressed the view that the lists essentially duplicate its own positive placement program during the first year after an employee is officially separated. Also, the second year of eligibility given to former career status employees by the lists is questionable in many instances because most employees would have found other employment before the end of the first year of eligibility. In connection with our view that minimum

criteria or standards be developed for positive placement programs, we believe OPM should consider making the use of these lists an agency option.

DISPLACED EMPLOYEE PROGRAM

When an agency registers a displaced employee on its reemployment priority list, it has made a judgment which also permits the employee to register with the displaced employee program (DEP). While DEP is a program to supplement the actions of displacing agencies, the regulations encourage early DEP registration to afford the employee maximum opportunity for referral and placement.)

We were advised that four of the six agencies registered some of their displaced employees in DEP, the largest number from the Rocky Mountain Arsenal. We had difficulty, however, tracing registrations, referrals, and placements from available records. With OPM concurrence, we could attribute only one placement through DEP during our review period.

Most of the agency representatives we talked with expressed the view that (DEP is a weak program which affords registrants little chance for placement.) Many believe that the basic program restrictions are too weak to have any major impact on agencies when filling vacancies. Some representatives stated there is not much management support for DEP and that it is a very low priority item. They also expressed the view that the image of a displaced employee is low because many selecting officials hold the opinion that something is wrong with employees who happen to be displaced from their agency.

In May 1978 the former Bureau of Recruiting and Examining, Civil Service Commission, requested regional office suggestions on revising DEP. We reviewed these suggestions and found many that reflected the need for a stronger DEP which imposes greater restrictions on agencies when filling vacancies. Suggestions were also made regarding the need for improved employee counseling and the early and accurate representation of employee skills and qualifications when registering with DEP.)

During our review we were also aware of the special displacement assistance that was instituted at the closing of the Frankford Arsenal in Philadelphia, Pennsylvania, and of the Richards-Gebaur Air Force Base in Kansas City, Missouri; and the current special program for displaced employees from the Panama Canal Zone. These efforts involved

an increased level of consideration for the affected employees and better coordination among agencies. The experience gained from these efforts should help to improve DEP.

Overall, we found little evidence in Denver and Ogden that DEP is a noteworthy contributor to displacement assistance, but there is general support for improvements to the program. We conclude that DEP should be made more effective by placing more restrictions on agencies in filling position vacancies.

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We recognize that many of the weaknesses associated with displacement assistance are not new and have not been addressed because of higher priority issues. We believe that these programs are particularly important, considering increased activity from reorganizations and other factors, and they warrant an increased level of attention to improve program effectiveness. In this regard we would appreciate any written comments you may have on our observations.

Because of their general interest and oversight, we are sending copies of this report to the Chairmen, House and Senate Committees on Appropriations, Senate Committee on Governmental Affairs, and House Committee on Government Operations; the Chairwoman, House Committee on Post Office and Civil Service; the Director, Office of Management and Budget; and to the Secretaries of the departments included in the review.

Sincerely yours,



H. L. Krieger
Director

Enclosures - 3

DISPLACEMENT PROGRAMS AND ACTIVITY AT SIX AGENCIES IN
DENVER, COLORADO, AND OGDEN, UTAH
(JANUARY 1977-DECEMBER 1978)

Our review covered displacement assistance programs followed at six Federal agencies in Denver and Ogden during January 1977 through December 1978. Our work focused on positive placement programs, reemployment priority lists, the displaced employee program (DEP) administered by the Office of Personnel Management (OPM), and the agencies' placement experience using these programs. Additional information was obtained on special placement assistance for employees affected by the closure of the Frankford Arsenal, Philadelphia, Pennsylvania, in 1977; the Richards-Gebaur Air Force Base, Kansas City, Missouri, in 1978; and employees affected by the Panama Canal Treaty. We also refer to the retraining provision of the Civil Service Reform Act of 1978, State employment agency services available to former Federal employees, and our previous study on displacement assistance conducted in 1974.

POSITIVE PLACEMENT PROGRAMS

The Code of Federal Regulations (CFR) and OPM's Federal Personnel Manual (FPM) discuss agency responsibilities to employees adversely affected by reorganization, transfer of functions, position reclassification, and other circumstances that can cause involuntary separation through no fault of their own. CFR, title 5, chapter 1, part 330 states:

"Each agency shall operate a positive placement program for its own displaced employees. The program shall as a minimum, assure employees scheduled to be separated by reduction in force the same priority consideration as separated persons who are included on the agency's reemployment priority list for the commuting area."

FPM chapter 330, subchapter 3, states that the Civil Service Commission (CSC) ^{1/} recommended that agencies conduct positive placement programs which will assure affected employees the broadest possible consideration for placement in their agency. It further states:

^{1/}The Civil Service Reform Act of 1978 (Public Law 95-454) abolished CSC and transferred many of its functions to the new OPM, effective Jan. 13, 1979.

"For example, agencies may restrict the filling of vacancies by non competitive movement within specified components of the agency when there are qualified employees on the rolls who are scheduled to be separated from their positions. Through this approach some agencies have been able to assure affected employees of a job offer elsewhere in the agency's organization as an alternative to separation."

Department of Defense

The Department of Defense's (DOD's) priority placement program assists displaced civilian employees in the military departments and other DOD agencies. It is an automated referral system which matches employees' skills with vacancies DOD-wide. A network of regional and zone program coordinators supports the program, resolving questions and problems and making periodic inspections to assure compliance with procedures. The program affords employees placement opportunity for a designated period which may continue after they have been separated from Federal service.

Operating procedures are in DOD's manual "Program for Stability of Civilian Employment," which states:

"Displaced employees and non displaced overseas employees with career/career-conditional status and excepted employees with personnel career/career-conditional status meeting one of the following criteria, may be registered in the DOD Priority Placement Program:

"1. Employees who are to be adversely affected by RIF or functional transfer, including part time, intermittent and seasonal employees, employees with such status willing to accept full time continuing employment, and employees scheduled for furlough for a duration of 6 months or more.

"2. Employees who decline a part time position offered through RIF procedures or after declination of transfer of function will have entitlements in the Priority Placement Program. If the employee is separated after declining the part time position, registration eligibility would be the same as though the part time position had never been offered."

Eligible employees are registered in the system with an assigned priority and are referred to an agency with vacancies to be filled. The manual prescribes the following priorities:

- Priority 1: Employees scheduled for separation by a reduction in force (RIF) without an offer of continued employment, involuntarily furloughed for 6 months or more, or scheduled for demotion by RIF of six or more General Schedule (GS) grades or the equivalent.

- Priority 2: Employees who decline offers of functional transfer involving relocation outside the commuting area.

Employees scheduled for demotion by RIF of four or five GS grades or the equivalent (including displaced employees overseas whose return rights are to positions more than three grades below their current grade).

Displaced employees who decline offers of reassignment in the same competitive area but outside the commuting area (provided they are not on a mobility agreement), with prior approval of the zone coordinator.

- Priority 3: Nondisplaced overseas returnees who completed two consecutive overseas tours; employees completing one overseas tour for whom component coordinator authorizes priority 3. This priority can apply only to other components in the same agency as the registrant.

- Priority 4: Employees scheduled for demotion by RIF of three GS grades or less or the equivalent (including overseas displaced employees whose return rights are to a position three or fewer grades below their current grade).

- Priority 5: Nondisplaced overseas returnees who have completed one overseas tour; eligible nondisplaced overseas dependent employees.

The manual prescribes that promotions, demotions, appointments, transfers, and reassignments generally are not authorized for priorities 1, 2, and 3. (Priority 3 applies within employee's component only.) Appointments or transfers of employees from outside the component are not authorized for priorities 4 and 5.

The duration of DOD's assistance program is governed by the cause of displacement and nature of eligibility. Generally, assistance is available for 12 months, with an additional 6 months for nondisplaced overseas employees registered in the program.

The program issues biweekly to DOD components a computerized list of employees (referred to as a stopper list) who have selected their location for employment consideration. The automated centralized referral activity, Dayton, Ohio, originates this list. The personnel office reviews the stopper list to determine whether any registrants are qualified for the component's vacancies. If so, it requests the employee's resume. The only time an offer is not made is when both gaining and displacing components determine that a registrant lacks qualifications to fill the vacancy.

Program officials said that the effectiveness of this program or any placement program depends on the attention given to the fair and accurate presentation of registrants' qualifications and employment preferences. Successful placement of registrants who prove to be productive for the gaining component develops confidence in and support for the program. Program officials stressed the importance of sound counseling when registering employees for placement assistance.

Program officials also stressed the importance of inspecting and enforcing placement programs. Program objectives and procedures must be clearly understood by both displacing and gaining agencies, and reviews of agencies' compliance with program procedures are needed. Although DOD inspections have shown overall compliance with the program, officials continue to emphasize the positive effects inspection has on program effectiveness.

Defense Depot, Ogden, Utah

Reorganization was the primary cause of employee displacement at Defense Depot, Ogden. The depot provides personnel services not only for its own employees but also for more than 1,100 employees of the Defense Property Disposal Service, a tenant organization.

During the period we reviewed, the depot civilian personnel office handled actions associated with three reorganizations where RIF procedures were applied. The first and most complicated was reorganization of the Defense Property Disposal Service involving at least 28 stations in 13 Western States, including Alaska; the RIF was effective March 18, 1978. The other two reorganizations involved the depot and a relatively small number of employees.

In all three situations notices were sent to employees about 60 days in advance of the proposed RIF. These notices informed employees that they would be (1) separated, (2) offered a new position, or (3) offered another position later. An employee offered a new position was asked to accept or reject it within 30 days. The alternative to acceptance was separation.

Fifty-six of the employees were registered in the priority placement program, most of them soon after notices were issued. The program placed 32, or 57 percent; 21 were reassigned within their own agencies; 2 declined job offers; and 1 retired.

Department of the Army
Rocky Mountain Arsenal
Denver, Colorado

Reduced authorized personnel ceilings in 1977 were the primary cause of employee displacement at Rocky Mountain Arsenal. In 1978 the arsenal was involved in a reorganization, but all affected employees were offered jobs at the same or lower grades.

In April 1977 arsenal employees were notified of a RIF and that positions would be abolished because of a workload cutback. Some employees were offered other jobs at lower grades, others were told that job offers could not be made. The arsenal's civilian personnel office began registering affected employees in the priority placement program as RIF notices were issued.

Most employees qualified for priority-1 consideration which is given to employees scheduled for separation without offers of continued employment or with demotions of six or more grades. Other employees qualified for priority-2 or priority-4 consideration. (See p. 3.) As a result of prompt registration, the program placed 72, or 45 percent, of 160 priority-1 employees before separation. It placed 24, or 92 percent, of 26 priority-1 employees faced with demotions of 6 or more grades before separation.

Program officials said some employees declined placement offers because of inadequate counseling. If the counseling session is not candid, employees may make the mistake of registering in geographic areas beyond their economic status and end up declining an offer later. Officials also said that the lack of job offers during the 1-year registration period may also be attributed to the counseling session since employees' unwillingness to change locations restricts their availability.

We noted two common restrictions among the 33 arsenal employees who did not receive job offers:

- Twenty-eight restricted their preference to nine or fewer DOD offices, generally in the Denver, Colorado Springs, and Boulder areas.
- Twenty-five were registered in wage grade (blue collar) skills.

Arsenal officials said that this combination of restrictions severely limited the chances for placement since Denver metropolitan DOD components had little need for wage grade skills.

The arsenal made little use of the priority placement program during the 1978 reorganization since it placed 186 affected employees in other jobs at the arsenal.

Department of the Air Force
Hill Air Force Base, Ogden, Utah

In 1977 and 1978 Hill Air Force Base was involved in reorganizations which displaced 620 civilian employees. Because Hill has a large work force, it was able to place most of the affected employees by reassigning them to other work areas early. Only 2 of the 620 employees were registered in the placement program, which placed both of them.

Another reason why so few employees registered in the program is that Hill's four division chiefs agreed to waive minimum qualifications for vacant positions and to accept affected employees when they could be trained in a reasonable period. This was a significant factor in placing employees who would otherwise have been moved elsewhere or separated.

DOD civilian personnel officers at the components we visited and the priority placement program zone coordinator of the Western United States commented on its effectiveness.

- The program is strictly enforced. Periodic reviews are made to identify management circumvention in filling vacancies by other means when a qualified registrant is available. When an improper placement action is identified, the zone coordinator has authority to take corrective action. This authority is considered a strong feature of the program.
- The employees affected most are given the highest priority in filling vacancies.
- The interagency nature of the program (Army, Navy, and Air Force) increases the number of vacancies which must be filled with registrants.
- Program registration permits a broad coverage in up to five skills, multiple grade levels, and many DOD components to choose from within respective zones. The broader the employee's registration, the greater the chances of a job offer.

The zone coordinator recently started a training program for personnel staffing specialists at DOD components to improve counseling for employees.

Department of Health, Education, and Welfare

The Department of Health, Education, and Welfare's (HEW's) special placement program, approved by CSC in May 31, 1977, was established to avoid demoting employees under circumstances for which they were not responsible. HEW Circular 335-4, issued September 11, 1977, states the agency's policy for the program:

"The policy of this Department is to use all appropriate means to avoid the demotion of an employee who, under circumstances for which the employee is not responsible, is placed in a situation where a demotion action may have to be taken. To this end, vacancies in full-time, permanent positions at GS-15 and below or wage grade must be filled, except as provided * * * below, only by the selection of an employee entitled to special placement under the provisions of this circular, if there is such an eligible employee who is qualified for the vacancy."

The basic exceptions to the program include (1) career promotions or promotions which are exceptions to competitive promotion procedures, (2) actions required to comply with

a regulatory or statutory provision, (3) repromotion of an employee who was involuntarily demoted in HEW for reasons not personal to the employee, (4) selection from a reemployment priority list, and (5) certain reassignments. Top management must approve any other exceptions.

The circular states that employees working full time under career or career-conditional appointments at GS-15 or below, or under a wage grade in the competitive service, are eligible for the program if they are:

- Occupying a position established and classified before June 2, 1977, and found to be performing duties properly classified to a lower grade.
- Demoted between January 1, 1975, and June 2, 1977, as a result of a classification action.
- Detailed to a lower graded position or to unclassified duties to accommodate needs arising from a reorganization.

Eligible employees are entitled to be considered for vacancies in any HEW agency, including their own agency, in their commuting area. They may also request consideration for vacancies in HEW agencies in other commuting areas.

HEW's special placement program is being used during a 3-year period to delay, if possible, demotion and possible separation of employees while HEW reclassifies positions which had been improperly classified, determines the staffing structure for reorganized components, and staffs the positions established through these actions. It has been characterized as a positive and ambitious effort to minimize adverse effects on its affected employees without resorting to a RIF.

The program is being used under the assumption that all affected employees will be properly placed before its expiration date of December 31, 1979. If not, RIF procedures will have to be instituted which may displace employees previously placed through the program.

On January 5, 1978, CSC issued Bulletin 273-14 which provided agencies guidelines for requesting special delay demotion and extended detail authority to deal with overgrading and reorganization problems. The bulletin stated that this authority temporarily relaxed regular personnel procedures and that it may be superseded by the grade-retention provision of civil service reform legislation. OPM is considering rescinding this authority.

HEW, Region VIII, Denver, Colorado

At HEW both reorganization and position reclassifications affected employees. HEW headquarters developed a special placement program for employees who would otherwise be demoted because their positions were overgraded, abolished, or restructured to a lower grade because of reorganization.

In HEW's Region VIII office, employees' eligibility for assistance begins when their positions are affected and they are detailed into a lower graded position or an unestablished position. The employee's name is entered into the special placement program files. As positions become vacant, position requirements are matched against employee qualifications, and qualified eligible employees are referred to selecting officials. Selection is mandatory.

During the period of our review, 98 HEW Region VIII employees' positions were affected. Seventeen accepted early reassignment or lower grades. Seventy-nine were entered into the Region VIII special placement program. Of these:

--Sixty-seven were entitled to assistance because of reorganization and position abolishment and downgrading.

--Twelve, faced with transferring with their function into Washington, D.C., were registered in the regional program only during the period covered by their notices or until they declined to transfer.

HEW registered most of the employees immediately after their positions were affected and also those we noted whose registrations were missing. At the time of our review 41 Region VIII employees still active in the program were awaiting vacancies. Twenty-seven had been placed, and three had found other employment.

In another case, three HEW employees were separated after they declined to transfer to Washington with their Office of Education positions. Because these were valid offers, the three were not entitled to the Denver office's program assistance. One agency official said he believed the three had obtained outside employment.

Region VIII officials have implemented its special placement program. Generally employee registrations were

timely, and when not, officials corrected the problem quickly. Regional officials said that a weakness of the program is lack of placement authority. HEW headquarters has in some cases selected individuals not in the program when filling vacant positions to meet other requirements such as maintaining equal employment opportunity levels. This has decreased the number of vacancies in which program candidates can be placed.

Region VIII officials expressed concern about the eventual outcome of the special placement program. They said it is a good concept, but it only postpones RIF. If the program does not place all employees by the December 31, 1979, deadline, they believe a RIF could affect some previous placements because employees' retention rights are not considered. They believe some employees may have legal grounds to protest on this basis. Officials hope all employees will be placed so this can be avoided. One official felt that detailing employees for extended periods violates the concept of equal pay for equal work.

Department of Housing and Urban Development

The Department of Housing and Urban Development (HUD) undertook a major reorganization which included centralizing regional operations. Recognizing that employees would be displaced, it issued a policy statement:

"The Department desires to implement personnel changes required by reorganization with the least possible disruption to the careers and personal lives of its permanent employees. In all cases the regulations of the Civil Service Commission * * * will be observed."

Hud's Notice 78-8, Staffing Guidance for Determining Reassignment and Placement Action, part 3, January 27, 1978, which expired on May 30, 1979, stated:

"The Department fully agrees with the Office of Management and Budget/Civil Service Commission memorandum on Personnel Impact of Managerial and Reorganization Actions which urges that when employees are to be displaced, agencies must undertake a vigorous reassignment program for the employee affected. It is, therefore, HUD's policy to satisfy employees' rights by offering vacant positions whenever possible. If we cannot offer

a vacancy, employees always retain rights equivalent to those they would have had through bumping and retreat procedures."

The notice also stated the basic procedures HUD followed in reassigning and placing employees. While it was HUD's policy to try to place employees at their same grades and preferred geographic locations, it could not always do this. Preferential consideration was given GS-13s through GS-15s. Section III of the notice, Placement of Affected Employees at GS-13 through GS-15, stated:

"The basic means for accomplishing this goal will be to give affected employees preferential consideration for existing vacancies at their current grade levels for which they qualify. Unless there are substantial, documented reasons for not doing so, vacancies will be offered to qualified affected employees. Without an exception approved by the Assistant Secretary for Administration, other staffing procedures will not be authorized unless and until vacancies have been declined by affected employees to whom they were offered.

"It is possible that not all affected employees will be offered positions at their current grades, since the number of qualified employees may exceed the vacancies available. Those affected employees to whom an offer is not made through the preferential consideration process will be offered, as a minimum, positions equal in grade to their assignment right under reduction-in-force procedures, but in no event, less than GS-12. To the greatest extent possible, positions offered at a reduced grade will be in the employee's current commuting area or other preferred locations."

HUD used RIF procedures to identify employees to whom vacant positions should be offered and issued Department-wide personnel policies for applying these procedures.

HUD Region VIII

HUD planned a Nation-wide reorganization which involved centralizing certain functions and expanding and contracting others. To minimize the effect on its employees, HUD initiated a policy to offer jobs to all permanent employees

affected by the reorganization and to place them at their current grade levels and in their preferred geographic locations. HUD recognized, however, that most vacancies at grades GS-13 through GS-15 would be at headquarters or in large metropolitan areas. To accommodate placing these grade levels, regions were instructed to refer surplus GS-13 through GS-15 displaced employees to a central pool in headquarters. Everyone in this pool was given preferential consideration for vacancies anywhere in the Nation.

HUD Region VIII initially identified 24 employees to be surplus. However, by the time the reorganization was finalized only eight had to be referred to the central pool, seven accepted the offers made by headquarters, and one declined an offer and was eventually separated.

Twenty-nine other HUD employees either resigned or were separated. Agency personnel could not verify reasons for the resignations but believed they had resigned to seek jobs in their own communities because they would not accept relocation to Denver.

Overall, the HUD reorganization plan was acceptable to Region VIII employees; only 2 of 201 affected employees appealed the personnel decisions. In one instance the decision to separate an employee was overturned on a technicality in the separation notice. In the other appeal, HUD's action was upheld by the Federal Employees Appeal Authority.

HUD Region VIII officials said the placement efforts they used, such as the central pool and limits on changes to lower grades, were very effective. As a result of their efforts, no employee resigned or was separated without having received a valid job offer of continued employment.

Department of the Treasury,
Bureau of the Mint

Changing demands for its products caused the Bureau of the Mint to reorganize some of its operations. As a result, some employees were displaced.

The bureau has no special assistance programs. Because responsibility for personnel management in the Department of the Treasury is decentralized, the bureau prepared its own pamphlet which is usually attached to the RIF notice sent to affected employees. Section H of the pamphlet states:

"The Mint must give you the best offer of reassignment possible. If you refuse such offer,

you have no further placement rights to positions at or below that offered you. If you accept the offer and a higher position, which does not involve promotion, develops before your reassignment is effected, you will be made such better offer."

If a vacancy for which an employee qualifies is not available by the effective date of RIF, the employee will be separated from Federal service and become eligible for reemployment priority consideration under the bureau's reemployment priority list. The employee will also be eligible for registering with DEP.

On September 12, 1978, Treasury issued Bulletin 78-5 announcing its mandatory placement program in conjunction with demotion delay authority granted by CSC. The bulletin reiterated Treasury's policy to make every appropriate effort to avoid involuntary demotion of an employee if it is without personal cause:

"* * * vacancies in permanent positions at GS-15 and below, or the equivalent in another pay system, must be filled by an employee entitled to placement consideration under the Treasury Mandatory Placement Program, if there is a qualified employee registered in the TMPP at the appropriate grade level and in the same commuting area in which the vacancy exists. Full-time employees will be considered for full-time positions, part-time employees only for part-time positions, and intermittent employees only for intermittent positions."

As with HEW's special placement program (see p. 7), certain personnel actions are not subject to the provisions of Treasury's program.

Bureau of the Mint, Denver, Colorado

The staffing at the Denver Mint was reduced because coin production levels exceeded both Federal Reserve requirements and storage capacity. In March 1977 the mint notified 119 employees that they would be displaced by a RIF. Positions were abolished because of reduced ceilings or downgraded because of decreased workloads.

Mint officials said they had no formal internal positive placement program to place affected employees before

separation. However, 5 of the employees notified were re-assigned, 53 continued to work at lower grades, 6 retired, and 2 resigned. Fifty-three employees were involuntarily separated.

Mint personnel officials attempted to assist employees facing separation by informing other local Federal agencies of the RIF and the skills of the persons who would be available. The Postal Service hired eight as a result. The mint also established a reemployment priority list which resulted in rehiring 22 of the separated employees and offering jobs to 3 others who declined within a year after the RIF.

AGENCY REEMPLOYMENT PRIORITY LISTS

CFR Title 5, Chapter 1, Part 351, "Establishment and Maintenance of Reemployment Priority List," states that each Federal agency is responsible for administering a reemployment priority list for each commuting area in which it separates career or career-conditional employees from competitive positions. Persons on the list must be considered over other applicants for vacancies for which they qualify in the agency. The regulations state:

"The agency shall enter the name of each of these employees on the list for all competitive positions in the commuting area for which he qualifies and is available. * * * The agency shall delete an employee's name from the list when he accepts a nontemporary, full-time, competitive position. The agency may delete an employee's name from the list on his written request or when he declines a nontemporary, full-time, competitive position with a representative rate the same as or higher than that of the position he was separated."

FPM chapter 351, subchapter 10, states that an agency need not wait for employees' separation before entering their names and qualifications on the priority list but should record the information as soon as it knows it cannot place them before separation. Section 330.201 states that when a qualified person is available on the agency's list, the agency may not fill a competitive position by (1) a new appointment, unless the person appointed is a qualified 10-point preference eligible, (2) transfer, or (3) reemployment of a person not on the list, unless the person is a preference eligible or is restored under part 353 of this chapter.

Registration for the list is open to full-time employees who have not declined an offer of full-time, nontemporary, competitive positions with a grade no lower than that of the positions from which they were separated. However, employees refusing to transfer with their function are not eligible to register on the list. Once registered on the agency's list, a career employee can remain on the list for 2 years, and a career-conditional employee for 1 year, from the date of separation.

Generally, if employees decline or fail to respond to an offer of reemployment, the agency may delete their names from the list and fill the vacancy through its normal selection procedures.

Although each of the agency components we reviewed, except HEW, established reemployment priority lists in compliance with Federal personnel regulations, only two agencies--the Rocky Mountain Arsenal and the Bureau of the Mint--had vacancies which permitted rehiring through the lists. The arsenal rehired 27, and the mint 22, of their displaced employees. HEW separated three employees who were ineligible for registration on the list since they had refused to transfer with their functions.

We questioned the need for reemployment priority lists in DOD because a separated employee can be rehired through its priority placement program. Personnel officials at DOD components we visited said such lists duplicate placement efforts during the first year the program is active but assist career status employees for 1 additional year. These officials added that the amount of work to maintain the lists is less than the benefits employees can gain from it.

Denver Mint officials said the list was the best program for their situation. Its registrants received offers for entrance-level positions because employees who had changed to lower grades obtained higher graded vacancies through their repromotion eligibility rights. Even though repromotion eligibles have first consideration for vacancies, local agency officials view the list concept favorably because it supports the Government's philosophy that each employing agency should help its own employees. In the agency components we reviewed, after employees were repromoted to the grades they held before a RIF, former employees registered on the list were given first consideration for remaining vacancies.

DISPLACED EMPLOYEE PROGRAM

CFR title 5, chapter 1, part 330, and FPM chapter 330, subchapter 3, contain regulations governing DEP--a Government-wide voluntary program established to assist Federal civilian employees who have involuntarily been displaced or are scheduled to be displaced from their positions. The program supplements agencies' positive placement programs. When an agency cannot place a displaced employee in a suitable position within its organization, the employee is entitled to register for DEP.

OPM operates DEP through its regional and area offices. Each area office is responsible for maintaining a DEP register of eligible persons wanting assistance and for referring these names to agencies for consideration in filling vacancies.

Employee eligibility criteria for DEP are in CFR section 330.301, subpart C:

"* * * 'displaced employee' means a present or former career or career-conditional employee, or excepted employee with competitive status and in tenure group I or II as defined in part 351 of this chapter who:

"(a) Has received a reduction-in-force notice and whose employing agency has determined that he cannot be placed in another position in his competitive area;

"(b) Has declined to transfer with his function, or to accept a new assignment, to another commuting area and whose employing agency has determined that he will not be placed in another position in his competitive area;

"(c) Was separated or furloughed because of a compensable injury sustained under the provisions of subchapter I of chapter 81 of title 5, United States Code; and

"(d) Is under 60 years of age, has been retired under section 8337 of title 5, United States Code, and is subsequently found by the Commission to have recovered from his disability or to have been restored to earning capacity."

FPM chapter 330-3 states restrictions on agencies considering a displaced employee:

"a. Consideration required. When a displaced employee is given priority referral to an agency, the agency must give him bona fide consideration for placement in any vacant position at or below his former grade (but not above GS-15) for which he is qualified and available. If there is no suitable vacancy, but there is a suitable position occupied by a group III (temporary) employee, other than a status quo employee, the agency establishes a vacancy by separating a group III employee. * * *

"b. New appointments prohibited. The Commission will neither certify from a register of eligibles nor authorize appointment outside the register in the absence of eligibles to fill a position expected to last for more than one year for which a displaced employee is eligible and available for priority referral."

Although literature on DEP is usually available to employees at OPM and agency personnel offices, the displacing agency is responsible for counseling adversely affected employees about their rights to and opportunities for placement assistance. The agencies are also responsible for registering those persons who want DEP assistance once it is determined they have little chance of retaining their positions or being placed in positions in their competitive area. OPM recommends that the displacing agency determine this as early as possible to afford the employee the best opportunity for placement before separation.

Most representatives of agencies included in our review who were familiar with DEP observed that it is a weak program which affords registrants little chance for placement. Many considered DEP restrictions too weak to have any major effect on agencies in filling vacancies, except to make it more difficult to employ persons trying to enter the Federal service. Registrants would have to accept entrance-level jobs to regain employee status. Some agency representatives said DEP has little management support.

Four of the agencies we reviewed registered employees in DEP. Rocky Mountain Arsenal registered 78 employees, and HEW and HUD registered 3 employees each. The Bureau of the Mint said that it registered all of its affected employees, but a sample check of 15 employees showed that

only 6 had been registered. Defense Depot, Ogden, and Hill Air Force Base did not register any of their affected employees.

OPM area offices register displaced employees GS-12 and below. Senior-level displaced employees are registered in a centralized system in CSC's Washington, D.C., office. We did not verify the registrations of any senior-level employees, but we did review a sample of DEP registrations at OPM's Denver office.

We did not find a file for every GS-12 employee or below who had been referred. After consulting with OPM and agency officials, we concluded the agencies had not completed the registration process. Reasons cited were that the employees failed to update standard form 171 or declined to register in DEP. In some instances, neither CSC nor the agencies could explain why files could not be located.

We noted a low DEP caseload. Review of OPM, Denver, reports for an 8-week period showed a total of 150 registered displaced employees and 27 priority referrals. The 27 priority referrals could not be identified as 27 different registrants since some registrants may have been referred for more than one job opportunity in various agencies.

OPM does not maintain records on the number of displaced employees hired in positions for which they were referred, and we could not measure DEP's effectiveness in this manner. The mint attributed one placement to the program, but officials said they had no way of determining whether other displaced employees had been hired as a result of DEP referrals.

Despite the lack of data, OPM area office officials considered DEP to be effective since it provides certain advantages. These officials emphasized that an agency must fill a vacancy with a qualified DEP registrant and that registrants obtain job referral opportunities automatically. The program is available to all displaced employees regardless of the type of reorganization or RIF.

Local agency officials generally viewed DEP as a passive program because of the small number of employees their particular agency had registered and the few job referrals these employees had received.

OPM Denver area officials said it is the employing agency's inherent obligation to assist its own employees,

and they encourage positive placement programs such as DOD's priority placement program, HEW's special placement program, and HUD's central pool. With these programs the agency can satisfy its responsibility of giving each employee one bona fide job offer.

OTHER SPECIAL ASSISTANCE PROGRAMS

In the past, CSC imposed special hiring restrictions and used other statutory and regulatory provisions to assist large numbers of Federal employees displaced by closure of Frankford Arsenal, Philadelphia, Pennsylvania, and Richards-Gebaur Air Force Base, Kansas City, Missouri. It also issued instructions for a special placement program for Federal employees affected by the Panama Canal Treaty of 1977.

The Civil Service Reform Act of 1978 authorized agencies to provide training for displaced employees whose retention in the Federal service would benefit the Government.

Frankford Arsenal

On August 31, 1977, CSC issued Bulletin 330-49, Placement of Employees Affected by Reorganization, to announce special action taken to assist Federal employees affected by the closure of Frankford Arsenal. This action was taken in response to the President's August 12, 1977, memorandum citing his commitment to minimize hardships on employees affected by efforts to reorganize and streamline the Federal Government.

Following the announcement of the arsenal's closure, CSC worked closely with DOD's priority placement program. It also authorized (1) use of early retirement provisions for DOD employees in the Philadelphia area in the hope of creating vacancies and (2) consideration of displaced employees for vacancies before applicants on CSC registers.

According to OPM, by August 31, 1977, about 600 arsenal employees had been placed in other DOD offices through the priority placement program, and 40 employees had found new positions in other Federal agencies. However, CSC estimated that about 1,200 employees would have to be separated on September 30, 1977, if additional placements were not made.

CSC imposed special hiring restrictions on all Federal agencies in Philadelphia, Bucks, Montgomery, Chester, and Delaware counties, Pennsylvania; and Camden County, New Jersey. Agencies in these counties were not permitted to

fill positions by transfer, reinstatement, or appointment from CSC registers without clearing the priority placement program stopper list or the DEP register. Promotions, reassignments, and other personnel actions were not affected.

As of December 31, 1978, 439 of the 1,242 employees who needed assistance on September 30, 1977, had been placed in other Federal positions. Six hundred forty-three employees were removed from the priority placement program and DEP during this period because they declined valid offers, requested removal, or their eligibility expired. The Director, OPM, lifted the hiring restrictions in the Philadelphia area in January 1979 because most of the displaced employees had jobs.

Richards-Gebaur Air Force Base

CSC Bulletin 330-50, February 3, 1978, imposed hiring restrictions on Federal agencies in the Kansas City metropolitan area to assist employees displaced by the closure of Richard-Gebaur Air Force Base and other employees whose placement opportunities would be affected. CSC estimated that between 500 and 600 Richards-Gebaur employees would not be placed before the base closed on September 30, 1978.

As of January 30, 1978, hiring restrictions were imposed on all agencies in Jackson, Johnson, Clay, and Cass counties, Missouri; and Johnson, Leavenworth, and Wyandotte counties, Kansas. Agencies were restricted from filling vacancies by reinstatement, transfer, or appointment from CSC registers without clearing DOD's stopper list and the DEP register.

In addition CSC, with OMB's approval, exempted from personnel ceilings 50 positions to be used by agencies in the area to assist displaced employees. Agencies were authorized to use these 50 positions for up to 1 year, then they would have to assign employees to positions within their personnel ceilings.

According to a program representative, CSC overestimated the number of employees that would not be placed through DOD's internal positive placement efforts. Only about 240 employees were separated instead of the estimated 500 or 600. As of December 31, 1978, 136 had been placed by either DOD or DEP, and 49 still needed assistance. OPM decided to continue the employment restrictions since the Air Force tentatively plans to announce a RIF in the near future which could affect 250 to 300 more employees.

Panama Canal Zone

OPM data indicates that as many as 5,000 employees in the Panama Canal Company, the Canal Zone Government, or other Federal agencies in the Canal Zone will be displaced and/or seek new employment as a result of the Panama Canal Treaty of 1977. CSC decided that special hiring restrictions should be imposed to assist all eligible employees who will return to the United States. The President and the Chairman, CSC, expressed their commitment to assist these returning employees.

On December 22, 1978, CSC issued FPM Letter 330-12, Placement Assistance for Panama Canal Zone Employees, to heads of departments and agencies. This letter provided implementing instructions for CSC's placement program to become effective April 1, 1979. The letter defined two priority levels of employment consideration:

"Priority level 1 consists of those U.S. citizen employees of the Panama Canal Company, the Canal Zone Government, and other Federal agencies in the Canal Zone who are involuntarily separated as a direct result of the treaty * * * With certain exceptions, agencies will not be able to fill positions by any means when priority level 1 employees are qualified and available.

"Priority level 2 consists of U.S. citizen employees of the Panama Canal Company or Canal Zone Government who wish to obtain other Federal employment in the United States even though they are not scheduled for separation * * * When priority level 2 employees are qualified and available, agencies will not be permitted to fill positions by appointments from outside the agency."

According to the letter, the restriction does not apply to:

- Career promotions and similar actions.
- Actions involving reemployment rights.
- Reassignment of employees subject to downgrading caused by reclassification because of error or a classification standard's change.

- Reassignment of employees found physically disabled for current positions.
- Repromotion of employees involuntarily downgraded without personal cause.
- Reassignment or demotion of employees to satisfy RIF rights.
- Reassignment, demotion, transfer, or reinstatement of employees scheduled for separation or separated after declining to transfer with their functions outside the commuting area.

Referral of a priority-2 employee restricts an agency only from filling a vacancy by appointment from a civil service register, transfer, or reinstatement. Unlike restrictions on priority-1 employees, priority-2 restrictions do not affect the filling of positions by internal agency actions.

OPM recognized that these hiring restrictions are consistent with the Presidential and congressional commitments but will greatly reduce agencies' flexibilities and may cause operating difficulties. On May 11, 1979, OPM issued FPM Letter 330-212 which clarified issues that had been raised. At that time OPM estimated that about 225 Canal Zone employees would receive RIF notices to be effective September 30, 1979. OPM has decided to use its Macon, Georgia, Data Processing Center to prepare automated listings of displaced employees for appropriate OPM area offices.

RETRAINING AVAILABLE UNDER CIVIL SERVICE REFORM

The Civil Service Reform Act of 1978, title III, section 304, authorizes an agency to train employees for placement in another agency. However, the head of the agency must first obtain OPM's verification that there is a reasonable expectation of placement in another agency.

In selecting an employee for training the agency must consider

- the extent to which the employee's current skills, knowledge, and abilities may be used in the new position;
- the employee's capability to learn new skills and acquire knowledge and abilities needed in the new position; and

--the benefits to the Government which would result from retraining the employee in the Federal service.

ASSISTANCE AVAILABLE FROM
STATE EMPLOYMENT AGENCIES

In addition to registering with agencies' placement programs or DEP, employees separated from Federal service may also register for unemployment insurance and employment services provided through their State agencies.

Under Public Law 87-767, Federal employees separated from service are eligible to receive unemployment insurance compensation from State employment security agencies. The Federal Government, through the Department of Labor Employment and Training Administration, reimburses States for these insurance payments.

Department of Labor data for the fiscal year ended September 30, 1978, showed that 101,648 former Federal civilian employees received their first payments of unemployment insurance from State employment security agencies, and total payments for the year were \$142,380,648. In fiscal year 1977, 133,298 received their first payments, and total payments were \$195,424,504.

PREVIOUS GAO STUDY

In 1974 we reported to the Chairman, CSC, on "Assistance Programs For Displaced Federal Civilian Employees" (B-168700, Oct. 18, 1974). This study covered actions taken to assist civilian employees displaced by closure or realignment of Navy offices in Massachusetts and Rhode Island.

Although four separate programs had been established to help employees obtain other employment and retrain for new jobs, some of these programs provided little assistance. We recommended that the Chairman, CSC, with the cooperation of the Secretaries of Defense and Labor, study the feasibility of establishing a single program for assisting displaced Federal civilian employees.

In response to the report, the Chairman, CSC, informed the Chairman, Senate Committee on Government Operations, that he did not consider it feasible to establish a single program but stated that several actions were underway or planned to improve and streamline DEP. Our current study showed that CSC had not made a feasibility study and had taken very little action to improve DEP.

In May 1978 CSC's Director, Bureau of Recruiting and Examining, asked CSC's regional directors for suggestions on revising DEP. They suggested (1) strengthening the program so more employees could be placed, (2) tightening restrictions so they are similar to those imposed in Kansas City and Philadelphia, and (3) placing more emphasis on proper counseling by agencies and early and accurate representation of employee skills and areas of qualification when registering for the program. According to CSC's program representative, these suggestions have been valuable to the bureau in revising DEP.

Since November 1978, CSC representatives have met on several occasions with representatives of DOD's priority placement program. Discussions have focused on the program's operation and the possibility of automating DEP. CSC and OPM personnel are designing an automated system and drafting a staff paper to help top management decide whether to automate DEP.

ASSISTANCE PROVIDED TO DISPLACED EMPLOYEESAT SELECTED DENVER AND OGDEN COMPONENTSJANUARY 1977 - DECEMBER 1978

	<u>DOD</u>			<u>Non-DOD</u>			<u>TOTAL</u>
	<u>Arsenal</u>	<u>DOD</u>	<u>HILL</u>	<u>MINT</u>	<u>HUD</u>	<u>HEW</u>	
Placement action before separation:							
Reassignment to jobs at same or lower grades	291	88	593	58	110	17	1,157
Transfer with function	2	-	-	-	17	3	22
Placed through positive placement program	99	26	-	-	7	27	159
Total	<u>392</u>	<u>114</u>	<u>593</u>	<u>58</u>	<u>134</u>	<u>47</u>	<u>1,338</u>
Placement action after separation:							
Placed through positive placement program	45	6	2	-	-	-	53
Reemployment priority list	27	-	-	22	-	-	49
DEP (note a)	-	-	-	1	-	-	1
Total	<u>72</u>	<u>6</u>	<u>2</u>	<u>23</u>	<u>-</u>	<u>-</u>	<u>103</u>
Employees placed in other jobs	464	120	595	81	134	47	1,441
Employees not placed:							
Retired	59	35	13	6	31	4	148
Resigned	117	16	-	19	26	6	184
Other—not placed (note b)	34	8	12	13	10	41	118
Total not placed	<u>210</u>	<u>59</u>	<u>25</u>	<u>38</u>	<u>67</u>	<u>51</u>	<u>450</u>
Total	<u>674</u>	<u>179</u>	<u>620</u>	<u>119</u>	<u>201</u>	<u>98</u>	<u>1,891</u>

a/Placement resulting from DEP referrals could not be determined from CSC records.

b/This is estimated as we could not verify the current status of all former employees.

LOCATIONS VISITEDDOD

Office of the Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics), Deputy Assistant Secretary (Civilian Personnel Policy), Pentagon, Washington, D.C.; Defense Depot Ogden, Ogden, Utah.

Department of the Air Force

Hill Air Force Base, Ogden, Utah.

Department of the Army

Rocky Mountain Arsenal, Denver, Colorado.

HEW

Office of the Deputy Assistant Secretary for Personnel and Training, Washington, D.C.; HEW Region VIII, Office of the Regional Personnel Officer, Denver, Colorado.

HUD

Office of the Assistant Secretary for Administration, Office of Personnel, Washington, D.C.; HUD Region VIII, Office of the Regional Personnel Officer, Denver, Colorado.

Department of the Treasury

Office of the Assistant Secretary (Administration), Office of Personnel, Washington, D.C.; United States Mint, Office of Personnel, Denver, Colorado.

OPM

Office of the Associate Director for Staffing Services, Washington, D.C.; OPM Regional Office/Area Office, Denver, Colorado.

Department of Labor

Office of the Assistant Secretary for Employment and Training Administration, United States Employment Service, Washington, D.C.

State of Colorado

Division of Employment and Training, Denver.