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

January 1986

FEDERAL WORKFORCE

How Certain Agencies Are Implementing the Grade Reduction Program



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General Government Division
B-203027

January 3, 1986

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

Dear Mr. Chairman:

By letter dated May 21, 1984, you requested that we study the administration's program to reduce the number of grade 11 to 15 positions in the federal government. This program, known as the "bulge program," was established to reduce grade 11 to 15 positions by approximately 40,000 over a 4-year period beginning in fiscal year 1985. According to the Office of Personnel Management (OPM), the program was expected to save approximately \$1.7 billion during the 4-year period and improve position management in the federal government.

Our March 28, 1985, report¹ provided information on the administration's justification for the bulge program. We were not convinced that the studies OPM cited provided a sound basis for initiating a governmentwide program to reduce grade 11 to 15 positions. However, we agreed that position management should be improved whenever possible.

In a meeting to discuss the results of that work, your representatives also asked us for information on how the program is being implemented at the Department of Defense; the Department of the Treasury, including the Internal Revenue Service (IRS); the Department of Health and Human Services (HHS), including the Social Security Administration (SSA); and the Office of Management and Budget (OMB). We gathered budgetary and personnel data on these agencies, interviewed agency officials who were involved with the bulge program, and obtained information on OPM's role in the program. We discussed the results of our work with the officials from these agencies and considered their comments in preparing this report.

Our work, which was done in accordance with generally accepted government auditing standards, shows that (1) agencies vary in their approach to implementing the program and (2) the size of the grade 11 to 15 population is affected by factors unrelated to the bulge program. For these reasons, the results of the program will be difficult to assess

¹Information on the Administration's Program to Reduce Grade 11-15 Positions (GAO/GGD-85-48).

or quantify. Also, we found that OPM's efforts to assess position management have been incomplete. OPM provides virtually all agencies with information on changes that occur in their workforce distributions and provides the 34 largest agencies with information on how their workforce distributions compare to the federal government overall. While this comparison is informative and could serve to make the agencies more aware of their position management responsibilities, it does not result in a true measure of an agency's progress in implementing position management improvements.

Agencies Vary in Their Approaches to Implementing the Bulge Program

To encourage agencies to comply with the bulge program, OMB required each agency to reduce its fiscal year 1985 budget request by an amount equal to 0.55 percent of the compensation of grade 11 to 15 employees. OMB also stated that agencies were to have discretion in determining where these budget cuts should be applied.

Accordingly, the agencies we visited varied in where they applied the budget cuts and in their approaches to implementing the bulge program.

- HHS believes that it should address position management overall rather than concentrate its attention on grade 11 to 15 positions, which are the specific targets of the bulge program. Therefore, HHS is requiring SSA and its other agencies to prepare position management plans, believing that improving position management on an overall basis will enable it to support the bulge program's objectives. According to an HHS official, these plans are still being developed.
- The Department of Defense decided to accommodate the objectives of the program without imposing specific numerical controls through its management efficiency programs. The Department asked the military services and defense agencies to set internal goals which were to be achieved by linking strong position management and classification programs to the ongoing efficiency programs.
- OMB has not developed a formal plan or guidelines for its internal bulge program. An OMB official stated that because the agency employed so few people, a formal plan was not considered to be necessary. However, budget reductions were made and initiatives were taken to hire new employees at lower grade levels.
- The Department of the Treasury developed a departmentwide plan specifically for implementing the bulge program and disseminated it to each of its component organizations. The bureaus and offices within the Department then developed individual implementation plans.

OMB did not permit agencies to appeal their budget cuts for bulge reduction in fiscal year 1985. However, Treasury asked OMB to partially exempt IRS for fiscal year 1986. The original target reduction imposed on Treasury for bulge reduction was \$15.3 million for fiscal year 1986, of which \$10.9 million was targeted for IRS. Since about 70 percent of IRS' grade 11 to 15 positions were in tax enforcement and revenue collection activities, Treasury was concerned that IRS could not effectively meet its responsibilities if it fully implemented the program. Accordingly, the Department asked that these activities be exempt, and IRS submitted a fiscal year 1986 budget request reflecting only a \$3.3 million cut for bulge reduction rather than \$10.9 million. According to an IRS official, the exemption was approved by OMB and the reduced amount was included in the President's fiscal year 1986 budget proposal.

Results of the Bulge Program Will Be Difficult to Assess

The latest information available at OPM shows that the number of full time permanent federal employees in grades 11 to 15 increased during the first 6 months of the bulge program—from 504,873 in September 1984 to 515,106 in March 1985. However, because agencies were not required to establish monitoring systems to report changes resulting specifically from the bulge program, it would be difficult to know whether the increase might have been greater without the program.

Other factors also make it difficult to assess the results of the bulge program. For example, for the first year of the program, fiscal year 1985, the reduction was a line item in the agencies' budget requests. However, the bulge program reductions in many of the non-defense agencies' proposed fiscal year 1986 budgets were assumed to be part of a 10 percent administrative cost reduction imposed on all non-defense agencies by OMB. Because of this and other factors that can cause fluctuations in agencies' employee grade profiles, any changes in the number of grade 11 to 15 positions that occurred as a direct result of the bulge program will be difficult to identify. Such factors would include changing technology, legislated program changes, and improved classification accuracy.

OPM's Efforts to Assess Position Management Have Been Incomplete

OPM is using information in its Central Personnel Data File to assess agency position management performance under the program. It has developed a statistical model which computes an index of agency average grades by occupational series, referred to as the standard average grade, and provides agency and governmentwide information on six indicators it believes relate to position management. Essentially, these are the following:

- ratios of agency to governmentwide grade 11 to 15 employees and those in grades 1 to 10;
- ratio of agency to governmentwide average grade of all employees;
- average grade of agency grade 11 to 15 employees;
- ratio of agency to governmentwide grade 11 to 15 supervisors and managers;
- number of grade 11 to 15 supervisors and managers per 100 all other employees; and
- percent of change in the number of grade 11 to 15 employees.

OPM has divided the federal agencies into groups, mainly by size, and uses the model to analyze the data for the 22 agencies it has classified as the largest group and the 12 it has classified as mid-sized. OPM semiannually provides these agencies with analyses updating the six indicators and showing their comparative rankings. These rankings reflect the extent to which an agency's workforce distribution compares to the federal government overall. While these rankings are informative and could serve to make the agencies more aware of their position management responsibilities, a comparison to a governmentwide average is not a true measure of an agency's progress in improving position management.

Conclusion

Although federal agencies have taken some steps to begin implementing the administration's program to reduce the number of grade 11 to 15 positions in the government, it will be difficult to directly relate changes in grade 11 to 15 positions to the bulge program.

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

Sincerely yours,



William J. Anderson
Director



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