United States General Accounting Office

GAO

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

August 1996

FEDERAL DOWNSIZING

Better Workforce and Strategic Planning Could Have Made Buyouts More Effective

G A O 75 years 1921 - 1996

GAO/GGD-96-62

GAO

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

General Government Division

B-270907

August 26, 1996

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

Dear Mr. Chairman:

This report, prepared at your request, provides information on a number of issues related to the implementation of the Federal Workforce Restructuring Act of 1994 and agencies' use of buyouts. As such, this report is the latest in a series of studies we have completed to help Congress monitor the downsizing of the federal workforce.

We will send copies of this report to the Vice President of the United States, other congressional committees, the Director of the Office of Personnel Management, and other interested parties. We will also make copies available to others upon request.

Please call me or Associate Director Timothy P. Bowling on (202) 512-8676 if you have any questions concerning this report. The major contributors to this report are listed in appendix V.

Sincerely yours,

L. Nye Stevens
Director
Federal Management and Workforce
Issues

Executive Summary

Purpose

The Federal Workforce Restructuring Act of 1994 authorized non-Department of Defense (DOD) agencies to offer buyouts to employees of as much as $25,000 to voluntarily leave the workforce. DOD agencies already had buyout authority under earlier legislation.

To help monitor the implementation of the act, the Chairman, Subcommittee on Civil Service, House Committee on Government Reform and Oversight, asked GAO to review a number of issues related to the buyout program. In response, GAO examined

- whether the downsizing goals of the Federal Workforce Restructuring Act were being achieved;
- whether agencies' use of buyouts reflected the administration's workforce restructuring goals as articulated by the National Performance Review (NPR);
- what the demographic results of the buyouts were;
- how agencies viewed buyouts as a downsizing tool; and
- what operational impacts were attributed by agencies to workforce downsizing.

Background

In recent years, the administration has relied heavily on NPR's workforce restructuring goals to help guide federal downsizing efforts. In September 1993, NPR recommended cutting the federal workforce by 252,000 positions, with these cuts intended to reduce "management control" positions such as (1) those held by managers and supervisors and (2) employees in personnel, budget, procurement, and accounting occupations. In its subsequent guidance, the administration directed agencies to increase supervisors' and managers' span of control over other employees from a ratio of 1:7 to 1:15, and to cut by half the remaining management control positions by fiscal year 1999.

To achieve these reductions while avoiding reductions-in-force (RIF), NPR called for legislation to permit non-DOD agencies to offer buyouts to employees who voluntarily left federal service. NPR's aim was to give federal agencies the same downsizing tool commonly used by private companies.

Subsequent to NPR's request, Congress enacted the Federal Workforce Restructuring Act of 1994. The act required the government to reduce its workforce by 272,900 full-time equivalent (FTE) positions by fiscal year 1999 and gave non-DOD agencies the authority to offer buyouts of as much

as $25,000 to workers who left federal employment by March 31, 1995 (unless extensions were approved by agency heads). The act did not include NPR's workforce restructuring goal of cutting specific types of positions.

In addition to requiring governmentwide downsizing, the act also contained provisions that required the elimination of one position for each buyout granted, and it generally required buyout recipients to repay the full amount of the buyout if they returned to federal service within 5 years of taking the buyout. Further, the act provided that the President take appropriate action to ensure that there was no increase in service contracts as a result of the act, unless a cost comparison indicated that such contracts were financially advantageous to the government.

Although the act covered workforce reductions in all federal departments and agencies, including DOD, it only authorized buyouts in non-DOD agencies. Buyouts in DOD were already authorized under legislation passed in 1992. According to OPM, as of September 30, 1995, agencies had paid more than 112,500 buyouts, nearly 80,000 of which (about 71 percent) went to DOD employees.

To ensure that agencies would accompany their downsizing with management reforms consistent with NPR's goals, the President directed agencies to prepare streamlining plans. The plans were to show, among other things, how agencies intended to reduce management control positions as intended by NPR. The Office of Management and Budget (OMB) was responsible for approving agencies' streamlining plans.

Currently, Congress is considering legislation that would give agencies temporary authority to pay retirement and separation incentives. As proposed, the Federal Employee Separation Incentive and Reemployment Assistance Act (H.R. 2751) would allow agencies to pay eligible employees as much as $25,000 if they left federal service between enactment of the legislation and September 30, 1997. The maximum amount of the buyout would then decrease to $20,000 for takers between October 1, 1997, and September 30, 1998. A final round of buyouts would pay up to $15,000 for takers between October 1, 1998, and September 30, 1999. In addition to this governmentwide bill, Congress is considering agency-specific buyout legislation.

To address the Subcommittee's request, GAO analyzed Office of Personnel Management (OPM) workforce data, examined selected agencies'

streamlining plans, interviewed agency officials, and sent questionnaires to the 24 departments and agencies (both DOD and non-DOD) responsible for paying most of the buyouts. These agencies accounted for about 31 percent of the executive branch civilian workforce in fiscal year 1995. In reviewing whether the agencies' use of buyouts reflected the administration's workforce restructuring goals as articulated by NPR, GAO did not attempt to judge the appropriateness of these goals. Rather, GAO's use of the goals as criteria for evaluation was based solely on the administration's stated intention of relying on them as the framework for its downsizing strategy.

Results in Brief

Considerable progress has been made in achieving the downsizing goals of the Federal Workforce Restructuring Act. Between January 1993 and March 1996, non-Postal executive branch civilian employment declined by almost 230,500 employees (10.5 percent). In addition, the buyouts authorized by the act helped agencies reach the act's downsizing goals with minimal use of RIFs.

With respect to the administration's restructuring goals, the data show that, at the end of the non-DOD buyout window, there was little, if any, decrease in the management control positions designated for reduction by NPR, proportional to the workforce as a whole. This situation occurred because agencies often set downsizing goals for management control positions that were less than those recommended by the administration and did not use buyouts to specifically reduce these positions.

Demographically, the buyouts enabled agencies to downsize without disproportionately affecting the representation of women and minorities. Had RIFs been necessary, it is unlikely that women and minorities would have fared as well. Since retention during a RIF is based largely on seniority and military veteran status, women and minorities—who generally rank lower in one or both of these factors compared to white males—would, in all likelihood, be separated disproportionately.

The largest share of the buyouts were paid to employees who took regular or early retirements. Although GAO did not analyze whether buyout payments motivated individual employees to leave federal service earlier or later than they otherwise would have, GAO's analysis of overall separation trends suggests that some employees may have delayed their departures in order to receive a buyout payment.

On the one hand, agency officials viewed buyouts favorably as an effective downsizing tool. Indeed, most agencies GAO surveyed said that buyouts had helped them to meet mandated workforce ceilings and restructure their workforces while minimizing RIFs. In our prior work, we found that, depending upon the assumptions made, buyouts generally saved the government more money than did RIFs. RIFs can also adversely affect agency operations and employee morale.[1]

On the other hand, agencies reported that downsizing in general led to such negative effects as the loss of institutional memory and an increase in work backlogs. In fact, half of the agencies in GAO's survey said that downsizing hindered their ability to carry out their missions. To offset personnel reductions, most agencies said they were relying more heavily on reengineering work processes and on automation. Five agencies reported using contractors to do the work previously performed by employees who had taken buyouts. In some cases, buyout recipients returned to their agencies as contract employees.

Despite the general success of the buyouts in meeting the downsizing goals of the Federal Workforce Restructuring Act, some agencies believe that they are being stretched too thin. Several agencies reported that they anticipated production and service shortfalls, skill imbalances, or increased use of overtime as a result of their downsizing.

Further, provisions of the act designed to guard against an increase in service contracts, unless they are financially advantageous to the government, are unclear. The outsourcing of work previously done by civil servants without adequate cost comparisons may offset some of the benefits obtained by downsizing, and appears to be inconsistent with the purpose of the act.

Overall, many of the unintended results of downsizing could have been mitigated had agencies done adequate strategic and workforce planning. Such planning would have helped agencies to clearly define the agency's mission and identify the workforce mix needed to successfully accomplish that mission. Such planning would have increased the likelihood that employees with the needed skills and training were retained.

[1]Federal Downsizing: The Costs and Savings of Buyouts Versus Reductions-in-Force (GAO/GGD-96-63, May 14, 1996).

Principal Findings

Agencies Used Buyouts More to Meet the Act's Downsizing Objectives Than the Administration's Restructuring Goals

Overall, federal agencies have made good progress in meeting the Federal Workforce Restructuring Act's downsizing goals. According to OPM data, from fiscal year 1994 through March 1995 (a period when both DOD and non-DOD agencies had buyout authority), governmentwide, on-board personnel levels dropped from 2.16 million employees at the beginning of fiscal year 1994 to 2.03 million employees as of March 31, 1995. Buyouts accounted for 63,789 (48 percent) of these reductions, while 7,450 (6 percent) were accomplished through RIFs. Given this level of downsizing, agencies were able to meet the act's fiscal year 1995 ceiling of 2.04 million FTE positions. (See pp. 22-24).

Concerning the administration's workforce restructuring goals, the number of management control positions was reduced, but as a proportion of the total workforce, there was little change. For example, at DOD agencies, the ratio of supervisors to other employees moved from 1:6.9 to 1:7.4 while the remaining categories of management control positions stayed roughly equal to their representation in the workforce. Similarly, non-DOD agencies reflected only slight reductions in the proportion of these positions in the workforce. (See pp. 24-27).

Data provided by the 24 agencies GAO surveyed suggest that management control positions were not reduced in greater numbers in large part because agencies' restructuring goals were often lower than those called for by the administration and agencies were inconsistent in using their buyouts to achieve NPR's workforce restructuring goals. This occurred in large part because (1) while OMB encouraged agencies to use buyouts to downsize in accordance with NPR's workforce restructuring goals, OMB's guidance on preparing streamlining plans did not specifically require agencies to show how they planned to use buyouts to meet these goals; (2) some agencies feared that morale and agency operations would be adversely affected if they tried to reduce specific occupations to the levels recommended by the administration; and (3) the Workforce Restructuring Act did not require that buyouts be used to reduce the ranks of management control positions as intended by NPR. (See pp. 27-32)

Planning for Buyouts Appeared to Be an Important Factor in Achieving Successful Results

Good strategic and workforce planning are important tools for helping to ensure successful downsizing. Agencies that said they planned their use of buyouts appeared to have more successful outcomes than those that did not. For example, an agency that reported planning its buyouts said that it was able to eliminate unnecessary positions, while simultaneously retaining critical skills. On the other hand, comments from other agencies indicated that the loss of critical employees could have been avoided had agencies done meaningful planning and granted their buyouts consistent with those plans. This is supported by our earlier review of downsizing strategies at nonfederal organizations where 15 of the 25 organizations included in our study indicated the importance of planning before initiating workforce reductions.[2] (See p. 32).

Buyouts Enabled Agencies to Downsize Without Disproportionately Affecting Women and Minorities and May Have Led Some Employees to Delay Separations

The personnel reductions that have occurred since 1993 were carried out without adversely affecting workforce diversity. Of the 24 agencies responding to GAO's survey, 10 indicated that buyouts helped them enhance the representation of women and minorities. Moreover, because males and whites took buyouts at a somewhat higher percentage than their representation in the workforce, the proportion of women and minorities in the workforce governmentwide increased slightly. In 1992, for example, women made up 43.4 percent of the workforce, compared to 44.6 percent at the end of the first half of fiscal year 1995. Likewise, during that same period, minorities increased their representation from 27.9 percent to 28.9 percent of the workforce. (See pp. 34-36).

Of the 82,771 buyouts made from when DOD first began them in January 1993, through June 30, 1995, about 40 percent of the buyouts were paid to employees who took regular retirement, and 32 percent were paid to employees taking early retirement. GAO did not examine whether buyouts influenced individual employees to leave federal service any earlier or later than they would have without the separation incentive. Nevertheless, separations dropped by more than 20 percent from the end of fiscal year 1992 through fiscal year 1993, when Congress was considering buyout legislation, but then rose by 35 percent in fiscal year 1994, when both DOD and non-DOD agencies had buyout authority. This suggests that some employees may have delayed their retirements to receive buyout payments. (See pp. 36-37).

[2]Workforce Reductions: Downsizing Strategies Used in Selected Organizations (GAO/GGD-95-54, Mar. 13, 1995).

Agencies Viewed Buyouts Positively but Said That Staff Reductions Created Operational Problems

Most of the agencies GAO surveyed viewed buyouts favorably as a downsizing tool. Of the 24 agencies responding to GAO's survey, 23 said that buyouts allowed them to avoid or reduce the number of RIFs, and 20 reported that buyouts allowed them to both meet mandated workforce ceilings and align their workforce with changing mission requirements.

Nevertheless, many of the agencies GAO surveyed said that downsizing itself had caused problems. Fifteen agencies cited the loss of corporate memory and expertise, and 11 reported work backlogs due to the loss of key personnel. (See pp. 38-40).

To offset workforce reductions, all 24 agencies reported they were relying on reengineering/reinvention initiatives to streamline their operations, while 20 said they were making greater use of automation. Five agencies reported using contractors to do the work previously performed by buyout recipients, typically without doing cost comparisons to determine if such outsourcing saved money.

The law and guidance on outsourcing following buyouts is vague, as demonstrated in part by two agencies' different interpretations of what types of contract actions could trigger the cost comparison requirement. Further, in some cases, buyout recipients returned to agencies as employees of private contractors. In such situations, any savings and workforce reductions realized from buyouts would be reduced by increased contracting costs and thus would appear to be inconsistent with the purpose of the Workforce Restructuring Act and the administration's downsizing goals. At a minimum, the Workforce Restructuring Act required that agencies complete a cost comparison to ensure that any new contracts were financially advantageous to the government. (See pp. 40-44).

Matters for Congressional Consideration

To ensure the most cost-effective use of any future buyouts and to help mitigate the adverse effects that can result from poorly planned downsizing, GAO recommends that Congress, in reviewing HR 2751 or other legislation that would grant buyout authority to agencies, consider:

- Requiring agencies to do strategic and workforce planning as a prerequisite for receiving buyout authority, and to implement downsizing consistent with the results of their planning efforts. To the extent possible, priority should be given to retaining those employees possessing the knowledge and skills necessary to accomplish the agency's work.

- ensuring that consideration of any buyout legislation is completed quickly and that buyouts, if approved, occur shortly thereafter. This will help reduce the number of employees who might delay their retirements and other types of separations in the expectation of receiving a buyout.
- Clarifying the kinds of procurement actions (e.g., new contracts, task orders, modifications, etc.) that would be subject to the cost comparison requirement. (See p. 45).

Agency Comments and GAO's Evaluation

NPR and OPM provided written comments on a draft of this report. NPR said the report brought to light several important issues, including the administration's commitment to downsizing the federal workforce and the value of buyouts in reducing the impact of downsizing on employees. OPM commented that GAO's report was a timely analysis of federal downsizing and would be helpful in planning future downsizing activities.

NPR and OPM both commented that GAO mixed the different purposes or results of buyouts and the more general concept of downsizing, and expressed concern that GAO used three different sources of data interchangeably. GAO agreed that the use of buyouts as a tool for downsizing is different from the broader concept or results of downsizing, and has modified the language of the report to clarify that distinction. GAO also agreed that it obtained data from several sources as necessary to address the objectives of the work. GAO did not agree, however, that the data were used interchangeably. Rather, the data were used to describe, corroborate, or explain key findings. Where appropriate, GAO has modified the report to clarify the source and purpose of the data.

NPR commented further that the report's conclusions and observations might be better understood if additional information were provided as context for the discussion about contracting out and reemployment of buyout recipients. GAO agreed that additional context would be helpful and provided additional information to that end. NPR also observed that GAO's matters for congressional consideration concerning workforce planning and clarifying guidance on contracting out following the use of buyouts might be difficult to implement and could cause additional problems. Because strategic and workforce planning were identified as key elements of successful downsizing in other organizations it has studied, GAO continues to believe that such planning is a critical starting point for implementation of buyout authorities in the federal government. GAO also continues to believe that, since different agencies had different interpretations, clarification of the requirements for cost comparisons in

contracting out would reduce the likelihood of agencies' misinterpretation of the intent of the Workforce Restructuring Act.

NPR's and OPM's comments are discussed further at the end of chapter 4 and reprinted in full in appendixes III and IV.

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Abbreviations

BLM	Bureau of Land Management
CDC	Centers for Disease Control
CPDF	Central Personnel Data File
DOD	Department of Defense
EPA	Environmental Protection Agency
FAA	Federal Aviation Administration
FORM	Federal Operations Review Model
FTE	Full-time equivalent
GSA	General Services Administration
HHS	Health and Human Services
NASA	National Aeronautics and Space Administration
NPR	National Performance Review
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
RIF	Reduction-in-Force

Introduction

To downsize the federal workforce with minimal use of reductions-in-force (RIF), Department of Defense (DOD) and non-DOD agencies were given the authority—under separate pieces of legislation—to pay eligible employees voluntary separation incentive payments (buyouts) of as much as $25,000 to leave federal service. In September 1994, we testified on the results of the fiscal year 1994 buyouts at non-DOD agencies.[1] Since then, thousands of additional employees have taken buyouts, and new buyout legislation for non-DOD agencies has been introduced in Congress. What have the buyouts achieved? To answer this, we examined whether statutorily-mandated downsizing goals were being achieved; the management strategy used to implement the buyouts; the demographic results; how agencies viewed buyouts as a downsizing tool; and what agencies said about the operational effects of downsizing.

Origins of the Federal Buyout Authority

The National Performance Review (NPR)—the administration's initiative to "reinvent" government—called on agencies in its September 1993 report to implement a variety of management reforms that would allow for the elimination of 252,000 federal positions over the following 5 years. Included in this number were 100,000 positions the President had earlier ordered eliminated by the end of fiscal year 1995.[2]

To achieve these reductions while avoiding RIFs, NPR called for legislation to allow non-DOD agencies to offer buyouts to employees who voluntarily left federal service. DOD agencies had been making buyouts since January 1993 under earlier legislation.[3] According to NPR, the original purpose of the DOD buyout authority was to ease the reductions in the size of DOD following the end of the Cold War.

According to Office of Personnel Management (OPM) data, agencies paid over 112,500 buyouts to employees from January 1993 through September 30, 1995. About 80,000 (71 percent) of these buyouts were paid to DOD employees.

[1]Federal Employment: The Results to Date of the Fiscal Year 1994 Buyouts at Non-Defense Agencies (GAO/T-GGD-94-214, Sept. 22, 1994).

[2]Executive Order 12839, Feb. 10, 1993.

[3]P.L. 102-484 authorized DOD buyouts through Sept. 30, 1997; P.L. 103-337 extended DOD buyouts through Sept. 30, 1999.

Provisions of the Federal Workforce Restructuring Act of 1994

Responding to NPR's recommendation, on March 30, 1994, Congress enacted the Federal Workforce Restructuring Act of 1994 (P.L. 103-226) that permitted non-DOD executive branch agencies to offer buyouts. The buyouts could be paid to eligible employees in any designated component, occupation, and/or geographic location who agreed to resign, retire, or take early retirement by March 31, 1995, unless the date was extended by the head of the agency, but no later than March 31, 1997. The buyout payment was the lesser of $25,000 or an employee's severance pay entitlement.

To receive a buyout, an employee must

- have served under appointment without time limit,
- have had 12 months of continuous service,
- not be a reemployed annuitant, and
- not be eligible for disability retirement.

Under the law, buyout recipients who are rehired by the federal government or perform services under a personal services contract with the government within 5 years of their separation date are generally required to repay the full amount of the buyout.

The Workforce Restructuring Act Increased Federal Downsizing Goals

In addition to providing non-DOD agencies with buyout authority, the Workforce Restructuring Act raised the federal downsizing target for all agencies, including DOD, from 252,000 to 272,900 full-time equivalent (FTE) positions by fiscal year 1999.[4] Additionally, as shown in table 1.1, the act placed annual ceilings on civilian executive branch FTE levels for fiscal years 1994 through 1999.

Table 1.1: Annual FTE Ceilings Mandated by the Workforce Restructuring Act

Fiscal year	FTE ceiling
1994	2,084,600
1995	2,043,300
1996	2,003,300
1997	1,963,300
1998	1,922,300
1999	1,882,300

Source: Federal Workforce Restructuring Act of 1994.

[4]According to OMB guidance, an FTE or work-year generally includes 260 compensable days or 2,080 hours. These hours include straight-time hours only and exclude overtime and holiday hours.

In March 1995, we testified that data from the President's fiscal year 1996 budget showed that for fiscal years 1995 and 1996, the administration anticipated that the workforce would be below the FTE levels mandated by the act.[5]

To ensure that vacated positions were not refilled, the act required a governmentwide (excluding DOD and the Central Intelligence Agency) reduction in one FTE positions for each buyout given. OMB interpreted this to mean that for each buyout that occurs in a fiscal year, the following year's FTE level should be reduced by at least one.

Past Work on Nonfederal Organizations Showed That Downsizing Was More Effective When Accompanied by Adequate Planning

In calling on Congress to pass buyout legislation, NPR wanted to give federal agencies the same downsizing tool commonly used by private companies. Our March 1995 review of downsizing strategies used by selected nonfederal organizations found that they often used buyouts to help cut employment levels.[6] Indeed, of the 25 entities we contacted (17 private companies, 5 state governments, and 3 foreign governments) that had successfully downsized in recent years, at least 18 provided various incentives to encourage employees to voluntarily leave. Of these, 14 allowed buyouts based on the organization's severance pay formula—usually 1 or 2 weeks' pay for each year of service, with a maximum of a year's salary. Employees electing early retirement, regular retirement, or resignation were eligible for the payments.

Fifteen of the 25 nonfederal organizations we contacted said that it was essential to do adequate strategic and workforce planning before making decisions about appropriate workforce size and composition. They said strategic planning was needed to establish an organization's mission. Workforce planning was used to ensure that employees with the skills and training needed to carry out the organizations' mission were retained. Several nonfederal organizations noted that when they did not plan their downsizing or consider the skills they would need in the future, they cut needed employees, suffered skill imbalances, and were often forced to replace employees with essential skills.

[5]Federal Downsizing: The President's Fiscal Year 1996 Budget and Its Compliance With the Federal Workforce Restructuring Act of 1994 (GAO/T-GGD-95-105, Mar. 30, 1995).

[6]Workforce Reductions: Downsizing Strategies Used in Selected Organizations (GAO/GGD-95-54, Mar. 13, 1995).

Congress Is Considering New Buyout Legislation

In December 1995, legislation was introduced in the House of Representatives that would give agencies temporary authority to pay retirement and separation incentives. The Federal Employee Separation Incentive and Reemployment Assistance Act (H.R. 2751) would allow agencies to pay eligible employees the lesser of their severance pay entitlement or $25,000, if they left federal service between enactment of the legislation and September 30, 1997. The maximum amount of the buyout would then decrease to $20,000 for takers between October 1, 1997, and September 30, 1998. A final round of buyouts would pay up to $15,000 for takers between October 1, 1998, and September 30, 1999. The bill also contains incentives for employees not yet eligible for retirement. In addition to this governmentwide bill, Congress is also considering agency-specific buyout legislation.

Objectives, Scope, and Methodology

To help monitor the implementation of the Workforce Restructuring Act, the Chairman, Subcommittee on Civil Service, House Committee on Government Reform and Oversight, asked us to examine several issues related to the buyout program. In response, we reviewed

- whether the downsizing goals of the Federal Workforce Restructuring Act were being achieved;
- whether agencies' use of buyouts reflected the administration's workforce restructuring goals as articulated by NPR;
- what the demographic results of the buyouts were;
- how agencies viewed buyouts as a downsizing tool; and
- what operational impacts were attributed by agencies to workforce downsizing.

To determine whether agencies' use of buyouts was consistent with NPR's workforce restructuring goals, we interviewed representatives of NPR, OMB, OPM, and officials of agencies that were downsizing. We also reviewed OMB memoranda and other pertinent documents, and did a content analysis of a judgmental sample of 15 agencies' streamlining plans.[7] The President had directed executive departments and agencies to prepare streamlining plans that described how they intended to meet NPR's restructuring goals.

[7]The 15 plans we reviewed were the Departments of Agriculture, Commerce, Defense, Education, Energy, Housing and Urban Development, Interior, Justice, State, and Transportation; and the Environmental Protection Agency, General Services Administration (GSA), Internal Revenue Service, National Aeronautics and Space Administration (NASA), and National Archives. These agencies were selected because they include the largest users of the buyout authority, and to obtain a cross-section of different agencies.

We compared the management strategies identified through our interviews and document reviews to governmentwide results of the buyouts as indicated by workforce data contained in OPM's Central Personnel Data File (CPDF). The file includes information on federal workers in most agencies, the major exclusions being Members and employees of Congress, the Judicial Branch, and the Postal Service. The CPDF covered fiscal years 1992 (the prebuyout workforce) through March 31, 1995, (the date when the non-DOD buyouts ended). We did not assess the validity of the management strategies.

To determine the demographic results of the buyouts, we analyzed CPDF data by race, gender, occupation, type of separation, and years of service.

To identify operational impacts that were attributed by agencies to workforce downsizing, we mailed questionnaires to the seven departments and agencies that, at the time we began our study, were expected to make nearly 85 percent of all buyouts granted between January 1993 (the date of the first DOD buyouts) and the end of fiscal year 1995. The departments and agencies included Agriculture, Interior, Transportation, DOD, Health and Human Services (HHS), GSA, and NASA. For all but GSA and HHS, we sent questionnaires to the major subunits that granted the largest number of buyouts at those agencies. GSA and HHS each received a single questionnaire, and responses represented the agencies in their entirety. In all, questionnaires were sent to 24 agencies. Together, they accounted for about 31 percent of the executive branch civilian workforce in fiscal year 1995. All 24 agencies responded for a return rate of 100 percent (app. I lists the agencies included in our survey).

Questionnaires were generally sent to personnel officials such as office directors. When warranted, we had follow-up discussions with agency officials. Agency responses to our questionnaire were also used to respond to the first two objectives, when applicable. The aggregate results from respondents are contained in appendix II.

The scope of our work covered the DOD buyout window, which began in January 1993 (and is to remain open through fiscal year 1999), and the non-DOD buyout window, which opened Apri1 1994 and ended March 31, 1995. We did not verify the data in the CPDF nor the information provided by agencies in their questionnaire responses and interviews.

NPR and OPM provided written comments on a draft of this report. These comments are presented and evaluated in chapter 4. NPR's comments are reprinted in appendix III, and OPM's comments are reprinted in appendix

IV. Our detailed responses to their comments are presented in these appendixes as well.

We did our audit work in Washington D.C., from April 1995 through April 1996 in accordance with generally accepted government auditing standards.

Agencies Used Buyouts More to Meet Statutorily Mandated Downsizing Objectives Than the Administration's Workforce Restructuring Goals

Buyouts helped agencies downsize with comparatively few RIFs. Were it not for buyouts, the agencies we surveyed said that many more involuntary separations would have been necessary. Although NPR recommended that agencies direct their downsizing toward certain "management control" positions that the administration said contributed to government inefficiency, there has been little, if any, decrease in management control positions as a proportion of the total workforce.

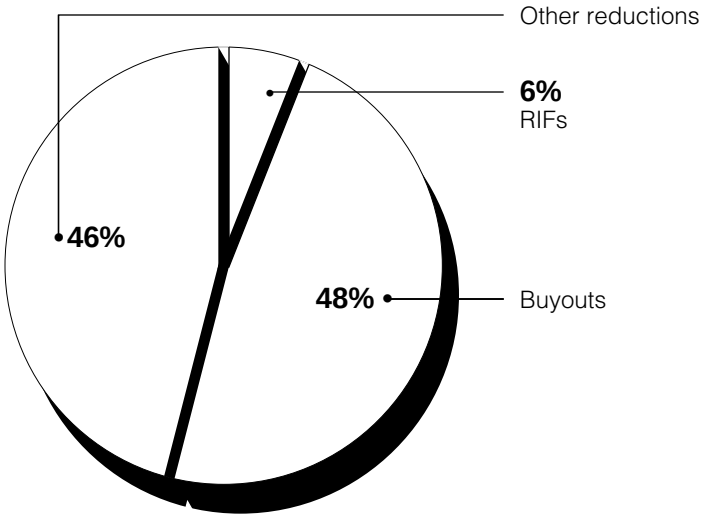
Buyouts Helped Agencies Downsize With Minimal Use of RIFs

Federal employment levels have declined steadily since the administration's downsizing efforts began in early 1993. According to OPM data, as of March 1996, non-Postal executive branch civilian employment was 1.96 million, a reduction of almost 230,500 employees (10.5 percent) since January 1993.

Moreover, from fiscal year 1994 through March 1995 (a period when both Defense and non-Defense agencies had buyout authority), the executive branch civilian workforce downsized from 2,164,727 employees to 2,032,440 employees, a reduction of 6 percent. The nearly 64,000 buyouts that were made by Defense and non-Defense agencies during that period accounted for much of this downsizing and helped mitigate the need for RIFs. Of the 24 agencies responding to our questionnaire, 13 reported they RIFed 4,466 employees in fiscal year 1994, and 12 reported they RIFed 868 employees in fiscal year 1995, at the time of our study. (Nearly half of the fiscal year 1994 RIFs occurred at the Naval Sea Systems Command's Philadelphia, Portsmouth, and Norfolk Naval Shipyards. Fiscal year 1995 RIFs were more evenly distributed across agencies).

Governmentwide, CPDF data showed there were 7,450 RIFs during this same period. Thus, as shown in figure 2.1, RIFs were responsible for 6 percent of the 132,287 reductions in on-board personnel that took place in fiscal year 1994 and the first half of fiscal year 1995, while buyouts were responsible for about 63,789 reductions (48 percent). The remaining reductions resulted from separations without buyouts or were not coded by the CPDF.

Figure 2.1: Buyouts Were Responsible for Nearly Half of the Reductions in On-Board Personnel in FY 1994 Through the First Half of FY 1995



Note 1: "Other reductions" include separations without buyouts or those that were not coded by the CPDF.

Note 2: During this period there was a reduction of 132, 287 on-board personnel.

Source: GAO calculations based on OPM's CPDF database.

Ten of 24 agencies said that they expected RIFs during the second half of fiscal year 1995. For fiscal year 1996, nine agencies said they expected RIFs, six did not expect RIFs, and nine did not know. The U.S. Geological Survey, for example, RIFed 485 people early in fiscal year 1996.

Had it not been for the buyout authority, it is likely that more agencies would have RIFed a larger number of employees to meet federal downsizing goals. Indeed, 23 of the 24 agencies responding to our questionnaire claimed that buyouts helped them avoid RIFs. As one respondent commented, "The buyout authority allowed us to implement our reorganization and streamlining of staff without the use of RIFs." Likewise, an official from a Defense agency noted, "By using buyouts, we drastically decreased the number of involuntary separations originally planned. The use of buyouts has been a big payoff for our command." A third said, "Buyouts substantially reduced the number of individuals who

would have been involuntarily separated at three of our field activities which were targeted for closure. . . ."

The Administration Directed Agencies to Pare Down Specific Positions

To streamline government, the administration, through NPR, directed agencies to aim their workforce reductions at specific "management control" positions that it said added little value to serving taxpayers. The administration also required agencies to prepare streamlining plans describing the steps they intended to take to pare down their workforces consistent with NPR's objectives. OMB was to review these plans to determine whether or not agencies could proceed to offer buyouts.

As defined by NPR, management control positions were those held by managers and supervisors (including members of the Senior Executive Service); headquarters staff; and employees in personnel, budget, acquisition, and accounting/auditing occupations. NPR recommended that agencies increase supervisors' span of control over other employees from 1:7 to 1:15, as well as to cut the remaining NPR management control positions by 50 percent, all by fiscal year 1999. According to NPR, such positions had grown to twice their optimum number. By NPR's calculations in September 1993, they amounted to about 660,000 positions, or about one-third of all federal employees.

To ensure that agencies would accompany their downsizing with workforce restructuring consistent with NPR's objectives, the President called on each federal agency to submit a streamlining plan to OMB. Through a series of detailed memorandums and bulletins, OMB provided the heads of executive agencies with information on how to prepare these plans. Agencies were to address, among other items, how and when streamlining actions would occur, how the supervisory span of control would be increased, and how their workforces would be reduced consistent with NPR's objectives. If an agency was unable to meet one or more NPR goals, it was to justify its reasons for not doing so and explain what it was doing instead to streamline and improve program performance. OMB officials told us that the quality of these plans played an important role in whether or not OMB approved agencies' buyout requests.

Management Control Positions Showed Little Proportional Reduction

Although agencies substantially reduced the number of management control positions, as a proportion of the total workforce many of these positions showed little, or no, reduction and, in some cases, have increased.

Governmentwide, Management Control Positions Have Not Been Reduced as Intended by NPR

Although large numbers of management control positions have been eliminated since the end of fiscal year 1992 (the year before buyouts began at non-Defense agencies), as a proportion of the total workforce, they were barely reduced. As shown in table 2.1, for example, while Defense and non-Defense agencies have made substantial reductions in the number of supervisors, reductions in most other positions have been carried out more slowly.

Table 2.1: Reductions in NPR Positions Compared to Administration's Goals

NPR management control position	NPR reduction goal by FY 1999	Change from end of FY 1992 through first half FY 1995
Defense agencies		
Personnel	50%	–8.3%
Budget	50	–1.8
Accounting/ auditing	50	–4.1
Acquisition	50	–12.2
Headquarters staff	50	–1.8
Supervisory span of control	1:7 to 1:15	1:7.4
Non-Defense agencies		
Personnel	50%	–7.0%
Budget	50	+0.1
Accounting/ auditing	50	–1.0
Acquisition	50	–2.4
Headquarters staff	50	–6.5
Supervisory span of control	1:7 to 1:15	1:7.6

Source: GAO calculations based on OPM's CPDF database.

Moreover, because the entire government was being downsized, in many instances the management control positions increased relative to the workforce as a whole. This was particularly true for Defense agencies. While the percentage of supervisors dipped from 12.7 percent of the

Defense workforce to 11.9 percent, (1 supervisor for every 6.9 employees to 1 supervisor for every 7.4 employees), all but one of the other management control positions increased somewhat. Acquisition positions showed no change (see table 2.2).

Non-Defense agencies did only slightly better. The percentage of supervisors in the non-Defense workforce went from 12.5 percent to 11.6 percent (1 supervisor for every 7 employees to 1 supervisor for every 7.6 employees). Personnel and headquarters staff also decreased as a proportion of the non-Defense workforce, while the remainder showed no improvement or slight increases (see table 2.2).

Table 2.2: NPR Positions Recommended for Reduction as a Proportion of the Workforce, FY 1992 and the First Half of FY 1995

NPR management control position	Percentage of DOD/non-DOD workforce FY 1992	Percentage of DOD/non-DOD workforce at end first half FY 1995	Net change FY 1992 to 1995
Defense agencies			
Personnel	1.5%	1.6%	+0.1%
Budget	1.2	1.3	+0.1
Accounting/ auditing	2.4	2.6	+0.2
Acquisition	4.9	4.9	0
Headquarters staff	6.6	7.4	+0.8
Supervisors	12.7	11.9	–0.8
Non-Defense agencies			
Personnel	1.7%	1.6%	–0.1%
Budget	0.4	0.4	0
Accounting/auditing	2.4	2.5	+0.1
Acquisition	2.0	2.0	0
Headquarters staff	14.6	14.2	–0.4
Supervisors	12.5	11.6	–0.9

Note: Workforce totals for the end of FY 1992 were 960,317 (DOD); 1,231,229 (non-DOD); workforce totals for the end of the first half of FY 1995 were 846,479 (DOD); 1,185,961 (non-DOD).

Source: GAO calculations based on OPM's CPDF database.

A Number of Agencies Reduced Supervisory Positions by Reclassifying Supervisors to Nonsupervisors

Nineteen of the 24 agencies responding to our survey said they reduced the number of supervisors partly by converting existing supervisors to nonsupervisors or team leaders. Four agencies said this practice was not occurring, and one did not know. Although such conversions help flatten agencies and could result in less bureaucracy, individuals in these positions remain on the payroll.

As shown in table 2.3, among the seven agencies that indicated the extent of this practice, such conversions often represented a large portion of the total reduction in supervisors. Conversions were responsible for 41 percent of the supervisory reductions at NASA's Marshall Space Flight Center; 40 percent at Bureau of Land Management (BLM); 35 percent at Federal Aviation Administration (FAA); 29 percent at Naval Sea Systems Command; and 28 percent at HHS. Conversions accounted for 5 percent of the reduction in supervisors at both the Natural Resource Conservation Service and NASA's Lewis Research Center.

Table 2.3: Percentage of Supervisors Converted to Nonsupervisory Roles

Agency	Percentage of total reductions in supervisors represented by converting supervisors to nonsupervisors
NASA Marshall Space Flight Center	41%
BLM	40
Federal Aviation Administration	35
Naval Sea Systems Command (excluding shipyards)	29[a]
Department of Health and Human Services	28
Natural Resources Conservation Service	5
NASA Lewis Research Center	5

[a]This percentage represents an average of all unit activities. Individual activities ranged from 10 percent to 51 percent.

Source: GAO survey (see app. II, question 21).

Possible Reasons Why Downsizing Is Falling Short of the Administration's Workforce Restructuring Goals

Data provided by the 24 agencies we surveyed suggested that at least two factors may be responsible for the lack of progress made in reducing management control structures: (1) agencies were inconsistent in their use of the buyout authority to reduce management control positions and (2) a number of agencies often set downsizing goals for the management control positions that were less ambitious than those called for by the administration. Although the administration gave agencies discretion to downsize in ways that best suited their needs, it appears that buyouts were

used to meet the numerical goals of the Federal Workforce Restructuring Act with minimal regard for NPR's objective to reduce management control positions.

Except for Supervisors, Agencies Were Inconsistent in Using Buyouts to Help Meet NPR's Workforce Restructuring Goals

One reason for the lack of progress made in meeting NPR's workforce restructuring goals lies in the fact that with the exception of supervisory positions, agencies were inconsistent in using the buyout authority as a tool to trim management control positions as recommended by NPR. Instead, agencies appeared to use buyouts mostly for achieving the numerical targets of the Workforce Restructuring Act.

Had agencies more successfully directed their buyouts to NPR management control positions, the percentage of buyouts in these occupations would probably have been higher than their representation in the workforce. However, as shown in table 2.4, when both Defense and non-Defense agencies had buyout authority (fiscal year 1994 through the first half of fiscal year 1995), this was not the case for most positions. In fact, the percentage of buyouts taken in budget, accounting/auditing, and headquarters positions, was actually less than their representation in the workforce. For most other positions, the percentage of buyouts was roughly equal to their representation in the workforce. The one exception to this was supervisory positions, which represented 11.5 percent of the workforce during this period but received 20 percent of the buyouts.

Table 2.4: Buyouts by NPR Management Control Position

NPR management control position	Percentage of workforce, FY 1994 through the first half FY 1995	Percentage of buyouts FY 1994 through first half FY 1995
Personnel	1.9%	2.2%
Budget	0.9	0.8
Accounting/auditing	3.1	1.8
Acquisition	3.6	5.4
Headquarters staff	15.1	9.5
Supervisors	11.5	20.0

Note: There were 63,790 buyouts in fiscal year 1994 through the first half of fiscal year 1995.

Source: GAO calculations based on OPM's CPDF database.

In some instances, agencies simply did not attempt to use buyouts to help meet NPR's workforce restructuring goals. Although the Workforce Restructuring Act authorized the use of buyouts to assist agencies in

meeting numerical downsizing targets, it did not require that buyouts be used to reduce the ranks of management control positions as intended by NPR. Moreover, OMB's guidance on preparing streamlining plans did not specifically require agencies to show how they planned to use buyouts to meet NPR's workforce restructuring goals. Finally, some agencies may not have restricted buyout eligibility to employees in specific positions because they may have feared morale would be adversely affected if buyouts were offered to one set of employees but not to others.

When agencies used buyouts to reduce the ranks of management control positions, they were often directed at one or two management control positions, typically supervisors and upper-level employees. For example, 7 of the 15 agency streamlining plans we examined tied their buyouts to reducing supervisors and managers as well as upper-level employees; however, none of the plans tied buyouts to personnel, budget, acquisition, or accountant/auditor positions. Similarly, other agency documents we reviewed only gave preference to some of the groups NPR recommended for reduction. In such instances, supervisors, managers, and upper-level employees were generally given priority for receiving buyouts. For example, in its first round of buyouts, BLM gave priority to Senior Executive Service employees, followed by employees in grades 15 and 14, and personnel occupations. Similarly, in its voluntary separation incentive plan, the Department of Energy gave priority to supervisory and managerial positions and upper-level employees in both fiscal years 1994 and 1995.

Finally, even those agencies that directed buyouts at specific positions did not always get the results they wanted. The Environmental Protection Agency (EPA), for example, planned to use up to 80 percent of its total buyouts for managers and supervisors. In actuality, about 20 percent of the buyouts went to such individuals, and EPA had to flatten the agency through other means, including converting supervisors to nonsupervisors and team leaders.

Agencies Often Set Restructuring Goals That Were Less Ambitious Than Those Recommended by the Administration

Another likely reason for the minimal change in levels of management control positions is that agencies said they could not meet NPR's workforce restructuring goals without adversely affecting their ability to carry out their missions. Like the government as a whole, the 24 agencies we surveyed made substantial personnel reductions, many of which were achieved through buyouts. However, our analysis of agency streamlining plans shows that agencies claimed they could not reduce management

control positions to the levels recommended by NPR without adversely affecting their operations. As a result, these agencies often set their own restructuring goals at a less ambitious level than those called for by the administration. Although OMB allowed this, agencies were asked to specify what alternative steps they were taking to restructure their workforces.

Table 2.5 shows the variance between NPR's goals for reducing management control positions and the average of agencies' reduction goals as reported in their survey responses. While agencies made considerable progress in meeting their own workforce restructuring goals, those goals were generally far lower than those recommended by NPR. DOD agencies may have had somewhat lower reduction goals for management control positions because when closing a military base, all positions are eliminated, regardless of whether they are management control positions.

Table 2.5: Reductions in NPR Management Control Positions

NPR management control position	NPR reduction goal by FY 1999	Average of agencies' reduction goals	Percentage reduction FY 1993 through Sept. 1995	Percentage of reduction due to buyouts
Defense agencies				
Personnel	50%	25.9%	16.0%	55.3%
Budget	50	17.3	7.6	114[a]
Accounting/ auditing	50	20.7	28.9	18.3
Acquisition	50	15.6	15.7	74.5
Supervisory span of control	1:7 to 1:15	1:14.1	29.7%	33.3%
Non-Defense agencies				
Personnel	50%	37.1%	26.5%	48.8%
Budget	50	33.4	17.0	57.2
Accounting/ auditing	50	27.8	17.4	46.4
Acquisition	50	31.4	15.4	76.8
Supervisory span of control	1:7 to 1:15	1:12.5	16.7%	64.4%

[a]The percentage of reduction due to buyouts was 114 percent because three agencies increased their FTE levels while still granting buyouts, and a fourth agency reported it granted more buyouts than the decrease in its FTEs.

Note: Our analysis was based only on those agencies that provided complete data for each category in their survey responses.

Source: GAO survey (see app. II, questions 6-8).

With regard to meeting their own goals, however, table 2.5 shows that, on average, agencies are well on their way. Indeed, several individual agencies have already met or exceeded their reduction goals. For example, the Geological Survey's goal for reducing accountants and auditors was 47 percent, but the Survey expected a 58 percent reduction by the end of fiscal year 1995. The Forest Service's goal for reducing acquisition specialists was 15 percent, but the Service expected a 22 percent reduction by the end of fiscal year 1995. Similarly, three agencies responding to our survey stated that buyouts helped them meet their reduction goals for supervisors and managers. For example, the Department of Health and Human Services (HHS) said that buyouts helped its Agency for Health Care Policy and Research reduce senior staff by six people, supervisory staff by five people, and control staff by one person.

The agency streamlining plans we examined cited various reasons for not meeting NPR's goals. For example, the Department of Housing and Urban Development said it will increase acquisition specialists by 23 percent because it needs them to address long-standing weaknesses cited in reports on compliance with the Financial Integrity Act. The Department of Education said it will reduce budget analysts by 25 percent, but that a deeper cut is infeasible given, for example, the continuing growth in the number of department programs as well as the complexity of its legislation, budgets, policies, and programs.

Only one of the 15 agencies whose plans we reviewed had complied with the NPR recommendation to establish a goal that would increase the supervisor to subordinate ratio from 1:7 to 1:15 by fiscal year 1999. The others set goals ranging from 1:9 to 1:14. The Department of Justice, for example, said the U.S. Marshals Service will not make significant progress at improving its supervisory ratio. Because the Marshals Service must maintain offices with 10 or fewer employees in order to staff all federal court facilities, it is difficult to eliminate supervisors in district offices. The Department of Agriculture claimed that doubling the current span of control for supervisors to 1:15 would not allow it to carry out its mission. It said most of its work is at field project locations, where a supervisor monitors two to six people. Moreover, the optimum size of fire fighting crews for safety and coordination purposes is less than the 1:15 ratio.

Although OMB gave agencies discretion to downsize according to their needs, if agencies could not meet NPR's workforce restructuring goals, they were to provide information on what they were doing instead to streamline and improve program performance. Of the 15 agency

streamlining plans we examined in our content analysis, 10 indicated they could not meet NPR's objectives. While these 10 streamlining plans generally included discussions of how agencies intended to reorganize, reengineer, and take other steps to improve services, only one indicated what the agency was doing instead to meet NPR's workforce restructuring goals.

Agencies That Reported They Planned Their Use of Buyouts Said They Had Successful Outcomes

As we found in our earlier survey of nonfederal organizations, several federal agencies, in comments written on their questionnaire responses, indicated that they planned the use of their buyouts and thus had successful outcomes. The National Park Service, for example, said that it "used the buyout authority, with management controls, to target occupational series and organization levels as well as senior management positions to effect those reductions that were consistent with the administration's goals. We were very successful accomplishing this without the need for [RIFs]." Similarly, the Naval Supply Systems Command reported that "Controlling [buyout] eligibility by series and grade level provided an opportunity to encourage attrition in labor surplus skill while permitting the retention of critical skills."

However, other agencies' comments suggested that they could have avoided certain adverse impacts had they done more meaningful workforce planning. One agency noted the effects of inadequate workforce planning at its Office of Inspector General (OIG):

"[The] average grade for buyouts was GS-13. Employees in these grades were primarily journeyman level auditors and investigators with a great deal of experience and knowledge in [agency] programs and OIG's mission. It will take considerable time for remaining staff to acquire the previous level of expertise given continuing workload pressures."

Another agency noted:

"Some activities have actually had to turn away work because of insufficient numbers of personnel . . . while other activities carry more employees than there is work. Downsizing is only effective if it is based on a full analysis of workload, past, present, and future. Some activities actually could use more personnel; most could downsize to an even greater extent."

Conclusions

The buyouts enabled agencies to meet the downsizing goals of the Workforce Restructuring Act while mitigating the need for RIFs. Had it not

been for the buyout authority, it is likely that agencies would have needed to RIF a larger number of employees to meet their downsizing objectives. Nevertheless, compared to the workforce as a whole, little, if any, progress was made in reducing the ranks of management control positions, as recommended by NPR in the belief that these positions added to federal bureaucracy. As a proportion of the workforce, the number of management control positions was rarely smaller and, in some cases, was slightly larger than they were before the buyouts began.

The buyout authority gave agencies a powerful tool to manage their downsizing by directing personnel cuts where they were needed most. However, it appears that many agencies used buyouts to meet workforce reduction goals without restructuring their agencies' workforces. As a result, some agencies are reporting skill gaps (see chapt. 3). As demonstrated in our earlier study of downsizing strategies at selected nonfederal organizations, better workforce planning—which would have analyzed what skills were needed and where—combined with using buyouts to help achieve the results of such planning, would likely have made agencies' downsizing and restructuring efforts more effective.

The Effects of Buyouts and Downsizing on Employee Demographics and Agency Operations

Buyouts allowed agencies to downsize without adversely affecting workforce diversity. Had RIFs been used instead, our prior work suggests that women and minorities might not have fared as well. Most buyouts went to retirement-eligible employees.

Although we could not determine whether buyouts influenced individual employees to leave federal service earlier or later than they would have otherwise, separation data suggests that some employees stayed longer to receive a buyout.

Agencies generally had favorable views of buyouts as a downsizing tool. They noted that buyouts allowed them to meet mandated workforce ceilings and align their workforce with changing mission requirements, among other positive outcomes.

On the other hand, agencies reported that downsizing has had certain adverse operational effects. These included the loss of institutional memory and an increase in work backlogs.

To compensate for fewer employees, agencies said they were relying more heavily on reinvention initiatives and automation as well as contracting out. Although such outsourcing could help agencies carry out their work, it was often done without first determining whether it was financially advantageous to the government. Further, without such a determination, it appears to be contrary to the purpose of the Workforce Restructuring Act and the administration's downsizing goals.

Buyouts Enabled Agencies to Downsize Without Disproportionately Affecting Women and Minorities

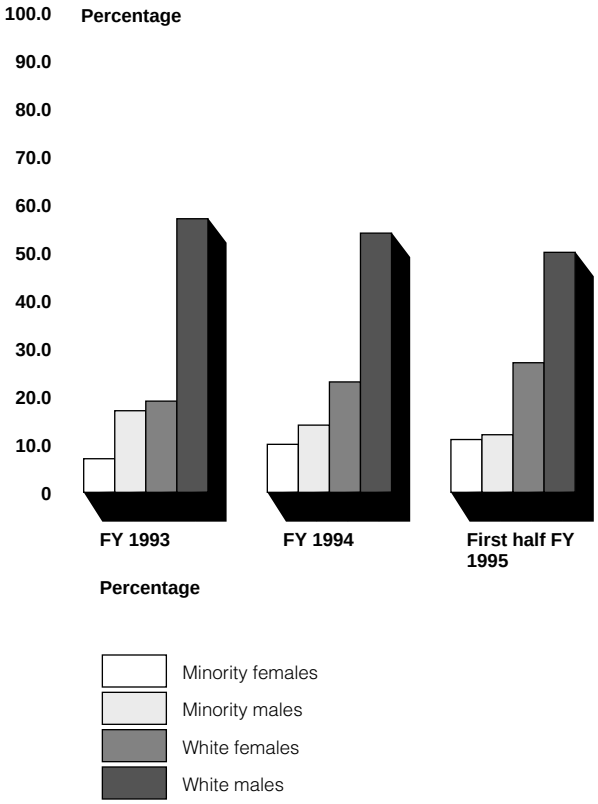
The buyouts enabled agencies to downsize while maintaining their workforce diversity. RIFs, an alternative method of downsizing, could have resulted in higher separation rates of such individuals.

The Effect of Buyouts on Women and Minorities

Although it was not an explicit goal of the buyout legislation, 10 of the 24 agencies responding to our survey indicated that buyouts helped them improve the diversity of their workforces. This is because, as shown in figure 3.1, buyout recipients governmentwide were most likely to be white

males. Indeed, of the nearly 83,000 employees who accepted buyouts from fiscal year 1993 through the first half of fiscal year 1995, 52 percent were white males.

Figure 3.1: Buyout Recipients Were Most Likely to Be White Males



Note 1: Buyouts were authorized only for DOD agencies in FY 1993.

Note 2: There were 18,982 buyouts taken in FY 1993; 34,341 in FY 1994; and 29,449 through the first half of FY 1995.

Source: GAO calculations based on OPM's CPDF database.

The demographic profile of buyout recipients is one reason why the personnel reductions that have taken place over the past few years were carried out without disproportionately affecting the employment of women and minorities. To the contrary, as a percentage of the total

workforce, women and minorities made slight gains from fiscal year 1992 (the year before buyouts were authorized for DOD agencies) through the first half of fiscal year 1995 (see table 3.1).

Table 3.1: Federal Agencies Downsized Without Disproportionately Affecting Women and Minorities

Fiscal year	On-board personnel	Percentage of women	Percentage of minorities
1992	2,191,546	43.4%	27.9%
1993	2,164,727	44.1	28.4
1994	2,086,877	44.3	28.6
First half FY 1995	2,032,440	44.6	28.9

Source: GAO calculations based on OPM's CPDF database.

Had RIFs been used to downsize the federal workforce, it is unlikely that women and minorities would have fared as well. As set forth in 5 U.S.C. 3502, an employee's retention depends on (1) tenure (i.e., career, career conditional, or temporary); (2) veterans' preference; (3) length of service; and (4) efficiency or performance rating. The RIF regulations implementing this provision require agencies to rank each employee where jobs are to be eliminated and record this ranking in a retention register. In our prior work at three defense installations, we found that women and minorities were separated at a rate disproportionate to their numbers, partly because they ranked lower than white males in one of the retention factors.[1] Moreover, our analysis of the retention factors for all civilian workers employed by the military services at the end of fiscal year 1991 indicated that minority and women employees may continue to be vulnerable to future RIFs because they ranked lower than their male counterparts in all retention factors.

Most Buyouts Were Paid to Employees Who Retired

The largest share of the buyouts were paid to employees who took regular or early retirements. Short of surveying these individuals, there is no way of knowing whether the buyout payment motivated them to leave earlier than they would have otherwise, thus generating payroll savings. However, recent separation trends suggest that among all buyout recipients, there were probably a number who stayed on the federal payroll longer in order to receive a buyout payment.

[1]Federal Personnel: The EEO Implications of Reductions-In-Force (GAO/T-GGD-94-87, Feb. 1, 1994).

Retirement-Eligible Employees Received the Largest Share of the Buyouts

As shown in table 3.2, of the 82,771 buyouts made governmentwide between fiscal year 1993 and the first half of fiscal year 1995, when we could identify the type of separation, 40 percent of the buyouts were paid to employees who took regular retirement. Nearly another third were paid to employees who took early retirement. Thus, even without buyouts, a number of these employees might have left anyway.

Table 3.2: Most Buyout Recipients Were Eligible for Either Early or Regular Retirement

		Percentage of buyouts by type of separation			
Fiscal year	**Total buyouts**	**Resignation**	**Early retirement**	**Regular retirement**	**Others plus those not classified by CPDF[a]**
1993	18,982	10.2%	28.9%	30.1%	30.8%
1994	34,341	12.2	35.1	45.7	6.9
First half FY 1995	29,448	9.8	31.2	40.6	18.4
Total	**82,771**	**10.9%**	**32.3%**	**40.3%**	**16.5%**

[a]Of 82,771 buyouts, 20 accompanied separations other than those listed in the table; 13,649 buyouts were not classified by the CPDF according to type of separation.

Note: Row percentages may not add to 100 percent because of rounding.

Source: GAO calculations based on OPM's CPDF database.

Without directly surveying employees, it is difficult to determine whether buyouts influenced them to leave federal service earlier or later than they would have otherwise. However, governmentwide data shows that separations for employees covered by the Civil Service Retirement System and the Federal Employees Retirement System dropped by 20 percent from the end of fiscal year 1991 through fiscal year 1992, when Congress was considering buyout legislation. Separations then rose by 35 percent in fiscal year 1994, when both DOD and non-DOD agencies had buyout authority. Although some of the drop in separations may have been due to economic conditions at the time, it is likely that some employees delayed their separations so that they could receive a buyout. As one agency commented in its survey response:

"Due to the heavy, constant and lengthy publicity about potential legislation to authorize buyouts, many individuals eligible to retire earlier had delayed their retirement hoping to cash-in on the extra money, i.e., attrition during the 2 or 3 years prior to the incentive legislation was almost non-existent."

Most Agencies Viewed Buyouts Favorably as a Downsizing Tool

When asked their opinion of the buyout authority as a downsizing tool, most respondents to our questionnaire reported positive outcomes. As shown in table 3.3, nearly all of the agencies responding to our survey reported that buyouts enabled them to mitigate the need for RIFs (as already discussed in chapt. 2); meet mandated workforce ceilings; and align their workforce with changing mission requirements.

Table 3.3: Agencies Reported Buyouts Had Favorable Outcomes

Outcome	Agencies responding
Allowed agencies to avoid or reduce the number of RIFs	23
Allowed agencies to meet mandated workforce ceilings	20
Assisted agencies in aligning workforce with changing mission requirements	20
Assisted in improving agencies' diversity profiles	10

Source: GAO survey (see app. II, question 15).

Several respondents added comments to their questionnaires that elaborated on their views. They include the following:

- "The buyout authority has enabled the Centers for Disease Control (CDC) to reduce staffing and realign and improve its organization. . . . FTE reductions coupled with attrition have enabled CDC to reach its fiscal year 1995 targeted FTE level while allowing for selected external recruitment for critical scientific and technical vacancies."
- "Buyouts helped the Naval Supply Systems Command meet budgeted end-strength targets for the headquarters and its subordinate field activities."
- "Buyouts helped limit organizational turmoil/disruption during downsizing by reducing adverse impacts and involuntary separations."

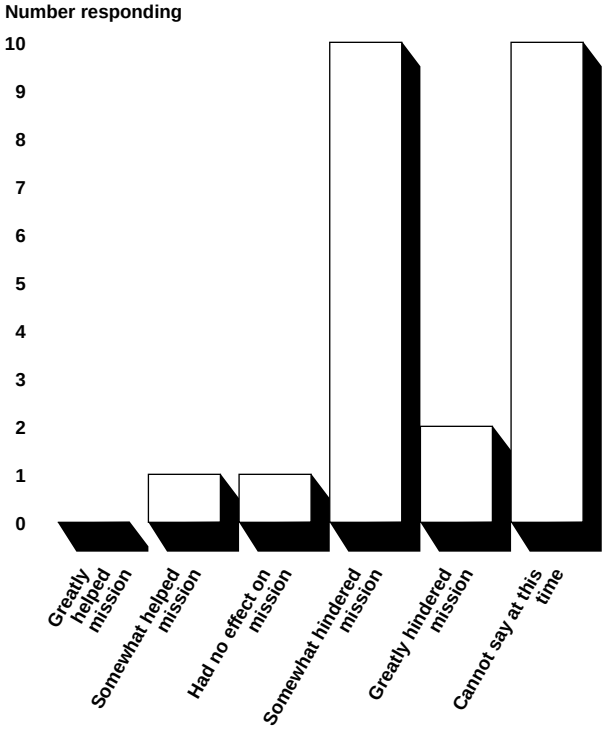
Moreover, in our prior work, we found that buyouts generally saved the government more money than did RIFs. Our analysis showed that compared to a typical RIF, buyouts could generate over $60,000 more in net savings for each vacated position over a 5-year period, depending upon the assumptions made.[2] RIFs can also adversely affect agency operations and employee morale.

[2]Federal Downsizing: The Costs and Savings of Buyouts Versus Reductions-in-Force (GAO/GGD-96-63, May 14, 1996).

Agencies Said That Downsizing Has Caused Operational Impacts

From fiscal year 1993 to fiscal year 1995, the 24 agencies responding to our survey reported that they lost nearly 85,000 FTEs, or about 12 percent of their allocation. As shown in figure 3.2, when respondents were asked whether they thought downsizing has helped, hindered, or had no effect on their agency's ability to accomplish its mission, half said that downsizing somewhat or greatly hindered their agency's mission. Ten agencies could not say, one reported no effect, and only one said that downsizing has helped the agency accomplish its mission.

Figure 3.2: Respondents' Views on How Downsizing Has Affected Their Agency's Ability to Accomplish Its Mission



Source: GAO survey (see app. II, question 26).

Other operational effects of downsizing reported by agencies are shown in table 3.4. Of these, the largest number of respondents said that downsizing resulted in the loss of corporate memory and expertise and created work backlogs because key personnel were separated.

Table 3.4: Agencies Reported Negative Outcomes From Downsizing

Outcome	Agencies responding
Loss of corporate memory and expertise	15
Created work backlogs due to loss of key personnel	11
Lowered morale of remaining employees	8
Agency projects have been delayed or canceled because of staffing deficiencies	5
Lowered productivity of remaining workforce	4
Reduced ability to oversee contractor operations	2

Source: GAO survey (see app. II, question 15).

Comments supporting their views include:

- ". . . [S]ince older, more experienced workers took advantage of [the buyout] there was an initial backlog plus loss of corporate memory. We are adjusting to that by increased training (mostly on-the-job). Morale has been somewhat lower due to the loss of experienced employees. Remaining personnel required to assume additional duties may not have experience."
- "Several [agency] operating divisions were impacted by the loss of expertise in key management areas including program management, financial management, procurement and grants, personnel, and engineering services."
- "Downsizing has had a material impact on the [agency] in meeting its critical mission requirements. Backlogs have been created and some "nice to do" actions are no longer being performed or are significantly delayed. There is an impact on the morale of the employees left behind who have been tasked with maintaining productivity and the level of services expected by the customers prior to downsizing."

Agencies Reported Taking Various Steps to Compensate for a Smaller Workforce

Given the large-scale downsizing that has taken place over the past few years, agencies reported taking a number of steps to offset workforce reductions. These included various reengineering and automation initiatives as well as contracting out work formerly done by federal employees.

Agencies Said They Will Rely on Reengineering and Automation to Compensate for a Smaller Workforce

To compensate for fewer employees, all of the agencies we surveyed said they were relying on reengineering/reinvention initiatives to streamline their operations, while 20 indicated they were increasing their use of automation. Examples of the steps being taken by agencies include the following:

- GSA said that it has enlisted the services of a contractor to develop a Federal Operations Review Model (FORM). FORM is the avenue through which all GSA business operations are to be evaluated to determine the most cost effective method of ownership, management, and operations.
- HHS reported it is deploying staff more efficiently by cross-training auditors and evaluators to assist in investigative work through joint audits, evaluations, and investigations. Its Office of Inspector General (OIG) is also doing joint investigations with other federal law enforcement agencies, including the Secret Service, Federal Bureau of Investigation, Internal Revenue Service, Postal Inspection Service, state governments, and other agencies' Offices of Inspector General. OIG also said it was making greater use of teleconferencing, the Internet, and other forms of electronic mass communication.
- The Naval Sea Systems Command said it began reinventing its operations through a program called "Building High-Performance Organizations for the Twenty-first Century." It focuses on team building, formal and informal employee training, leveraging technology, and promoting leadership throughout all levels of the organization. According to the Naval Sea Systems Command, this effort has resulted in a net cost avoidance of over $160 million and an increased return on investment by 60 percent in at least one program.

Despite these initiatives, agencies may still encounter problems in trying to carry out all their work with fewer employees. One agency, for example, said that despite taking steps to compensate for staff losses, such as readjusting workloads to ensure that the highest priority work was accomplished with the available resources, it anticipated shortfalls in production and service levels. Further, the agency estimated that it would take 3 years to return to the current skill level for fire management, one of its key functions. Another agency reported that it was using a substantial amount of overtime to meet production schedules.

Several Agencies Reported Contracting Out Functions to Cope With Staff Losses

Another way agencies are compensating for a smaller workforce is by outsourcing work to private contractors. Five of the 24 agencies responding to our survey said they were using contractors to perform

work previously done by employees who had taken a buyout. Three of these agencies said they anticipated contracting out more work in the future.

Of these five agencies, four reported that some of the contract employees were former federal workers who took buyouts and then returned to the agency under a contract. Three additional agencies indicated that buyout recipients returned as employees of private contractors, but the agencies did not say whether these employees had replaced civil servants who took buyouts. In total, seven agencies indicated that buyout recipients had returned to work as employees of contract firms.

The reemployment of buyout recipients as employees of service contractors was not prohibited under the DOD and non-DOD buyout authorities. Further, we did not find any evidence that would suggest that this practice was pervasive, especially when considered in light of the total number of buyouts that have been made to date.

Contracting Provisions of the Workforce Restructuring Act and Other Guidance on Procurement Are Unclear

The Workforce Restructuring Act and OMB guidance limited an agency's ability to replace vacated civil service positions with contract employees. Section 5(g) of the act provided that the President shall take appropriate action to ensure that there is no increase in service contracts as a result of the act, unless a cost comparison indicated that such contracts were financially advantageous to the government. In a 1994 memorandum to the heads of departments and agencies, the Acting Director of OMB stated that the administration did not expect agencies to simply contract out the work of employees who left the government as a result of downsizing, and asked for "vigilance" in complying with the provisions of section 5(g).

Nevertheless, section 5(g) is unclear and may not be effective in limiting the outsourcing of vacated positions. This is demonstrated in part by the different interpretations of section 5(g) by two agencies that reported that buyout recipients returned to their agencies as contractor employees.

At NASA's Lewis Research Center, 18 of the 199 buyout recipients in fiscal year 1994 returned to Lewis as employees of service contractors. All but 1 received the maximum allowable buyout of $25,000, and 5 of the 18 returned within a week of leaving the agency. NASA did not do a cost comparison because, according to a Lewis official, the former employees

were hired under task orders of an existing contract. Because of this, NASA felt that section 5(g) of the Workforce Restructuring Act did not apply.[3]

Conversely, guidance issued by FAA required cost comparisons for task orders and other procurement actions. The Department of Transportation's Inspector General cited this guidance in finding violations of the Workforce Restructuring Act at FAA. In its February 1996 report, the Inspector General found that of the 20 former FAA employees it audited who had returned as contract employees, cost comparisons were done in just three cases.[4]

Section 5(g) is also unclear in specifying what type of "appropriate action" agencies shall take to comply with the section. Thus, there is little to ensure accountability on the part of agencies.

Aside from these legal issues, our analysis and prior work[5] suggest that better planning, and particularly offering buyouts based on the results of such planning efforts, could have reduced or eliminated the need for contract personnel. For example, one agency told us that when two employees who provided computer services took buyouts, it left a gap in the agency's technical support. The agency turned to an existing contractor to provide the services, and the contractor supplied the two former employees. Another agency paid a buyout to the only engineer in a particular region. To get the work done, the agency had to rehire that person as a contractor.

Conclusions

Available data indicate that buyouts helped agencies downsize without disproportionately affecting the representation of women and minorities in the workforce. Despite the successes of buyouts, a number of agencies said they are being stretched too thin, in part because the agency workforce was reduced, while the workload was not. This is why strategic planning is so important—it establishes an organization's future goals and work to be carried out. Without meaningful strategic planning, it is unlikely that agencies can continue to downsize and maintain the level of service and productivity that they currently provide taxpayers. Moreover,

[3]Nevertheless, following our inquiry, the Center director stopped the practice of using contractors to fill positions vacated by civil servants in order to avoid the appearance of impropriety.

[4]The Department of Transportation Inspector General recommended, and the FAA administrator agreed, to take action to identify individuals who violated applicable provisions of the Workforce Restructuring Act and initiate appropriate remedial action.

[5]Workforce Reductions: Downsizing Strategies Used in Selected Organizations (GAO/GGD-95-54, Mar. 13, 1995).

when strategic planning is combined with workforce planning, as described in chapter 2, skill imbalances—which may be contributing to some of the adverse effects that agencies are experiencing as a result of downsizing—are more easily avoided. Similarly, such comprehensive planning could have better determined the number of potential retirees at agencies, thus permitting better planning to retain or replace key skills.

Further, although outsourcing may be economically feasible in certain circumstances, without cost comparisons, the savings to taxpayers are difficult to determine. The Workforce Restructuring Act is unclear in specifying when such cost comparisons are required. Without a cost comparison showing that contracting-out is financially advantageous to government, any savings realized from buyouts would be reduced by increased contracting costs and would appear to be inconsistent with the purpose of the Workforce Restructuring Act and the administration's downsizing goals.

Matters for Congressional Consideration

To ensure the most cost-effective use of any future buyouts and to help mitigate the adverse effects that can result from poorly planned downsizing, we recommend that Congress, in reviewing HR 2751 or other legislation that would grant buyout authority to agencies, consider:

- Requiring agencies to do strategic and workforce planning as a prerequisite for receiving buyout authority and to implement downsizing consistent with the results of their planning efforts. To the extent possible, priority should be given to retaining those employees possessing the knowledge and skills necessary to accomplish the agency's work.
- Ensuring that consideration of any buyout legislation is completed quickly and that buyouts, if approved, occur shortly thereafter. This will help reduce the number of employees who might delay their retirements and other types of separations in the expectation of receiving a buyout.
- Clarifying the kinds of procurement actions (e.g., new contracts, task orders, modifications, etc.) that would be subject to the cost comparison requirement.

Agency Comments and Our Evaluation

NPR and OPM provided written comments on a draft of this report. NPR's comments, along with our responses, are reprinted in appendix III; OPM's comments and our responses are reprinted in appendix IV.

NPR said that the report brought to light several interesting issues, including the administration's commitment to downsizing the federal workforce, the value of buyouts in reducing the impact of downsizing on employees, and the need for the administration to do a better job of decreasing management control positions as NPR recommended in its September 1993 report. However, NPR expressed concerns with aspects of our methodology and with our proposed matters for congressional consideration. OPM commented that our report was a timely analysis of federal downsizing, and that it was quite helpful for "planning future action relating to reducing the size of the federal workforce in an efficient and fiscally responsible manner." OPM also expressed concerns about aspects of our methodology.

With respect to our methodology, both NPR and OPM stated that we had used data from three different sources 'interchangeably," and that we had not adequately distinguished the use of buyouts as a tool for downsizing and the broader concept and results of downsizing. We acknowledge that we obtained data from several different sources (e.g., the CPDF, agency streamlining plans, and a survey of agency officials). We did so to address

each of the specific objectives of our review. For example, the CPDF data were relevant to our evaluation of the governmentwide use of buyouts and to our analysis of the workforce reductions in the management control positions targeted for reduction by the NPR. Information from agency streamlining plans and our survey were relevant to our evaluation of the extent of agency planning for their reductions and to the broader impacts of downsizing on agency operations. Thus, we do not believe that we used the data interchangeably. However, we have added clarification where appropriate to identify the source and purpose of the data we report. We also agree that it is important to distinguish between the use of buyouts as a tool for downsizing and the broader concept and results of downsizing, and have modified the report to make that distinction clearer.

NPR observed that our conclusions and observations would be better understood if additional information were provided to show more details about DOD's and non-DOD agencies' use of buyouts, including the different time periods and constraints of the buyout authorities. We agree and have modified the report to clarify those differences. NPR also suggested that it would be helpful to provide additional context for our discussion about the use of contracting out and the reemployment of buyout recipients. In particular, NPR was concerned that it be made clearer that contracting out and reemployment of buyout recipients were occurring on a relatively small scale compared to the use of buyouts governmentwide. We agree and have added language to better provide that perspective.

NPR also expressed concern that the matters for congressional consideration would "do more harm than good," and could cause additional burdens or costs, because workforce planning is difficult and time consuming and would conflict with the recommendation to promptly implement buyout authority. Because strategic and workforce planning have been identified as key elements of successful downsizing in other organizations we have studied, we have long considered such planning to be a critical aspect of carrying out a downsizing effort. We agree that such planning can be a challenge to do successfully, since downsizing objectives are not always consistent with mission requirements or organizational needs, but we continue to believe that strategic and workforce planning should be part of the decisions regarding the use of buyouts.

Finally, NPR commented that our recommendation that additional guidance be provided concerning the requirement for cost comparisons in the contracting out of activities carried out by employees who accepted

buyouts would further complicate an already overly restrictive and burdensome law. On the basis of our observations that NASA and FAA had different interpretations of the cost comparison requirement, we believe that additional guidance would clarify the issue for agencies, with little if any additional burden or cost.

NPR and OPM each made additional specific comments, which are addressed as appropriate in appendixes III and IV.

Agencies Participating in GAO's Study

1. Air Force Materiel Command
2. Army Armament, Munitions, and Chemical Command
3. Army Communications and Electronics Command
4. Army Corps of Engineers
5. Army Depot Systems Command
6. Army Forces Command
7. Army Training and Doctrine Command
8. Bureau of Indian Affairs
9. Bureau of Land Management
10. Bureau of Reclamation
11. Defense Logistics Agency
12. Department of Health and Human Services
13. Federal Aviation Administration
14. Forest Service
15. General Services Administration
16. Geological Survey
17. NASA Lewis Research Center
18. NASA Marshall Spaceflight Center
19. National Park Service
20. Natural Resources Conservation Service
21. Naval Air Systems Command

22. Naval Sea Systems Command (excluding shipyards)

23. Naval Sea Systems Command (including shipyards)

24. Naval Supply Systems Command

Aggregate Questionnaire Responses

U.S. General Accounting Office

Questionnaire - Federal Downsizing

INTRODUCTION

Congress has asked the General Accounting Office (GAO) to review the status of agencies' downsizing efforts. To meet this request, GAO is surveying selected federal agencies to obtain information on their use of buyouts and overall workforce reductions.

Please complete this questionnaire and fax it to the number indicated below. So that we can include your data in the report we are preparing for Congress, we would appreciate your response within 10 business days. After we obtain your responses, we may want to contact you for additional information.

If you have any questions, please call Robert Goldenkoff on (202) 512-2757 or Geraldine Beard on (202) 512-8570.

Thank you for your assistance.

Please fax completed questionnaire to:

Geraldine Beard

Fax number - (202) 512-4516

1. Please indicate the total number of Full-Time-Equivalents (FTEs) used by or allocated for your agency in the following fiscal years: *(Enter numbers. If none, enter 0.)*

	FTEs	
FY 1993 (actual usage)	703, 825	n=24
FY 1994 (actual usage)	660,749	n=24
FY 1995 (allocated)	618,840	n=23

FY 1996 (allocated) . . . . . 584,682 n=22

FY 1997 (estimated, if available) . . . . . 468, 561 n=19

FY 1998 (estimated, if available) . . . . . 353,212 n=15

FY 1999 (estimated, if available) . . . . . 344,874 n=15

2. Please indicate the number of employees separated from your agency with buyouts in: *(Enter numbers. If none, enter 0.)*

   - fiscal year 1994 26,374 n=24

   - fiscal year 1995 24,697 n=24

   Indicate, as of March 31, 1995, the number of employees approved for buyouts with deferred separations after March 31, 1995. *(Enter number. If none, enter 0.)*

   3500 employees n =7

3. We would like to know where buyouts have been concentrated in your agency. If information is available, please indicate the number of buyouts by major organizational subunit or location. Please use your discretion here; we would like some breakout of buyouts by each organizational component. Please provide the name and phone number of a person who might have more information about the buyouts in these units or locations.

Organizational subunit	Location	Number of buyouts	Contact person	Phone number

4. Please provide the total number of buyouts granted in fiscal years 1994 and 1995 broken out by: *(Enter numbers. If none, enter 0.)*

   Buyouts granted to employees
   eligible for early retirement . . . . . .20, 633 n = 24

Buyouts granted to employees
eligible for regular optional retirement . . . . . 23, 472 n= 24

Buyouts granted to employees
who resigned . . . . . 8, 408 n= 24

5. What was the average grade, age, and years of government service of buyout takers? *(If data are not available, please check the appropriate box.)*

Average grade level (GS or GS equivalent) . . . . . 10.05 n=23 or ☐ Data not available

Average grade level (WG) . . . . . 8.24 n=20 or ☐ Data not available

Average age of employee . . . . . 54.88 n=17 or ☐ Data not available

Average years of government service . . . . . 25.75 n=16 or ☐ Data not available

6. The National Performance Review (NPR) has targeted certain occupational job series for reductions. Please indicate your percentage reduction goals for the NPR targeted occupational groups below, the number of employees in your FY 1993 base, the number you expect to have on board by the end of FY 1995 (9/30/95), and the total number of buyouts granted during fiscal years 1994 and 1995 in the these occupational groups. *(Exclude any buyouts with deferred separation dates after September 30, 1995.)*

Occupational Series	**Reduction Goals (in %s)** **Agency response range:**	**Number of Buyouts (through 9/30/95)**
Personnel (GS-200 series except 204 and 205)	high - 51.5% low - 4.0% avg. - 31.7%	1,197
Accounting and auditing (all GS-500 series except 512, 526, 545, 560, 561, 570, 592, and 593)	high - 50.0% low - 4.0% avg. - 24.6%	619

Acquisition (GS-1101, 1102, 1103, 1105, 1106, 1150, and 1910)	high - 50.0% low - 4.0% avg. - 24.3%	3,898
Budget specialist (GS-560 and 561 series)	high - 50.0% low - 4.0% avg. - 26.0%	434

7. The NPR set a goal of reducing the supervisor to subordinate ratio in the federal government to 1:15 by FY 1999. Please indicate your agency's reduction goals for the number of supervisors (GS, GS equivalent, and Wage Grade), the ratio expected by the end of FY 1995, the number of supervisors in your FY 1993 base, the number expected to be on board by the end of FY 1995 (9/30/95), and the total number of buyouts granted to supervisors during fiscal years 1994 and 1995. *(Exclude any buyouts with deferred separation dates after September 30, 1995.)*

Reduction goal as a ratio	Ratio expected by end of FY 1995	Number FY 1993 base	Number of buyouts 9/30/95
high - 1:16 low - 1:10 n = 22	high - 1:15 low - 1:6 n = 21	81,715 n = 23	7,768 n = 20

8. By Executive Order, the Administration established a goal of reducing the number of upper level employees in GS/GM-14, 15, and SES positions by 10 percent by FY 1999. Please indicate your agency's reduction goal (the percent reduction targeted), the percent reduction expected by the end of FY 1995, and the total number of buyouts granted to these employees during fiscal years 1994 and 1995. *(Exclude any buyouts with deferred separation dates after September 30, 1995.)*

Reduction goal for upper-level employees (%) FY 1999	Number FY 1993 base	Number on board 9/30/95	Number of buyouts 9/30/95
high - 33.0% low - 5.0% avg. - 12.77% n = 18	38,588 n = 22	34,463 n= 24	4,174 n = 24

9. Are you aware of any work previously performed by a bought-out employee that has been subsequently contracted out? *(Check one.)*

   1. ☐ Yes --> *Continue with next question.* 5 n = 24
   2. ☐ No --> *Skip to Question 11.* 19

10. For those cases where work was contracted out, please provide the agency organizational units where this occurred, the location, the job series involved, and the name and phone number of an agency official who can provide additional information.

Organizational unit	Location	Job Series	Contact person	Phone number

11. Do you anticipate contracting out work in the future to cover work previously performed by a bought-out employee? *(Check one.)*

   1. ☐ Yes --> *Continue with next question.* 3 n = 24
   2. ☐ No --> *Skip to Question 13.* 21

12. Where do you anticipate this contracting out might likely take place? *(Please provide the following information.)*

Organizational unit	Location	Job Series	Contact person	Phone number

13. Are you aware of any employees who took buyouts and then returned to the agency under a contract? *(Check one.)*

1. ☐ Yes --> *Continue with next question.* 7 n = 23
2. ☐ No --> *Skip to Question 15.* 16

14. Please provide the following information for cases where employees took buyouts and then returned to the agency under a contract.

Organizational unit	Location	Contact person	Phone number

15. Please indicate how your agency's use of the buyout authority has impacted its operations. *(Check all that apply. If no impacts have occurred, check box 12, "None of the above".)*

n=20 1. ☐ Assisted in aligning our workforce with changing mission requirements
n=10 2. ☐ Assisted in improving our diversity profile
n=20 3. ☐ Allowed us to meet our mandated workforce ceilings
n=23 4. ☐ Allowed us to avoid or reduce the number of RIFs
n= 4 5. ☐ Lowered productivity of remaining workforce
n=11 6. ☐ Created work backlogs due to loss of key personnel
n=15 7. ☐ Loss of corporate memory and expertise due to buyouts
n= 5 8. ☐ Agency projects have been delayed or cancelled because of staffing deficiencies
n= 2 9. ☐ Reduced ability to oversee contractor operations
n= 8 10. ☐ Lowered morale of remaining employees
n= 3 11. ☐ Other impacts (Please specify:_____)

n= 0 12. ☐ **None of the above**

16. Please provide examples of the impacts you indicated in the prior question. *(Please include the names and phone numbers of any agency officials who might have more information on these impacts.)*

17. Please indicate steps your agency is taking, if any, to compensate for a smaller workforce. *(Check all that apply. If no steps are being taken, check box 5, "None of the above".)*

n=24 1. ☐ We are relying on reengineering/reinvention initiatives to streamline our operations

n=20 2. ☐ We are increasing our use of automation

n= 6 3. ☐ We are increasing our use of contract services

n= 5 4. ☐ Other (Please specify:_____)

n= 0 5. ☐ **None of the above**

18. Please provide examples of the steps you indicated in the prior question. *(Please include the names and phone numbers of any agency officials who might have more information on these impacts.)*

19. Compared to FTE levels identified in Question #1 on page 1, what FTE level do you consider optimum for accomplishing your agency's mission (notwithstanding budget restrictions)?

Number of FTEs considered optimum . . . ._____ n=10

Four agencies indicated their optimum FTE levels were higher than their FY 1995 actual FTE level; five said their optimum FTE levels were were lower than their FY 1995 levels and 1 said they were the same.

20. As part of your workforce restructuring effort, have supervisors in your agency been converted to non-supervisors or team leaders? *(Check one.)*

    1. ☐ Yes --> *Continue with next question.* 19 n = 24
    2. ☐ No --> *Skip to Question 22.* 4
    3. ☐ Don't know --> *Skip to Question 22.* 1

21. Of the total reductions in the number of agency supervisors to date, approximately what percent would be cases where supervisors were converted to non-supervisory roles? *(Enter percent.)*

    Conversions of agency supervisors to non-supervisory roles represent about _____ percent of total reductions in supervisors to date. agency response range: high - 41.0% n= 7
    low - 5.0%
    avg. - 26.2%

22. In your agency, how many individuals were separated as a result of RIFs carried out in the following years? ***(If no RIFs, enter 0 for both years and skip to Question 24.)***

    FY 1994 . . . . . n=23 4,466 individuals were separated as a result of RIFs

    FY 1995 (to date) . . n=22 868 individuals were separated as a result of RIFs

23. If you had RIFs, in which organizational units, job series, and locations did these occur?

Organizational units	Job series	Locations

24. In your agency, are RIFs expected:

    - **during the remainder of FY 1995?**

1. ☐ 10 Yes ---> Please provide an estimate of the number of RIFs and where they might occur.

_____

_____

2. ☐ 14 No
3. ☐ 0 Don't know
n=24

- **during FY 1996?**

1. ☐ 9 Yes ---> Please provide an estimate of the number of RIFs and where they might occur.

_____

_____

2. ☐ 6 No
3. ☐ 9 Don't know
n=24

25. Describe your agency's placement efforts for displaced employees. Please include any available reports or other documentation, including the number registered and placed, and any experiences you have had with other placement programs, such as OPM's Interagency Placement Program or DoD's Defense Outplacement Referral Service).

26. In your opinion, has downsizing helped, hindered, or had no effect on your agency's ability to accomplish its mission. *(Check one.)*

n = 0 1. ☐ Greatly helped meet mission requirements

n = 1 2. ☐ Somewhat helped meet mission requirements

n = 1 3. ☐ Has had no effect on meeting mission requirements

n =10 4. ☐ Somewhat hindered meeting mission requirements

n = 2 5. ☐ Greatly hindered meeting mission requirements

---

n =10 6. ☐ Cannot say at this time

27. Please provide any comments you may have on your agency's downsizing efforts, or the federal government's downsizing efforts, including use of the buyout authority.

Thank you for completing this questionnaire.

Please fax you completed survey to Geraldine Beard at (202) 512-4516.

Comments From the National Performance Review

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

OFFICE OF THE VICE PRESIDENT

WASHINGTON

June 14, 1996

Mr. L. Nye Stevens
Director, Federal Management and
Work Force Issues Group
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Stevens:

Thank you for the opportunity to comment on your draft report, Federal Downsizing: Better Workforce and Strategic Planning Could Have Made Buyouts More Effective. It shows the Administration is serious about its commitment to downsize the government workforce and that buyout authority is a valuable tool for reducing adverse impacts on employees. It also points out that the Administration needs to do a better job of decreasing the management control positions it has committed to reducing as part of its National Performance Review (NPR) initiatives.

However, we do have some reservations about the overall strength and soundness of the draft report, as outlined below. These concerns involve methodology, the significance of the findings for policymakers, and the proposed recommendations it makes based on its analysis.

This draft report mixes three different uses of buyouts, three different data bases, and three different time periods during which buyouts were offered. It then draws a single set of conclusions and follows with recommendations that attempt to solve concerns raised by the conclusions. These proposed recommendations could cause more problems than they are intended to solve. Also, additional explanatory data would improve a reader's opportunity to independently draw his or her own conclusions regarding the concerns raised by the draft.

I. Concerns about the Methodology Used in the Draft Report

1) Three Purposes of Buyout Authority

See comment 1.

During the time period covered by the draft report, buyout authority was used for three different purposes, but the draft report's analyses do not make these distinctions. As a result, it draws conclusions and makes recommendations that could lead to policy decisions by Congress that would make rational downsizing more difficult.

See comment 1.

- The original purpose of buyout authority was to ease the reductions in the size of the Defense Department (DOD) after the Cold War. This use of buyouts was intended to address "what" government was doing -- it was going to invest less in defense, which would mean closures of entire military bases and sections of the military.

See comment 1.

- The second purpose was to help change "how" the government did its work in both Defense and civilian agencies by reducing selected categories of government work -- supervisors, headquarters, personnel, etc.

See comment 1.

- The third was to cope with ever-decreasing budgetary resources as Congress and the President agreed to pursue a balanced budget. Some agencies and programs were eliminated, such as the Bureau of Mines and the subsidy for wool and mohair, and other reductions were targeted at administrative costs. In these cases, the personnel reductions were a mix of "what" and "how" government should operate, but for the most part, the reductions were intended to save dollars, not necessarily to reduce NPR-targeted positions.

See comment 1.

Now on p.30.

In addition, DOD downsizing was occurring for different reasons than was non-DOD downsizing. When closing a military base, front-line positions will be eliminated. In such a case, it is impossible to target buyouts to the NPR guidelines of reducing management positions. As a result, Table 2.5 (see p. 43 of the draft) might be more meaningful to policy makers if it was broken out between DOD and non-DOD agencies.

2) Three Different Data Sets Used Interchangeably

See comment 2.

Now on p. 19.

Now on pp. 48-49.

The draft report relies on three different data sets for its analyses and conclusions. The three are quite different, yet are used interchangeably in the analysis. One is the Office of Personnel Management's central data file of all federal employees. A second is the streamlining plans for 15 departments and agencies which used the buyouts most heavily (p. 25 of the draft). A third was a questionnaire survey of 24 departments, agencies, or subcomponents that used the buyouts heavily, yet there is not much overlap with the 15 for which streamlining plans were reviewed (see p. 70 of draft). What proportion of the workforce did these agencies cover? Are the results from these data sets different from each other? If not, then why are the different data sets used? If they are different, why are they used interchangeably?

See comment 2.
Now on p. 17.
Now on p. 22.

Also, the draft report sometimes uses Full-Time Equivalent (FTE) figures (see p. 21 of the draft) and at other points uses personnel on-board figures (se e p. 29 of the draft). These data sets are different, yet the downsizing figures seem to be a mixture of the two.

3) Three Different Time Periods Used

See comment 3.

The draft report assesses the use of buyouts during three distinct periods of time. The vantage point of the analysis varies throughout the draft report, thus, making it difficult to determine what is driving different behaviors in agencies. One period is the time during which only the Defense Department offered buyouts (Oct. 1, 1992 - Mar. 31, 1994). The second is the time during which both DOD and non-DOD agencies offered buyouts (Apr. 1, 1994 - Mar. 31, 1995). The third is the following period in which only DOD offered buyouts (Apr. 1, 1995 - present).

2

See comment 3.

Both DOD and non-DOD agencies had different buyout constraints (use of contractors, reemployment provisions, etc.). However, the draft report mixes the time periods and makes observations about agency behaviors in such a way that implies inappropriate behavior may be occurring.

4) Draft Report's Data Period Inappropriate to Period of NPR Recommendations

See comment 4.

The draft assesses agencies' adherence to NPR guidelines for reducing management control positions, but begins its baseline in October 1992 – a year before NPR made its recommendations and more than two years before agencies had developed plans on how to meet the NPR goals. Also, the period for GAO's assessment ends in mid-1995, which excludes the past 12 months from the downsizing story. As a result, it is not surprising that GAO found agencies were not meeting NPR goals. At that point, these goals had not yet been communicated for one-third of the observed period, and the data used did not include one-third of the period during which downsizing of management positions occurred (July 1995 to June 1996 data not included).

See comment 5.

5) Draft Report Does Not Demonstrate How Conclusions Were Reached

Now on p. 6.

The draft report does not offer basic data, such as "how many non-DOD buyouts were given as a result of the Workforce Restructuring Act?" On page 8 of the draft, it mixes DOD and non-DOD information and offers a percentage, but no data.

See comment 5.
Now on p. 6.

The draft report offers no agency-by-agency breakdown of the buyouts, does not offer the number of reductions in employees since January 1993 (it does have a percentage on p. 8 of the draft), and does not give agency-by-agency breakouts of management control data: plans vs. actual. It implies that some agencies have done well, but by using averages instead of providing information on the individual agencies, the true stories are obscured.

Now on p. 6.

See comment 5.

The draft report argues that many agencies feared morale problems and that agency operations would be adversely affected if management controls were cut (see p. 9 of the draft), yet goes on to identify some that did make cuts. It was unclear whether the draft report investigated whether the concerns of the others were sustained or whether these agencies were able to operate in an effective manner with the cuts. Knowing this information would provide some support or refute the answers of the other survey participants.

See comment 5.
Now on p. 2.

In addition, the draft report states that the Administration mandated that management control spans jump from 1:7 to 1:15 across all agencies (see p. 2 of the draft). However, the Presidential Memorandum on Streamlining the Federal Workforce (September 11, 1993) only requires that agencies cut in half the management control span within each agency, not that all agencies should have the same ratio.

II. Observations Made Without Offering Significance of the Facts Presented

See comment 6.

The draft report makes several observations that might be better understood if placed in a broader context, or if additional information was provided to allow a reader to make an independent

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judgment. The report presents facts without providing an appropriate context for policymakers to judge their significance.

See comment 6.
Now on p. 5.

For example, the survey of 24 agencies reported that "Five agencies reported using contractors to do the work previously performed by employees who had taken buyouts (see p. 7 of the draft). How much work? A significant amount? Statistics show that this does not seem to be a trend (see enclosed fact sheet: "Downsized Workers Are Not Being Replaced by Contractors," May 1996). This fact sheet shows service contracting has not increased governmentwide between fiscal years 1993 and 1995. It shows service contracting has decreased in 12 of the 19 largest contracting agencies and the increases in the remaining seven are not related to downsizing but rather to programmatic decisions. In fact, the cases cited in the draft report suggest they were isolated occurrences. But the draft report does not offer sufficient context to let the reader draw an independent judgment (see p. 63 of the draft).

Now on pp. 41-42.

See comment 6.

The draft report observes that some workers, upon taking a buyout, returned to work for the federal government, in some cases in the same job in the same agency but as a contractor. However, the draft report does not provide any context or scale for this observation. It implies that this may decrease savings because of increased costs of contracting, and further, that this may even be illegal -- "appear to be inconsistent with the purpose of the Workforce Restructuring Act" (see p. 67 of draft). The draft report never explicitly says certain behavior is illegal, but that implication is made and insufficient data is given for the reader to draw his or her own conclusions.

Now on p. 44.

See comment 6.

Although the 1994 buyout law prohibits contracting out if it is more costly, the draft report does not place this observation in context. It does not offer any context regarding the scale of this practice. It also reports that 18 buyout recipients at the NASA Lewis Research Center and 17 recipients at FAA returned as contractors. The draft report, however, does not note that both agencies have taken actions to prevent further conversions to avoid the appearance of impropriety.

See comment 7.

GAO recommends that the cost comparison requirement be clarified in an effort to avoid use of potentially more expensive contractors. However, the current law is probably already too restrictive and administratively burdensome. There is no evidence that the small percentage of buyout recipients who have returned to work through an existing contract has, in any way, diminished the savings generated by the buyout. In fact, the costs that would be imposed through administrative and service delays created by any additional requirements to conduct more detailed cost comparisons may themselves cancel out any potential short-term savings. In recognition that the Administration does not support any wholesale conversion of positions to contractors, the Administration's proposed bill requires cost comparisions, but contains a provision that exempts functions of 10 or fewer FTEs from these cost comparison requirements.

See comment 8.

III. Proposed Recommendations May Do More Harm Than Good

See comment 9.

Based on its analysis, the draft report offers three matters for congressional consideration that, if adopted, may create more problems than the ones the draft report uncovers.

- Requiring agencies to do more strategic planning is an admirable goal, but giving priority to retaining specific employees possessing specific skills and knowledge to accomplish an

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agency's work may be difficult. First, as the draft report demonstrates, buyouts are taken by those closest to retirement. Those people are generally those that "possess the knowledge and skills necessary to accomplish an agency's work.." Also, buyouts are currently offered to classes of jobs, not individuals. The draft report does not recommend changing this provision in law. Yet the cases it cites are generally isolated examples of agencies losing specific skill sets that are hard to replace in the short term.

- The recommendation to ensure buyouts occur shortly after the legislation is passed is laudatory, but is impossible if the first recommendation is implemented. Comprehensive planning is the antithesis of quick action.
- Another recommendation is to clarify the kinds of procurement actions that would be subject to any future cost comparison. This requirement could create unintended new costs.

Several interesting issues were brought to light by this draft report. We believe its overall impact would be enhanced by structural changes and more precise use of the data. Further, conclusions that policymakers may draw from the report as written may have serious effects on the overall efforts by government agencies to downsize.

Thank you again for the opportunity to comment.

Sincerely,

Elaine C. Kamarck
Senior Policy Advisor to the
Vice President

Enclosure

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The following are GAO's comments on the National Performance Review's letter dated June 14, 1996.

GAO Comments

1. NPR commented that the buyout authority was used for three different purposes and that our analyses did not adequately distinguish these purposes. They also suggested that table 2.5 be modified to report DOD's and non-DOD agencies' experiences in reducing management control positions separately.

We agree that the buyout authority was used for three purposes (DOD civilian force reductions, reductions in certain categories of employees, and staff reductions associated with decreasing budgets), and we addressed those purposes as they related to the objectives of our work. For example, the purpose of using buyouts to implement overall budget reductions was addressed under our first objective—whether the downsizing goals of the Federal Workforce Restructuring Act were being achieved. The purpose of using buyouts to achieve reductions in certain categories of employees was addressed under our second objective—whether agencies' use of buyouts reflected the administration's workforce restructuring goals as articulated by NPR.

Because our analyses involved governmentwide use of buyouts, the separate purpose of using buyouts for civilian force reductions in DOD might not have been as clearly addressed. Accordingly, we have added some language to better describe that purpose, and consistent with NPR's suggestion, we modified table 2.5 to show results for DOD and non-DOD agencies separately. We note, however, that these results show that, while non-DOD agencies set higher reduction goals for NPR management control positions than did DOD agencies, actual percentage reductions in total for these positions were similar for DOD and non-DOD agencies. However, the distribution of reductions among occupations was different. For example, the data show that DOD agencies had more reductions in accounting and auditing occupations, while non-DOD agencies had more reductions in personnel occupations.

2. NPR stated that we used three different data sets "interchangeably" and questioned our analyses because the data sets covered varying groups of agencies. They also said that our use of data on both FTE and on-board personnel mixed different types of data.

We acknowledge that we used data from three sources (the CPDF, certain agencies' streamlining plans, and our own survey of agency experiences in using buyouts). However, all three of these data sources covered most of the major agencies we describe in our report. For example, all but 1 of the 24 agencies included in our survey correspond to the 15 departments and agencies for which we reviewed streamlining plans, and the CPDF includes data from all of the agencies in our study. We used these data for different albeit related purposes. For example, CPDF data were used to analyze the overall reductions achieved through use of buyouts, while the survey was used to obtain information on how agencies were affected by downsizing. Thus, the data were not used interchangeably but rather in related corroborative or explanatory analyses.

With regard to our use of FTEs and on-board personnel levels, we used FTEs when analyzing downsizing in the context of the Workforce Restructuring Act because the act set workforce ceilings using FTEs. Elsewhere in the report, we used on-board personnel levels from the CPDF because those are more direct measures of actual reductions.

3. NPR pointed out that our analyses covered the use of buyouts spanning periods of time in which DOD and non-DOD agencies had differing buyout authorities and constraints and that, as a result, our findings may imply agencies engaged in inappropriate behavior. We recognize that agencies had differing authorities and constraints during the period covered by our work, and have taken care to identify the periods and agencies covered in the data we present. For example, in figure 2.1 and table 2.4, we used data from fiscal year 1994 through the first half of fiscal year 1995, a period when the DOD and non-DOD buyout windows overlapped. However, we necessarily included data from the period after the non-DOD buyout window closed to report on the latest available information on the total number of buyouts granted governmentwide.

4. NPR commented that the period covered by our review (October 1992 through November 1995) is inappropriate to assess progress in achieving the NPR recommendations to reduce certain occupational categories, because it starts before the recommendations were made and does not reflect the more recent progress agencies have made since the end of 1995. The time period covered by our review was chosen to address several objectives related to government downsizing (the goals of the Federal Workforce Restructuring Act and the use of buyouts, as well as the NPR objectives), and included the entire period of the non-DOD buyout authority—which was requested by the administration in part to assist

agencies in achieving the NPR recommendations. Thus, we believe it was appropriate to assess progress toward those objectives during that period. NPR stated that additional downsizing of management control positions occurred from July 1995 through June 1996. We have no basis to evaluate that statement because that time period was not within the scope of our work and data from that period is not yet available from the CPDF.

5. NPR noted that our report did not include "basic" data (in addition to percentages) to reflect agency-by-agency results in using buyouts or achieving reductions in management control positions, and stated that additional information would be helpful in understanding the reasons why agencies did not further reduce management control positions. NPR also stated that the Presidential Memorandum on Streamlining the Federal Workforce did not require a reduction in the ratio of supervisors to employees from 1:7 to 1:15, and thus we should not state that goal as an administration mandate.

We agree that actual numbers could be helpful to the reader in understanding the use of buyouts, and have added those numbers in addition to the percentages presented in the report. We also agree that additional information might have been helpful in further understanding agencies' reasons for their decisions with respect to management control positions, but time constraints did not permit additional follow-up work along those lines in this review.

NPR is correct that the Presidential Memorandum on Streamlining did not require the specific reduction of the management span of control cited in our report. However, several other administration guidance documents (the September 1993 NPR report and an August 19, 1994, OMB memorandum) did state the goal with specificity, and it is those documents we used in our characterization of the goal.

6. NPR suggested that our discussion of agencies' use of contractors to replace federal employees who had taken buyouts and employees' return to work in the agency after taking buyouts needed to be better placed in the context of the overall number of buyouts, and raised a concern that our report implied that use of contractors following buyout offers was illegal. We agree that it is important to recognize that the extent of contracting out that we found was relatively small compared to the overall use of buyouts, and we have revised the text to show that the cases of reemployment we identified appeared to be isolated and that we did not find any evidence that the practice is pervasive. To further clarify this

section, we added that the Workforce Restructuring Act did not prohibit buyout recipients from returning to federal agencies as employees of service contractors, and—as suggested by NPR—we also added information on steps agencies have taken to prevent inappropriate reemployment of buyout recipients.

We did not intend to imply that contracting-out of activities performed by employees who took buyouts was illegal, and have clarified that point. However, we were and remain concerned that, because the Workforce Restructuring Act specifically provided that there be no increase in service contracts as a result of the use of buyouts, unless a cost comparison indicated such contracts were financially advantageous to the government, the lack of clear guidance requiring a cost comparison prior to implementing a service contract could lead to contracts that were inconsistent with the clear intent of the act.

7. NPR commented that our recommendation for additional guidance about the requirement for cost comparisons in contracting-out would be unnecessarily burdensome. We did not intend to create additional administrative burden. Rather, because we observed that NASA and FAA interpreted the contracting provisions of the Workforce Restructuring Act differently, we believed that clarification of the requirement would reduce confusion for agencies in future procurements. We continue to believe that, since agencies have different interpretations, clarification is needed.

8. NPR noted that, in recognition that the administration does not support the wholesale conversion of government positions to service contracts, the administration's most recent proposed buyout legislation continues to require cost comparisons, although exempting functions of 10 or fewer FTEs from that requirement. We note that, as of the end of July 1996, the administration had withdrawn that legislation.

9. NPR expressed concern that our matters for congressional consideration may create more problems than we describe in this report, in part because workforce planning may be difficult to achieve and may take additional time that would make prompt implementation of buyout legislation, as we recommend, impossible. We based our recommendations to do strategic and workforce planning, and to give priority to retaining those employees possessing the knowledge and skills necessary to accomplish the agency's work, on the experiences of other organizations that have downsized. We agree that such planning may be challenging, but lessons learned from other organizations suggest that it is critical to retaining a viable and

productive organization after the downsizing. We have long recommended that such planning precede authorization of buyout authorities so that prompt implementation would not be affected.

Comments From the Office of Personnel Management

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT
WASHINGTON, D.C. 20415

OFFICE OF THE DIRECTOR

JUN 21 1996

Mr. L. Nye Stevens
Director
Federal Management and Workforce Issues
United States General Accounting Office
Washington, DC 20548

Dear Mr. Stevens:

Thank you for the opportunity to comment on the General Accounting Office (GAO) draft report entitled Federal Downsizing: Better Workforce and Strategic Planning Could Have Made Buyouts More Effective. We are pleased that you have once again undertaken a timely analysis of the Federal downsizing program. These reviews are quite helpful for planning future action related to reducing the size of the Federal workforce in an efficient and fiscally responsible manner.

As with almost everything, improvements in planning generally produce improvements in the outcome of the efforts. Downsizing is no different. As Federal downsizing presses on, OPM will continue to evaluate successes and failures and use the findings to constantly improve our results.

We have one significant concern about the draft report. The report mixes means and ends. Downsizing is the end; buyouts are one of several means to that end.

Downsizing may have negative impacts. It may leave agencies understaffed, facing skill imbalances and a loss of institutional memory. The net effects of downsizing may be little or no change in the proportion of management control positions. But downsizing is the cumulative result of attrition, reductions in force, and voluntary separation incentives.

The question is, however, did buyouts aggravate or ameliorate these outcomes? More specifically:

Did agencies offer buyouts to employees in occupations they needed to retain?

Did agencies target buyouts to management control positions?

What proportion of buyouts went to incumbents of management control positions?

Mr. L. Nye Stevens 2

If the report is intended to truly focus on the impact that buyout planning had on overall downsizing efforts, we strongly recommend that you revise the report to address the effective use of buyouts separately from the effects of downsizing.

Because these reports are often used as the basis for future public policy decision-making, we cannot understate our concerns about the treatment of the issues outlined above and recommend a second look at the methodology and focus of this report. The report would benefit from a more careful analysis of the impact of *buyouts*, how planning could have improved their effectiveness, and what strategies would have made them more attractive as a tool. It is clear that a distinction must be drawn between the goal and the tools used to get there.

Please find attached detailed comments on specific concerns. Feel free to contact me or my staff if there is anything we can do to assist you.

Sincerely,

James B. King
Director

Attachment

OPM COMMENTS ON GENERAL ACCOUNTING OFFICE DRAFT REPORT "Federal Downsizing: Better Workforce and Strategic Planning Could Have Made Buyouts More Effective"

On the whole, this draft report mixes downsizing and buyouts and makes generalized findings under the assumption that buyouts are synonomous with downsizing. Buyouts are one of several tools used to achieve downsizing goals. Downsizing itself may have negative impacts, but it is the cumulative result of attrition, reductions in force, and voluntary separation incentive packages.

See comment 1.

(1) The title suggests that the report is an evaluation of the buyout program and how planning impacted its effectiveness. However, throughout the report, the use of buyouts and the results of *all other* downsizing efforts are lumped into the same category, creating the perception that buyouts somehow drive downsizing and determine the results. By combining the results of buyouts with results of all other downsizing tools, the report fails to provide an accurate assessment of how the buyout program actually worked and how the buyout program could have been improved by better planning.

See comment 1.

As an example, the report states that "some agencies believe that they are being stretched too thin. Several agencies reported that they anticipated production and service shortfalls, skill imbalances, or increased use of overtime as a result of their downsizing." This implies that buyouts are the reason agencies are facing shortfalls. Buyouts are simply a method by which agencies reduce, not a determinant to how deeply agencies must or should downsize. Better planning in relation to which positions are necessary versus positions which are surplus would be a better focus. Yet the draft seems to focus on how the agency used buyouts to reach the wrong goals.

See comment 1.

(2) The report fails to consider that buyouts were intended to serve a multitude of purposes in different areas of Government including: reducing the size of Government, lessening the impact of mandatory defense base closures, broadening the span of management controls, jump-starting stalled attrition, and avoiding costly and disruptive RIF actions. The report, instead, views all of these items as equals and gives no weight to the differences in planning and execution needed to reach each of these differing goals.

See comment 2.

See comment 3.

(3) As noted in number 1 above, the report lumps buyouts and downsizing together and concludes that buyouts produced little reduction, no reduction, and even increases in occupational areas identified by NPR for reduction. Data we have reviewed from OPM's Central Pesonnel Data File (CPDF) tends to dispute some of these conclusions. We have found, for example, that nearly 24 percent of all non-Defense buyouts were paid in general administration occupational families helping to produce a net reduction of 38,534 general administration employees (a 12.9 percent reduction) since the end of FY 92. Similarly, 8,000 buyouts were paid in supply, personnel, and accounting and budgeting jobs, producing net reductions in supply (12.8 percent), personnel (12.6 percent), and accounting and budgeting (4 percent). Nearly 10 percent of all non-Defense buyouts were targeted at and paid to employees in these occupational families. Comparisons of this nature provide a much clearer and more accurate assessment of the direct impact of *buyouts* on targeted "overhead" positions (nearly 35 percent of all non-Defense buyouts went to these occupational families).

See comment 4.

(4) Conclusions are based on data drawn from 3 different sources. There is little explanation given to the weight and reliability of the data, which is especially critical in that there is often little correlation between the sources of different sets of data (i.e. there is not a link made between the 15 agency streamlining plans and the 24 agencies which responded to GAO's survey. Are any of the 15 included in the 24?). Additionally, these data sources are often comingled and used interchangeably. This leads to conclusions which may be open to debate and disagreement.

See comment 5.

(5) Some of the data is at odds with data we have reviewed from CPDF and the treatment of data is often subject to interpretation. For example, the report shows that, based on end of FY 92 workforce totals, accounting and auditing positions accounted for 2.4 percent (or 29,550) of 1,231,229 non-Defense workers. CPDF data shows there were 93,848 accounting and auditing employees in FY 92 -- 7.2 percent of the workforce. Also, the data in GAO's report shows personnel accounted for 1.7 percent of the workforce. That would mean that approximately 21,000 personnel positions existed in FY 92 by GAO's numbers. CPDF data we have seen shows there were 25,404 personnel positions, or 2.06 percent of the workforce. Additionally, the report bases its analysis and conclusions on data drawn from a variety of disparate sources (agency surveys, CPDF, etc.). Perhaps the uniformity of sources of data impacted the reliability of the data.

The following are GAO's comments on the Office of Personnel Management's letter dated June 21, 1996.

GAO Comments

1. OPM expressed concern that the report mixed the use of buyouts and the overall objective of downsizing, and offered several examples of instances where it believed effects of downsizing could be confused with the use of buyouts. We agree that it is important to make a distinction between buyouts as a tool to achieve downsizing, and the broader concept of downsizing itself, which includes staff reductions that may result from voluntary attrition or other causes. Indeed, the objectives of our work specifically included both the overall results of downsizing efforts and the use of buyouts as a tool toward that objective. Thus, we report on the operational impacts that were attributed by agencies to downsizing, as well as the benefits of buyouts as a tool to avoid the need for RIFs and to reduce staffing levels without adversely affecting the representation of women and minorities. Where appropriate, we have revised the report to further clarify the distinction between buyouts as a tool and the overall impacts of downsizing.

2. OPM stated that we failed to consider that buyouts were intended to serve multiple purposes, such as reducing the size of government and avoiding costly and disruptive RIF actions, and that we did not differentiate among these purposes. We agree that buyouts can be intended to serve multiple purposes, but many of the purposes cited by OPM are interrelated. For example, lessening the impact of mandatory base closures is a subset of reducing the size of government. Another purpose that could be identified is optimizing the capability of the remaining organization to carry out the mission of the agency. The existence of multiple purposes reinforces the importance of planning in the use of buyouts as a tool, to ensure that the goal of reductions can be achieved without creating unintended consequences, such as loss of critical expertise.

3. OPM commented that, although we conclude that buyouts produced varying results in reducing the occupational areas identified by NPR for reduction, other data show that reductions did take place in many of those occupational families. We agree that more specific data show that agencies often used buyouts to reduce management control positions consistent with NPR's recommendations, and, as noted in appendix III, we adjusted the presentation of the data in table 2.5 to more clearly show some of those reductions. However, although staffing levels have been reduced in some of these areas in some agencies, there were no significant

decreases in these categories of occupations overall, as a percentage of the total workforce. If such reductions are desirable, we continue to believe that better workforce planning could make buyouts a more effective tool in meeting these goals.

4. OPM, like NPR, expressed concern that we used data "interchangeably" from three different sources. As noted in comment 2, appendix III, these data sources cover the agencies included in our review and were obtained to address the specific objectives of our work. The data were not used interchangeably, but rather to provide descriptive, corroborative, or explanatory analyses, as necessary.

5. OPM observed that the data we report on management control positions are different from data it obtained directly from the CPDF. Although the differences reported by OPM are relatively small, we believe they may arise because of differences in the specific definitions of occupational categories included. We used OMB's definition of management control positions, which excluded certain types of occupations within each occupational family. For example, OMB defined personnel positions as the GS-200 series, excluding GS-204 and GS-205. We also excluded supervisors from each occupational series and counted them as a separate category. It is not clear that OPM made such adjustments in the data it presented.

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