REINVENTING DOWNSIZING OR DOWNSIZING REINVENTION

HEARING

BEFORE THE

SUBCOMMITTEE ON

CIVIL SERVICE

OF THE

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

MAY 23, 1996

Printed for the use of the Committee on Government Reform and Oversight

U.S. GOVERNMENT PRINTING OFFICE

43-234 WASHINGTON : 1997

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-055699-6

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REINVENTING DOWNSIZING OR DOWNSIZING REINVENTION

THURSDAY, MAY 23, 1996

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CIVIL SERVICE,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 311, Cannon House Office Building, Hon. John L. Mica, Jr. (chairman of the subcommittee) presiding.

Present: Representatives Mica, Bass, Morella, Moran, and Holden.

Also present: Representative Davis.

Staff present: George Nesterczuk, staff director; Garry Ewing, counsel; Caroline Fiel, clerk; Ned Lynch, professional staff member; and Cedric Hendricks and Mike Kirby, minority professional staff member.

Mr. MICA. Good morning. I apologize for the delay. The art of being in two places at once, I haven't mastered.

Welcome to the Civil Service Subcommittee hearing. This morning we are having a hearing on reinventing downsizing or downsizing the reinvention, as the hearing is entitled.

I would like to start by making an opening statement. Then, I will yield to the other members for their opening statements.

This morning, the subcommittee is meeting to review the administration's effort to reinvent Government and to assess the need for additional congressional intervention on related employee issues.

The Federal Workforce Restructuring Act of 1994 established a requirement that the administration reduce the Federal work force by 272,900 positions by 1999. The administration is well on its way toward the aggregate target, but it is very clear that it has chosen to achieve these targets primarily through cuts within the Department of Defense.

Since the end of fiscal year 1992, the Department of Defense has shrunk from 949,000 full-time equivalent employees to 821,700, a cut of 127,300. During the same period, nondefense cuts amount to 39,100 full-time equivalent positions. The Defense downsizing was planned before we ever heard about this so-called reinvention. Defense downsizing was set in motion by President Bush, and Congress helped it along by creating the Base Closure and Realignment Commission. Defense downsizing is our peace dividend, which we earned following the successful conclusion of the cold war.

According to the President's fiscal year 1997 budget, the administration has introduced plans to reduce the Department of Defense by another 54,300 full-time equivalent positions below the 1995 levels, while non-Defense agencies are reduced by only 5,500 positions below the 1995 levels.

A closer look at the numbers reveals that the Departments of Justice, Labor, HHS, and Treasury, among others, are slated for new hiring increases over the next 18 months. The only noteworthy potential reductions are at the Federal Deposit Insurance Corporation, the Department of Energy, and some at GSA. These agencies account for 6,200 FTE reductions, but 3,600 of the reductions are in the FDIC, as that agency winds down its activities that have been related to savings and loan crises of the 1980's, and that downsizing was planned long in advance of this administration's coming on the scene.

It would appear that the administration has concluded its government restructuring agenda. The final tally requires that the Defense Department take 80 percent of all the Federal work force reductions during the term of this administration.

In order to ease what has been expected to be drastic reductions in personnel staffing, the Workforce Restructuring Act had authorized the use of employee buyouts beyond the Department of Defense. Buyouts have been the primary tool in this administration of work force reduction. OPM reports that Federal agencies bought out more than 112,500 persons at an average price cost approaching the $25,000 maximum which was allowed by Congress. To date, that adds up to nearly $2.8 billion expended in buyouts. Half of that money, nearly $1.4 billion, went to Federal employees who were already eligible to retire. Another 6,000 buyouts, OPM testified last year, have been deferred to this fiscal year and to fiscal year 1997. Yes, as I said, that, in fact, is right. Deferred buyouts that were approved before March 31, 1995, already account for more work force reductions than the administration plans for the current and coming fiscal year.

Now, buyouts can be useful, but they can also be a very expensive proposition, as we've witnessed and I've enumerated. There are other, more cost-effective reduction strategies, in my opinion, such as managing the attrition rate which, in the Federal work force, the attrition rate is already between 5 and 6 percent per year. For our 2 million employees, this results in at least 100,000 vacancies each year, generated without using a buyout or instituting a RIF.

I spoke on a national radio program yesterday, and I said more people die and retire just at the current attrition rates than we have vacant positions.

During this administration, normal attrition should have provided 400,000 vacancies, a pretty significant number. That's enough turnover to produce significant restructuring and allow for that restructuring, without instituting harsh RIF's or other costly buyouts.

The National Performance Review and the law require not merely reduction of the Federal work force, they also call for restructuring. The administration promised Congress a 50 percent reduction in accountants, auditors, budget specialists, personnel officers, and general supervisors. Many of these jobs were to be replaced by modern technology. Although the National Performance Review established these 50 percent reduction goals, agencies actually chose to establish lower targets, and then they failed to meet those lowered goals. As a result, GAO will testify today that some of the targeted job categories have actually increased as a portion of the Federal work force.

Armed with this information, I, in fact, remain very skeptical of any proposal for blanket governmentwide buyouts. I am, however, also very concerned that, in any reductions, Federal employees be dealt with fairly and openly. Congress was most concerned about fairness when it established the rules for reduction in force.

Recent radical changes in our RIF policy of the Clinton administration are cause, I think, for great alarm. If this is a shining example of reinvention, I don't believe it is really what Congress intended or what Civil Service had in mind. Let me cite one example, if I may. With technical assistance from the Office of Personnel Management, the U.S. Geological Survey crafted a RIF which relied heavily on single position competitive levels. Such a management strategy effectively eliminated any competition among employees for who would, in fact, retain their job.

This approach totally undermined the statutory precepts by which reductions were to be conducted. Veterans' preference, seniority, performance, and tenure were carelessly tossed aside. The result at the U.S. Geological Survey has been a RIF that is widely viewed, by everyone I've consulted with and everyone I've heard from, as unfair and arbitrary, not only by those separated, but also by employees who now remain in the agency.

Our subcommittee has addressed the issues of retraining, outplacement assistance, re-employment opportunities, and health and life insurance portability. We recognize the need for cushioning any job transition, particularly in these times of change in the Federal Government. But Congress must also ensure that equity prevails in the job retention process. This is particularly important as we transition to a truly restructured government.

American taxpayers know that Government can always "reinvent" new ways to spend their money. We need a strategy, in fact, that eliminates wasteful functions and programs, and we must finetune remaining operations to be more efficient and more effective. Most of all, we need to make certain that our policies guarantee fair treatment to Federal employees.

Those are some of my opening comments this morning. I would like to yield to someone who has been a leader on this issue and very concerned about the whole downsizing process, the gentlelady, my colleague, Mrs. Morella.

[The prepared statement of Hon. William F. Clinger, Jr., follows:]

STATEMENT OF THE
HONORABLE WILLIAM F. CLINGER, Jr.
CHAIRMAN
COMMITTEE ON GOVERNMENT REFORM & OVERSIGHT
Civil Service Subcommittee Hearing on
the National Performance Review
May 23, 1996

Mr. Chairman, I think most of us in this room agree that reinventing and downsizing the government is a necessity. The Administration will testify this morning on their progress in meeting important workforce reduction targets. Yet, while I appreciate the work the Administration has devoted to the effort, <u>workforce reductions do not equal government downsizing</u>. To truly make government smaller, we must reduce the *functions* of Government. The National Performance Review's focus on the people but not the purpose of Government is in my view its greatest failure.

It is critical that we refocus the Federal Government on those essential functions that it must perform, and reconsider whether Government should be involved in any activity if it cannot do it <u>well</u>. In fact, in our quest to do things better, it seems all we have done is make the Federal Government bigger. In 1985 there were 1,013 federal domestic assistance programs. Today, there are 1,390 programs administered by 53 agencies. To support these programs and the bureaucracy that runs them, federal income tax receipts today have grown to an amount 13 times the amount they were in 1960. It seems that Government today is just too big, and is doing too many things, to do them all well -- despite the best effort of the NPR.

In an attempt to reduce the size and scope of the Federal Government, I have coordinated the House initiative to dismantle the Commerce Department. Many of the Department's functions are better carried out by the private sector, not by the Federal Government. For example, the U.S. Travel and Tourism Administration did not perform an essential function and was eliminated in the appropriations process, but its activities have already been re-established within the International Trade Administration. NPR's failure to treat this addiction to government programs is a tragic loss of opportunity.

The NPR's goal is to have fewer people doing a better job performing all the same functions. The real goal of reinventing government should be to improve government activity where it is necessary, refocus government efforts where they are misdirected, and get government out of activities in which it does not belong.

Reinventing government should be the means to an end, but this Administration has not asked itself just what that end should be. And answers are useless if you don't ask the right question.

Thank you, Mr. Chairman.

Mrs. MORELLA. Thank you, Mr. Chairman. I certainly agree with your last statement, where you said we need to make certain that our policies guarantee fair treatment to Federal employees.

I want to thank you for holding this important hearing today. We can learn a lot from the Federal work force reductions that have taken place since enactment of the Federal Workforce Restructuring Act of 1994.

According to the Office of Personnel Management employment reports, from the end of fiscal year 1992 to the end of fiscal year 1995, the Federal civilian work force has been reduced by 166,400 full-time equivalents. These reductions have had tremendous consequences for the Federal work force—especially for those who have been separated.

Mr. Chairman, Federal employees are facing very difficult times. They are bracing themselves for more to come. They know further work force reductions are necessary to reach the goal of 272,900 FTE reductions, and studies indicate that over 60,000 Federal jobs will be lost over the next 5 years in the Washington area alone.

Agencies are anxious. Many were forced to wait to make budgetary decisions until more than halfway through fiscal year 1996.

I am a firm believer, and I know you are, too, that loyalty must be repaid with loyalty. The Federal work force has provided outstanding service to this Nation and now the Federal work force needs Congress's help. We must take this responsibility seriously, and create incentives for retirement.

In doing so, however, we must learn from the results, the positive and the negative, of the last round of buyouts. It's clear that they didn't always fulfill their intended result, and it is critical that agencies link buyouts to their strategic plan, not offer buyouts on a first come, first served basis. Certainly, we must avoid another situation whereby agencies pay the same employee both separation incentives and retention, recruitment, or relocation bonuses.

I look forward to hearing from our distinguished panel of witnesses. As you know, Mr. Chairman, I am a cosponsor of H.R. 2751, the Federal Employee Separation Incentive and Re-employment Assistance Act. This is the one that was introduced by Frank Wolf and, I would submit, the administration buyout plan closely mirrors this plan.

I am wary, though, of repeating past mistakes, and I hope that today's hearing leads to an honest dialog between the subcommittee and our witnesses to determine how we can avoid problems caused by the last buyout in any future buyout.

I thank you, Mr. Chairman.

Mr. MICA. I thank the gentlelady for her comments. Last week, at our hearing, we had the opportunity to hear from some of the members and their recommendations for downsizing and transition, and also some of the employee groups.

This morning, we are going to hear from the U.S. General Accounting Office, Mr. Timothy Bowling. We are going to hear from Mr. John Koskinen, Deputy Director for Management of the Office of Management and Budget; Mr. James King, who is the director of the Office of Personnel Management, and I see he has also brought his sidekick, Mr. Leonard Klein, who is the Associate Director.

As you know, it is the custom of our investigation and oversight committee to swear in our witnesses so, if you would stand.

[Witnesses sworn.]

Mr. MICA. This panel should be permanently sworn in. I wasn't going to say they're sworn at, but they are quite regular attendees at our panel, and I welcome you back this morning.

We will start right off with Mr. Bowling, from the General Accounting Office. As you know, if you would like to summarize, we will submit your entire testimony as part of the record. Mr. Bowling, you are recognized.

STATEMENTS OF TIMOTHY P. BOWLING, ASSOCIATE DIRECTOR, FEDERAL MANAGEMENT AND WORKFORCE ISSUES, GENERAL GOVERNMENT DIVISION, U.S. GENERAL ACCOUNTING OFFICE; JOHN A. KOSKINEN, DEPUTY DIRECTOR FOR MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET; AND JAMES B. KING, DIRECTOR, OFFICE OF PERSONNEL MANAGEMENT, ACCOMPANIED BY LEONARD KLEIN, ASSOCIATE DIRECTOR, OFFICE OF PERSONNEL MANAGEMENT

Mr. BOWLING. Thank you, Mr. Chairman. I will submit the full text of my statement for the record, and read a shortened version.

Mr. MICA. Without objection, it will be part of the record.

Mr. BOWLING. I am pleased to be here today, to discuss issues relating to the downsizing of the Federal work force. My statement will include information on the results, to date, of Federal downsizing efforts, whether agencies' use of buyouts reflect the administration's work force restructuring goals as articulated by the National Performance Review, the demographic results of the buyouts, the extent to which the statutorily mandated work force reduction goals could be met through attrition, and the cost and savings implications of buyouts versus reductions in force; and I will try to cover all of that pretty quickly.

As you know, the Federal Workforce Restructuring Act of 1994 placed annual ceilings on executive branch full-time equivalent positions from fiscal years 1994 through 1999. If implemented as intended, these ceilings will result in downsizing the Federal work force from 2.8 million FTE positions during fiscal year 1994 to 1.88 million FTE positions during 1999.

To help accomplish this downsizing, the act allowed non-Department of Defense executive branch agencies to pay buyouts to employees who agreed to resign, retire, or take voluntary early retirement by March 31, 1995, unless extended by the head of the agency but, in any event, no later than March 31, 1997.

As of September 30, 1995, about 112,000 buyouts had been paid, governmentwide; DOD was responsible for about 71 percent of these buyouts.

It is clear that the Federal work force is being reduced at a faster pace than was called for by the Workforce Restructuring Act. As shown in table 1 in my statement, the act mandated a ceiling of 2,043,000 FTE positions for fiscal year 1995. This would have resulted in a reduction of about 95,500 FTE positions from the actual fiscal year 1993 level.

In reality, the actual fiscal year 1995 FTE level was 1,970,200, a reduction of 168,600 FTE positions from the fiscal year 1993 level. By the end of the fiscal year 1997, the administration's budget calls for the Federal work force to be nearly 53,000 FTE positions below the ceiling called for by the act for that period.

Although these work force reductions occurred governmentwide, they were not evenly distributed among the agencies. Indeed, most of the downsizing took place at DOD, as you observed, Mr. Chairman.

As shown in table 2, DOD absorbed nearly three-quarters of the FTE reductions in fiscal year 1994 and over half of the governmentwide reductions in 1995. In 1997, DOD is expected to absorb all of the FTE reductions made that year, while the non-DOD work force is expected to increase by a net total of 0.2 percent.

Although Federal employment levels have declined steadily in recent years, the work force has been reduced with comparatively few RIF's, in part because of the buyouts.

CPDF data—that is OPM's central personnel data file data—show that of the 31,000 reductions in onboard personnel that took place as of March 1995, 48 percent involved buyouts and 6 percent came from RIF's. The remaining 46 percent either involved separations without buyouts or the basis for separation was not clearly identified in the CPDF.

The administration, through the NPR, recommended that agencies direct their work force reductions at specific management control positions that the administration said added little value to serving the taxpayers. Such positions included those held by managers and supervisors and employees in headquarters, personnel, budget, procurement, and accounting occupations.

In our draft report on agencies' use of buyouts that we are preparing for this subcommittee, we present preliminary data showing that as a proportion of the work force as a whole, the management control positions designated for reduction by the NPR were barely reduced since the end of fiscal year 1992, which is the year before buyouts began at DOD. In some agencies, in fact, they have increased.

As shown in table 3, although the percentage of supervisors at DOD agencies dipped from 12.7 percent of the work force to 11.9 percent, all but one of the other designated management control positions increased somewhat. Non-DOD agencies came only slightly closer to meeting the NPR goals. For example, the percentage of supervisors in the non-DOD work force went from 12.5 percent to 11.6 percent.

Personnel and headquarters staff also decreased as a proportion of the non-DOD work force, while the remaining categories showed no proportional reduction or, in some cases, slight increases.

Of the 82,771 buyouts that were made governmentwide between fiscal year 1993 and the first half of 1995, 40 percent were paid to employees who took regular retirement, while about 30 percent were paid to employees who took early retirement.

Without directly surveying employees, it is difficult to determine whether buyouts influenced them to leave Federal service earlier than they would have otherwise. However, the CPDF data we examined show 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 prevalent at the time, it is likely that some employees delayed their separation so that they could receive a buyout.

As I noted earlier, total governmentwide FTE levels to date are well below the annual ceilings mandated by the Workforce Restructuring Act. Our estimates indicated that the act's final fiscal year 1999 target for FTE ceilings could probably be met in total through an attrition rate as low as 1.5 percent and still allow for some limited hiring.

As shown in figure 1, the administration's 1997 budget calls for reducing the Federal work force from 1.97 million FTE's at the end of fiscal year 1995 to an estimated 1.91 million FTE's by the end of fiscal year 1997.

At that rate of reduction—that's about 1.5 percent per year—executive branch civilian agencies could meet the fiscal year 1999 FTE ceiling called for by the act while still hiring nearly 28,000 new full-time employees.

Although Federal attrition varies from year to year because of such factors as the state of the economy, the availability of separation incentives, and employees' personal considerations, Federal attrition has typically run considerably higher than 1.5 percent.

For example, in fiscal years 1982 through 1992, which are the years immediately preceding the buyouts at DOD, CPDF data show that the average annual quit rate was closer to 8 percent.

However, experience has shown that some agencies may need to pare down their work forces more than others, as budgets are reduced, programs are dropped, and missions are changed. In such circumstances, these agencies may not be able to meet work force reduction goals through attrition alone. Other downsizing strategies, such as buyouts or RIF's, may in fact be necessary in those instances.

If an agency is unable to meet its work force reduction goals through attrition alone, which downsizing strategy, buyouts or RIF's, generates greater savings?

Our study of the costs of savings in buyouts versus RIF's concludes that, over a 5-year period, both buyouts and RIF's will save the Government money. However, buyouts would generally result in more savings to taxpayers than RIF's, depending upon the assumptions used. This is because buyouts usually result in the separation of employees with higher salaries and benefits than those who are separated through RIF's.

Because of the rights of higher-graded employees to bump or retreat to lower-graded positions during a RIF, employees separated through RIF's are frequently not those who are in the positions originally targeted for elimination.

We found that buyouts could generate up to 50 percent more in net savings than RIF's over the 5-year period following separation. However, these results would change if bumping and retreating did not occur in the RIF and the separated employees were eligible for retirement. In these cases, RIF's could generate up to 12 percent more in savings over the 5-year period than buyouts.

Finally, if employees were separated without bumping and retreating, and were not retirement eligible, the cost of severance pay for the RIF'd employees would result in buyouts generating up to 10 percent more in net savings than RIF's over the 5-year period.

In summary, the downsizing of the Federal work force is proceeding ahead of the schedule called for by the Workforce Restructuring Act. At the same time, the administration, through the NPR, called on agencies to restructure their work forces by reducing management control positions. However, these positions have now, thus far, been reduced as a proportion of the work force.

With regard to future work force reductions, our analysis showed that the remaining annual FTE employment ceilings called for by the act probably could be achieved governmentwide through attrition. Nevertheless, some agencies may be required to downsize more than others.

In such situations, buyouts or RIF's may be necessary. In comparing the costs and savings of buyouts and RIF's, our analysis showed that buyouts generally offered greater savings than RIF's, except when RIF'd employees do not bump and retreat and are eligible to retire.

This concludes my prepared statement, Mr. Chairman. I would be pleased to answer any questions you or the other members of the subcommittee may have.

[The prepared statement of Mr. Bowling follows:]

FEDERAL DOWNSIZING: THE STATUS OF AGENCIES' WORKFORCE REDUCTION EFFORTS

Summary of Statement by
Timothy P. Bowling, Associate Director
Federal Management and Workforce Issues

To downsize the federal workforce, the Federal Workforce Restructuring Act of 1994 (P.L. 103-226) placed annual ceilings on executive branch full-time equivalent (FTE) positions for fiscal years 1994 through 1999. These ceilings would result in downsizing of the federal workforce from 2.08 million FTE positions during fiscal year 1994 to 1.88 million FTE positions during fiscal year 1999. The act also allowed non-Department of Defense (DOD) agencies to pay buyouts to employees of as much as $25,000 between March 1994 and March 1995 to help achieve these workforce reduction goals. DOD has buyout authority through fiscal year 1999 under separate legislation. According to data from the Office of Personnel Management, more than 112,500 buyouts had been paid governmentwide as of September 30, 1995. Through fiscal year 1995, the federal workforce had downsized ahead of the timetable called for by the act, and the administration anticipates being 62,500 FTE positions below the ceiling mandated by the act for the end of fiscal year 1996.

DOD has absorbed most of the workforce reductions. Nearly 75 percent of the workforce reductions came from DOD in fiscal year 1994, and 56 percent came from DOD in fiscal year 1995. The President's fiscal year 1997 budget anticipates that all of the workforce reductions will come from DOD because non-DOD agencies are expected to experience a net increase in FTE positions.

The administration, through the National Performance Review (NPR), called on agencies to restructure their workforces by directing their downsizing toward specific "management control" positions including budget, procurement, and personnel positions, as well as managers and supervisors. These management control positions have been barely reduced as a proportion of the workforce as a whole, and at some agencies they have increased.

Demographically, the largest share of the buyouts were paid to employees who took regular or early retirements. Governmentwide, the buyouts enabled agencies to downsize without disproportionately affecting women and minorities.

GAO's estimates show that in terms of absolute numbers--and given historical quit rates--the Workforce Restructuring Act's fiscal year 1999 final FTE ceiling could probably be met governmentwide through an attrition rate as low as 1.5 percent per year in fiscal years 1996 through 1999. At that rate, executive branch agencies in total would be sufficiently below the fiscal year 1999 target to allow for the hiring of nearly 28,000 new full-time employees. However, as some agencies may be required to downsize considerably more than others, buyouts or reductions-in-force (RIF) may be necessary at certain agencies.

When GAO compared the costs and savings of buyouts and RIFs, the analysis showed that over the 5-year period following separation, buyouts can generate up to 50 percent more in net savings than RIFs if the RIF involves bumping and retreating and the RIFed employees are not eligible for retirement.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the progress being made in downsizing the federal workforce and agencies' use of buyouts. As agreed with your office, our statement includes information on

-- the results to date of federal downsizing efforts,

-- whether agencies' use of buyouts reflected the administration's workforce restructuring goals as articulated by the National Performance Review (NPR),

-- the demographic results of the buyouts,

-- the extent to which we estimate that the statutorily mandated workforce reduction goals could be met through attrition, and

-- the cost and savings implications of buyouts versus reductions-in-force (RIF).

We obtained information on the results of federal downsizing activities by analyzing workforce data contained in the Office of Personnel Management's (OPM) Central Personnel Data File (CPDF) for fiscal year 1992 through November of fiscal year 1996, and by reviewing workforce trends presented in the President's fiscal year 1997 federal budget. Our analysis of whether agencies' use of buyouts reflected NPR's workforce restructuring goals was based on our review of applicable Office of Management and Budget (OMB) guidance to agencies and CPDF workforce data. Our examination of the demographic results of the buyouts was based on CPDF data as well. Our estimate of the extent to which mandated workforce reduction goals can be achieved by attrition was based on workforce trends data contained in the President's fiscal year 1997 federal budget. The costs and savings of buyouts and RIFs were analyzed using past studies by us, the Congressional Budget Office, and other federal agencies; contacts with agency officials; and demographic data from the CPDF. A more detailed analysis of the circumstances under which buyouts or RIFs offer greater potential savings is contained in the report we prepared for this Subcommittee that was released today.[1]

THE RESULTS TO DATE OF FEDERAL DOWNSIZING EFFORTS

The Federal Workforce Restructuring Act of 1994 (P.L. 103-226) placed annual ceilings on executive branch full-time equivalent (FTE) positions from fiscal years 1994 through 1999.[2] If implemented as intended, these ceilings will result in downsizing the federal workforce from 2.08 million FTE positions during fiscal year 1994 to 1.88 million FTE positions during fiscal year 1999.

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

[2]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.

To help accomplish this downsizing, the act allowed non-Department of Defense (DOD) executive branch agencies to pay buyouts to employees who agreed to resign, retire, or take voluntary early retirement by March 31, 1995, unless extended by the head of the agency, but no later than March 31, 1997. DOD, though subject to the act's governmentwide FTE ceilings, has the authority, under earlier legislation, to offer buyouts through September 30, 1999. For both DOD and non-DOD agencies, the buyout payment was the lesser of $25,000 or an employee's severance pay entitlement.[3] According to OPM data, as of September 30, 1995, more than 112,500 buyouts had been paid governmentwide. DOD was responsible for about 71 percent of these buyouts.

Federal Downsizing Is Proceeding
Ahead of Schedule, With Most
Reductions Coming From DOD

The federal workforce is being reduced at a faster pace than was called for by the Workforce Restructuring Act. As shown in table 1, the act mandated a ceiling of 2,043,300 FTE positions for fiscal year 1995. This would have resulted in a reduction of 95,500 FTE positions (4.5 percent) from the actual fiscal year 1993 level. In reality, the actual fiscal year 1995 FTE level was 1,970,200, a reduction of 168,600 FTE positions (7.9 percent) from the fiscal year 1993 level. By the end of fiscal year 1997, the administration's budget calls for

[3]Severance pay is calculated on the basis of one week's basic salary at the time of separation for each year of creditable service for the first 10 years, and two weeks' basic salary for each year of service thereafter. An age adjustment allowance is also included for employees over 40 years old. The total severance pay an employee is eligible to receive is limited to one year's pay at the rate they received at the time of separation.

the federal workforce to be nearly 53,000 FTE positions below the ceiling called for by the act for that period.

Table 1: Workforce Reductions Are Proceeding Ahead of Schedule

	Fiscal year				
	1993	1994	1995	1996	1997
FTE ceiling mandated by act	Not applicable	2,084,600	2,043,300	2,003,300	1,963,300
Actual executive branch civilian FTE positions	2,138,800	2,052,700	1,970,200	1,940,800[a]	1,910,500[a]
FTEs below ceiling	Not applicable	31,900	73,100	62,500[a]	52,800[a]

Note: FTEs are rounded to the nearest hundred.

[a] Estimated.

Source: Workforce Restructuring Act of 1994 and the President's fiscal year 1997 budget.

Although the workforce reductions occurred governmentwide, they were not evenly distributed among agencies. Indeed, most of the downsizing took place at DOD. As shown in table 2, DOD absorbed nearly three-quarters of the FTE reductions in fiscal year 1994 and over half of the governmentwide reductions in fiscal year 1995.

Table 2: DOD Has Accounted For the Largest Share of Workforce Reductions

Fiscal year	DOD share of total FTE reductions	Non-DOD share of total FTE reductions
1994	73.7%	26.3%
1995	56.4	43.6
1996 (est.)	74.1	25.9
1997 (est.)	100.0	0.0

Source: GAO calculations based on the President's fiscal year 1997 budget.

In fiscal year 1997, DOD is expected to absorb all of the FTE reductions made that year while the non-DOD workforce is expected to increase by a net total of 0.2 percent, according to the President's fiscal year 1997 budget.

Buyouts Helped Minimize the
Need For RIFs

Although federal employment levels have declined steadily in recent years, the workforce has been reduced with comparatively few RIFs, in part because of the buyouts. 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.

From September 30, 1994, through March 1995 (the period when both DOD and non-DOD agencies had buyout authority), the on-board executive branch civilian workforce dropped from 2,164,727 employees to 2,032,440 employees, a reduction of 6 percent. CPDF data show that of the 132,287 reductions in on-board personnel that took place during this time period, 48 percent involved buyouts and 6 percent came from RIFs. The remaining 46 percent involved separations without buyouts or the basis for separation was not identified in the CPDF.

AGENCIES USED BUYOUTS MORE TO MEET ACT'S DOWNSIZING OBJECTIVES THAN ADMINISTRATION'S RESTRUCTURING GOALS

The administration, through NPR, recommended that agencies direct their workforce reductions at specific "management control" positions that the administration said added little value to serving taxpayers. Such positions included those held by (1) managers and supervisors and (2) employees in headquarters, personnel, budget, procurement, and accounting occupations. By fiscal year 1999, the administration called on agencies to increase managers' and supervisors' span of control over other employees from a ratio of 1:7 to 1:15, and to cut management control positions by half.

In our draft report on agencies' use of buyouts that we are preparing for this Subcommittee, we present preliminary data showing that, as a proportion of the workforce as a whole, the management control positions designated for reduction by NPR were barely reduced since the end of fiscal year 1992 (the year before buyouts began at DOD); in some agencies they have increased. As shown in table 3, although the percentage of supervisors at DOD agencies dipped from 12.7 percent of the 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 designated management control positions increased somewhat. Acquisition positions showed no change. Non-DOD agencies came only slightly closer to meeting the NPR goals. The percentage of supervisors in the non-DOD 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-DOD workforce, while the remaining categories showed no proportional reduction or slight increases.

Table 3: NPR Positions Recommended for Reduction as a Proportion of the Workforce, September 1992 and March 1995

NPR management control position	Percentage of DOD/non-DOD workforce FY 1992	Percentage of DOD/non-DOD workforce at end of 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 fiscal year 1992 were 960,317 (DOD); 1,231,229 (non-DOD). Workforce totals for the end of the first half of fiscal year 1995 were 846,479 (DOD); 1,185,961 (non-DOD).

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

THE DEMOGRAPHIC
RESULTS OF BUYOUTS

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, while about 30 percent were paid to employees who took early retirement. 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, CPDF 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.

Although it was not an explicit goal of the buyout legislation, the buyouts appeared to have helped agencies downsize without adversely affecting workforce diversity. Indeed, of the nearly 83,000 employees who were paid buyouts from fiscal year 1993 through March 31, 1995, 52 percent were white males. Consequently, the percentage of women in the workforce increased from 43.4 percent at the end of fiscal year 1992 to 44.6 percent by March 31, 1995.

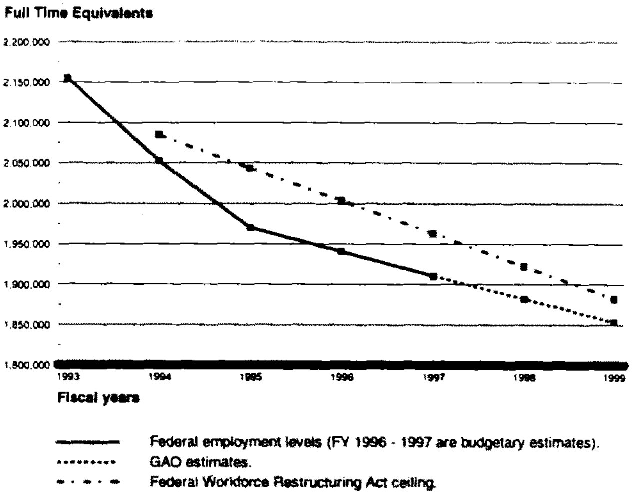
Likewise, during that same time period, the percentage of minorities went from 27.9 percent to 28.9 percent of the workforce.

GOVERNMENTWIDE DOWNSIZING
GOALS PROBABLY COULD BE MET
THROUGH ATTRITION GIVEN
HISTORICAL QUIT RATES

As noted earlier, total governmentwide FTE levels to date are well below the annual ceilings mandated by the Workforce Restructuring Act. Our estimates indicate that the act's final fiscal year 1999 target for FTE ceilings could probably be met in total through an attrition rate as low as 1.5 percent and still allow for some limited hiring. As shown in figure 1, the administration's 1997 budget calls for reducing the federal workforce from 1.97 million FTE positions at the end of fiscal year 1995 to an estimated 1.91 million FTE positions by the end of fiscal year 1997. At that rate of reduction--about 1.5 percent per year--executive branch civilian agencies could meet the fiscal year 1999 FTE ceiling called for by the act while still hiring nearly 28,000 new full-time employees.

Although federal attrition varies from year to year because of such factors as the state of the economy, the availability of separation incentives, and employees' personal considerations, federal attrition has typically run considerably higher than 1.5 percent. For example, in fiscal years 1982 through 1992 (the year before buyouts began at DOD), CPDF data shows that the average annual quit rate was about 8 percent.[4]

Figure 1: Total Governmentwide Workforce Reduction Goals Could Probably Be Met Through Attrition



Source: GAO estimates based on the President's fiscal year 1997 budget.

[4]As defined by OPM, quits include voluntary resignations by employees or separations by an agency if an employee declines a new assignment; abandons a position; joins the military; or fails to return from a military furlough.

Experience has shown that some agencies may need to pare down their workforces more than others as budgets are reduced, programs are dropped, and/or missions are changed. In such circumstances, some agencies may not be able to meet workforce reduction goals through attrition, and other downsizing strategies, such as buyouts or RIFs, may be necessary.

An example of this situation is the accelerated downsizing that the National Aeronautics and Space Administration (NASA) has been contemplating because of budget cutbacks. NASA's proposal would reduce its headquarters staff from its current level of 1,430 positions to between 650 and 700 positions by October 1997. This would eliminate about 400 more positions than NASA's current downsizing goal, and would do so 3 years earlier. If it were to reduce at this pace, NASA has said that it would anticipate that RIFs would be necessary. Although this downsizing proposal may or may not be implemented, it illustrates the potential magnitude of workforce reductions being considered at some individual agencies.

BUYOUTS GENERALLY OFFER GREATER SAVINGS THAN RIFS

If an agency is unable to meet its workforce reduction goals through attrition alone, which downsizing strategy--buyouts or RIFs--generates greater savings? Our study of the costs and savings of buyouts versus RIFs concludes that, over a 5-year period, buyouts would generally result in more savings to taxpayers than RIFs.[5] This is because buyouts usually result in the separation of employees with higher salaries and benefits than those who are separated through RIFs. Because of the rights of higher graded employees to "bump" or "retreat" to lower-graded positions during a RIF, employees separated through RIFs are frequently not those who were in the positions originally targeted for elimination.[6]

We found that buyouts could generate up to 50 percent more in net savings than RIFs over the 5-year period following separation. However, these results would change if bumping and retreating did not occur in a RIF and the separated employees were eligible for retirement. In these cases, RIFs could generate up to 12 percent more in savings over the 5-year period than buyouts. Finally, if the employees were separated without bumping and retreating and were not

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[5]GAO/GGD-96-63.

[6]"Bumping" means displacing an employee in the same competitive area who is in a lower-tenure group (type of appointment category). Although the employee who displaces another employee through bumping must be qualified for the position, it may be a position that he or she has never held. "Retreating" means displacing an employee in the same competitive area who has less service within the same tenure group. The position into which the employee is retreating must be the same or an identical position the employee held in the past on a permanent basis.

retirement-eligible, the cost of severance pay for the RIFed employees would result in buyouts generating up to 10 percent more in net savings than RIFs over the 5-year period.

These net savings projections are based on the assumption that positions vacated by separating employees would not be refilled by government or contractor personnel. Projected savings would be reduced if this occurred.

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In summary, the downsizing of the federal workforce is proceeding ahead of the schedule called for by the Workforce Restructuring Act. At the same time, the administration, through NPR, called on agencies to restructure their workforces by reducing management control positions. These positions have not been reduced as a proportion of the workforce as called for by NPR.

With regard to future workforce reductions, our analysis showed that in terms of absolute numbers--and given historical quit rates--the remaining annual FTE employment ceilings called for by the Workforce Restructuring Act probably could be achieved governmentwide through attrition. Nevertheless, some agencies may be required to downsize more than others. In such situations, buyouts or RIFs may be necessary. In comparing the costs and savings of buyouts and RIFs, our analysis showed that buyouts offered greater savings than RIFs, except when RIFed employees do not bump and retreat and are eligible to retire.

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

(410044)

Mr. MICA. I thank you, and we will defer questions until we have heard from all the panelists.

I will recognize next Mr. Koskinen, from the Office of Management and Budget. You are recognized, sir, for 5 minutes.

Mr. KOSKINEN. Thank you, Mr. Chairman, and thank you for allowing me to arrange my schedule to address the Inter-Agency Conference on Computer Fraud that is going on over the next 2 days.

I am pleased to be here this morning to describe the administration's progress toward achieving the 272,900 FTE employment reduction required by the Federal Workforce Restructuring Act by the end of fiscal year 1999. I will also discuss our plans for using voluntary separation incentives, or buyouts, to help those agencies that must downsize in order to meet severe resource limitations or program terminations.

As you noted, I will submit my full statement for the record, and summarize it now.

The authorities provided to the Department of Defense and separately to the non-Defense agencies in the Workforce Restructuring Act have been successfully used to jumpstart employment reductions, with executive branch nonpostal employment levels now below 2 million and still falling.

By the end of fiscal year 1995, we reported a total reduction of 185,000 FTE's from the 1993 base used in the act. OPM data show that gains were also made toward reducing overhead positions, as recommended in the National Performance Review.

Of the nearly 32,700 buyouts takers in the non-Defense agencies, over one-third came from positions targeted by the NPR, including personnel, accounting, budget, general administration, supply, et cetera.

On the basis of our experience, therefore, it is clear that the 272,900 personnel reductions called for in the act will be met, probably ahead of the schedule required by the act. Moreover, beyond the streamlining plans agencies have been implementing, budgetary resources are not expected to be available to the agencies to meet the salary and other costs for a work force that is any larger than that provided under the act.

Faced with the certainty that employment levels must continue to decrease, a top priority for agency managers is managing this downsizing as efficiently as possible. One possibility suggested has been simply to freeze hiring. An agency hiring freeze will capture whatever normal turnover occurs, but that may be from positions critical to the agency's mission requirements. Also, substantial turnover occurs in lower graded, nontechnical jobs, making reengineering only by attrition an impractical approach.

Another alternative is to use reductions in force. Most people agree that reductions in force are the least desirable method for downsizing, since they are expensive and disrupt the work force and productivity.

By targeting incentives for voluntary separation, as can be done with the buyout program, agencies have a greater ability to manage their attrition. Not all non-Defense agencies will need buyout authority in the next few years. However, it is impossible to predict now which agencies will be confronted with budgetary cuts, sometimes unexpected, that will require further FTE reductions over a very short time period.

Our proposal, the Federal Employment Reduction Assistance Act of 1996, therefore provides the agencies would have buyout authority for a 4-year period. This will allow agencies to use this authority whenever necessary.

However, we also provide that only downsizing agencies would be authorized to offer buyouts. We also provide that agency plans for using buyouts as part of their downsizing efforts are to be reviewed and approved by OMB before buyouts can be offered. And to discourage employees from turning down a buyout now, in the expectation that another buyout bill will inevitably come along, we not only establish a 4-year buyout period but also provide that the buyout payment declines over the 4-year period by $5,000 each year, going from $25,000 in fiscal year 1997 to $10,000, the year 2000.

An inevitable alternative to a coordinated bill for buyouts will be separate authorizations for buyouts on an agency-by-agency basis, such as the authority provided recently to the Smithsonian Institution.

While that particular proposal is not troubling, the risk is that a series of such bills will have different attributes—dollar values, eligibility requirements, refund requirements, relationship to agency downsizing plans, et cetera.

In addition, our proposed legislation recognizes that involuntary separations outside of the Defense Department may be required and will be required as we work to balance the budget. If that occurs, employees in the non-Defense agencies would be able to volunteer for RIF's under our bill in lieu of colleagues about to be separated.

Also, for those who are involuntarily separated, the agency would be authorized to pay the employee's share of the premium for health benefits coverage for up to 18 months after separation to cushion the impact of job loss and transition to new employment.

The administration does not support, as a general matter, "soft landing" proposals that would increase the Government's long-term costs, such as those that would change the retirement program's 2 percent reduction for early retirement. We also are concerned about proposals that produce apparent savings in the short term, while they actually increase long-term costs, such as those that would index deferred annuities to future wage increases.

Mr. Chairman, I know that you have been concerned about several aspects of the administration of the buyout program under the Federal Workforce Restructuring Act of 1994, for example the findings of the Department of Transportation's inspector general regarding employees at the FAA taking buyouts and then returning to work as contractors.

The fact that the IG identified the problem and took firm and timely action, is a positive indication of effective oversight. As chairman of the President's Committee on Integrity and Efficiency and the Executive Committee on Integrity and Efficiency, the organizations of inspectors general from throughout the Government, I have discussed this matter with all of the agency IG's.

At our meetings earlier this month, I raised the question of the possible need for a cross-agency review of the use of buyouts. None of the inspectors general present had received indications of problems in the operations of the buyout programs in their agencies.

In closing, Mr. Chairman, let me say that I appreciate your interest and concern in ensuring that the Government manages its continuing downsizing in an effective and economical manner.

The President's Management Council, which I also chair, is composed of the chief operating officers of the agencies. They have focused, during the past 2 years, on the need for what we call humane downsizing. As part of their consideration of these issues, they strongly support the renewed use of buyout authority by those agencies continuing to reduce in size.

This concludes my statement, and I will be pleased to answer any questions you or the panel may have at the end of the rest of the prepared testimony.

[The prepared statement of Mr. Koskinen follows:]

TESTIMONY OF
JOHN A. KOSKINEN
DEPUTY DIRECTOR FOR MANAGEMENT
OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE

SUBCOMMITTEE ON CIVIL SERVICE
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT
U.S. HOUSE OF REPRESENTATIVES

MAY 23, 1996

I am pleased to be here this morning to describe the Administration's progress toward achieving the 272,900 FTE employment reduction required by the Federal Work Force Reduction Act (the "Act") by the end of Fiscal Year 1999. I will also discuss our plans for using voluntary separation incentives, or buyouts, to help those agencies that must downsize in-order to meet severe resource limitations or program terminations.

The authorities provided to the Department of Defense and separately to the non-Defense agencies in the Act have been successfully used to jump-start employment reductions -- with Executive Branch non-postal employment levels now below two million, and still falling. By the end of Fiscal Year 1995, we reported a total reduction of 185,000 FTEs from the 1993 base used in the Act. The President's budget shows that we expect to achieve a reduction of 214,400 FTEs by the end of this fiscal year. I might add that projections from agency reports to date indicate a greater reduction. The OPM "head count" numbers this year show a decline of approximately 230,000 to 240,000. While it is true that about two-thirds of the overall FTE reduction as of the end of Fiscal Year 1995 was from DOD components, significant reductions occurred on the non-DOD side as well. Agriculture is down about 11,000; HHS down nearly 7,000; HUD down more than 1,000; Interior by more than 6,000; Labor by 1,200; State by 1,800; Transportation by 6,000; VA down 5,700. These numbers are comparisons of actual FTE levels in FY1993 with FY1995 actuals. I am attaching a chart to my testimony that shows each of the agencies FTE employment data since 1993.

OPM data show that gains were also made toward reducing overhead positions, as recommended in the National Performance Review. Of the nearly 32,700 buyout takers in the non-Defense agencies, over one-third came from positions targeted by the NPR, including personnel, accounting, budget, general administration, supply, etc. While the percentage is smaller in the Defense agencies, this is understandable since base closures and realignments were not NPR determined. In DOD, for example, more than 37% of buyouts went to blue collar workers -- nearly twice that in the non-Defense agencies.

On the basis of our experience, therefore, it is clear that the 272,900 personnel reductions called for in the Federal Workforce Restructuring Act will be met, probably ahead of the schedule required by the Act. Beyond the streamlining plans agencies have been implementing, budgetary resources are not expected to be available to the agencies to meet the salary and other costs for a workforce that is any larger than that provided under the Act. With both the House and Senate budget resolutions calling for discretionary spending more than $40 billion below the President's plan by 2000, the gap is wide and, whatever the final budget outcome, more personnel cuts will be required. How we plan for and make those cuts will test our commitment as a responsible employer. Based on average Government-wide salary and benefits costs, agencies are faced with reducing employment levels by approximately 20,000 for every one billion-dollar cut in discretionary spending for salaries and benefits.

Faced with the certainty that employment levels must continue to decrease, a top priority for agency managers is managing this downsizing as efficiently as possible. One possibility suggested has been simply to freeze hiring. An agency hiring freeze will capture whatever normal turnover occurs, but that may be from positions critical to the agency's mission requirements. Also, substantial turnover occurs in lower graded, nontechnical jobs, making reengineering only by attrition an impractical approach.

Another alternative is to use reductions in force. Most people agree that reductions in force are the least desirable method for downsizing since they are expensive and disrupt the workforce and productivity. This past Sunday's article in the Washington Post Magazine illustrates the dislocations resulting from RIFs. To avoid -- or at least minimize -- RIFs, planning for downsizing should first include all available alternatives to involuntary separation.

By targeting incentives for voluntary separation, as can be done with the buyout program, agencies have a greater ability to manage their attrition. Not all non-defense agencies will need buyout authority in the next few years. However, it is impossible to predict now which agencies will be confronted with budgetary cuts, sometimes unexpected, that will require further FTE reductions over a very short time period.

Our proposal, the "Federal Employment Reduction Assistance Act of 1996", therefore provides that agencies would have buyout authority for a four year period. This will allow agencies to use this authority whenever necessary. However, we also provide that only downsizing agencies would be authorized to offer buyouts. We also provide that agency plans for using buyouts as part of their downsizing efforts are to be reviewed and approved by OMB before buyouts can be offered. And, to discourage employees from turning down a buyout now in the expectation that another buyout bill will inevitably come along, we not only establish a four-year buyout period, but also provide that the buyout payment declines over the four-year period by $5,000 each year, going from $25,000 in Fiscal Year 1997 to $10,000 in the year 2000.

An inevitable alternative to a coordinated bill will be separate authorizations for buyouts on an agency by agency basis, such as the authority provided recently to the Smithsonian Institution. While that proposal is not troubling, the risk is that a series of such bills will have different attributes -- dollar value, eligibility requirements, refund requirements, relationships to agency downsizing plans, etc. To ensure equitable treatment and consistent administration, our proposal requires absolute reductions in personnel (from the prior year's actual level of FTE usage) on an agency-by-agency basis. It also strengthens the requirement for refund of the payment if reemployed within five years, and makes other improvements based on our experiences under the Federal Workforce Restructuring Act of 1994.

In addition, our proposed legislation recognizes that involuntary separations outside of the Defense Department may be required as we work to balance the budget. If that occurs, employees in the non-Defense agencies would be able to volunteer for RIFs in lieu of colleagues about to be separated. Also, for those who are involuntarily separated, the agency would be authorized to pay the employer's share of the premium for health benefits coverage for up to 18 months after separation to cushion the impact of job loss and transition to new employment. DOD agencies already have these authorities. We believe that these provisions are necessary in non-Defense agencies as well.

While other buyout and "soft landing" bills have been introduced, we believe that the Administration's proposal is the best response to our present situation. Our legislation makes all costs of the separation incentive explicit, rather than hidden in other programs, such as the retirement program. The Federal Workforce Restructuring Act offset the CBO-determined pay-as-you-go costs by an assessment on all agencies of $80 every year for four years for each of their employees. Our legislation provides that the offset, now estimated by CBO to be 15% of the salaries of employees who receive buyouts, will be made only by the agencies using buyouts.

The Administration does not support as a general matter "soft landing" proposals that would increase the Government's long term costs, such as those that would change the retirement program's 2% reduction for early retirement. We also are concerned about proposals that produce apparent savings in the short term while they actually increase long term costs, such as those that would index deferred annuities to future wage increases.

Mr. Chairman, I know that you have been concerned about several aspects of the administration of the buyout program under the Federal Workplace Restructuring Act of 1994, for example, the findings of the Department of Transportation's Inspector General regarding employees at the Federal Aviation Administration taking buyouts and then returning to work as contractors. The fact that the IG identified the problem, took firm and timely action, and the situation received wide media coverage is a positive indication of effective oversight. As Chairman of the President's Committee on Integrity and Efficiency and the Executive Committee on Integrity and Efficiency, the organizations of Inspectors General from throughout Government, I have discussed this matter with agency IGs. At our meetings earlier this month, I raised the question of the possible need for a cross agency review of the use of buyouts. None of the IGs present had received indications of problems in the operation of the buyout programs in their agencies. While I understand that GAO has identified other situations, in the Department of Defense and NASA, where some buyout takers took employment with a contractor, I have not, as yet, received any additional information from GAO on those situations. However, I understand that GAO found that use of buyouts allowed agencies to downsize without disproportionately affecting women and minorities and that most managers found the buyouts a useful tool in their downsizing efforts.

You also asked specifically about OMB's approval of the Departments of Energy and Transportation deferred buyout program, recently highlighted by the media. We did this after review of the opinion of Energy's General Counsel. In the special circumstances applicable to these departments and few others, we agreed with their analysis. For an agency to reoffer unused deferred buyouts, there must have been an agency head determination, prior to March 31, 1995, that employees in targeted positions being offered buyouts at that time had to be retained, to the extent possible, in order to ensure the performance of the agency's mission. If that were the case, and not all buyouts were used, the agency may reoffer any of the unused deferred buyouts already allocated by OMB to the employees in the same targeted positions. Separation must occur by not later than March 31, 1997. Attached to my testimony is a listing of all agencies that were given allocations for offering deferred buyouts prior to March 31, 1995.

In closing Mr. Chairman, let me say that I appreciate your interest and concern in ensuring that the government manages its continuing downsizing in an effective and economical manner. The President's Management Council, which I chair, is composed of the Chief Operating Officers of the agencies. They have focused for the past two years on the need for humane downsizing. As part of their consideration of these issues, they strongly support the renewed used of buyout authority by those agencies continuing to reduce in size.

This concludes my statement. I will be pleased to answer any questions that you may have.

5/21/96
10.00.40
(MAX-FTEMS26)

OFFICE OF MANAGEMENT AND BUDGET
CIVILIAN FTE LEVELS, FY 1993-1995
AGENCY TOTALS IN THE EXECUTIVE BRANCH
(Excluding Postal Service)

	93 Base	93 Actual	94 Actual	95 Actual	93 Base v. 95 Actual	Percent Change
Department of Agriculture	115,639	114,420	109,830	103,848	-11,791	-10.2
Department of Commerce	36,723	36,090	36,000	35,347	-1,376	-3.7
Dept of Defense--Military	931,349	931,756	868,292	821,739	-109,610	-11.8
Department of Education	5,025	4,874	4,772	4,816	-209	-4.2
Department of Energy	20,625	20,325	19,838	19,657	-968	-4.7
Dept of Health & Human Service	64,950	66,105	62,892	59,338	-5,612	-8.6
Dept of Housing & Urban Develp	13,615	13,300	13,071	12,110	-1,505	-11.1
Department of the Interior	79,313	78,079	76,283	72,012	-7,301	-9.2
Department of Justice	99,401	95,367	95,343	97,869	-1,532	-1.5
Department of Labor	18,336	18,004	17,528	16,815	-1,521	-8.3
Department of State	26,012	25,641	25,164	23,863	-2,149	-8.3
Department of Transportation	70,329	69,132	66,380	63,171	-7,158	-10.2
Department of the Treasury	166,085	161,057	157,345	157,481	-8,604	-5.2
Department of Veterans Affairs	232,408	234,196	233,062	228,487	-3,921	-1.7
Environmental Protection Agy	18,572	17,887	17,584	17,508	-1,064	-5.7
General Services Admin	20,645	20,232	19,475	16,978	-3,667	-17.8
Natl Aeronautics & Space Admin	25,746	24,888	23,873	22,355	-3,391	-13.2
Office of Personnel Management	6,208	5,879	5,307	4,219	-1,989	-32.0
Small Business Administration	4,021	5,599	6,344	5,668	1,647	41.0
Social Security Administration	65,409	64,847	64,484	64,646	-763	-1.2
Council of Economic Advisers	41	31	31	27	-14	-34.1
Council on Envirn Quality	40	22	3	14	-26	-65.0
Executive Residence at the WH	97	93	87	88	-9	-9.3
National Security Council	60	51	52	45	-15	-25.0
National Space Council	7	3	0	0	-7	-100.0
Natl Critical Materials Coun	3	2	0	0	-3	-100.0
Of of Science & Techn Policy	43	29	35	35	-8	-18.6
Office of the US Trade Represe	173	161	170	163	-10	-5.8
Office of Administration	234	234	185	184	-50	-21.4
Office of Management & Budget	588	576	532	533	-55	-9.4
Office of Natl Drug Control	119	112	27	38	-81	-68.1
Office of Policy Development	51	40	41	32	-19	-37.3
Spc Asst to Pres/VP Residence	27	21	20	20	-7	-25.9
White House Ofc/Comp of Pres	408	445	389	380	-28	-6.9
African Development Foundation	54	50	50	49	-5	-9.3
Agy for International Develop	4,388	4,069	3,874	3,618	-770	-17.5
Inter-American Foundation	83	83	74	67	-16	-19.3
Overseas Private Invest Corp	168	162	162	174	6	3.6
Peace Corps	1,258	1,228	1,181	1,168	-90	-7.2
Trade and Development Agency	38	29	33	33	-5	-13.2
Armed Forces Retirement Home	1,140	1,045	1,014	989	-151	-13.2
Cemeterial Expenses, Army	140	140	131	128	-12	-8.6
Corps of Engineers--Civil	29,212	28,446	27,869	27,661	-1,551	-5.3
Forest/Wildlife Conserv MilRes	4	4	1	1	-3	-75.0
Admin Conference of the US	24	23	18	14	-10	-41.7
Adv Comm on Intergov Relations	20	19	11	12	-8	-40.0
Adv Coun Historic Preservation	39	37	40	38	-1	-2.6

OFFICE OF 'AGEMENT AND BUDGET
CIVILIAN F1 .EVELS, FY 1993-1995
AGENCY TOTALS IN THE EXECUTIVE BRANCH
(Excluding Postal Service)

	93 Base	93 Actual	94 Actual	95 Actual	93 Base v. 95 Actual	Percent Change
American Battle Monuments Comm............	386	392	374	371	-15	-3.9
Appalachian Regional Comm..............	12	13	7	8	-4	-33.3
Archi & Trans Barriers Comp Bd...........	36	34	32	30	-6	-16.7
Arms Control & Disarmament Agy............	252	233	233	231	-21	-8.3
Barry Goldwater Scholarship Fd............	3	2	2	2	-1	-33.3
Board for Intl Broadcasting.............	19	16	17	11	-8	-42.1
Chris Columbus Quincenten Comm............	1	2	0	0	-1	-100.0
Comm for Purchase from Blind.............	18	17	18	18	0	0.0
Comm on Agricultural Workers.............	6	3	0	0	-6	-100.0
Commission of Fine Arts..................	7	7	7	7	0	0.0
Commission on Civil Rights...............	90	84	83	95	5	5.6
Commodity Futures Trading Comm...........	568	562	543	542	-26	-4.6
Consumer Product Safety Commis...........	531	516	485	474	-57	-10.7
Corp for Natl & Commun Service...........	497	435	511	554	57	11.5
Court of Veterans Appeals................	87	87	83	83	-4	-4.6
Def Nuclear Fac Safety Bd................	100	87	91	105	5	5.0
Equal Employ Opportunity Comm............	2,856	2,831	2,832	2,813	-43	-1.5
Export-Import Bank of the US.............	472	465	450	448	-24	-5.1
Farm Credit Administration...............	459	450	425	392	-67	-14.6
Farm Credit System Assist Bd.............	7	5	0	0	-7	-100.0
Farm Credit System Insur Corp............	11	9	10	9	-2	-18.2
Fed Mediation & Conciliation.............	315	314	301	294	-21	-6.7
Fed Mine Safety/Health Rev Com...........	60	53	53	55	-5	-8.3
Fed Retirement Thrift Invest.............	97	83	95	101	4	4.1
Federal Communications Comm..............	1,752	1,777	1,831	2,112	360	20.5
Federal Election Commission..............	276	270	292	315	39	14.1
Federal Emergency Mgmt Agency............	2,746	3,969	4,851	4,620	1,874	68.2
Federal Housing Finance Board............	121	113	108	105	-16	-13.2
Federal Labor Relations Author...........	251	245	232	219	-32	-12.7
Federal Maritime Commission..............	231	206	199	196	-35	-15.2
Federal Trade Commission.................	978	953	933	939	-39	-4.0
Financial Institutions (FDIC/R...........	21,565	21,910	20,013	15,708	-5,857	-27.2
FFIEC Appraisal Subcommittee.............	9	9	9	9	0	0.0
Harry S. Truman Scholarship Fd...........	5	5	5	5	0	0.0
Institute of Museum Services.............	19	16	15	15	-4	-21.1
Intelligence community mgmt ac...........	243	226	223	236	-7	-2.9
Interagy Council on Homeless.............	12	10	0	0	-12	-100.0
International Trade Commission...........	486	469	455	453	-33	-6.8
Interstate Commerce Commission...........	643	625	608	416	-227	-35.3
James Madison Memor Fellows Fd...........	7	7	7	7	0	0.0
Japan-US Friendship Commission...........	6	4	5	4	-2	-33.3
JFK Assassination Records Rev............	0	0	0	16	16	0.0
Marine Mammal Commission.................	12	12	10	10	-2	-16.7
Merit Systems Protection Board...........	313	311	301	277	-36	-11.5
Morris K. Udall Scholarship..............	0	0	0	1	1	0.0
National Capital Planning Comm...........	55	49	48	51	-4	-7.3
National Comm on FIRRE...................	2	1	0	0	-2	-100.0
National Council on Disability...........	11	8	7	9	-2	-18.2
National Credit Union Administ...........	980	959	937	907	-73	-7.4
National Education Goals Panel...........	0	0	2	11	11	0.0
National Labor Relations Board...........	2,145	2,086	2,063	2,025	-120	-5.6
National Mediation Board.................	59	59	52	52	-7	-11.9

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OFFICE OF VAGEMENT AND BUDGET
CIVILIAN F. _EVELS, FY 1993-1995
AGENCY TOTALS IN THE EXECUTIVE BRANCH
(Excluding Postal Service)

	93 Base	93 Actual	94 Actual	95 Actual	93 Base v. 95 Actual	Percent Change
National Science Foundation..............	1,343	1,235	1,207	1,244	-99	-7.4
Natl Archives & Records Admin...........	2,750	2,645	2,633	2,449	-301	-10.9
Natl Advis Coun Public Service...........	4	4	0	0	-4	-100.0
Natl Comm on Fin Postsec Educ............	3	2	0	0	-3	-100.0
Natl Comm Amer Indian Housing............	4	4	0	0	-4	-100.0
Natl Comm Libraries/Info Scien...........	12	6	6	9	-3	-25.0
Natl Comm Sev Diss Pub Housing...........	1	1	0	0	-1	-100.0
Natl Endowment for the Arts..............	286	264	277	264	-22	-7.7
Natl Endowment for Humanities............	271	268	261	251	-20	-7.4
Natl Transportation Safety Bd............	373	373	356	354	-19	-5.1
Nuclear Regulatory Commission............	3,404	3,374	3,286	3,167	-237	-7.0
Nuclear Waste Tech Review Bd.............	27	20	19	27	0	0.0
Occupational Safety and Health...........	79	74	73	73	-6	-7.6
Off of the Nuclear Waste Negot...........	5	10	11	6	1	20.0
Off of Navajo&Hopi Indian Relo...........	97	91	91	86	-11	-11.3
Office of Government Ethics..............	101	84	86	85	-16	-15.8
Office of Special Counsel................	101	92	90	89	-12	-11.9
Other Commissions and Boards.............	11	5	5	3	-8	-72.7
Ounce of Prevention Council..............	0	0	0	3	3	0.0
Panama Canal Commission..................	8,703	8,459	8,535	8,819	116	1.3
Pennsylvania Aven Develop Corp...........	37	34	34	33	-4	-10.8
Pol Affecting Alaska Natives.............	8	5	0	0	-8	-100.0
Railroad Retirement Board................	1,850	1,797	1,708	1,570	-280	-15.1
River Basin Commissions..................	4	4	4	4	0	0.0
Securities & Exchange Comm...............	2,745	2,675	2,652	2,705	-40	-1.5
Selective Service System.................	270	242	205	179	-91	-33.7
Smithsonian Institution..................	5,879	5,464	5,439	5,271	-608	-10.3
State Justice Institute..................	10	10	10	0	-10	-100.0
Tennessee Valley Authority...............	19,142	17,288	18,621	16,616	-2,526	-13.2
United States Information Agy............	8,696	8,294	8,132	7,711	-985	-11.3
US Enrichment Corporation Fund...........	70	18	35	124	54	77.1
US Holocaust Memorial Council............	185	107	162	187	2	1.1
US Institute of Peace....................	53	52	46	52	-1	-1.9
Total, Exec Branch civilian employment	2,155,211	2,138,833	2,052,739	1,970,180	-185,031	-8.6

Only 10 agencies have been provided with deferred buyout authority. They are:

Agency	FY 1996	FY 1997
Agriculture	211	55
Commerce	55	208
Energy	900	700
State	573	---
Transportation	439	1,614
GSA	600	745
FCC	100	50
Merit Systems Protection Board	4	8
National Endowment for the Arts	10	---
Office of Government Ethics	3	3
Total	2,895	3,383

Mr. MICA. Thank you, and we will defer questions. I will recognize now for 5 minutes Mr. King, who is the Director of OPM.

Mr. KING. Thank you, Mr. Chairman. I will provide the full statement for the record, plus some additional materials that the Chair had asked for, for the committee today.

Mr. MICA. Without objection, that will be made part of the record. Thank you.

Mr. KING. Thank you, Mr. Chairman and members of the subcommittee. Thank you for this opportunity to testify on the administration's proposal, the Federal Employment Reduction Assistance Act of 1996, which I forwarded to the Congress on May 9.

This proposed legislation builds on the successful program of voluntary separation incentives—buyouts—that operated for the 1 year period ending on March 31, 1995, under the Federal Workforce Restructuring Act of 1994.

However, this proposal is not a rerun of the earlier program. It is a new program that uses new tools to meet new needs.

As you know, the Federal work force has been downsized by some 240,000 employees since January 1993. During that same period, Federal agencies paid 110,559 buyouts.

Only about 21,000 career employees were involuntarily separated by reductions in force—RIF's—during the fiscal 1993–95 period. We believe that to downsize the Federal work force by almost 11 percent in 3 years, with less than one-tenth of the reduction coming from involuntary separations, was a major achievement, by any standard.

Buyouts are helpful, first, because they are less expensive to the taxpayer than RIF's and, second, because RIF's are more harmful to the individual worker and more disruptive to the morale and productivity of the entire work force of the agency affected.

We are moving toward our goal of a reduction of 272,900 full-time equivalent—FTE—positions by September 30, 1999. Beyond that, we face the possibility that budgetary pressures will force further reductions in the next few years.

The Clinton administration believes that buyouts can continue to be an effective tool in this process and, in this second effort to downsize, buyouts can be used in a more targeted manner to meet more limited goals.

These incentives must be tied to specific cuts and agency needs. They must have strong safeguards built in, and the time period for such offers must be limited.

Under our proposal, when an agency head determines that downsizing is necessary in order to improve efficiency and/or to meet budgetary requirements, the agency head can submit to the OMB Director a plan for voluntary separation initiatives. The OMB Director will approve, disapprove, or modify the proposals and will ensure that each agency's program is timely, cost-effective, and targeted to specific downsizing goals.

Unlike the earlier buyout plan, which was responding to a Governmentwide reduction, this bill requires the agency's full-time equivalent—FTE—employment must be reduced by one filled FTE for each agency employee who receives a buyout.

This authority would begin with the enactment of the legislation and end on September 30, in the year 2000.

The amount of the employee's incentive would be whichever is smaller—the employee's severance pay, which is an entitlement, as you know, Mr. Chairman, or one of the following: $25,000 in fiscal years 1996 and 1997; $20,000 in fiscal 1998; $15,000 in fiscal 1999; and $10,000 in fiscal 2000.

This "descending scale" should encourage earlier and more effective use of the buyouts. People will know the future for the first time, with a 4-year planning horizon.

Any employee who receives an incentive and then, within 5 years, accepts employment with the Federal Government or enters into a personal services contract must, with rare exceptions, repay the full amount prior to returning to work. That also includes, Mr. Chairman, the $7,000 that they pay in Federal taxes up front.

Our proposal would authorize agencies, in certain cases, when it serves the needs of the agency, to let an employee volunteer for separation during a RIF when this will prevent another employee in a similar position from being RIF'd. As Mr. Koskinen noted, it provides that employees who are involuntarily separated can continue their health benefits coverage for 18 months at the same cost as before.

Both of these provisions are already available to Defense Department employees and are consistent with the career transition programs and other efforts we have made to treat our employees with every reasonable support for them and their families.

Mr. Chairman, in your letter of May 16, you raised a number of questions. We will be submitting the answers for the record in response to them, but it may be helpful to you and the committee if I address a few of them today and now.

You asked how reinvention affected OPM's oversight of the merit system.

As part of the agency redesign in 1994, we created a new Office of Merit Systems Oversight and Effectiveness. We gave that office new resources and leadership to focus on our oversight role.

We now have a staff of over 150 people devoted to this core function. We are conducting extensive agencywide reviews, compliance reviews at problem installations, and reviews of major policy issues. Already, we have corrected serious merit systems compliance problems at several agencies.

Your letter also asked if we are using technology to compensate for the reduction in personnel. The answer, unequivocally, is yes, Mr. Chairman.

The public can now obtain up-to-date data of job listings by phone or computer and can apply for some jobs through the telephone. Job applications can be sorted and ranked by computer in a fraction of the time that was formerly required.

Employees can make changes in their records by phone or touchscreen computer, and we are constantly seeking new ways that technology will help us lower costs and improve customer service.

Your letter of May 16 also suggested that OPM had promoted radical policy changes during recent reductions in force. Let me assure you, Mr. Chairman, that this is not the case. OPM has not implemented any significant changes in the reduction in force regulations in more than 10 years, since January 1986, nor have we published any regulations that compromise employees' retention rights.

Reductions in force continue to be carried out fairly and in total accordance with the law.

Your letter also mentioned veterans' preference. Let me say again that this administration is committed to the strongest possible support of the veterans' preference law. If you take the percentage of veterans hired for full-time permanent jobs in fiscal 1990, 1991, and 1992—the percentage there was 17.3 percent, 17 percent, and 23.6 percent—you get an average of 19.3 percent for those 3 years.

If you take the percentage of veterans hired for the same jobs, new career entries, in fiscal 1993, 1994, 1995, the corresponding percentages are 30.8 percent, 33.3 percent, and 31.3 percent. You get an average if, you would, using the same methodology, of 31.8 percent for those 3 years.

In other words, the percentage of veterans hired for full-time permanent jobs in the first 3 years of this administration is up by more than 50 percent over the previous 3 years. In 1995, for example, Mr. Chairman, about 47 percent of the men hired were veterans, and we want to do more.

These figures are not rhetoric, but dramatic evidence of this administration's commitment to veterans' preference.

I thank you, Mr. Chairman, and I will be available to answer your questions.

[The prepared statement of Mr. King follows:]

STATEMENT OF
HONORABLE JAMES B. KING
DIRECTOR
OFFICE OF PERSONNEL MANAGEMENT

before the

SUBCOMMITTEE ON CIVIL SERVICE
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT
U.S. HOUSE OF REPRESENTATIVES

at a hearing on

FEDERAL GOVERNMENT DOWNSIZING

MAY 23, 1996

Mr. Chairman and members of the Subcommittee.

Thank you for this opportunity to testify on the administration's proposed Federal Employment Reduction Assistance Act of 1996, which I forwarded to Congress on May 9.

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However, this proposal is not a rerun of the earlier program. It is a new program that uses new tools to meet new needs.

As you know, the federal workforce has been downsized by some 240,000 employees since January of 1993.

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We believe that to downsize the federal workforce by almost 11% in three years, with less than one-tenth of the reduction coming from involuntary separations, was a major achievement.

Buyouts are helpful, first, because they are less expensive to the taxpayer than RIFs, and, second, because RIFs are more harmful to the individual worker and more disruptive to the morale and productivity of the entire workforce.

We are moving toward our goal of a reduction of 272,900 full-time equivalent (FTE) positions by September 30, 1999. Beyond that, we face the possibility that budgetary pressures will force further reductions in the next few years.

The Clinton administration believes that buyouts can continue to be an effective tool in this process, and in this second effort can be used in a more targeted manner to meet more limited goals.

These incentives must be tied to specific cuts and agency needs. There must continue to be consistent administration of the program, there must be strong safeguards built in, and the time period for such offers must be limited.

Under our proposal, when an agency head determines that downsizing is necessary in order to improve efficiency or to meet budget requirements, the agency head can submit to the OMB Director a plan for voluntary separation incentives.

The plan must specify how the proposed reductions will meet downsizing goals and must also include a proposed time period for the payment of incentives.

The OMB Director will approve, disapprove or modify the proposals, and will ensure that each agency's program is targeted, timely and cost-effective.

Unlike the earlier buyout plan, which was responding to a government-wide reduction, this bill requires that an agency's full-time equivalent employment must be reduced by one filled FTE for each agency employee who receives a buyout.

This authority would begin with the enactment of the legislation and end on September 30, 2000.

The amount of an employee's incentive would be whichever is smaller: the employee's severance pay, or one of the following: $25,000 in fiscal years 1996 and 1997, $20,000 in fiscal 1998, $15,000 in fiscal 1999, or $10,000 in fiscal 2000.

This "descending scale" would encourage earlier and more effective use of buyouts.

Any employee who receives an incentive and then accepts employment with the federal government, or enters into a personal services contract, within five years must -- with rare exceptions -- repay the full amount prior to returning to work.

Our proposal would authorize agencies, under limited conditions, to let an employee volunteer for separation during a RIF when this will prevent another employee in a similar position from being RIFed.

As Mr. Koskinen noted, it also provides that employees who are involuntarily separated can continue their health benefits coverage for 18 months at the same cost as before.

Both those provisions are already available to Defense Department employees and are consistent with the career-transition programs and other efforts we have made to deal as humanely as possible with our employees.

Mr. Chairman, your letter of May 16 raised a number of questions. We will be submitting information for the record in response to several of them, but let me address two now.

You asked how reinvention has affected OPM's oversight of the merit system.

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If you take the percentage of veterans hired for full-time permanent federal jobs in Fiscal 1990, 1991, and 1992 -- 17.3%, 17%, and 23.6% -- you get an average of 19.3% for those three years.

If you take the percentage of veterans hired for the same jobs in Fiscal 1993, 1994, and 1995 -- 30.8, 33.3%, and 31.3% -- you get an average of 31.8% for those three years.

In other words, the percentage of veterans hired for full-time permanent jobs in the first three years of this administration is up by more than 50% over the previous three years.

These figures are dramatic evidence of this administration's commitment to veterans preference.

Mr. Chairman, I will be glad to answer your questions.

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Mr. MICA. I thank you and also the other panelists. I have a few questions. I would like to start out with Mr. Bowling, if I may.

Mr. Bowling, you have in your report and testimony before this subcommittee, the report on Federal downsizing, page 5, you have a chart, table 2.

DOD has accounted for the largest share of work force reductions, and then you enumerate 1994, 73.7, I guess 74 percent; 1995, 56.4; 1996 estimate, 74 percent; and then, a quite startling 1997 estimate is 100 percent—DOD is going to take that share of the cuts.

Is this 100 percent based on the President's budget submission?

Mr. BOWLING. Yes; that is where we derived those numbers.

Mr. MICA. In actual numbers of bodies, it comes up to about 68 percent, if you add all of them up, percentagewise, over 3 years. I haven't included the 100 percent for 1997. I guess that would bring it up even higher.

What is the body count on this, as far as DOD versus non-DOD?

Mr. BOWLING. We don't have—I don't have the body count in front of me. Perhaps OPM would have those figures.

Mr. MICA. Could you get us those figures?

Mr. BOWLING. Certainly, I would be glad to.

Mr. KOSKINEN. Could I add a point on that, just for clarification?

Mr. MICA. Yes.

Mr. KOSKINEN. It is important to understand that the 1996 numbers and the 1997 numbers are estimates, the 1993, 1994, and 1995 numbers are the actuals.

If you go back and look at the historic presentations over the last three of the President's budgets, the estimates are always in the range of 15 to 40,000 in non-Defense areas higher than the actuals, and that is because the agencies have slots. If you look at the 1995 number, the 1995 number in last year's budget was, compared to the actual—sir, the actual dropped almost 40,000 people.

Our expectation is, in both 1996 and 1997, the actual numbers will be below the numbers provided, by at least 30,000 people, because they in fact are estimates not of the actual final numbers; they are estimates of what are the positions that the agencies have to fill if they could afford to.

Mr. MICA. Well, based on this report, again, that GAO has conducted, based on the information in this chart, and based on the President's submission, it looks like, for all intents and purposes, downsizing is over, except in the defense area.

It says, in fiscal year 1997, DOD is expected to absorb all the FTE reductions made that year, while non-DOD work force is expected to increase by a total of 0.2 percent, according to the President's fiscal year budget, 1997. Is that correct?

Mr. KOSKINEN. Yes; that's correct. And I'm just saying, Mr. Chairman, that if you go back and look at the way the numbers are produced by the agencies, those are, in fact, positions they are authorized to fill.

If you go back and check every year, the minimum and the actuals are below—the estimate has been, in the last 4 years, 18,000. Last year, it was almost 40,000.

Our expectation is that the 1996 and the 1996 numbers both will be at least 30,000 lower than that in the non-Defense areas, and that is because there always is a significant difference between what actually happens as opposed to what is estimated to happen.

What is estimated there is, if the agencies had the funds, the positions that they were authorized to fill. It is not what they expect will actually happen, and it is not what will happen.

Mr. MICA. Well, the budgets are a blueprint, I guess, for the agencies, Mr. Bowling, and based on what we have as the submission, there doesn't appear to be any plan—in fact, the plan is to actually increase the non-Defense employment areas of the Federal Government. Is that your assumption?

Mr. BOWLING. Yes, that would appear to be the plan. I agree with Mr. Koskinen that the realities often are somewhat different than the plans, but just taking a snapshot of what the general intent seems to be would indicate that DOD will bear the majority, if not all, of the burden of the downsizing from here on.

Mr. MICA. Mr. Bowling, in reviewing the implementation of the buyout program, I want to talk about that for a second. Our subcommittee found several discrepancies between the central personnel data file information and agency reports. Does GAO consider the CPDF a reliable system for this information?

Mr. BOWLING. I guess I would have to say we consider it the best system we have but, in the past, we have found, in fact, that it is not particularly reliable. In some instances, where we've done reviews using CPDF data, we have had to go back and reconstruct the data base, based on gathering information directly from the agencies and checking it against the CPDF.

The CPDF is reported information that comes from agencies to OPM, and some of that information is not reported correctly. A lot of the coding that is done to put it into the system is not done correctly.

So it is not 100 percent reliable, no. It is the best we have available.

Mr. MICA. You also testified that the administration should be able to meet most of the work force reduction targets through attrition, and, I think—was it your testimony that said we have about 100,000 positions that occur just through natural attrition per year?

Are there any circumstances under which voluntary separations and attrition are simply inadequate for work force reduction purposes?

Mr. BOWLING. The times when the voluntary attrition has decreased the most have been when buyouts have been considered or implemented. As my testimony suggests, there is something of a dramatic dip preceding the buyouts in this last round, and then an increase in separations during the buyouts. That would suggest that the rate of attrition is directly affected by the availability of buyouts or other separation incentives.

Mr. MICA. I noticed, too, that Mr. King had testified that one-tenth of the RIF's, I guess, were involuntary; was that correct?

Mr. KING. Yes.

Mr. MICA. The separations?

Mr. KING. Separations were involuntary.

Mr. MICA. And what actual number did you have? One-tenth is equal to how many?

Mr. KING. Two hundred and ten thousand were taken at that time, and those were the numbers we had available when we took that.

Mr. MICA. So it would be 20,000?

Mr. KING. Twenty thousand.

Mr. MICA. Twenty thousand.

Mr. KING. Roughly, yes.

Mr. MICA. All right. And again, you have testified that natural attrition could take care of those numbers; isn't that correct?

Mr. BOWLING. That's correct. It would appear to us that if we went by historical averages of attrition—and obviously that's a projection, you don't know what will, in fact, happen—it would appear that it would not be a problem governmentwide to get down to the levels mandated under the Workforce Restructuring Act, and of course, that is speaking governmentwide.

If you're talking about an individual agency that has to downsize out of proportion to the rest of the Government, then attrition may well not be adequate in those particular instances.

Mr. MICA. Mr. Koskinen, I want to be particularly clear about one element of your testimony. Let me turn, if I can, to the list of the 10 agencies in the appendix.

Your testimony describes these as all the agencies that were given allocations for offering deferred buyouts prior to March 31, 1995. Could you clarify: Is this merely a list of employees who exercised the deferred buyouts approved before March 31, 1995, or are these new; could these reoffers of unused buyouts be extended to people who were not approved before March 31, 1995?

Mr. KOSKINEN. Those are not new. The only thing that has been new is an agency that appropriately offered deferred buyouts before March 31, 1995, has then applied for reuse of those previously offered buyouts. You had asked for a list of everyone who had been granted the authority and filed for deferred buyouts in 1995, and those are the agencies.

Mr. MICA. Well, the Federal Workforce Restructuring Act of 1994 allowed deferred departures for employees whose buyouts were approved before March 31, 1995, but nothing in that law contemplated approving reoffering unused buyouts after that date.

I want to emphasize that point. Even the determinations signed by Secretary O'Leary on March 6, 1995, recognized that deferred buyouts would have to be approved before April 1, 1995.

My letter on this topic to you asked that OMB review the Energy Department's legal opinion, but you cite that opinion back to the subcommittee in your testimony. Does that mean that OMB did not conduct an independent review of the Energy Department's opinion?

Mr. KOSKINEN. Our general counsel reviewed that opinion, and on the basis of his review and his determination that the opinion was appropriate, we authorized the reuse of the previously authorized buyouts. These are not buyouts that were—there are a whole series of buyouts, obviously, not used at all. We have had agencies inquire about the use of those and we have stated that they cannot use those.

The only buyouts that can be reused are those that were authorized for deferred buyouts, in particular parts of agencies before the statutory deadline of March 31, and then reused now.

Mr. MICA. What standards were applied in deciding which agencies get to recycle buyout authority?

Mr. KOSKINEN. The only ones who get to recycle them are those who had appropriately been authorized to offer delayed or deferred buyouts before the expiration of the statutory period.

Mr. MICA. Have any of the agencies been denied the recycling option, and can you identify any of those that have been denied that recycling option?

Mr. KOSKINEN. That actually had originally offered them as deferred buyouts? As I say, we have had an agency or two who had not offered them as deferred buyouts who have been denied.

Not all of those agencies listed have asked for reuse of them. Those are the agencies that basically had earlier buyouts. I'm not aware of any agency that appropriately offered deferred buyouts who has asked to reuse them, who has been denied.

Mr. MICA. I have additional questions, but my time has expired, and I do want to give some opportunity to Mr. Moran, our ranking member. He was not here for an opening statement, so he wanted to make some comments and then proceed with questioning the witnesses.

You are recognized, sir.

Mr. MORAN. Thank you very much, Chairman Mica. I'm not going to make any opening statement, because I've got a lot of comments and questions to raise here.

In the first place, Jim and John, you know that I really like you and respect you and admire all that you've done. Certainly, Janice Lachance knows that we're close personal friends. She could call me any time of the night or morning and I would be more than happy to get a call from her at home.

We're all friends, right? We have no reason not to communicate. But we haven't been communicating; and that's the first problem.

I spoke to a group of personnel managers. Tom Davis was there as well. And, in addition to having to tell them that they were part of the problem because they were more concerned with conforming with the personnel process than achieving the program goals within the Federal Government, I was asked what people should do with regard to buyouts, when I thought buyouts were going to be reinstated.

I had to tell them that the policy of the Congress which, of course, the executive branch would be complying with, is that there were no plans for additional buyouts and, in fact, there was no legal authority for buyouts after, what, March 1995, was it?

Mr. KOSKINEN. That's correct.

Mr. KING. That's correct.

Mr. MORAN. March 1995. Good. I'm glad that you agree.

It turns out that your general counsel wrote a memo in July 1995 agreeing with the Department of Energy that they could, in fact, reinstate their buyout—go ahead, correct me. You can do it on the record, Cedric. OK. The correction is that it was written by Energy, pointing out that OPM counsel agreed with Department of Energy's counsel.

Mr. KING. Pardon me. OMB's counsel, I believe that was.

Mr. MORAN. OPM counsel has expressed the view that the statutory language requires specific action on the part of an individual. OK. It disagrees with Energy counsel and, in fact, apparently it says—I just became aware of this, because the staff just got a copy of this. I know you're going to explain this, Jim.

But the end result was the Department of Energy has been able to offer buyouts—is that not true—during a period of time when there was no authorization from the Congress, and I know that the legislative intent was that there be no buyouts after the expiration period, because we needed a set policy, knowing that if we established precedents, if we allowed exceptions, then every agency would want an exception, every Federal employee would want an exception.

And yet, I'm told by diligent staff, who just got this memo in July 1995, which apparently justifies an exception to our buyout policy. Now, this is an issue with which you are not unfamiliar, Jim. What is the story?

Mr. KING. I believe that our view had been expressed orally to the Department of Energy from our general counsel, to their general counsel. Their general counsel then sought the opinion of counsel at OMB, and I believe that's where the discussion took place for the legal action.

Mr. MORAN. At OMB. Oh, I see. So you're saying OPM agreed with the Congress and OMB disagreed?

Mr. KING. No. We gave them our opinion.

Mr. MORAN. Who decided to override the will of the Congress?

Mr. KOSKINEN. I don't think anybody decided to override the will of the Congress.

Mr. MORAN. Well, who did override the will of the Congress?

Mr. KOSKINEN. The question was, you have the Energy Department letter, we've responded to Chairman Mica's request.

The interpretation was that, if an agency had appropriately offered and designated buyouts for deferred buyout authority which is allowed under the statute that, to the extent that those buyouts were not all used, they could be reused. They were not new buyouts issued, they were buyouts that, in fact, were counted in the buyouts that were authorized in the period through March 31, 1995.

Mr. MORAN. All right. OK. So tell me where in the statute the executive branch is allowed to continue buyout authority for agencies that did not fully use it prior to March 1995. Do you have a citation?

Mr. KOSKINEN. The statute specifically provides that an agency head may make a determination to offer buyouts on a deferred basis that can be used up to 2 years after the date of the expiration of the statute.

Mr. MORAN. Well, as Cedric is reminding me, and with which I think John and Tom and George and everyone else on this committee are familiar, the idea was that people had to make a decision prior to March 1995, whether they were going to take advantage of the buyouts.

This was done for a very reasonable public policy position. We knew what would happen if we gave people the option. People are always going to hold off to see if they can get a better deal, to see if they can extend their length of service, whatever.

So we decided, if people turned down their buyout option prior to March 1995, then it expires for them; and we had discussions about that.

But you're saying that OMB decided, after the fact, that people had a second bite at the apple.

Mr. KOSKINEN. I'm saying that the statute specifically authorizes the agency head to make a determination that buyouts are important in an area of the agency but that they should be deferred for a period of up to 2 years.

The handful of agencies with the relatively small number of buyouts involved—I think it's a total of about 6,000—made that determination. Those determinations were approved at the time by OMB as part of the approval of buyout programs.

They then approached us and said that not everyone had originally taken up those buyouts, the authorization was still outstanding, could they offer them to the same class of employees that they had originally designated? And the legal judgment was that that was appropriate and permissible under the statute.

The statute specifically contemplates the fact that buyouts will be deferred, can be deferred, by an agency head making that determination and, in this case, a Department of Energy agency head made a determination that buyouts in that area of the agency were important to use but could not be used until the extended period provided under the statute.

Mr. MORAN. Exactly, John. But you know that—maybe I'd better start calling you Mr. Koskinen, because this is not going to be as friendly as I had hoped—you knew the purpose behind that was that, if people needed personnel that wanted to take buyouts, but they needed their service for another couple years, say, they could have that latitude to retain the buyout authority but to extend it beyond March 1995, if the agency needed their services during that period of time.

That was the deferral that we wrote in. That was the little fail-safe strategy that we allowed agencies to take advantage of if they needed it for their purposes. There was never any intent to give people a second chance to decide again whether or not they wanted a buyout.

The only deferral was for the purpose of an agency's program, if they needed that person, that person chose a buyout before March 1995, but management needed them, and so they could defer the effective date of the buyout until sometime after March 1995. That was the deferral.

Now, the problem. If there was a misunderstanding, which there shouldn't have been, but if there was, did the executive branch contact the legislative branch to make sure that this was the intent, that, in fact, we contemplated this different type of deferral?

Mr. KOSKINEN. You would have to talk to counsel about whether, when there is a statute and legislative history on the books, the proper way to interpret that is to make telephone calls to the Congress and ask people after the fact what they intended in the act. But, as I say, that's a legal issue that I'm not paid to respond to, I guess.

My point is that these were determinations by the agency in an area that they needed a reduction of 500 in this specific area of the agency, but they could not take that hit of 500 until a period 2 years later.

Nothing is changed in that determination. They are still making the determination that, in that 2-year period, the end of that period, they need to take a decline of 500 through buyouts.

Their question was, if they did not have everyone specifically identified, person-by-person, but had the area identified, the number identified, had, in fact, gotten approval for the buyouts, could those be reused? The legal interpretation was that they could be.

Mr. MORAN. Well, that was your legal interpretation. The problem is that it is the Congress that writes the laws, and whether it's the Republicans or Democrats in power, there has got to be some consultation.

You know, you're putting us in a situation where we're finding more in common than we ought to be finding in common at times. There was an agreement on this.

The problem with this, even if it was five people, is when you allow a precedent, when you allow an exception, the word gets around. Invariably, the first place it shows up is in Mike Causey's column, not in any kind of communication between us.

And then people read it and they believe that they're going to have another shot at a buyout, and that changes their decisions. One of the biggest problems we have had is the attrition rate. People aren't leaving the Government at the rate they used to because of this buyout opportunity.

Now, let me move to the second issue, and I'm sorry to belabor this, but this is very important, this buyout legislation. When is the first time you knew about it, Mr. Chairman?

Mr. MICA. Actually, we read about it.

Mr. MORAN. That's what I was afraid of. Probably the same article I read. There was reference to it in Mr. Causey's column and Mr. Barr's column in the Post, but that's not where we should be finding out about this legislation.

You know, after it was put together, I was asked if I wanted to sponsor it, and I will, upon request, but there are some real problems with it.

One of them is the credibility of the executive and legislative branch. If we are telling people there's not going to be any more buyouts, they have to make their career decisions. We have to stick to that.

I have more than a passing interest in this, with 70,000 Federal employees and being ranking Democrat here on this legislative subcommittee. And those employees I know are trying to figure out what we are going to do, and we owe it to them to be as clear as possible. We have not.

We now have a new policy, a new buyout policy, and that buyout policy confirms the most cynical assumptions on the part of the Federal work force that what we said, we didn't mean; that we can change our minds; that if they don't make a decision initially, like their colleagues, there's going to be another opportunity to make a decision again, there will be more buyouts; if they all hold back, maybe there will be more profitable buyouts.

This is not conducive to the kind of strong management that we need within the Federal Government. It doesn't help program managers who are trying to advise their employees or personnel people. We have some real problems with this buyout legislation. I do.

One of the problems is that it is being misinterpreted. The way that it is being presented is that it's a governmentwide buyout opportunity. It's not governmentwide, it's only agencies that are actually engaging in downsizing.

We need some firmer definition of downsizing to determine where it applies but, even where it applies, I think it runs counter to a lot of the discussions that I've had with you, Jim, and with you, John, in terms of wanting to devolve a lot of this kind of decisionmaking, recognizing that every agency has different missions and different time schedules.

NASA, for example, they're going to start their buyout July 1, 1997. That's fiscal year 1998. Excuse me, October 1, 1997. So that's fiscal year 1998. That means that they don't have 25,000 available, they have 20,000.

Now, if they're downsizing initiative is that important, why should they get less of a buyout figure? If 25,000 is the magic number, then that is going to reduce their ability to reach their program objectives, because they are going to have less money available.

There's got to be other agencies who have missions that are going to be accomplished in fiscal year 1999 or fiscal year 1998 or whatever. Wouldn't it make more sense to give each agency the ability to determine when the buyout opportunity would be most effective to accomplish their program's mission?

How can we assume that every agency is in a situation where it can comply with exactly the same timeline so that the 25, 20, 15, 10 schedule is going to apply to their situation? That runs completely counter to all of the management theory that I've seen articulated and written by people like yourselves.

So, I've got some problems with this, and I think they need to be addressed.

Now, two things that I'm going to suggest to GAO, and then we can hear from all of you. One is that we need GAO to look at the legal opinion with regard to Department of Energy, to see whether there really was compliance with legislation.

What kind of legal authority did OMB have to override the opinion of the OPM general counsel and what we consider to be legislative intent? We're going to need a legal opinion on that from GAO.

And, I think we probably are going to need some advice as to whether this is optimal management policy in terms of the phasing out of the buyout authority.

Now, you can share with me your opinions of some of the concerns that we have with this legislation. Do you want to start, John?

Mr. KOSKINEN. Yes. I appreciate those comments. You really have been active, this committee has been an active supporter of trying to, as I said in my testimony, work through what is a difficult situation for the agencies.

I think an important point to bear in mind as to why we are here today and, as recently as 15 months ago, you were maintaining there should be no new buyout program, it was not necessary. And that is because the analysis here is not driven by the Workforce Restructuring Act. The analysis of whether or not, by attrition, the agencies can meet and the Government can meet the requirements of the Workforce Restructuring Act is not what we're talking about.

Last year, when we said we did not need more buyouts, it was because, as testimony here has stated, if that were the only driving force, our judgment is we would not, as a government, need more buyouts.

The problem is, we're going to meet the Workforce Restructuring Act, which is a governmentwide program. What we're now into is a situation where the issue is being driven by resource constraints.

As a general matter, most agencies can't afford the FDE's that they are allocated under their streamlining plans but, in particular agencies—as GAO noted, the problem with looking at the Government generally is that it ignores the situation in particular agencies—significant numbers have already been downsized, not because of Workforce Restructuring Act constraints, but because of budgetary constraints.

And going to the issue that we hear a lot of, which is appropriate to ask about, is how much of the burden is Defense bearing? Defense, compared against the entire civilian branch, does have a large percentage. But, if you look at particular agencies, you have decreases significantly greater than Defense.

Defense has declined, from 1993 to 1995, against the base, just less than 12 percent, a significant decline. It obviously is a major accomplishment. OPM, in that period, has declined 32 percent. GSA has declined 17.8 percent. NASA has declined 13.2 percent. HUD has declined 11.1 percent. Department of Transportation and Agriculture have declined 10.2 percent. Interior has declined 9.2 percent.

So there are a significant number of very large agencies that are in the same downsizing track as the Department of Defense.

As we go forward, as my testimony noted, the difference is no agency is going to be driven to further FTE reductions as a result of the Workforce Restructuring Act. The further declines—and there will be significant declines—will not go across the Government. They, in fact, will be agency specific, which is one of the reasons that we have targeted and tailored this bill to the agencies that are actually under budgetary pressure and having to downsize as a result of that.

Mr. MORAN. Excuse me. Then, if that is the case, if this is responding to budgetary constraints, not the reinventing government overall downsizing initiative, then why wouldn't you leave it to the appropriations committees who have created the budgetary constraints to determine whether or not and when and by how much they should provide the buyout?

Why would you have a governmentwide policy now, when it could be so much more effectively accomplished by each appropriations committee who was responsible for creating the situation in the first place?

Mr. KOSKINEN. Last fall, that was my view. When we talked about it with the President's Management Council, because we now have agencies across the spectrum, we talked about it, and my recommendation was that we, in fact, go agency-by-agency because, at that time, I thought there were only going to be a couple agencies.

As we've gone through the budget debates, and it's clear now we are on a glide path to a balanced budget and significant further restrictions on discretionary non-Defense agencies, it's clear that there are going to be a number of agencies who, in fact, will take a course.

My concern is, and I think this committee's concern has to be that, if we end up with a series of individual buyout programs, we're going to end up with a wide range of those, and we will, in fact, have to sort of go through guerilla warfare, handfighting each one of them, trying to make sure that we think they are consistent with what the plans of the agency are, consistent with our overall view as to what is an appropriate buyout program.

It was our judgment, relatively late, which is why our communication has indeed broken down, and I apologize for that, but it is why our judgment is, as agencies began to push for individual programs, that we would be better advised, both in the executive branch and in this committee, to try to deal with the problem, analyze it—I think this hearing is important—analyze the problem, come up with a program that appears to be appropriate for the agencies that will be under those budgetary restrictions, and try to have as uniform a program as possible.

My prediction is that, Congressman, you are exactly right. If we do not pass a general bill for agencies that are going to be downsizing because of budgetary constraints, what we will find is that individual agencies indeed will make their case, either to their appropriators or other authorizers, for an individual program, and we can proceed in that direction, but I think it, in fact, will be a much more difficult process to manage.

Mr. KING. I would like to make just one other observation on a question of cost in this. I think my colleague from GAO mentioned there is really only one scenario in which RIF's are less expensive than buyouts, and that is the situation where an individual unit—individual, really cutoff—is closed in its entirety. Would that be correct?

Mr. BOWLING. That would be a scenario where that could be true. The real factors that determine it are controlling for bumping and retreating.

Mr. KING. Right. So generally, if it is a compartmentalized unit, the reason I say that is, because that's an exception, and what we're talking about is that in—and I would like to just make this—that the buyouts, any buyout is first cheaper, we can discuss how much cheaper, but it is cheaper than a RIF, with this one exception, it's better for productivity within every agency, and it's more humane.

So when you can put together increased productivity, saving the taxpayer money, and the decency, the humanity, and the morality of it, it's a combination that surely is nothing less than a winner.

Mr. MORAN. But, you know, you are creating a conflict between an agency's ability to achieve its program mission in the timeframe that that mission demands and your overlaying of this buyout authority in your own time schedule with which they are going to have to comply.

So, to meet the program mission, you may need to keep people on until fiscal year 1998 or fiscal year 1999, and then you are going to find it all the more difficult to then commence the downsizing which the appropriations committee and authorizing committees may have demanded because, at that point, you are only going to have $15,000 available to the people who need the buyout rather than the $25,000.

So the people are going to be caught in a conflict between loyalty to the mission of the agency and responsibility to their own families. If I'm only going to have a $15,000 or a $10,000 buyout opportunity if I stick with this program until its conclusion, then I had better take my buyout now and to heck with the agency mission.

That is the problem with superimposing this declining schedule, because it doesn't necessarily comport with the mission of the agencies that you're imposing it on.

Mr. KOSKINEN. It's a very good point, and the problem is, there is, not an easy resolution to that issue compared against the other side of the issue, and that is, normally, agencies are not pinpointing buyouts to the person. They are pinpointing them to a class of people in a particular area and, as they make that offer in the first year, their problem is to get acceptance.

As you noted, one of the concerns we all had when we talked about this over the last 2 years is the employee not necessarily just dedicated to the mission, although most of them generally are, but the employee who says, "I don't think I'll take it this year; I can wait, either because, if there isn't buyout legislation, there will be new buyout legislation" or "I can wait because there is no penalty to hoping that I get offered the buyout again 2 or 3 years from now."

So part of the need on the part of the agencies is, if they decide that they need to have a certain reduction through buyouts in 1997, is to have employees have an incentive to accept those buyouts. If there is no disincentive—that is, I can wait until 1998 and hope you offer it again, or 1999, and there will be no decline in it—you do not motivate people to accept it at the start.

Now, the Federal Workforce Restructuring Act dealt with that initiative by saying, "This is a 1-year program." So it was actually a cliff.

This is, we have a glidepath going from 25 to 10. The Workforce Restructuring Act was a cliff, said, "One year, take it or leave it," again, on the same principle, that if we needed to have the downsizing, we needed to have incentives for employees to accept them.

So what you've got is your point, which is very valid, which is, if it's a declining number, it is a declining incentive for the employee, which solves our first problem, but it may be a declining incentive for the employee to stay and meet the needs of the mission, which is the other side of the problem, and it may make it harder in this third or fourth year for the agency to get anybody to accept the buyouts.

I'm not sure there is—and we've wrestled with this—that there is an easy way to solve that algorithm, but again, in discussions with the President's Management Council and agency managers, the consensus was that we would do better, actually with the senior managers in the government, we would do better to provide greater incentives earlier for both the agency and the employees to accept the buyouts, but to allow the program to run over a period of years so the agency would have the authority to do it and also so that employees would know that if we only did a 1-year program, there wouldn't be another piece of legislation.

There would be a 4-year horizon that would say, "This is the buyout program. There is no point in waiting now and hoping there's a better one in 2 years. This is it."

Mr. MORAN. We're saying, "We really mean it now; we didn't mean it the last time, but this time we really mean it."

Let's ask GAO what they think of the sliding scale, if we could?

Mr. BOWLING. Well, one of the criteria that we have always suggested for buyouts is to make sure that it is a one-time deal and that, in fact, employees will not see it as an opportunity to take something now or wait and take something later if it comes along again. I think that does end up with a sort of dip in the attrition rate that we've seen historically before the last buyout.

So having this one-time deal is probably the right thing to do. Whether spreading it out over several years would, in fact, be the right thing to do would depend on how you would predict human behavior.

Obviously, if you spread it over enough years, people retire when they would have retired anyway and take the money.

On the other hand, there is a $5,000-a-year incentive to take it earlier rather than later and, presumably, that would influence people who are on the cusp of deciding whether to go or not to go perhaps in the earlier year rather than the later year. So there would be some incentive there.

I think, in reality, Mr. Koskinen's point about the need to target or to plan this type of incentive on a case-by-case basis with a particular agency in mind, and their needs and their work force mix and the skills they want to retain and the skills they feel they no longer need, is probably the right way to approach it, to make sure that you have looked at the particular needs of that work force and then tailored your incentive, whatever it is, to getting rid of the people you can no longer use and retaining the ones you would like to.

Mr. MORAN. You mean the approach that the White House turned down, the Management Council rejected, would have been the better approach, is what you're saying?

Mr. BOWLING. Well, we haven't any official GAO position on that, but it does appear that tailoring, planning your downsizing strategy to your organization's needs makes a whole lot of sense.

Mr. MORAN. Thank you, Mr. Chairman.

Mr. MICA. The gentleman's time has expired. I recognize the gentlelady from Maryland.

Mrs. MORELLA. Thank you, Mr. Chairman. I would like to, first of all, recognize the comments that my colleague, Mr. Moran, just made in terms of the need for communication with Congress, all along, before the fact.

We have a lot of constituents, Federal employees, who are very anxious. It is a very unsettling time for them and they need to know, we need to know, we need to work together more closely on these various issues.

I would like to them point out that everybody recognized that buyouts must be tied to agency goals and safeguards have got to be involved with it, too. Under the administration's proposal, the agency head must submit to the Director of OMB a plan for buyouts.

I wonder, how will the approval process work to ensure that the plan is targeted and cost-effective?

Mr. KOSKINEN. We anticipate that the agencies will submit those plans to the OMB resource management organizations with whom they normally relate on budgetary and increasingly on management issues, that they will, as the GAO report and this committee's concerns have noted, present a plan that ties the use of the buyouts to their strategic plan and their downsizing and explains exactly how they are tailoring their plan to their needs.

It will be, again, up to them to make the case as to why this is the most efficient way to go. Clearly, it will be in a context in which they will be downsizing, because we will be measuring the ability to use buyouts against the actual—not the estimated but the actual—FTE decline, so that there will be no question that they will be downsizing.

The question will be, your point is, whether not so much it is cost-effective in terms of the payment and the buyout, but whether it is, in fact, cost-effective in the way the agency is going to be managing itself without these people as it goes forward.

I would stress that the agencies are going to have to do that downsizing whether we have the buyout program or not. The advantage of the buyout program, which this committee originally supported the last time around, is that, as people have noted, it is a more effective and efficient way to downsize your work force than to just wait either for attrition or to go through a RIF, because it allows you to target a group of employees with a voluntary incentive to leave and you hopefully will target those employees, and that's what the plan would show, according to what your future needs in mission-related issues are.

Mrs. MORELLA. I would like to ask Dr. King if he would amplify the statement that he made that ties into what you just said about the buyouts being obviously greater for the morale, maybe enhancing productivity, but how about the cost-effective facet of it? I just wonder what the statistics are and then what you base them on.

Mr. KING. I think one of the things, everyone uses $25,000. That's been the standard that we hear constantly. We never mention, the first thing we do in the Federal Government is take $7,000 and put it right in our pockets through taxes. Nobody goes out the door with $25,000. They go out the door, at best, with around $18,000.

We are also talking about, then, what is the reality? What would the option be?

Well, let us assume, just for the sake of argument, the choice was severing this particular individual, and somehow they were in a group where they didn't have certain other rights—their severance pay and the other kinds of costs that come in—and that is unusual.

There is generally bump and retreat, as my colleague mentioned. That has the serious implications of the disruption of the organization itself. It is a rare thing that, when you put out RIF notices, that the people that got the notices went out the door.

The implications are generally two-and-a-half moves to one. Is that correct, roughly, on an average?

Mr. KLEIN. [Nods.]

Mr. KING. Two-and-a-half persons are affected by a RIF, as you are either bumped, retreated, in the way it moves. So you end up with a serious disruption of the organization if you're RIF'ing very many people, depending on the size of your operation and where it is being done.

What is being suggested here, that you step in and surgically make an offer and, if people wish to take it, they can. If they don't wish to take it, then you have to go to your alternative means. But this is the voluntary way.

Now, on cost, we can supply on the differentials the comparisons and, in every case, the numbers come in fairly close to each other, maybe with one exception, and I would certainly be a little curious as to where those numbers came from and how they were arrived at.

But, generally, the savings are there in not using RIF, using buyouts, so there is no real comparison, other than the one serious exception, of a unit where there is no retreat and bump rights, and that is the only scenario that comes up where RIF actually is probably the least expensive way to go, and that almost never happens.

Mrs. MORELLA. So you have those figures that you could share with us?

Mr. KING. Yes. Would you like them, either for the record, or we can give them now?

Mrs. MORELLA. Yes, I would.

Mr. KOSKINEN. Would you like them now?

Mrs. MORELLA. I'd like them for the record.

Mr. KING. Mr. Klein.

Mr. KLEIN. There has been some discussion of the cost of RIF's. For example, we had estimated at OPM that the cost of a RIF is $16,000, and we had computed that from a past GAO survey in the late 1980's and updated it with today's salaries, of course. But a recent Geological Survey RIF, there was an estimate made that the cost of that RIF was only half of what the OPM estimate was.

What, in fact, happened was that the calculation there was in error and, instead of calculating on the basis of the people RIF'd, the calculation was based on all those who left—temporary employees, turnover, normal attrition.

So that the result was half of what OPM—when it was done correctly, the cost of the USGS RIF was within $300 of our estimate.

Mr. KING. Which was?

Mr. KLEIN. $16,000.

Mrs. MORELLA. Which is $16,000, I think.

Mr. KLEIN. Theirs was $15,544.

Mrs. MORELLA. Then you want to factor in counseling and the disruption?

Mr. KLEIN. Of course, that doesn't include productivity and morale loss and the loss to the organization of people they didn't wish to lose.

So, I think what we are saying is that both OPM and OMB, the GAO, and the Congressional Budget Office have agreed to buyouts are cheaper than RIF in the long term.

When we're trying to balance our budget, the long term is a heck of a lot more important than the short term, and we're saying "Let's go for it. Let's go for the one that saves money, rather than the one that costs both our employees and the budget."

Mr. KING. Also, by the way, the productivity loss is immediate. So, although the savings are downstream, the disruption to the organization and its mission is right then, right there.

Mrs. MORELLA. There are taxes taken from that money, too, though, aren't there?

Mr. KING. $7,000 on the $25,000.

Mrs. MORELLA. On the $25,000. How about the $16,000?

Mr. KING. We can get you those figures, as they come down. Would you like those for the record?

Mrs. MORELLA. Yes; I would.

Mr. KING. All right.

[The information referred to follows:]

Cost Comparison--RIF vs. Buyout

TYPICAL RIF

Based on a 1985 GAO Study adjusted to 1996 costs

GS-9 separated and 2 other employees downgraded

COSTS	
Annual Leave	$4,326.40
Severance Pay	$7,895.68
Appeals	$2,595.84
Unemployment	$1,838.72
Personnel Processing	$4,434.56
Pay/Grade Retention (for other affected)	$18,170.88
TOTAL	$39,262.08

FWRA VSIP

COSTS	
Annual Leave	$4,422.00
Buyout Payment	$24,500.00
TOTAL	$28,922.00

Based on average buyout taker (GS-11)

Note: All payments to employees, including voluntary separation incentives, severance pay, and annual leave payments, are subject to taxes and other deductions.

Mrs. MORELLA. I would like to ask about, you know, this administration's plan, how it differs from the bill that Frank Wolf has introduced, that I'm a cosponsor of, and I think probably Congressman Moran is, also, those of us from the region. How does it differ?

Mr. KOSKINEN. I'm sorry. I didn't hear the question.

Mrs. MORELLA. How does this buyout bill differ from the bill that Frank Wolf has submitted that many of us have cosponsored with him on buyout?

Mr. KOSKINEN. I don't have the bill before me, but there are the modest differences. Congressman Wolf's bill is a 3-year bill, so that it stops, it goes 25, 20, and 15. We would go to the fourth year, to 10, again, to try to box the problem as best we could in terms of expectations.

There is a mandatory placement provision in Congressman Wolf's bill, as I recall it. We have an Executive order the OPM is working with the agencies on in terms of ensuring there is priority for people well qualified for the jobs that are opening in question, so that agencies look to existing employees, Federal employees, before they go outside without it being a mandatory program in the sense of whether they're well qualified or not.

There are proposals in Congressman Wolf's bill that provide greater transition assistance. Again, I'm doing this a little off the top of my head. But, as I recall it, transition assistance that would allow the Government to pay a private sector company for training or retraining of a Federal employee in the hiring process.

As I recall, Congressman Wolf's bill provides that health benefits could go for 5 years rather than 18 months, and I'm sure there are a couple of other points I've forgotten, but those are some of the differences.

Mrs. MORELLA. But is it from the administration's bill, would more money be saved, or can you see any advantage in that regard?

Mr. KOSKINEN. Well, the Wolf bill would allow the Government to spend more money on transition assistance.

Mrs. MORELLA. Besides transition assistance.

Mr. KOSKINEN. Yes; but other than that, the difference in the buyout elements would be the same. In other words, the proposal—I don't remember exactly how their buyouts are assigned to the agency, whether it's governmentwide or not.

Our bill very specifically says the buyouts can only be used by an agency downsizing in actual terms, but the buyout provisions are the same. There's $25,000 for the first year; $20,000 in the second year of the bill; and $15,000 in the third year. So, to that extent, there would be no financial difference.

Mrs. MORELLA. There are some slight differences. I just would like to ask you, Mr. Koskinen, you indicated that the administration does not support, as a general matter, soft landing proposals.

I have submitted a proposal called the 2-percent solution, which has a great deal of support. It's one that would phaseout the 2-percent penalty for retirees by 2 percent toward each birthday before age 55.

I wondered if you might want to comment on that.

Mr. KOSKINEN. Yes. We have historically taken the position that it would be unwise because it, first, is a very costly provision.

Second, oftentimes, the agencies, the way it's designed, the cost goes against the retirement fund, not against the agency so that, in fact, it appears to be a less expensive way to proceed than otherwise.

Third, our judgment is that we ought not to adjust the retirement system as it operates. If we want to make payments and if we need to provide greater payments for people retiring earlier, we ought to provide those payments up front and acknowledge what those costs are.

The 2 percent has an attractive lure to it, because it doesn't sound like a lot until you actually try to convert it into costs, and the dollar costs are significantly greater than the $25,000 per employee.

Mrs. MORELLA. Except you would not be able to hire anybody in place of those persons who decide on that earlier retirement. They would put in sufficient amount of time. You're given a 90-day window of opportunity, and it is fashioned or directed toward those agencies and those positions where they are most needed.

So you have all of that kind of selectivity that is involved in it, and I just don't think that the amount it would cost would be that great when you're talking about the fact that a buyout, for instance, is less expensive than a RIF.

Mr. KOSKINEN. The estimated cost is, depending on how many years you buy down, is those costs can run between $50 and $150,000 an employee, which is significantly greater than the $25,000.

There may be unique cases where that is appropriate, but as a general matter, what you really do when you do that—and it is a thoughtful approach in terms of trying to expand the authority of an agency and the flexibility to reach to a broader range of employees.

You're reaching with buyouts primarily to people who are eligible for early retirement or retirement or people who, in fact, might say, "Well, I'll take the money and go get another job."

What the 2 percent allows you to do is increase the pool of people, in effect, who are taking early retirement, so you broaden the base of employees, which is certainly a laudable goal and would give the agency manager more flexibility.

The problem is, it's a significant cost if you actually look at it up front. If you say it's just 2 percent and it goes into the retirement fund and we'll charge it through the retirement fund, you tend to shield that cost and actually distort the retirement fund, and our position has been, across the board, that if you are going to do that, you ought to deal with it directly.

Mrs. MORELLA. That could be probably worked out. Well, I've run out of time. I want to thank you all very much. Thank you, Mr. Chairman.

Mr. MICA. I thank the gentlelady. We do have a vote that is pending, and it is an important vote, and I know members are going to want time to get to the floor.

The hearing so far this morning has raised probably more questions, and we need, really, some answers. I think there are some questions pending on the legal interpretation of some of the authority relating to what is being conducted in the buyout area.

I would also like to see and hear from Office of Management and Budget if, in fact, these recycled offers are being offered to new folks or the same individuals and what numbers, and again a clearer definition of what authority we are working under. It may be necessary, too, to call the panel back at some time.

But I think that both the minority and the majority side have a substantial number of questions that we would like to submit in the meantime and, because of the vote, also, I think what we are going to do is dismiss the panel, submit in writing, try to get a response, get some definition.

There are questions raised now if, in fact, these recycled buyouts have already been granted or offered, the possibility of people being required to pay them back if they're illegal. It's raised a whole bunch of serious questions about what is going on here.

So we need to get those answers. We're going to submit to the panel again questions from both sides and possibly reconvene the panel when we get those responses and those opinions.

I will excuse this panel with no further questions at this time and we will recess the subcommittee meeting until 10 minutes after the hour.

Mr. KING. Thank you, Mr. Chairman.

[Recess.]

Mr. MICA. I would like to call the subcommittee back to order. We have a second panel this morning. That panel consists of Mr. John Luke, Deputy Assistant Comptroller General for Human Services of the U.S. General Accounting Office and P. Patrick Leahy. Dr. Leahy is the Chief Geologist at the U.S. Geological Survey.

Gentlemen, it is the custom of this investigative oversight subcommittee of Congress and our full committee to swear in our witnesses, so if you would please stand.

[Witnesses sworn.]

Mr. MICA. The witnesses answered in the affirmative. I'm pleased to welcome to our panel today Mr. Luke, again, with U.S. General Accounting Office; and I will recognize you, sir, for 5 minutes. It is the custom of this panel, if you have lengthy testimony, to include it as part of the record and, if you would like to, summarize in whatever fashion. But you are recognized, sir, and welcome.

STATEMENTS OF JOHN H. LUKE, DEPUTY ASSISTANT COMPTROLLER GENERAL FOR HUMAN RESOURCES, U.S. GENERAL ACCOUNTING OFFICE; AND P. PATRICK LEAHY, CHIEF GEOLOGIST, U.S. GEOLOGICAL SURVEY

Mr. LUKE. Thank you, Mr. Chairman, and pleased to be here to talk to you about GAO's experience under downsizing over the past year or so. I would like to submit my statement for the record.

Mr. MICA. Without objection, so ordered.

Mr. LUKE. If you don't mind, I will summarize that statement. In summarizing, Mr. Chairman, I would like to highlight three areas: One, our downsizing plan; two, our revised RIF procedures; and three, the impact upon those in GAO's work force in general, but namely, the veteran population within GAO.

Mr. Chairman, as you know, GAO experienced a budget reduction last year of 25 percent and, in doing so, 15 percent was to be effective in fiscal year 1996, the remaining 10 percent in fiscal year 1997. And it became increasingly clear to us that, to get down to where we needed to be going into fiscal year 1997, we could no longer rely on attrition alone.

In doing so, early summer, we were around 4,350 staff and, to accommodate that 25 percent, we would have to get down to around a staff level of 3,500 by October 1, the net result losing about 850 staff.

To accommodate that rapid loss, we employed a three-phase approach to do so.

One is general buyouts throughout the General Accounting Office, which netted about 393 buyouts.

We had a series of office closures, by way of RIF's, which was another 143 staff, as well as a general RIF among our ops and technical support which is ongoing right now, and it is to be effective through the end of June, which would be another 143 staff members. Attrition will account for another 170-plus of those.

And I may add that we've accomplished all of this over the past year in a time period of freeze, which we imposed back in 1992, and that freeze is still in effect to date, Mr. Chairman.

I think we have accomplished our goal in terms of getting down to the 850 that we needed to get down to off of the number we were working with beginning in July 1995, and we did so again by employing a number of methods.

Regarding our RIF procedures, we did get a legislative authority to revise our RIF procedures and we did so during the fall of last year. They were implemented this winter, February of this year as a matter of fact, and our current RIF with respect to our technical support administration group is being conducted under those revised rules.

You asked what changes did we make with respect to those in relation to the executive branch and, two, what difference did they make?

One, I may say that the revised rules do not differ significantly from those of the executive branch agency, Mr. Chairman. The four major factors that are considered in RIF rules with respect to the executive branch are the same four with respect to revising our own rules and, as you know, those are tenure, veterans' preference, performance, and length of service.

To the extent that we made some changes, it was with respect to what we called our zones of consideration in the executive branch, commonly referred to as areas of competition.

On the executive side, that area of competition is generally defined as organization and geography. In our zones, we expanded that to include geography and organization, but as well, our four different pay plans, to better differentiate among our work force population, if you will. And, in doing so, we did take the opportunity to do that.

That facilitated us, quite frankly, in being able to target our last RIF with respect to getting our administrative support operations in line with our downsizing audit operation, if you will.

Other minor changes were to lessen the burden, if you will, on staff affected or reached by the RIF. For example, if an individual was reached by the RIF and was within a year of eligibility with respect to retirement, we work to defer that retirement date so one would not be penalized in terms of not being eligible for the annuity, if you will.

And third, regarding the impact upon the work force itself, I would say, on balance, taken as a package, our downsizing plan has been fairly even throughout each of our population groups, if you will, to include veterans.

Veterans represented, in July, about 17 percent of our work force. Today, they are a little less than 17 percent of our work force. The majority of those, or the majority of that difference is a function of a large share of our veterans taking advantage of the buyout program that we had back in September 1995.

In our office closures, we had about 13 veterans that were affected in our office closures. That's Detroit, New York, and Cincinnati. In our current, ongoing downsizing effort, about five veterans will be affected as we complete what we think to be our downsizing effort here at GAO.

Again, in summary, Mr. Chairman, we started out in July with about 4,350 employees. With the 25 percent budget cut, we felt we needed to get down to about 3,500. That's about what the budget would finance.

Through the employment of normal attrition, a hiring freeze, general buyout, two RIF's, we think we'll make the 850 by October 1, with no major deviations in the implementation of new RIF procedures and rules, if you will. We did that without affecting any one group adversely vis-à-vis any other group in the GAO population.

In closing, Mr. Chairman, I would like to recognize our staff at GAO, both those leaving as well as those staying, because they have gone through this period, very difficult, in a very remarkable and professional manner, and I think all of us in the management of GAO are proud of them as a result of the way they've handled this entire process over the past 14 months or so.

I will be glad to answer any questions that you may have, at this time or later, Mr. Chairman.

[The prepared statement of Mr. Luke follows:]

Statement of John H. Luke, Deputy Assistant Comptroller General for Human Resources

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss GAO's downsizing efforts, including our ongoing reduction in force (RIF). Specifically, as you requested, I will address (1) our strategic planning process to restructure our workforce, (2) the development and implementation of our new RIF rules, and (3) the differences between our RIF rules and appeal rights and those for executive branch agencies. In addition, I would like to discuss the impact of our downsizing efforts on our veteran workforce.

In summary, we believe that we used a thorough and rational process to guide our downsizing efforts and to develop new RIF procedures. While the changes we made to our RIF rules were not dramatic departures from those governing the executive branch, they provided us with the tools required to meet our needs. These new rules also eased the burden for some staff who were affected by the RIF.

GAO's Downsizing Plans

In 1992, GAO began a gradual reduction in its staff levels. At that time, GAO had about 5,300 staff on board; on July 31, 1995, we had around 4,350 staff. Over the three-year period, this reduction was accomplished principally through a general hiring freeze (which remains in effect today), buyouts, and normal attrition.

Last year, the Congress directed a 25 percent reduction in our funding--15 percent to be accomplished in fiscal year 1996 and an additional 10 percent in fiscal year 1997. Because nearly 80 percent of our budget pays for salaries and personnel-related costs, we reached the unavoidable conclusion that the agency could not absorb these reductions without significantly downsizing our workforce.

In response to this budget situation, the Comptroller General established a team of senior level managers to assess the impact of the funding reductions and develop a plan for achieving these reductions. In July 1995, the Comptroller General approved the team's plan to reduce GAO's workforce by about 850 employees over 14 months. Under the plan, GAO's workforce would be reduced to about 3,500 by the beginning of fiscal year 1997. The goal of the plan was to achieve large reductions in a way that would avoid major disruptions in our workplace, while leaving us with the skills required to carry out our mission and maintain current production levels.

These reductions were to be achieved in three phases.

-- Phase 1 was a separation incentive program that ended in September 1995. During this program, 393 employees left GAO. Of those, 179 were from headquarters mission offices, 149 from field offices, and 65 from headquarters support offices.

-- Phase 2 was the November 1995 closure of three field offices--New York, Cincinnati, and Detroit. A total of 143 staff were separated from these offices, including 104 evaluators.

-- Phase 3 is the ongoing RIF of support staff agency wide. Under this RIF, which will be completed in June 1996, 143 employees will be separated.

In addition, we anticipate that 171 staff will be off our rolls by October 1, 1996. This includes staff to be transferred with GAO's claims function to other agencies and normal attrition. In all, as shown in table 1, since July 1995, 850 staff will have left GAO. At this level of operation, we believe we will be able to maintain productivity while avoiding major disruptions and imbalances in our staff mix.

Table 1: Staff Leaving GAO July 31, 1995 - October 1, 1996

	HQ Mission Offices	Field Offices	HQ Support Offices	GAO-Wide Total
Sept. 1995 Buyout	179	149	65	393
Nov. 1995 RIF	0	143	0	143
Jun. 1996 RIF	46	19	78	143
Other Attrition	107	30	34	171
Totals	332	341	177	850

Note: Other attrition includes 37 staff being transferred with the Claims function to other agencies, as well as anticipated attrition through October 1, 1996.

To summarize, by October 1, 1996, GAO's staff will have been reduced from about 5,300 in 1992 to 3,500 -- a reduction of nearly 35 percent.

Developing and Implementing New RIF Rules

The 1996 Legislative Branch Appropriations Act granted GAO authority to develop and implement its own RIF regulations. We were to minimize disruption and promote efficiency in GAO, while using the same retention criteria as the executive branch. As you are aware, those criteria are tenure, veterans preference, length of service and performance.

A draft RIF order was developed with employee and management input by a group of experts under the general direction of a top management team. Staff and managers were briefed on the new rules, given a draft of the order and the opportunity to review it and provide written comments. Many comments were received, and to the extent feasible, changes were made to the order to address concerns. The order was finalized and distributed to all staff in February 1996. To implement our support staff reductions, in April 1996 we issued 154 RIF notices, (143 separations, and 11 downgrades/reassignments).

In implementing the order GAO followed procedures standard in the executive branch, such as

--maintaining existing organizational structure
--freezing staff transfers
--reviewing position descriptions
--verifying staff personnel data
--establishing job groups
--developing retention registers
--identifying positions to be eliminated
--releasing staff in inverse order of their standing on the retention registers.

In addition, we are providing our separated staff with considerable assistance in starting new careers. We have expanded our career counseling offices to provide staff with computer-based access to job information. We are also providing training in resume preparation and interviewing skills, and offering individual counselling as needed.

Differences Between GAO and Executive Branch RIF Regulations and Appeal Rights

GAO's RIF rules differ very little from executive branch rules. As previously discussed, our legislation required that we give due effect to tenure, veterans preference, performance, and length of service -- the same factors used in the executive branch. Additionally, the Comptroller General made a commitment to the Congress to maintain veterans rights in RIF as they are provided in the executive branch. Among the major differences in our new RIF rules are the following:

- GAO staff are in four different pay systems, thusly we decided to recognize this condition by separating them in our new RIF rules. This is not currently possible in the executive branch. This allowed us to reduce our support staff and bring it in line with a staff level of 3,500 without disrupting audit operations.

- We developed a more graduated system for granting performance credit than the steep step system used in the executive branch. However, the maximum performance credit of 20 years available under executive branch rules was retained.

- We included permanent full-time and part-time employees in the same competitive grouping in order to minimize the impact of employee work schedules on retention.

- We allowed employees within 1 year of retirement eligibility to defer the effective date of separation until their first date of retirement eligibility. This prevented staff from losing retirement benefits.

Further, GAO made only limited changes to the procedures governing challenges to its RIF actions. As before, a GAO employee who receives a RIF notice and believes that the RIF action was improper may file an appeal with GAO's Personnel Appeals Board (PAB), rather than with the Merit Systems Protection Board, which hears executive branch appeals. Two changes were made in the appeals procedures. First, the period for filing an appeal was extended from 20 to 30 days, to be consistent with timeliness requirements governing other PAB appeals. Second, as directed in the legislation, the revised RIF regulations now provide that the PAB is not authorized to stay a RIF action pending resolution of the appeal. The PAB has established special procedures for considering appeals on an expedited basis.

Impact of Downsizing on Veterans

Our downsizing strategy has had little impact on our veteran workforce. In July 1995, GAO employed 761 veterans, about 17.3 percent of our total population. As of May 1996, we have 623 veterans on board, or 16.6 percent of our total population. This reduction is due primarily to the 120 veterans who voluntarily left through the most recent buyout program.

As discussed, because of funding cuts by the Congress, GAO has conducted two RIFs since November 1995. The first, which occurred in November 1995, resulted in the closure and separation of all staff in three field offices. Of the 143 staff who were separated, 13 were veterans (9.1%). In the second RIF, which will be completed in June 1996, 143 staff will also be separated. Of these, 5 (3.4%) are veterans.

In addition to the RIFs, veterans took part in our most recent buyout program. Congress authorized GAO to offer buyouts to all staff and a total of 120 veterans (30.5 percent of the total veteran population) took advantage of this program. The vast majority of the veterans who left under this program were eligible for retirement.

In closing, Mr. Chairman, I would like to publicly recognize our staff, those being involuntarily released as well as those remaining. They have made the best of a very difficult situation. We are proud of them.

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Thank you for the opportunity to be here to discuss these matters with you. I will be glad to answer any questions you may have.

Mr. MICA. Thank you for your testimony, Mr. Luke, and we will defer questions until we've heard from Dr. Leahy. Dr. Leahy, welcome, and you are recognized for 5 minutes.

Mr. LEAHY. Thank you, Mr. Chairman. I would like to submit my full statement for the record.

Mr. MICA. Without objection, it will be part of the record.

Mr. LEAHY. Again, thank you for this opportunity to discuss aspects of the work force reduction that took place last year in the Geologic Division of the U.S. Geological Survey.

I will not attempt, in my time, to exhaustively reiterate the reasons for the RIF or the processes we used. This information has been described in detail by the General Accounting Office in its recently issued report to you, Mr. Chairman.

Rather, this statement and the attachments in my written testimony focus on those aspects of our RIF that we understand are of major interest to this subcommittee as outlined in the chairman's letter of May 16, 1996.

The decision to conduct a RIF within the Geologic Division was made after lengthy deliberation and assessment of options available to resolve the longstanding and increasingly unmanageable financial position.

The genesis of these problems can be traced back almost a decade to a period of time when the delicate balance between payroll and operating program funds began to shift too heavily in the direction of increased salary cuts.

During this period, we used every tool at our disposal to cope with each annual financial crisis. We severely reduced hiring. We released nonpermanent employees. We encouraged early retirements. And we used buyout authority.

Unfortunately, the cumulative effect of these management decisions was not sufficient to resolve, on a permanent basis, the devastating impact that increasing budgetary shortfalls were having on our ability to conduct high-quality earth science research worthy of the taxpayers' investment and responsive to the need for information we are mandated by Congress to produce.

Thus, it became necessary to pursue a RIF as a downsizing mechanism of last resort. Each of us within the USGS is deeply saddened for the employees who were personally affected by this RIF and, at the same time, appreciative for the fine contributions of these individuals to the USGS.

We are working hard to heal the wounds and move forward to conduct a program of critical importance to the economic health and well-being of our society.

Planning for the RIF was based on programmatic needs, and we diligently tried to keep the work force informed of the actions that were being taken. Each program in the Geologic Division was required to involve program research personnel in the development of 5-year science plans. Many of these plans were mandated by Congress.

These plans set out program priorities, types of studies that would be conducted. These science plans were then used as the basis for developing the program staff that were needed to conduct that work.

The program's science plans were public documents available to all employees. The science plans and program staffing plans were communicated to all employees, in fact.

A comprehensive briefing on the RIF plans and procedures was given at the three major regional centers of the USGS in March 1995. A summary of the actions taken to notify individuals of the RIF process as well as individual rights are attached to my written testimony.

Let me address the issue of single competitive levels for geologic research scientists. We developed competitive level groupings through a careful process examining each research position against programmatic requirements and Office of Personnel Management regulations. We used an internal scientific peer review system and multiple levels of validation of results to reach our conclusions about competitive levels.

With regard to our ultimate use of narrow competitive levels, it is important to recognize that the Geologic Division is principally a research organization.

Research is a field which becomes more and more focused and specialized as the researcher's level of accomplishment increases. Indeed, the specialization and uniqueness of knowledge and experience researchers bring to problems is their value to the organization. Therefore, the application of competitive level rules under current RIF laws results in narrow and specialized distinctions among positions.

Early on, we recognized that our old competitive level system, which was established more than 10 years ago, did not meet the requirements of RIF regulations or current Merit Systems Protection Board case law. The determinations made in the mid-1980's were based on self-identified research specialties and factors such as funding sources, rather than on specific position descriptions.

To bring our system into compliance with current regulations, we mounted a comprehensive effort to update employee information. This included employee-supervisor review of current position descriptions and revisions to these descriptions when they did not accurately reflect the work being done.

We were candid with employees in advising them of the importance of their participation in this review as it would affect the information which would be used in the RIF competition. We made the process of review and revision as inclusive and participatory as possible, prior to the RIF, so that employees would have confidence in the accuracy and completeness of their official records.

We took great pains to provide employees every opportunity to present their work as accurately as possible so as to provide a level playing field before the RIF took place. In fact, although significant numbers of position descriptions were revised, the primary purpose of the amendments was to update project information or provide more detail on what an employee was working on.

In addition to the revision of position descriptions, we saw input and participation of both employees and managers throughout the process of determining competitive levels. Historically within the USGS, as with most scientific research organizations, the collegial approach is used for problem solving. Validation, internal scientific peer review, and subject matter input are common features of decisions ranging from publication of research results to promotion and recognition of individual employees.

Therefore, it is natural that these processes would be integral to our determination of competitive levels. We established teams of scientists to evaluate employee work records in determining competitive level placement. We challenged those scientists, who served as subject matter experts, to make difficult decisions about their peers. These people accepted this challenge with professionalism and the same objectivity they applied to their scientific research.

The broad participation of scientific colleagues and the structure of checks and balances we established during the planning process ensured that no single individual or groups of individuals could control the outcome of the RIF. Painful as they were, we firmly believe these difficult decisions were made as fairly as possible.

The second point I want to talk about is the reorganization. USGS made a decision to implement a major reorganization of the division simultaneous with conducting the RIF so as to achieve needed efficiencies and cost savings in headquarters administration and management functions through the elimination of a layer of management and the delegation of program line management authority to our regional centers.

The reorganization plan was approved by the Department of Interior in June 1995, and was clearly acknowledged to be preparatory to a larger reduction in the work force. Consideration of personnel requirements of the reorganization plan in conducting the RIF was regarded as a more open and effective means of achieving needed downsizing, first as the alternative of conducting a two-stage process.

These streamlining efforts have resulted in the reduction in the number of managers and supervisors from about 250 prior to the RIF to half that number in the current staff.

In addition, as a result of these changes in the structure of the organization, the ratio of managers to employees has been improved by nearly 50 percent.

The third point I want to talk about is the impact on veterans.

We understand and appreciate the concerns of this subcommittee regarding the impact of RIF on military veterans. I want to assure you that the USGS fully supports the letter, spirit, and intent of legal and regulatory protections afforded our veterans. While current laws and regulations afford veterans enhanced standing in a RIF, veterans are not completely or totally insulated from adverse action.

By any standard, the impact of our RIF on veterans was much less than the impact on our nonveteran work force. The total permanent and temporary work force of the division was 2,192 prior to the RIF. Of this total, 292 employees had veteran status. Of this total veteran population, nine veterans, or 3.1 percent, were separated. This compares to 268 nonveterans who were separated, representing 14 percent of the nonveteran work force.

In conclusion, as would be expected, the RIF has had a demoralizing impact on the work force of the USGS. This was the largest reduction in force that has occurred in the USGS since its creation in 1879.

The USGS exists as a valuable Government institution because of the hard work and dedication of its employees. When downsizing of this nature and magnitude must occur, the pain is felt by all—those who remain as well as those who depart.

We expect that it will take some time for the wounds to heal, but we have every hope that, soon, we will be able to focus all of our energies on providing important scientific understanding on the many critical earth science issues facing the Nation.

Thank you for the opportunity to address this subcommittee, and I'll be pleased to answer any questions.

[The prepared statement of Mr. Leahy follows:]

Statement of Dr. P. Patrick Leahy
Chief Geologist, U.S. Geological Survey
before the
House Government Reform and Oversight Committee
Subcommittee on the Civil Service
May 23, 1996

Mr. Chairman, and members of the subcommittee, thank you for this opportunity to discuss aspects of workforce reduction actions that were implemented last year in the Geologic Division of the U.S. Geological Survey (USGS) to redeploy our budgetary resources in support of our earth science mission. I will not attempt to exhaustively reiterate the reasons for our Reduction-in-Force (RIF), the process we followed, or the procedures we implemented in bringing it to completion. This information has been described in detail by the General Accounting Office in its recently-issued report to you, Mr. Chairman. Rather, this statement and its attachments focus on those aspects of our RIF that we understand are of major interest to the subcommittee as outlined in the Chairman's letter of May 16, 1996.

Reasons for the RIF

The decision to conduct a RIF within the USGS Geologic Division was made after lengthy deliberation and assessment of options available to resolve long-standing and increasingly unmanageable financial problems. The genesis of these problems can be traced back almost a decade to a period of time when the delicate balance between payroll and operating program funds began to shift too heavily in the direction of increased salary costs in relation to available budgetary resources. During this period, we used every tool at our disposal to cope with each annual financial crisis. We severely reduced hiring, released non-permanent employees, encouraged early retirements, and used buyout authority. Unfortunately, the cumulative effect of these management decisions was not sufficient to resolve, on a permanent basis, the devastating impact that increasing budgetary shortfalls were having on our ability to conduct high quality earth science research worthy of the taxpayers' investment and responsive to the need for information we are mandated by the Congress to produce. Thus, it became necessary to pursue the RIF as a downsizing mechanism of last resort. Each of us within the USGS is deeply saddened for the employees who were personally affected by this RIF--and at the same time appreciative of the fine contributions of these individuals to the USGS. We are working hard to heal the wounds and move forward to conduct a program of critical importance to the economic health and well-being of our society.

RIF Planning and Notification

Planning for the RIF was based on programmatic needs and we diligently tried to keep the workforce informed of the actions being taken. Each program in the Geologic Division was required to involve program research personnel in development of 5-year science plans that set out the program priorities and types of studies to be conducted. These science plans were then used as the basis for developing program staffing plans for the RIF. The program science plans were public documents available to all employees. The establishment of science plans and program staffing plans was communicated to all employees. A comprehensive briefing on RIF plans and procedures was given at the three major USGS centers in March of 1995. A summary of actions taken to notify employees of the RIF and their rights under a RIF are attached to this testimony.

Competitive Levels, Records Verification and Updating of Position Descriptions

Let me address the issue of single person competitive levels for USGS, Geologic Division research scientists. We developed competitive level groupings through a careful process of examining each research position against programmatic requirements and Office of Personnel Management RIF regulations. We used internal scientific peer reviews and multiple levels of validation of results to reach our conclusions about our competitive levels. With regard to our ultimate use of narrow competitive levels in conducting the RIF, it is important to recognize that the Geologic Division of the USGS is principally a research organization. Research is a field which becomes more and more focused and specialized as the researcher's level of accomplishment increases. Indeed, the specialization and the uniqueness of knowledge and experience they bring to the research problem is their value to the organization. Therefore, the application of the competitive level rules under current RIF laws results in narrow and specialized distinctions among research positions.

Early on, we recognized that our old competitive level system, which was established 10 years ago, did not meet the requirements of RIF regulations or current Merit System Protection Board case law. The determinations made in the mid-1980's were based on self-identified research specialities and factors such as funding sources, rather than on specific position descriptions. To bring our system into compliance with current requirements, we mounted a comprehensive effort to update employee information; this effort included employee/supervisor review of current position descriptions and revisions to those position descriptions which did not accurately reflect the work being done. We were candid with employees in advising them of the importance of their participation in this review, as it would affect the information which would be used to determine RIF competition.

We made the process of review and revision as inclusive and participatory as possible prior to the RIF so that employees would have confidence in the accuracy and completeness of their official records. We took great pains to provide employees every opportunity to present their work as accurately as possible so as to provide a level playing field before the RIF took place. In fact, although a significant number of position descriptions were revised, the primary purpose of the amendments was to update project information or provide more detail about what an employee was working on.

In addition to the revision of position descriptions, we sought the input and participation of both employees and managers throughout the process of determining competitive levels. Historically within the USGS, as with most scientific research organizations, the collegial approach is used for problem-solving. Validation, internal scientific peer review, and subject matter expert input are common features of decisions ranging from publication of research results to promotion and recognition of individual employees. Therefore, it is natural that these processes would be integral to our determination of competitive levels. We established teams of scientists to evaluate employee work records in determining competitive level placement. We challenged those scientists who served as subject matter experts to make difficult decisions about their peers. These people accepted this challenge with professionalism and the same objectivity they apply to their scientific research. The broad participation of scientific colleagues and the structure of checks and balances we established during the planning process ensured that no one individual or group of individuals could control the outcome of the RIF. Painful as they were, we firmly believe that these difficult decisions were made as objectively as possible.

Implementing a Reorganization Simultaneous with the RIF

The USGS made the decision to implement a major reorganization of its Geologic Division simultaneous with conducting the RIF so as to achieve needed efficiencies and cost savings in headquarters administration and management functions through the elimination of one layer of management (i.e., Headquarters Program Offices) and the delegation of program line management authority to three

Regional Offices. The reorganization plan was approved by the Department of the Interior in June 1995 and was clearly acknowledged to be "preparatory to a larger reduction in the workforce of the Geologic Division." Consideration of the personnel requirements of the reorganization plan in conducting the RIF was regarded as a more open and effective means of achieving needed downsizing versus the alternative of conducting a two stage action. These streamlining efforts have resulted in a reduction in the number of managers and supervisors from about 250 prior to the RIF/reorganization to half that number in current staffing plans. In addition, as a result of these changes in structure of the organization, the ratio of managers to employees has been improved by nearly 50 percent.

Impact on Veterans

We also understand and appreciate concerns regarding the impact of RIF on military veterans. I want to assure you that the USGS fully supports the letter, spirit and intent of legal and regulatory protections afforded our veterans. While current laws and regulations afford veterans enhanced standing in a RIF, veterans are not completely and totally insulated from adverse action in workforce reductions. By any standard, the impact of our RIF on veterans was much less than the impact on our non-veteran workforce. The total Permanent and Temporary workforce of the Geologic Division was 2,192 prior to the RIF. Of this total, 292 employees had veterans status. Of this total veteran population of the Division, 9 veterans (3.1%) were separated. This compares to 268 non-veterans who were separated, representing 14.1% of the total non-veteran workforce. If data is included regarding veterans who were either involuntarily retired or whose temporary positions were eliminated, then a total of 28 veterans were separated (9.6% of the veteran population). This compares to 438 (23.1%) of the total Geologic Division non-veteran workforce that was adversely impacted through separation, involuntary retirement, or elimination of temporary positions.

Conclusion

As would be expected, the RIF has had a demoralizing impact on the workforce of the USGS. This was the largest such reduction that has occurred in the USGS since its creation in 1879. The USGS exists as a valuable government institution because of the hard work and dedication of its employees -- when downsizing of this nature and magnitude must occur the pain is felt by those who remain as well as by those who must depart. We expect that it will take sometime for these wounds to heal, but we have every hope that we soon will be able to focus all of our energies on continuing to provide important scientific understanding of the many critical issues and problems facing the nation. Thank you for this opportunity to address the Subcommittee. I would be pleased to answer your questions.

Attachments to the Statement of Dr. P. Patrick Leahy
Chief Geologist, U.S. Geological Survey
before the
House Government Reform and Oversight Committee
Subcommittee on the Civil Service
May 23, 1996

Attachment A: Communication with employees before the RIF

Attachment B: Testing of an automated RIF system

Attachment C: Status of appeals and settlements

Attachment A: Communication with employees before the RIF

Describe the explanations for the RIF that have been provided to Geological Survey employees to assist them in understanding the reasons for positions being retained or RIF'd.

Beginning in March 1995, there was a continuing series of efforts made to inform employees about the RIF. These efforts included: (1) a general notice to the entire Geologic Division that a RIF was planned, and the reasons why; (2) nationwide information briefings at principal field centers (videotaped for distribution to remote field sites) by the Acting Chief Geologist and representatives from the personnel offices providing an overview of the reasons for the RIF, RIF planning processes, and the technical aspects of the RIF regulations; (3) periodic issuance of letters from the Chief Geologist providing updates on RIF planning and process; (4) efforts by the personnel offices, including newsletters, electronic mail questions/answers, and individual and group meetings to address specific concerns from employees; (5) program-specific meetings/newsletters to involve employees in national plan development and to inform them of the staffing plan process; (6) training for branch chiefs on why the RIF was necessary and how the process worked, so that they could go back to their organizational units and discuss issues with employees; and (7) "benchmark" newsletters from the Director regarding the reasons for and magnitude of the RIF.

In addition, after specific RIF notices were issued to employees, individuals were invited to consult with members of the USGS Personnel Office to learn how their rights were determined and with management officials to learn more about the process. Finally, formal meetings were held on a nationwide basis with employees who received specific RIF notices to address specific concerns. Representatives from the personnel office, the local employee assistance program contractor, and the local Geologic Division RIF coordinator were available at these meetings to facilitate understanding of the process and employees' rights.

Attachment B: Testing of an automated RIF system

Did the Geological Survey conduct a "mock" RIF of any kind before deciding to develop new position classifications and to narrow the competitive levels that would be available to employees? If so, please provide the results of that "mock" RIF and compare it to the RIF that was implemented in the Geologic Division in October 1995.

The Geological Survey did not conduct a "mock" RIF at any time. We did conduct "beta tests" of an automated RIF system (RADS--Rightsizing and Documentation System) developed by the Department of the Navy, in order to determine whether we could utilize the automated system for our RIF. RADS had never been used by the Department of the Interior (DOI) to conduct a RIF, and it was necessary to test all of its parameters with the data configurations used by DOI before committing to its use. For purposes of testing, we decided to use relatively small and discrete population centers, so that we could validate the system. Accordingly, the personnel office in Reston, Virginia, used data from our field office in Woods Hole, Massachusetts; the personnel office in Denver, Colorado, used data from the Office of Scientific Publications in Denver; and the personnel office in Menlo Park, California, used data from the field office in Flagstaff, Arizona for testing.

At the time we conducted our beta tests of RADS, we did not have specific information from the Geologic Division concerning the numbers/types of positions which would be abolished and/or retained among the populations tested or the division as a whole. Further, although we had accurate employee-specific data such as service computation date, veterans' preference, career status, and performance ratings, we changed the data at will in order to test various features of the automated system. We ran several RIF scenarios of each test population, depending on which feature we were attempting to validate. The purpose of the beta tests was solely to validate the use of RADS with a DOI database. Our conclusion was that RADS would not work for us. Specifically, RADS could not accommodate positions above the GS-9 grade level.

Since we did not conduct a "mock" RIF, we cannot provide you with the results of such. Furthermore, since our beta testing resulted in the decision not to use RADS to conduct our RIF, we did not maintain the results of that testing. In any case, there could be no correlation between the testing we did and the actual results, because there was no correlation between the RIF scenarios personnel staff considered and the actual RIF scenario which served as the basis for determining individuals' assignment rights.

Attachment C: Status of appeals and settlements

Please report the number of appeals filed by employees, the number of cases where the agency has prevailed, and describe settlements where any appeals agency has found in favor of the employees.

A total of 123 appeals to the Merit Systems Protection Board (MSPB) were filed nationwide: 61 from our Western Region; 44 from our Central Region; and 18 from our Headquarters/Eastern Region. To date, the agency has prevailed in 5 appeals for which initial decisions have been rendered: 3 in Denver, Colorado; 1 in Reston, Virginia; and 1 in Menlo Park, California. In addition, a total of 22 appeals have been withdrawn: 11 in Menlo Park, California; 6 in Denver, Colorado; and 5 in Reston, Virginia. No decisions have yet been issued in favor of the appellant(s).

We have settled a total of 13 cases nationwide: 4 in Reston, Virginia; 8 in Denver, Colorado; and 1 in Anchorage, Alaska. By definition, when a case is settled there is no finding against or in favor of either of the parties.

A total of 3 EEO complaints have been filed regarding the RIF. There have been no decisions or settlements of these complaints to date.

Mr. MICA. Thank you. Thank you, Dr. Leahy and Mr. Luke.

First of all, maybe you heard some of the discussion from the previous panel. But does either the Geological Survey or GAO, did either of you interpret the buyout authority as envisioned by Congress to recycle these buyouts possibly to apply them to other folks that didn't take them? Did either of you either assume that, instructed on that basis, or proceeded on that basis? Dr. Leahy.

Mr. LEAHY. As I said in my testimony, we did have buyouts. We used buyouts up until March 1995.

Mr. MICA. But were there any instances where one was intended to be used and then deferred and then reapplied to another individual?

Mr. LEAHY. No.

Mr. MICA. Not that you know of?

Mr. LEAHY. Not to my knowledge.

Mr. MICA. How about you?

Mr. LUKE. We had no deferrals in the General Accounting Office.

Mr. MICA. OK. Another question for both the panelists. Does GAO or U.S. Geological Survey need additional buyout authority, is it anticipated, in current or future downsizing? Mr. Luke.

Mr. LUKE. As you recognize, buyout authority is another tool in terms of managing the work force. I think it was extremely critical with recent downsizing within GAO. In getting to the 850, there was just no way we could have gotten there without buyout.

Mr. MICA. My question is, do you need additional?

Mr. LUKE. Right. The challenge before us in the future is not getting down, it's managing to the 3,500, and the right proportion of that 3,500, over GAO. So we're not looking for general buyout authority.

Mr. MICA. You can handle that with attrition and retirement, other normal ways?

Mr. LUKE. For the most part, we can.

Mr. MICA. OK.

Mr. LUKE. That doesn't negate that there may be opportunities, in terms of doing some targeting, in terms of special skill needs that one may be able to manage with that, too. But in terms of general authority, no.

Mr. MICA. What about the Geological Survey?

Mr. LEAHY. Of course, it depends on funding levels in the future, which we don't know. But certainly, having buyout as a management tool is an attractive alternative to RIF.

Mr. MICA. Of the 393 employees who accepted buyouts in GAO, how many were eligible to retire?

Mr. LUKE. Of the 393—of the 393; 104.

Mr. MICA. One hundred and four.

Mr. LUKE. Right.

Mr. MICA. OK.

Mr. LUKE. That's optional.

Mr. MICA. OK. Based on GAO's experience and U.S. Geological Survey's experience, are there any changes in the RIF laws that you think Congress should be considering at this time, Mr. Luke?

Mr. LUKE. Mr. Chairman, we just went through that this past fall, and we don't look forward to going through that again.

Mr. MICA. Based on your experience, are there any changes you think we should make for the future?

Mr. LUKE. I can't think of any.

Mr. MICA. You can't think of any, it's adequate?

Mr. LUKE. At this time, with respect to the General Accounting Office, no.

Mr. MICA. Based on your experience, Dr. Leahy?

Mr. LEAHY. Having seen the emotional damage associated with a reduction in force, the period of time from when people were notified of their release until when they were released was particularly devastating for the organization and for the individuals.

Mr. MICA. OK. I have a question relating to what I guess has been administration policy. I don't know if it's a specific order to protect diversity gains, as some of the downsizing takes place, but we have also heard that buyouts are justified because they protect diversity gains.

Have you been operating or conducting your buyouts or your downsizing with protecting diversity gains in mind? Is there anything specific, guidelines that you follow or procedures? Mr. Luke.

Mr. LUKE. As you know, to be direct with respect to the buyouts, no. I mean, we implemented no specific procedures or methods with respect to any class of employees within the General Accounting Office, and our buyouts affected anybody that was eligible who wished to participate.

Mr. MICA. There was no specific action taken to comply with, well, an attempt to protect diversity gains or to make certain that diversity was protected, employment diversity?

Mr. LUKE. Again, I would have to respond to the question in the negative, in that ethnicity is not a criteria with respect to, you know, conducting the RIF or the procedures in any way.

Typically, what happens in terms of the RIF is that last in, generally is first out. It just so happens, generally speaking, that minorities and women typically make up a larger share of that population, and that was certainly true in GAO in the current RIF that we just ran.

Mr. MICA. So basically, tenure?

Mr. LUKE. Right.

Mr. MICA. Last in, first out, the performance, seniority, and veterans' preference are basically criteria from which you operated?

Mr. LUKE. Absolutely.

Mr. MICA. What about the Geological Survey? Was there any attempt to balance this, to consider diversity?

Mr. LEAHY. No.

Mr. MICA. And you used the same criteria?

Mr. LEAHY. Yes.

Mr. MICA. Last year, this subcommittee played a significant role in enabling the Department of Defense to initiate voluntary RIF's. GAO's regulations adopted that concept from the Department of Defense.

What management controls do you feel, Mr. Luke, are essential in administering voluntary RIF's to ensure employees whom the organization does not want to lose, so that we don't lose them prematurely?

Mr. LUKE. Would you repeat the question, Mr. Chairman?

Mr. MICA. What I'm looking at is, What management controls do you think are essential to initiate and to ensure that we don't lose good employees prematurely?

Mr. LUKE. Is this with regard to the general buyout?

Mr. MICA. Voluntary RIF's and also buyouts. How do we retain good folks?

What management techniques—I mean, if you use—is there some use of some criteria to make sure that we're retaining the best folks and using this as an opportunity to sort through those that should go first?

Mr. LUKE. There are some, and they are in relation to the mission needs of the organization.

For example, in our last RIF, the one that would be effective here in June, in looking at the balance across our organization, we decided that our administrative support functions were relatively high in relation to our professional valuative function.

So this RIF was targeted with respect to getting that population down but, once we made that decision, the normal criteria was basically applied again in terms of releasing people.

Mr. MICA. Well, part of it goes back, I guess, to the question of the criteria used, which I enumerated. I guess the four elements were tenure, then performance, and veterans' preference.

My question really is, is there an attempt to try to eliminate the poor performers? Is that also considered over tenure, in some way, to keep good folks so that we use this as a management tool to weed out the bad seeds, so to speak, and retain the best folks?

Mr. LUKE. Right. I have to say to you, in the General Accounting Office, in our limited experience with RIF—and there have been two, the office closure as well as the one here in June 1996—there has been no attempt to use this process to do that.

That seems to me another issue in terms of, you know, good performers and poor performers, in terms of how you deal with those, in the incentives for retention as well as leaving the agency vis-a-vis employing the RIF process and RIF procedures to do that.

Mr. MICA. The other question—well, the same question, really—is to Dr. Leahy. What factors, again, did you use? How were you trying to ensure that the best employees are retained, best-performing employees? Did you see these criteria? Was tenure the sole criteria that was used? How did performance play into the decisions which were made?

Mr. LEAHY. Basically, the skill mix that we needed to move forward with our mission responsibilities was defined in our 5-year program plans. I think in the future those are sort of the cornerstones in terms of ensuring that we have the right technical talent to move that mission forward.

In terms of performance issues, it seems to me that there is an alternative process to deal with performance.

Mr. MICA. OK. I will not have any further questions at this time. I will defer to the vice chairman.

Mr. BASS. Thank you, Mr. Chairman. I don't have any questions at this time.

Mr. MICA. Then, I'll defer to the gentlelady from Maryland.

Mrs. MORELLA. Thank you. Thank you. Mr. Leahy, your testimony describes an elaborate sequence of communications to inform agency personnel about the RIF's. However, when I read such articles as the one I have before me in this May 19 Washington Post Magazine section, it appears that many people were isolated from the information, a real shock.

How do you explain this?

Mr. LEAHY. A couple of things. First of all, I would like to submit to the record some of the memos that we provided that outline visits to the various field centers to discuss the RIF, that you might find of interest.

Mrs. MORELLA. Without objection?

Mr. BASS [presiding]. Without objection, we will make them a part of the record.

[The information referred to follows:]

(2)
(3)

United States Department of the Interior

U.S. GEOLOGICAL SURVEY
Reston, Virginia 22092

MEMORANDUM

9 March 1995

To: All Geologic Division Employees

From: John R. Filson
Acting Chief Geologist

Subject: General Notice of Work Force Adjustments

Notice: This is a general notice to inform all Geologic Division employees that significant workforce reductions must be expected. In order to maintain operating funds to carry out our work, a reduction of 200 to 400 science and support positions is anticipated. To accomplish such a reduction, it will be necessary to apply reduction-in-force (RIF) procedures.

Background: The following considerations weigh on this difficult decision:

1. Funding for Division programs has remained practically constant since 1991.

2. In recent years program activities and field work within the Division have been restricted because of lack of operating funds.

3. We are expected to carry out program commitments, not just pay salaries.

Immediate actions: To prepare for workforce adjustments, a freeze will be placed on permanent promotions and hires within the Division, effective immediately. This restriction will remain in effect until further notice. All promotion evaluation panels above the branch level will be suspended for the balance of this year. Annual performance ratings for 1995 will be completed but will not be used in computing service credit for RIF purposes.

Process: Briefings at headquarters and regional centers will begin soon to provide general information regarding the RIF proces., placement assistance programs, severance pay, retirement options and benefits, and other relevant information. You will have the opportunity to ask questions of Division management and members of the personnel office at that time.

All employees should begin now to update their personnel records to reflect all pertinent experience (paid and unpaid) not already documented in their official personnel folder. This information will be used by the personnel office in determining placement rights of employees affected by any workforce adjustment. The updated information may be provided in any written format including the "Optional Application for Federal Employment - OF 612", the "Application for Federal Employment" (SF-171), the "Amendment to Application for Federal Employment" (SF-172), Professional/Technical Record, or resume. These forms may be obtained from any office or branch administrative officer. Completed information must be submitted to the servicing personnel office by May 1, 1995, to be considered part of the official record for workforce adjustment purposes.

The determination of which positions will be retained or abolished will be based on the requirements for the execution and support of both Division and external programs.

If you are personally affected by a RIF action, you will receive a specific notice on or about August 1, 1995, or at least 60 days in advance of the effective date, advising you of the personnel action to be taken.

Voluntary Separation Incentives (Buyouts): By separate memorandum, an Associate Director is announcing a new buyout window with a closing date of March 31, 1995. Under the terms of this program, Geologic Division employees who resign or retire (either optionally or by early out) between March 31 and July 31, 1995, may be eligible for a separation incentive up to $25,000. If you are interested in this opportunity, you should apply according to the instructions in the Associate Director's memorandum. Your servicing personnel office can give you detailed information about your benefits. There will be no Pecora Fellowship opportunities with this buyout.

General: This is not a specific RIF notice but an advance notice provided to you for personal planning purposes. I regret that it is my duty to issue this notice. I had hoped that this action would not be necessary. My hope is diminished now to the point where I can no longer avoid this preliminary step. During the next several months, you may hear rumors from many quarters. Within my power, I shall keep you informed of significant developments.

Briefing Done for all 6D employees

ch 17, 1995 RIF briefings in Reston
an Filson, Acting Chief Geologist
Judy George, Sandy Sherman, Office of Personnel

The RIF team members from Office of Personnel are: Bob Bowiin, Judy George, Lois Rafalko, Sandy Sherman, Annie Smith. Phone numbers are on the last viewgraph.

NOTE: Information in these notes should be verified with Personnel for accuracy.

John's remarks:
Funding is the driver behind the RIF. Our difficult situation was discussed in memos from Ben Morgan before John's tenure. It seems clear at this point that USGS will survive, but perhaps not without further budget reductions. DOI has opened another buyout window, until March 31.

Viewgraph 1: Statistics on funding and FTEs from 1986 to 1995. FTEs have declined from about 3000 to 2200; SIR funding has been level (in constant dollars) except for increases in 1991 due to the Loma Prieta earthquake and Alaska volcanoes; salaries have increased steadily, though they are beginning to drop in 95; fixed costs are, for example, rent, grants going outside the Bureau; bars at the bottom represent remaining OE.

iewgraph 2: Graphs of OE corrected for inflation - steady decline. Given what is happening in ongress, there seems little possibility of changing the direction of the curve.

Viewgraph 3: Funding per line item program. Decisions are going to be made based on program funding and needs. FY 1995 funding levels are shown. Two uncertainties remain in these and future fiscal year numbers: 1) Congressional action, and 2) how the current buyout will affect our FTE totals. The urgency of the March 9th memo was to coincide with buyout information in the hope of diminishing the extent of the RIF.

Viewgraph 4: Each Office Chief was asked in a February 1st memo to set up a program council to determine the need for scientific and support positions to carry out the program plans. Decisions were based on program funding as given in the budget book for FY 1995. As shown in the viewgraph, the process will be iterative, with several review steps, using program plans to establish staffing plans and position descriptions to determine staffing needs. Once positions to be abolished are determined, they will be transmitted to Personnel for RIF processing. The need for clerical and administrative positions will also depend on the reorganization plan, which is still uncertain. It should be remembered that few clerical and administrative vacancies have been filled from the last two buyouts, so the impact of the RIF may fall mainly on scientific positions. The need for positions currently supported by OFA or other funding will be evaluated to determine the stability of the funding and potential future need for that work.

This process is likely to raise a lot of fear and anger, but we must now address a situation which has been hanging over us for 2-3 years. No one could have predicted even a year ago the severity of the political and funding climate we face.

George gave an overview of the process within which RIF decisions will be made after ..tions to be abolished are determined. beginning with first-round competition.

Viewgraph 5: Legal authority for RIF in US Code and Code of Federal Regulations; Reduction-in-Force factors in order of importance:

tenure
veteran's preference
length of service
performance ratings

Viewgraph 6: Management's rights include to determine whether a RIF is necessary, when it should occur, and to identify the positions to be abolished. Then the Office of Personnel determines which employees are affected.

Viewgraph 7: Definition of Reduction-In-Force

Viewgraph 8: Definition of competitive areas: organizational and geographic boundaries within which employees compete for retention. For the purposes of this RIF, the Bureau has established the competitive areas as Geologic Division in a local commuting area. Thus, there is no competition between regional centers or between those and field centers.

.iewgraph 9: Definition of competitive level - based on Position Description, not on personal qualifications. Definition of undue interruption - 90 day rule.

Viewgraph 10: Descriptions of separate competitive levels: pay schedules, work schedules, pay authority, etc.

Viewgraph 11: Credit for performance is added to credit for years of service. Credit for performance is based on the three most recent performance evaluations during 4 years, assigned points as shown. A fully successful is assumed if there is no record for any reason. The cutoff date for entering performance evaluations into the record is set by law and regulation and was the same as the RIF memo date, that is March 9th.

Viewgraph 12: Examples of computation of credit for performance

Viewgraph 13: Retention Register - a list of employees within a competitive level who will compete with each other. These are listed in order of importance: tenure group (career, career conditional, term/temp/etc), then subgroup (veteran's preference), then length of service augmented by performance (adjusted SCD). Everyone competes from the "position of record". That is, a detailee competes from his/her own real job, not the job to which detailed.
CLC is competitive level code.
SCD is service computation date.

Viewgraph 14: Example of pretend register (not based on actual USGS employees) - ranked in ier of tenure group, veteran's preference, and adjusted length of service. The lowest person on ..gister is most likely to be released. The adjusted service date goes from the actual hiring date back by the number of years given for performance. A retention register will be computed by personnel for each position abolished by GD management.

Sandy continued discussion of the two competitions: the first round is by retention register, the second is by bump & retreat, to be explained.

Viewgraph 15: Review of competition: first round is based on seniority, second round is based on assignment rights, that is, bump and retreat. For example, on the pretend register, if Employee A's position is abolished, Employee D is released. At this point, second-round competition begins.

Bumping rights are rights to bump to any position for which the employee is qualified up to 3 grades below the current grade in a lower tenure group. Bumping rights are based on subgroup superiority, competition for comparable positions to the one currently held.

Retreat is the right to compete for any position the employee previously held up to 3 grades below (5 grades for certain veterans). Retreat rights are also based on seniority within the tenure group, but are competition for positions previously held, not for positions comparable to the current one as in bumping.

The employee must be offered the highest graded position available, and the choices may be different under bump than under retreat. Subject matter experts are used to determine eligibility using the Position Descriptions and other documents in the personnel folder of the Position of Record (see definition above).

Viewgraph 16: Example of hypothetical employee: career history and first-round competition

Viewgraph 17: Continuing the example: second-round competition - bump, retreat. "Encumbered" means that the position is filled with a person. Age is not a factor in determining suitability for a position; eligibility for retirement is also not a factor.

Viewgraph 18: Specific notices to employees: the action taken and effective date. The notices are expected to go out Aug 1, effective Oct 1. Regulations require that the effective date be 60 days from memo date. The memo will be 3-4 pages, with very detailed personnel information. An employee to be downgraded has 2-year grade retention rights. After two years, pay retention takes over: only 50% of pay and locality increases are given until the pay rate matches step 10 of the new grade.

Viewgraph 19: Severance pay - paid in biweekly allotments. If person declines an offer two grades below the current grade, severance pay is paid. If the person declines one or two grades below, no severance is paid. If eligible for early or full retirement, no severance pay is paid.

Viewgraph 20: Example of computation of severance pay

Judy:

Viewgraph 21: Appeal rights: employees can appeal to the Merit Systems Protection Board within 30 days of an action to furlough for more than 30 days, demote, or separate; filing can only occur after the effective date. Appeal does not stop the RIF process, but if the appeal is won, the employee comes back, and the RIF continues in the competition phases. In practice, management has broad discretion to decide on positions to be abolished, and appeals are rarely won by the employee. The Office of Personnel assists the employee in the appeal process.

Sandy:

Viewgraph 22: Outplacement: 3 programs are available which give priority to RIFed employees who register for the programs within a time limit from the effective date; personnel will help employees apply to these programs.
1. the Bureau maintains a reemployment priority list
2. Interior has a career placement assistance program
3. OPM has an interagency placement program

In addition, the Bureau is negotiating with two contractors to help with outplacement, counselling, and setting up an off-site facility for RIFed employees to use computers, faxes, telephones, etc., and to get help with applications, etc.

The Office of Personnel will set up a room on the fourth floor near the snack bar with information on RIF procedures, a computer with AVADS, and other general and specific information needed by all employees. The room will be staffed by personnel part of the time. This room will be available after April 1st.

The Office of Personnel is setting up e-mail service for answering questions Apr. 1 or soon after.

Viewgraph 23: RIF team members and phone numbers. For benefits information call Judy Huffman or Cindy Wylie in the Office of Personnel.

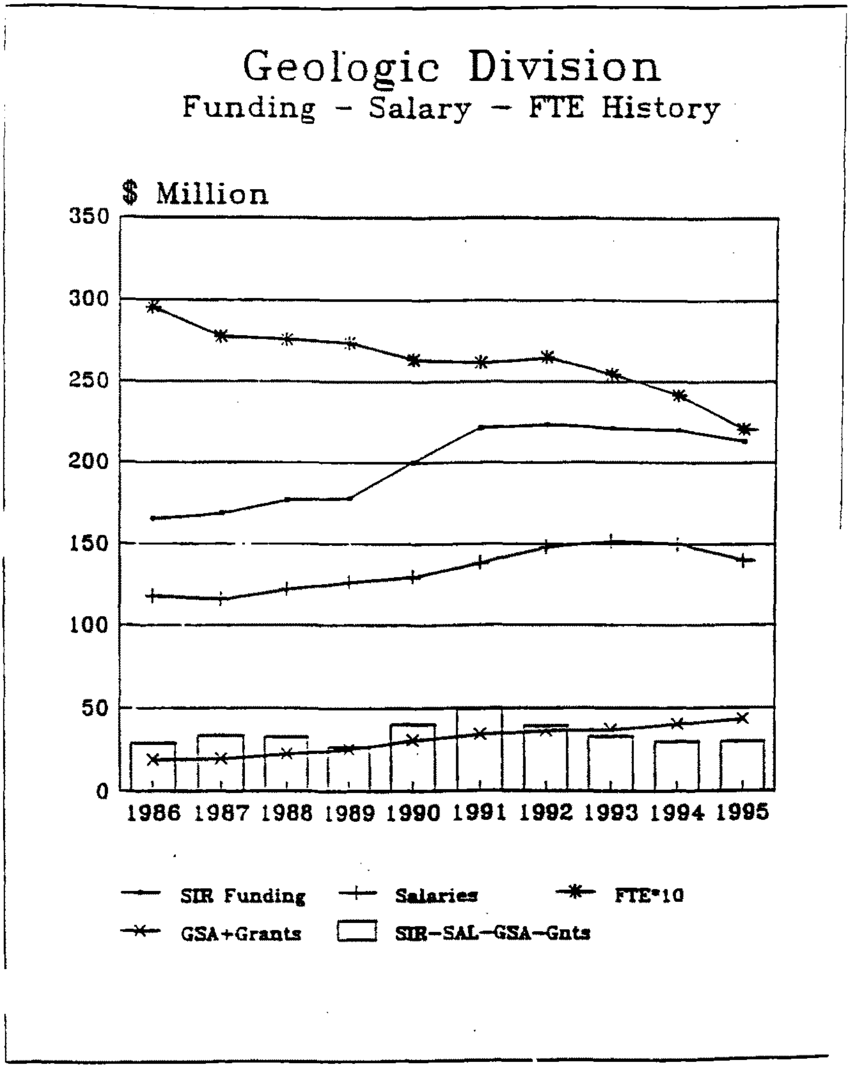
Question responses:
* There are no specific guidelines for Offices to prepare plans, except to use program funding to determine staffing needs.
* The preliminary estimates to determine the needed reduction were done beginning in January by

the Office Chiefs, looking at the President's budget and projecting the appropriate staffing. The 'mated reduction was decided at about 200 positions. Now with further reductions in the ..udget, John estimates that a decrease of about 400 is needed.

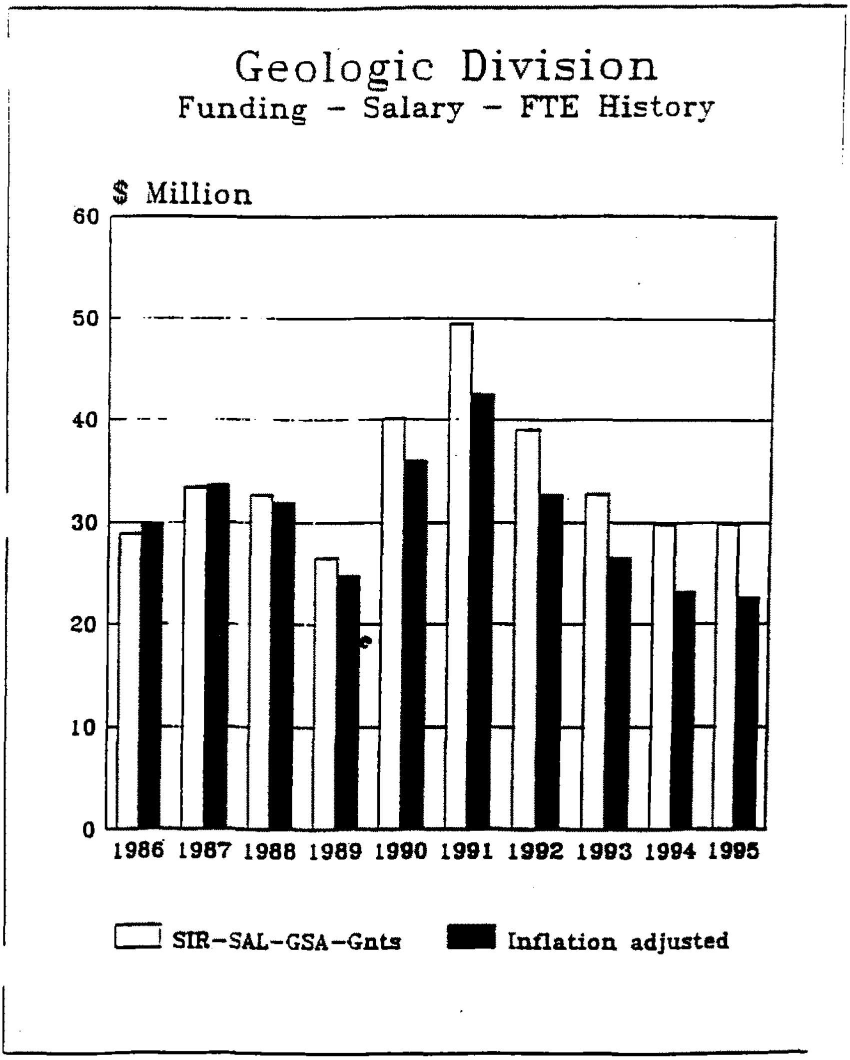
* Positions funded entirely by OFA will be reviewed for sustainability, on a case-by-case basis, as will international programs.
* If we come down enough we can avoid another RIF in the future, hopefully giving us some protection in the outyears.
* Although our internal reorganization will take place after the RIF, probably around the beginning of the FY, we will have a vision of the reorganization well before then. We expect RIF notices to be delivered about August 1, with an effective date about October 1.
* Administrative and clerical decisions will be made before August 1 as well.
* Selection of a new Chief Geologist may have a profound effect on the procedure, especially the review process. We had to begin the process now.
* Branch management should encourage retirements when possible. Use of the Emeritus system is a Branch decision.
* Costs of buyouts will be a problem for some Branches. John is not sure right now how it will be handled, but he will work with Offices and Branches to resolve it. Some Branches may have to be bailed out.
* The termination date of July for employees taking buyouts was determined by the necessity to stop buyout actions before the beginning of the RIF.
* John would be reluctant to fund Scientists Emeritus beyond space at higher than a Branch level.
* Position Descriptions should define what the employee does today. These will be used to determine the positions required in the staffing plans.
* After Aug. 1, if more people leave or retire, some of those with RIF notices may be kept - any resignations or retirements will be taken into account. John used an example from the Bureau of Reclamation, where a RIF of about 200 was decreased to about 20 actual RIFs.
* Clerical and administrative positions will be determined by programmatic needs and the reorganization plan.
* We will resolve any inter-Office transfers before anything goes to Personnel.
* Discussions are underway with WRD and the Director's Office to freeze vacancies in other Divisions to allow for preference for Geologic Division employees.
* The Bureau decided not to compete across regions because of the huge expense involved in moving people.
* Because of the uniqueness of many scientific positions, some of the competitive levels may be very shallow, that is, allowing for little, if any, bumping.
* Retreat takes in positions held in the past; most scientific positions for example. An employee cannot take a position graded lower than the one hired for originally.
* The Position Description is a very important document at several stages; the competitive level code (CLC) is used only for first-round competition.
* Some PDs are very general, some are very specific. The PD should describe what the employee is doing right now; can't use revision of the PD for protection, because it is impossible to predict second-round results.
* Competition is across GD commuting area, i.e. across Office and Branch boundaries.

* For people who are funded by more than one program, the Office Chiefs have to take this into ideration during staffing plan process. John repeated that this is being taken into consideration.
* The revised PD is due in the Office of Personnel by April 7th.
* The PTR can be used when general qualifications become important, or a resume or updated 171, or the optional new job description form. It is the employee's responsibility to get PTR, resume, whatever to personnel by May 1.
* Bump and retreat rights will be established automatically in personnel for each person released from a retention register.
* OPM plays only an advisory role, they do not look at all the paperwork.
* Consistency is important across the regions, however each area is its own competitive area and some management choices may be different in different regions.
* The service computation date is computed by comp date specialists in personnel and will be checked at each step of the process.
* Annual leave is paid in a lump sum at the time of severance; severance pay is paid in biweekly installments.
* Every employee has the right to review the retention register you are on and any you believe that you should have been on. These rights and procedures for seeing documentation are described in the RIF action memo of Aug 1.
* The dates for turning in revised PDs: April 7th.
* The date for turning in revised PTRs, resumes, updated 171s and other personnel documents: lay 1st.
- If you have applied for another job in the past, you would not automatically qualify for another job in that series; recency of experience is used also.
* Supervisors and managers don't compete with non-supervisors and non-managers.
* Does Peace Corps qualify as veteran's preference? not known, Judy George will find out.
* Staffing plans are done by position, not by person.
* How specific the descriptions of the positions to be retained will be will depend on program needs as the staffing plan is developed.
* Management will determine where the positions to be retained will be located.
* Reorganization and RIF decisions will be concurrent.
* Personnel will use subject matter specialists for interpretation to help interpret PDs and other qualifications documents.
* Headquarters staff is also being evaluated and a staffing plan is in preparation.
* Decisions on abolishing positions will be made by scientists.
* There are two ways to be riffed: by job abolishment and by being bumped.
* When people are funded by two or more programs, a case-by-case evaluation will be done.
* Employees will know their status about Aug 1, after personnel runs the automatic competitions.
* OSP and other support functions are under evaluation in a concurrent effort.
* You cannot retreat back farther than the grade you were hired at.
* Information on health benefits and other important questions will be available in the information room or by e-mail to personnel.

1


Geologic Division
Funding - Salary - FTE History
$ Million
350
300
250
200
150
100
50
0
1986 1987 1988 1989 1990 1991 1992 1993 1994 1995
SIR Funding
Salaries
FTE*10
GSA+Grants
SIR-SAL-GSA-Gnts

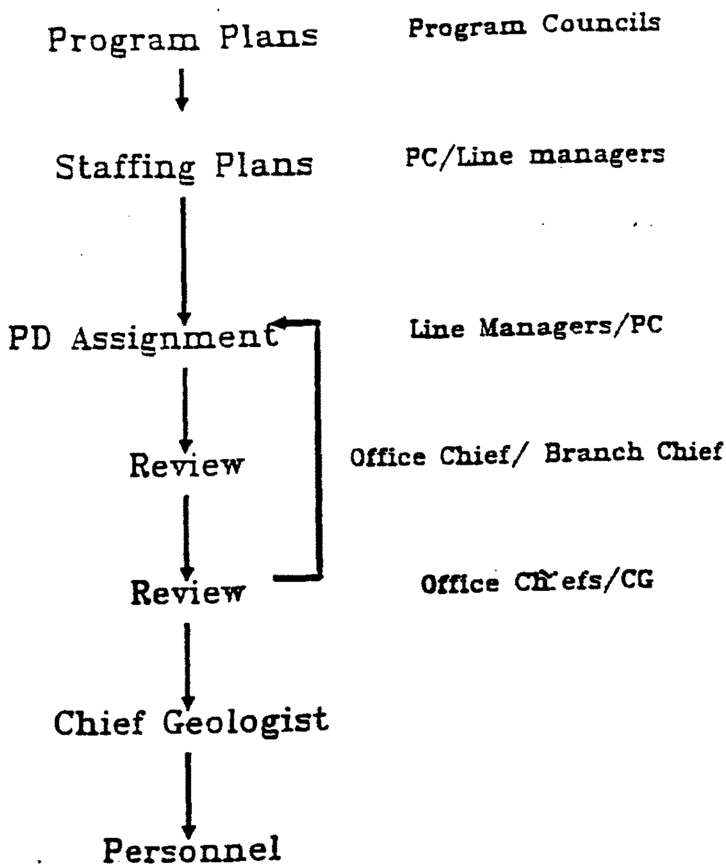
2


Geologic Division
Funding - Salary - FTE History
$ Million
60
50
40
30
20
10
0
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
SIR-SAL-GSA-Gnts
Inflation adjusted

FY 1995 Appropriation by Program
($1,000)

Geologic Hazards Surveys	
Earthquake Hazards Reduction	48,915
Volcano and Geothermal Investigations	20,031
Landslide Hazards	2,305
Sub-total	71,251
Geologic Framework and Processes	
National Geologic Mapping	21,882
Deep Continental Studies	2,738
Magnetic Field Monitoring and Charting	1,782
Sub-total	26,402
Global Change and Climate History	9,689
Marine and Coastal Geologic Surveys	35,137
Mineral Resource Surveys	44,636
Energy Resource Surveys	25,252
Geologic Division Total	212,367

4


Program Plans
Program Councils
Staffing Plans
PC/Line managers
PD Assignment
Line Managers/PC
Review
Office Chief/ Branch Chief
Review
Office Chiefs/CG
Chief Geologist
Personnel

REDUCTION-IN-FORCE (RIF)

RETENTION FACTORS

RIF REGULATIONS ARE DERIVED FROM THE VETERAN'S PREFERENCE ACT OF 1944, AS CODIFIED IN SECTIONS 3501-3503 OF TITLE 5, UNITED STATES CODE (5 USC 3501-3503).

THE LAW PROVIDES THE RIF REGULATIONS GIVE EFFECT TO 4 FACTORS IN RELEASING EMPLOYEES:

- TENURE (I.E., TYPE OF APPOINTMENT)
- VETERAN'S PREFERENCE
- LENGTH OF SERVICE
- PERFORMANCE RATINGS

THE OFFICE OF PERSONNEL MANAGEMENT IMPLEMENTS THE LAW THROUGH RIF REGULATIONS PUBLISHED IN PART 351 OF TITLE 5, CODE OF FEDERAL REGULATIONS.

MANAGEMENT RIGHTS

THE AGENCY HAS THE RIGHT TO DECIDE WHETHER A RIF IS NECESSARY, WHEN IT WILL OCCUR, AND WHAT POSITIONS ARE ABOLISHED.

THE 4 RETENTION FACTORS, AS IMPLEMENTED THROUGH OPM'S RIF REGULATIONS (5 CFR 351) DETERMINE WHICH EMPLOYEE IS ACTUALLY REACHED FOR A RIF ACTION AS THE RESULT OF ABOLISHMENT OF A POSITION.

REDUCTION-IN-FORCE

)efinition

}elease of an employee from his/her
;ompetitive level by:

- furlough for more than 30 days
- demotion
- separation
- reassignment requiring displacement

}easons

- lack of work
- lack of funds
- insufficient personnel ceiling (FTE)
- reorganization
- exercise of reemployment or restoration rights

COMPETITIVE AREA

- the boundaries (organizational and geographic) within which employees compete for retention in RIF

- competetive area is Geologic Division in the local commuting area

..MPETITIVE LEVEL

:onsists of all positions in a competitive rea which are:

- in the same grade and classification series

AND

- similar enough in duties, qualification requirements, pay schedules, and working conditions so that the agency nay reassign the incumbent of one position to any of the other positions without undue interruption to agency operations.

Undue Interruption - a degree of interruption that would prevent the completion of required work by th employee 90 days after the employee has been placed in a different position.

Competitive level determinations are based on each employee's official position description, not the .ployee's personal qualifications.

<u>eparate</u> competitive levels are established ccording to the following criteria:

- service (i.e., competitive service or expected service)
- appointment authority (for excepted service positions)
- pay schedule (i.e., ST, SL, WG, GS)
- work schedule (i.e., full-time, part-time, intermittent)
- trainee status

CREDIT FOR PERFORMANCE

Additional service credit for performance is based on the 3 most recent ratings of record received during the 4-year period prior to cut-off date.

To be creditable, rating must have been issued to the employee with all appropriate reviews and signatures, and it must also be on record.

Service credit for employees who do not have actual ratings of record during the 4-year period are determined as follows:

- an employee who has not received any ratings receives credit for performance on the basis of 3 assumed ratings of Fully Successful
- an employee who has received at least 1 but fewer than 3 ratings receives credit on the basis of the actual rating(s) received and of 1 or 2 assumed ratings of Fully Successful, whichever is needed to credit the employee with 3 ratings.

--formance Credit

- Outstanding = 20 years
- Excellent = 16 years
- Fully Successful = 12 years
- Minimally Successful = 0 years
- Unacceptable = 0 years

ompute the average of 3 ratings (rounded in the case of fraction to the next higher whole number).

'or Example:

'mployee A has 3 ratings record:

1994	1993	1992
O = 20 years	O = 20 years	E = 16 years

verage is 18.8, rounded up to 19; thus Employee A eceives 19 years' service credit for performance.

Employee B has 1 rating record:

1994	1993	1992
E = 16 years	-(12) years	-(12) years

mployee receives credit for 2 assumed Fully uccessful ratings; thus, Employee B receives (rounded up to 14) years' service credit for erformance.

Special Notice

action to be taken and effective date

employee's competitive area, competitive level, subgroup, service date, and annual performance ratings of record received during last 4 years

- place to inspect regulations and record pertinent to action

- information on reemployment rights

- appeal rights

RETENTION REGISTER

.ist of competing employees within a competitive level vho are grouped by tenure, veteran's preference, and ength of service augmented by performance credit.

Competing Employees - employees in the following enure groups, including those on leave without pay, detail, time-limited promotions, and assignments under he Intergovernmental Personnel Act.

Tenure Group

- **I ——> Career Employees**
- **II ——> Career-Conditional Employees**
- **III ——> Indefinite Appointments (Term, TAPEF**

Veteran's Preference Subgroup

- **AD ——> Employees with 30% or more compensable service-connected disability**
- **A ——> Other Preference Eligible Employees**
- **B ——> Non-Preference Eligible Employees**

Length of Service

Augmented by performance credit

PRETEND REGISTER

ıme	Pay Plan/Series/Grade	TG/SG	Wrk Sch	CLC	SCD	Adj SCD
A	GS-1550-13	IA	FT	101	10-03-60	10-03-39
B	GS-1550-13	IB	FT	101	02-03-80	02-03-60
C	GS-1550-13	IB	FT	101	05-13-76	05-13-64
D	GS-1550-13	IIB	FT	101	09-30-92	09-30-77

oeal Rights

mployees may appeal to the United States
lerit Systems Protection Board:

- furlough for more than 30 days
- demotion
- separation

ppeal must be filed within 30 days from
he day after the effective date of RIF action.

OTE: Filing an appeal and/or an EEO
complaint does not stop any RIF action

...us During Norice Period

When possible, employees remain in active duty status

In an emergency where agency lacks work or funds, agency may place employee:

- on annual leave with or without his/her consent,
- on leave without pay with or without his/her consent, or
- place employee in a nonpay status with or without his/her consent.

PLACEMENT PROGRAMS

- REEMPLOYMENT PRIORITY LIST (RPL)
- DEPARTMENTAL CAREER PLACEMENT ASSISTANCE PROGRAM (DCPA)
- INTERAGENCY PLACEMENT PROGRAM (IPP)
- PROFESSIONAL OUTPLACEMENT SERVICES

EAM MEMBERS

Judy George (Leader). . . .(703) 648-7426

Robert Bowlin . . . .(703) 648-7406

Lois Rafalko . . . .(703) 648-~~[illegible]~~ 7437

Sandy Sherman. . . . . . . (703) 648-7421

nnie Smith . . . .(703) 648-4402

ENEFITS INFORMATION - astern Region and Headquarters

Judy Huffman . . . . (703) 648-7428

Cindy Wylie . . . .(703) 648-7429

THE TRYING TIMES

A NEWSLETTER FOR GEOLOGIC DIVISION EMPLOYEES

No. 2 Editor: Susan Murphy, WR Personnel Office March 27, 1995

IMPORTANT DEADLINES

MARCH 31 - Last day to apply for the Buyout

APRIL 7 - Last day to submit changes to your Position Description

MAY 1 - Last day to submit updated qualifications information (PTR, *etc.*)

JUNE 30 - Recommended deadline for submitting retirement applications to take the Buyout

JULY 31 - Last possible day of employment for those taking the Buyout

CAVIAT

The information printed in this newsletter must necessarily be general in nature. It should not be used to make career decisions in any specific situation without consulting a member of the Personnel Office staff for evaluation of your particular circumstances.

CG's VISIT

I know that many of you attended the briefings last week by John Filson, Acting Chief Geologist, and Judy George and Sandy Sherman of the Reston Personnel Office. (Employees in field offices should be able to view a videotape of one of the briefings later this week.) They provided answers to some of our many questions, although there are still many decisions to be made concerning a possible reduction-in-force in the Geologic Division. Sandy and Judy gave a clear, logical explanation of the very complex RIF process. If you still don't completely understand it, don't feel badly. Concentrated study is usually required to grasp it all. The course on RIF that OPM provides for personnel specialists is a full five days long. However, I think we all know more now than we did before last week's briefings. For further clarification, there is a Summary of The Reduction-in-Force Process, provided by Bob Bowlin of the Reston Personnel Office, attached to this newsletter.

VIEWING YOUR OPF

The Personnel Office has received a large number of requests by employees to review their Official Personnel Folders. In order to serve everyone as efficiently as possible, we are instituting a more systematic way of accomplishing these "viewings." If you wish to see your file in Menlo, please call Trinidell Thompson at x4077 or e-mail her at *tthompso@usgs.gov* to make an appointment in advance. Your file will be available at the time you are scheduled, and someone will be there to answer questions about its contents. "Viewings" will be held in the Personnel Office conference room in room 206 on the second floor of Building 1. **The files for the GS-14's and 15's are here and available for review following the same procedure.** Employees in field offices who request that their folders be sent to them may encounter a delay in receiving them because of the ongoing data review process (see the item at the end of this issue).

WHAT TO LOOK FOR

Some employees have wondered what they should be looking for when reviewing their OPF's. (If you don't think it's necessary to review your OPF, skip this section. It gets pretty tedious.) The first thing to check is whether all your government service is documented. Short periods of service with breaks between are sometimes not reported by new employees and therefore the records of this service may not get combined with their later service. Examples of such service might be a Christmas season working for the Post Office during college years, or a summer appointment with the Forest Service or Park Service. If you have had any such appointments, double check the right-hand side of your file from the very bottom of the stack of papers for SF-50's (Notification of Personnel Action forms) showing your service. SF-50's are usually easy to spot because they are printed on light-weight paper similar to tissue paper.

Next, look for your most recent qualifications information. This will probably be in the form of a SF-171 (Application For Federal Employment) or a PTR or CR. The latest one was probably filed when you last applied for an appointment or promotion, which for many of us was a long time ago. You may want to make a copy of this to submit with an update. We will cover how to update and submit that information in a future article.

You may also want to look at your most recent SF-50 for the information that affects retention standing in a RIF. For most of us, the latest SF-50 will be the one dated 1-8-95 (in the top right-hand corner) documenting the January salary increase. (This is not printed on tissue paper, but on regular photocopy-type paper.) It will be filed on the right-hand side of your folder, at or near the top of the stack. It is not critical to check these items at this time, because as mentioned in our last issue, the Personnel staff will be reviewing this information and you will have a later opportunity to correct it if necessary. But if you want to know now what your retention factors are, check the following SF-50 items:

Item 15 - Title (this block also contains your organization code and position description number)
Item 16, 17, 18 - Pay plan, series, grade
Under the black line headed Employee data:
Item 23 - Veterans preference
Item 24 - Tenure
Item 31 - Service computation date (SCD)
Item 32 - Work schedule
Under the black line headed Position Data:
Item 34 - Position occupied
Item 39 - Duty station
Item 40 - Functional class
Item 43 - Supervisory indicator

Some items may require explanation, such as:

Veterans preference - Attached to this newsletter is a sheet providing the definitions of the various types of veterans preference. (This is taken from Chapter 7 of *The Guide to Processing Personnel Actions*, Supplement 296-33, updated by OPM on January 20, 1995.) If you meet any of these definitions, you are considered a veteran for RIF purposes, except for some retired members of the armed forces. If you are retired from the military, see a member of the Personnel staff to determine your eligibility for veterans preference in a RIF. If you do not meet any of these definitions, you are not considered a veteran for RIF purposes, even though you may have performed military service. If Item 26, Veterans Preference for RIF, is blank, do not be concerned; the data in Item 23 will be used for RIF purposes. However, if the "No" box in Item 26 is checked, and Item 23 shows that you have any type of preference, you should notify a member of the Personnel staff. Item 41, Veteran Status, indicates whether a veteran served during the Viet Nam era and is used only for statistical purposes. It has no significance for RIF purposes.

Tenure - Code 1 denotes career tenure, which means you have completed at least three years of continuous service on a career-conditional (permanent) appointment. Code 2 denotes a career-conditional (permanent) appointment, but you have completed less than three years of continuous service. Code 3 equals a term appointment, limited to four years or less. Code 0 is a temporary appointment, limited to one year or less.

Service computation date - This date takes into account all your federal civilian service and also includes military service under some conditions. Part-time service counts as full-time, but periods of intermittent (WAE) service are credited based on the time actually worked. There may be deductions for periods of leave without pay. If your federal service has been continuous with no intermittent time, you may know what this date should be. Otherwise, it may be difficult for employees themselves to determine whether this date is correct. It will be double checked by the Personnel staff before RIF entitlements are determined.

Position occupied - Most of us will have a code 1 in this block. A 2 indicates that you are on an excepted appointment that does not require competition before hiring, such as programs for the employment of veterans, disabled persons, or students.

Functional class - Used to categorize professional positions in science, engineering, and mathematics occupations. For employees who are not in one of these occupations, this code will be 00. The codes commonly used in the USGS are:

- 11 - Research
- 13 - Development
- 31 - Data collection, processing, and analysis
- 32 - Scientific and technical information
- 91 - Planning
- 92 - Management
- 94 - Technical assistance and consulting
- 99 - Other, not elsewhere classified

Supervisory indicator - Code 8 denotes a non-supervisory employee. Code 2 is a supervisor or manager and 6 is a work leader.

Your position description is on the left-hand side of your folder and could be anywhere in the stack. Be sure you find the latest one (nearest the top). If you don't have a copy of your current PD, you may wish to make a copy. Item 13, near the upper right corner of the PD cover sheet, is your competitive level code (see below).

STATUS OF COMPETITIVE LEVEL CODE SYSTEM

Competitive level codes (CLC's) are used to designate groups of positions the occupants of which will compete for retention in the first round of a RIF (see the attached Summary of the RIF Process). Positions in the same occupational series and grade with the same CLC are in the same group, called a competitive level. The positions within a competitive level are considered to be so similar that they are interchangeable, that is, the occupants of each could do the others' jobs without undue interruption of the work.

Although many agencies do not establish CLC's until they are preparing for a RIF, the Survey has had a system of competitive level codes in place for ten years or so. It consists of three-digit numeric codes, designating different sets of duties within an occupation. For instance, a physical science technician position in an analytical chemistry laboratory would be included in the competitive level designated by the code 102, while a PST position with duties involving seismological instrumentation would be assigned to code 104. The exception to this system is geologist and geophysicist positions, which have had a three-letter alphabetic code, based primarily on the two specialty codes these scientists designate on their PTR's.

Like the other factors used to determine an individual's RIF standing, the competitive level coding of positions is being thoroughly reviewed. All positions will be sorted and grouped by similarity of duties and required qualifications and the positions in each group will be assigned the same CLC. The participants in this process will be Geologic Division representatives who have knowledge of the positions being reviewed and position classification specialists in each region. This process is planned to be completed about the middle of May. Before its completion, the CLC determinations will be reviewed and validated by a national team composed of representatives of the Geologic Division and the Personnel Office.

Because of OPM regulations and case law which provide that competitive levels must be based on the work assignment as described in the position description, the

Survey's former system of using employee-provided specialty codes as the basis for assigning CLC's for geologists and geophysicists will not be used. Therefore, these positions will be evaluated by the same process as all other positions and new CLC's will be assigned.

Because this process is not complete, the CLC recorded on your current PD is subject to change. Stay tuned for more information as the review process continues.

UPDATING YOUR POSITION DESCRIPTION

Because the process described above is based on the comparison of position descriptions, it is very important that your PD be accurate. If it has not been updated for some time, or your duties have changed recently, your PD should be modified to reflect the work that you are currently assigned. The deadline for submitting updated PD's to the Personnel Office is April 7, and they must be processed by your Administrative Office and signed by your supervisor before being sent to Personnel.

In updating your PD, you and your supervisor should mainly consider the major duties or work assignment and the knowledges or qualifications required to do the job. These are the two most important factors in comparing the similarity of positions. Other factors in the PD, such as Guidelines, Supervision, etc. will probably not change much. Because of the freeze on promotions within the Geologic Division, PD's submitted with a request for classification at a higher grade will be returned.

The duties that belong in your PD are those which you are doing on a regular and recurring basis. Don't include work you have done in the past which is no longer part of your job, or duties you hope to do in the future but have not yet done. Don't include tasks you may be doing that are not part of your assigned work.

The description of knowledges and qualifications in your PD is not a listing of all your qualifications, but only of the qualifications necessary to accomplish the work of the position. You have an opportunity to record all of your qualifications in a separate document by May 1. We will provide information about that in the next issue of this newsletter.

We have been asked whether it is more advantageous in a RIF to describe one's duties in general terms or to be very specific. The complexity of the RIF process makes it impossible to give a dependable answer. If everyone described their duties generally, it is likely that more positions would group together into competitive levels. It is also likely that there would be more opportunities for displaced employees to bump into positions with general duties and knowledge requirements. Whether this is an advantage or a disadvantage depends upon whether you are the bumper or the bumpee, and the complexity of the process makes it impossible to determine in advance what any individual employee's situation will be. The effect depends too on how other people describe their jobs, which is also unpredictable. It's best just to describe your position as accurately as possible.

DATA VERIFICATION

The review and verification of data which will affect RIF standing in individual employees' records are progressing. To date, we have reviewed close to 100 files for critical data elements, such as career tenure, veterans preference, and service computation date. Other information, including performance ratings and competitive level codes are yet to be considered. We plan to send notification to employees as we complete the review. The notices will inform each employee about the applicable data and will give them a chance to provide us with any information that might be missing. Future issues of the newsletter will provide information on when we expect to send out the notices.

Summary of The Reduction-In-Force Process

When a downsizing is necessary, management identifies the positions (not the persons) to be abolished. The reduction-in-force (RIF) process is the mechanism used to de[illegible] the specific effects of the downsizing on specific employees. This determination of assignment rights under RIF is divided into two phases. First, employees compete for retention in their own competitive level (a grouping together of substantially sim[illegible] positions). Second, employees compete, through bump and retreat, for positions at the same and lower grades in other competitive levels. In some instances, an employee [illegible] have displacement rights to two or more positions at different grades. In such cases, RIF regulations require that the employee must be offered the higher-graded position. However, faced with two or more available positions at the same grade, the employee may be offered whichever position management chooses.

When a position is abolished in a competitive level, it is the lowest standing employee (not necessarily the incumbent of the abolished position) that is removed from the competitive level. When there is only one position in a competitive level and that position is abolished, the incumbent of the abolished position is removed from the competitive level. Once employees are removed from their competitive levels, they compete for positions at the same or lower grades, via bump and retreat, in other competitive levels. As each employee's bump and retreat rights are determined, additional employees may be displaced. They also enter bump and retreat competition and the process continues until each displaced employee's right of assignment has been satisfied.

More specifically, seniority in RIF is based on three factors:

1. Tenure Group
   - I - Career
   - II - Career-Conditional
   - III - Term
2. Subgroup
   - AD - Veteran with service-connected disability of 30% or more
   - A - Veteran eligible for preference
   - B - Non-Veteran
3. Service Computation Date (SCD)
   - Length of service augmented by additional credit for performance (avg. of last 3 ratings - 12 for FS, 16 for Excell., 20 for Out.)

These factors function in the following way:
Tenure group and Subgroup are combined to form the following Retention Categories:

IAD - Career 30% Disabled Veteran
IA - Career Veteran
IB - Career Non-Veteran
II AD - Career-Conditional 30% Disabled Veteran
IIA - Career-Conditional Veteran
IIB - Career-Conditional Non-Veteran
IIIAD - Term 30% Disabled Veteran
IIIA - Term Veteran
IIIB - Term Non-Veteran

Within each retention category, employees are arranged by SCD, most to least.

The two types of displacement rights are:

1. Bump - The right to displace another employee, no more than three grades below, in a lower retention category who occupies a position for which you qualify <u>and</u> which you could perform satisfactorily within 90 days, e.g., IA can bump a IB or any II or III; a IIA can bump a IIB or any III; a IIB can bump any III; etc.; and
2. Retreat - The right to displace another employee, no more than three grades below, in your own retention category but who has less service and who is in a position identical to a position that you previously occupied, e.g. a IA can retreat to a position held by another IA with less service so long as it is a position identical to one previously held.

This is not a comprehensive treatment of the reduction-in-force process. It is an overview of the major regulations covering reduction-in-force and related topics.

1-3. Definition of Veteran.

a. For preference purposes, an individual must have served on active duty, been separated with an honorable discharge (or under honorable conditions) from active duty in the Armed Forces *and* have performed service that meets the criteria listed below.

(1) If the person entered on active duty on or before October 14, 1976, the service must have been performed:

(a) in a war;

(b) in a campaign or expedition for which a campaign badge has been authorized;

(c) during the period beginning April 28, 1952, and ending July 1, 1955; or

(d) for more than 180 consecutive days, other than for training, any part of which occurred during the period beginning February 1, 1955, and ending October 14, 1976.

(2) If the person entered on active duty after October 14, 1976, and before September 8, 1980:

(a) the service must have been performed during a war or in a campaign or expedition for which a campaign badge has been authorized; or

(b) the person must be a disabled veteran (see definition in paragraph 1-3c)

(3) If the person enlisted in the Armed Forces after September 7, 1980, or entered on active duty (through means other an enlistment) on or after October 14, 1982:

(a) the service must have been performed during a war or in a campaign or expedition for which a campaign badge has been authorized *and* the person must have completed 24 months of continuous service or the full period called or ordered to active duty; or

(b) the service must have been performed during a war or in a campaign or expedition for which a campaign badge has been authorized *and* the person must have been discharged early under 10 U.S.C. 1171 or for hardship under 10 U.S.C. 1173; or

(c) the person must be a disabled veteran

c. Disabled Veteran means a person who was separated under honorable conditions from active duty in the Armed Forces performed at any time and who has established the present existence of a service-connected disability (a noncompensable disability or one of less than 10 percent) or is receiving compensation (i.e., 10 percent or more disability), disability retirement benefits, or pension because of a public statute administered by the Department of Veterans Affairs or a military department.

1-5. Types of Preference.

The conditions to be met for each type of preference are explained in Table 7. Note that a retiree who meets the criteria in one of the rules in Table 7 is entitled to preference for the purposes of adverse actions and performance-based actions, even though he or she may not be eligible for preference for appointment or RIF purposes.

a. 5-point preference (TP) is the preference to which every veteran, as defined in paragraph 1-3a, is entitled. (If the veteran is eligible for and takes advantage of 10-point preference, he or she receives the 10-point preference instead of, not in addition to, the 5-point preference.)

b. 10-point (disability) preference (XP, unless CP or CPS) is the preference to which every disabled veteran, as defined in paragraph 1-3c, is entitled.

c. 10-point (compensable disability) preference (CP) is the preference to which a disabled veteran is entitled if he or she has a compensable service-connected disability rating of 10 percent or more.

d. 10-point (30% compensable disability) preference (CPS) is the preference to which a disabled veteran is entitled if he or she is entitled to a 10-point preference due to a compensable service-connected disability of 30 percent or more.

e. 10-point (other) preference (XP) is the preference granted to the widow/widower or mother of a deceased veteran or to the spouse or mother of a disabled veteran. It is called "derived preference" because it is derived from the military service of someone else— a veteran who is not using it for preference. When the disabled veteran does use the service for preference, then the spouse or mother is no longer entitled to preference.

f. OPM uses the letters shown in parentheses to indicate the type of preference on certificates of examination eligibles issued to agencies for hiring consideration. Agencies may use the same letters whenever it is necessary to list or rank candidates, some of whom have preference, for hiring consideration under delegated and excepted appointment authorities.

To: All Geologic Division Employees

From: Pat Leahy, Acting Chief Geologist

Subject: Chief Geologist's Letters - April 25, 1995

It was a pleasure to meet with many of you during my recent visits to the regional centers. As I stated then, I will work with you to create a renewed and reinvigorated Geologic Division that will pursue scientific excellence and the opportunity for professional growth. We are, however, all aware that the next several months will be some of the most difficult and challenging that we in the Geologic Division have ever had to face. During this time of drastic change, it is vitally important that we maintain an open and caring two-way flow of information. The purpose of these letters, which I intend to send to you on a frequent basis by e-mail, is to keep you informed of Division plans and activities. With this in mind I would ask you to please share this and future letters with your colleagues who do not yet have e-mail. I hope that you will find these letters helpful and informative as we continue our commitment to accomplish the mission of the USGS. I look forward to your thoughts, comments, and suggestions on these letters. My e-mail address is pleahy@qvarsa.er.usgs.gov; please keep your responses to one page. I also plan additional briefing sessions at each of the regional centers for continued direct communication. During these visits, I will be arranging brown bag lunch discussions so that I may have an informal opportunity to get to know you better and answer your questions in person.

This first newsletter concerns the current status of Division plans for reorganization and the reduction-in-force (RIF) process. Many of you have asked why we need a RIF at all. Over a year ago, in March 1994, Ben Morgan, then Chief Geologist, circulated a memorandum describing the need for the Geologic Division to reduce its work force. The urgent problems he described then have been compounded by recent changes in the Federal Government and the Nation's concerns about the national deficit. Since 1983, Geologic Division appropriated funds have increased by $54 million, and FTE's have decreased by about a thousand employees. But salary increases have outstripped funding increases, and space costs have doubled from about $12 million to about $24 million per year. Costs for utilities, telephone systems, and postage continue to increase. About one-third of the $54 million increase, or $17 million, goes outside of the Division for grants, contracts, and cooperative agreements with universities and State agencies by agreement with the Department of the Interior and Congress. Most of these funds were obtained as part of our emergency response to geologic disasters, primarily the Loma Prieta earthquake of 1989, volcanic eruptions in Alaska, and increased grants for geologic, coastal, and coal availability studies. The overall result is that funds for operating expenses have decreased to the point where we can no longer carry out the majority of our mission effectively. Obviously, we can't just pay salaries; we must have sufficient operating funds to perform the tasks and to produce the products that have been mandated to us by the Administration and Congress.

Some of you have asked why we can't solve our fiscal problems through a furlough. A furlough is only a temporary remedy and unfortunately would not address the severity of our financial problems, which would only continue to worsen yearly. We need a longer term solution that addresses changing program priorities and that achieves a more stable funding base. Our staffing mix is no longer in balance with programmatic needs. We have too few technical support personnel and insufficient depth in key specialty areas. A furlough would not correct these deficiencies.

There remain uncertainties that will impact the size of the RIF. I am pleased to report that 160 employees applied for the buyout; these staff reductions will help reduce the number of positions that must be abolished to enable the Division to operate within the constraints of our appropriated budget. I understand the difficulty that many of you faced in making such a momentous career decision in such a short time, and I want to thank everyone who applied for the buyout, especially those of you who had not planned to retire at this time.

Our FY 1996 budget remains in doubt, as the House and Senate Appropriations Committees will not submit their final funding recommendations until June or later. After these recommendations are passed, differences in the budget appropriations between the House and Senate must be reconciled in conference. The full process will take us into late summer. Although this delay means that we must continue RIF preparations without final information as to the size of the FY 1996 appropriation, there are strong indications that our overall appropriation will be substantially reduced.

Currently, each of the Division program offices is developing national program plans as well as staffing plans for implementation of each program. The Office Chiefs have appointed Program Councils to prepare these plans, which will form the core strategy for performing our work within realistic budget constraints.

Another major challenge that we face is reorganization. As you recall, the National Review Committee found that the existing Division structure has not worked well in the current budget climate, the result being that program has "often suffered at the expense of maintaining the organization." The Committee recommended reorganization, developed criteria for organizational structure, and evaluated several options. Planning for the Division reorganization is now underway. The Division Council, which consists of the four program office chiefs, the three regional assistant chief geologists, the associate chief geologist, and myself, has carefully evaluated the recommendations of the Division Review Committee and of the three regional pot-stirring committees as well as the bureau's regional structure plans discussed in the Director's recent Benchmark letter. Using this information, the Council will continue to develop plans for our new organizational structure during a retreat on April 26 and 27. Our goal will be to design a Division structure that will maximize effective development and operation of high-quality scientific programs, be responsive to customer needs, and provide for timely production of relevant scientific data, information, and reports. During this retreat, we will address the degree and style of program operations and line management, giving consideration to organization models that support both national and regional programs. We will also discuss the establishment of coordinating and integrating mechanisms, such as program councils and regional councils.

The burden of planning both for Division reorganization and for the RIF is being shared by two senior scientists whom I have appointed to assist Division management. Dick Poore is detailed to assist in the reorganization process, and Bill Cannon is detailed to assist the personnel office and Geologic Division managers with the RIF process. Both processes are closely linked. Bill Cannon will begin traveling next week to Denver, Menlo Park and Reston to review employees' Position Descriptions and validate their competitive levels.

In addition, Tom Fouch is chairing an independent committee comprised of members of the Division from the scientific, administrative, and technical staff to review the National Program plans and the staffing plans for each of the programs. This review will allow a well-rounded evaluation of these plans and ensure that they are considered in a coordinated and fair manner.

In the near future, my letters will address the RIF process in more detail. They will also describe the process used to develop the program plans as well as explain how selections are made for the program staffing plans and for the positions to be abolished. You will be kept informed as decisions are made on the reorganization of the Office of Scientific Publications, the Office of International Geology, and the discipline branches.

The Headquarters Personnel Office has established a nationwide e-mail system to provide Geologic Division employees with a mechanism for asking general RIF questions. This system will not only allow Division employees to receive responses to their specific personnel-related RIF questions but will also enable them to benefit from answers to RIF questions asked by co-workers. At present, the Headquarters RIF team plans on convening weekly to review questions and to respond to those that are of broad interest to employees. Please be mindful that this service is intended to provide employees with information regarding RIF regulatory and procedural questions, not those strictly pertinent to your personal situation. The e-mail address is rifquest@usgs.gov, and it is currently operational.

I look forward to your comments regarding the newsletters as well as any suggestions you may have to assist me and my staff during this difficult transition period.

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To: All Geologic Division Employees

From: Pat Leahy, Chief Geologist

Subject: Chief Geologist's Letter - June 2, 1995

During the last few weeks, the Division Council has held retreats during which we made several decisions concerning RIF planning, the establishment of program staffing plans, and a number of issues related to the reorganization of the Division. This letter addresses some of the details of these decisions. Because of the continuing uncertainty in the level of next year's funding, we will continue to work with a worst-case scenario in our RIF planning, which amounts to an overall budget reduction of about 20%. Such a budget reduction would result in downsizing from last April's level of 2,364 employees to approximately 1,611, including the 160 employees who took the buyout. In this scenario, after the buyout, the administrative staff would be decreased by 43 to 118, and the clerical staff would be decreased by 35 to 71 persons. We continue to remain uncertain as to the size of the RIF as we await Congressional actions that will affect our future appropriations.

RIF PLANNING UPDATE

The process of reviewing and validating competitive levels for each research position has been accomplished by a team consisting of the designated management representative (Bill Cannon), the Division's Human Resources Officer (John McGurk) the appropriate line manager, and the regional classification specialist. Teams of from 4 to 10 subject-matter experts drawn from the Division's scientific staff in each region assisted the regional classifiers in the preliminary placement of positions into various competitive levels.

During the next few months, Bill Cannon will be assisted by a spokesperson in each of the regions, who will be available to answer your questions and provide a readily available point of contact for staff of the Division as the RIF process develops. Jill McCarthy (Western), Robert W. Fleming (Central), and Terry Offield (Eastern) have accepted this challenging responsibility.

PREPARATION AND REVIEW OF STAFFING PLANS

During the latter part of April and the first two weeks of May, Office Chiefs, their staff and Program Councils completed the preparation of program and staffing plans. The challenge was to create a balanced although smaller Geologic Division to effectively fulfill our programmatic responsibilities. The "unpopulated" staffing plans were then reviewed by the Division Program and Staffing Plan Review Committee, which met in Denver from May 8 to 10. On Thursday, May 11, Tom Fouch, who chaired the Review Committee, presented the committee's review of the program and "unpopulated" staffing plans to the Division Council. Tom emphasized the committee's bridging concerns (bridging = moving the same position from the old organization to the new), especially those relating to broad Divisional skills and entrepreneurial capabilities, and employees funded by multiple programs. The review and suggestions were welcomed by the

Division Council, and I instructed the Office Chiefs to accommodate the recommendations into their program and staffing plans. The Office Chiefs, assisted by members of their respective Program Councils, prepared responses to the reviews and also produced revised staffing plans.

A comprehensive review and analysis of "populated" staffing plans for all programs, support units, and other offices (including publications and library) took place at the Division Retreat on May 16 and 17. This review focussed on examining the lists of positions to be abolished at the "worst-case" FY 1996 funding level. Each position on the list of positions to be abolished was discussed to see if another program, group of programs, or support office could agree to mutually support the position. Changes made in the staffing plans reflected many of the concerns expressed by the Review Committee. Nearly 90% of the Review Committee's program-by-program and bridging recommendations were addressed.

MANAGEMENT POSITIONS:

Many of you have asked about the decision to reassign most of our managers to scientist positions prior to the RIF. I believe that the following response effectively addresses this question.

The RIF is being driven by two forces, a component related to reorganization of the Geologic Division, and RIF actions that are driven by reductions in appropriated program funds. The reorganization of the Division will result in the abolishment of virtually all current management positions. The Offices and Branches will be replaced by a new organizational structure featuring new management positions--pending approval by the Department of the Interior. The management positions in the old Division management structure will not, with few exceptions, directly bridge to the new structure because the new positions will have different job title, series, grade, and duty definitions.

It has been the tradition that management positions in the Geologic Division are filled by talented Division members who compete for the leadership slots with the understanding that the assignments are rotational. Thus, for most current managers, their "permanent" Division home is in a science position. I wish to maintain the tradition of rotational management, and so have decided that these employees will be reassigned to their original science positions and that they will compete in the RIF from these positions.

Many current managers in the Division are serving in an "acting" capacity through the use of details. Their permanent position of record, however, remains with a science program. A very few current managers were hired from outside of the USGS directly into management positions, but with the understanding that following their management terms they would be reassigned to a division program. These managers will also compete from their respective science positions in the program that is most closely associated with their current program and consistent with their scientific skills.

After the managers are reassigned into science positions, I intend to reappoint them to temporary details into their vacant management slots. As the new division structure is implemented, these temporary details will be replaced by new managers selected through open competition.

TRAINING

Members of the Women's Advisory Committee representing each region and the field offices will act as liaisons between the Assistant Chief Geologists and employees to recommend and review training during the RIF process. They will also assist the Human Resources Office in choosing the best training resources available to fulfill the needs of Geologic Division employees. Wendy Line (Central), Katherine Linale (Western), Cheri Yoesting (Eastern), and Frances Pierce (field offices) have graciously agreed to serve as the regional representatives.

REORGANIZATION PLANNING

I am pleased to announce that Steve Bohlen, Program Coordinator for the Continental Surveys Program and currently of the Branch of Volcanic and Geothermal Processes in Menlo Park, will be detailed to Reston to assist me and the Division Council with the transition from the old to the new Division organizational structure. He will take a broad look at Division reorganization plans and provide recommendations and guidance to facilitate all that needs to be done to accomplish this transition by October 1. One of the items Steve will be dealing with is suggestions for the development of a new operational plan for implementation in the FY 1997 budget cycle. Steve will begin this detail in early July.

RETIREMENT INFORMATION

The Division Council has decided that people who face separation as the result of the RIF process but who have enough ANNUAL LEAVE to carry them on the rolls until they achieve eligibility for discontinued service retirement status may use their annual leave to remain on the rolls after their separation date until eligible for retirement. Contact your servicing Personnel Office if you believe that you may be qualified. You may want to reconsider plans to take annual leave this summer.

EMERITUS PROGRAM

The Division Council has also decided to revise our earlier policy and make the Emeritus Program available to those who choose to retire, or are eligible for retirement and are released as part of the RIF process. The Emeritus Program remains competitive; we will accept applications for consideration from now until the end of the fiscal year, September 30, 1995.

RIF INFORMATION ADDRESS CHANGE

Effective May 31, rifquest@usgs.gov has been changed to rifinfo@usgs.gov.

To: All Geologic Division Employees

From: Pat Leahy, Chief Geologist

Subject: Chief Geologist's Letter -June 14, 1995

I would like to share with you the following thoughtful series of questions and answers excerpted from comments written by Christine Turner, Chief of the Branch of Sedimentary Processes, for the Branch newsletter "Current Ripples." Like her, I realize that the period between the announcement of the planned RIF and the expected date of notification (about August 1) will be a time of uncertainty and concern, and I find her explanations and long-range thinking on the RIF very helpful.

1. EXPRESSED CONCERN: It looks like the CLC (Competitive Level Code) assignments were made by management (in Reston) to make each scientist "unique" so that we can be singled out for job elimination.

RESPONSE: In reality, the assignment of CLC's is the responsibility of Personnel. However, Personnel wanted scientists' input, and so a team of "technical experts" was assembled to work directly with Personnel in establishing CLC's. All CLC assignments were made by this group, which worked directly with Personnel. Management input was limited to a brief interview with individual Branch Chiefs (no higher management) in which Personnel and Bill Cannon reviewed with the Branch the assignments of CLC's made by the technical experts. At these meetings, Branch Chiefs were asked if they agreed with the CLC assignments made by the technical experts. Branch Chiefs were told that no changes would be made by Personnel solely on the basis of Branch Chief input--instead, all comments would be relayed back to the technical experts for their judgment. So management had very little input into assigning CLC's, and upper management (Office Chiefs, etc.) had none. The "uniqueness" issue has interesting case histories. It turns out that many complaints in similar RIF situations were from individuals who felt they were "lumped" in a CLC with too many others (i.e., they preferred to be "unique") -- they felt that they were inappropriately competing in Round 1 with people who didn't belong in the same CLC.

2. EXPRESSED CONCERN: Why has release of the Division staffing plan (which includes all program staffing plans, such as the Energy staffing plan) been pushed back from the original May release date?

RESPONSE: The rationale for delaying release of the staffing plan is expressed best by Pat Leahy, the Chief Geologist, in his all-employee memo of May 15. To quote directly, including capitalization,"WE ARE USING A WORST-CASE SCENARIO AT THIS TIME, because we do not know to what degree our FY 1996 congressional appropriation will be cut. If the budget proves to be less severe, the Division will pull back from these extreme cuts." The message is that some of the cuts currently represented in the staffing plan may not be necessary. I don't have any specific information about the exact date, if one has been set, for the release of the Division staffing plan.

3. EXPRESSED CONCERN: What if a position that seems to fit me doesn't occur in the Division staffing plan when it is released, or, conversely, What if a position that seems to fit me does occur?

RESPONSE: The staffing plan will describe positions needed to fulfill the goals of Division programs. It is important to realize that, if you see a position in the Division staffing plan that seems to accommodate your present work assignment, there is no guarantee that you will ultimately fill that position. Conversely, if you do not see a position that fits your present work assignment, it is still possible that you could retreat into positions that are similar to ones you may have filled previously. Again, my knowledge of this process is limited to the same lectures from Personnel that you all have heard, but I know there is a great deal of confusion and consternation on these points. Please consult with Personnel for clarification of these issues. I think the main thing to know is that nothing will be known for certain until official notification is given at the end of the entire RIF process. I know it is extremely frustrating to try to second guess the procedure and to try to determine your own individual chances of remaining employed.

4. EXPRESSED CONCERN: What about the people who have been successful through the program planning process and have received funding from multiple sources? Are they going to be overlooked in this process?

RESPONSE: From what information I have, this concern has already been raised and is being addressed at Division level. I have received assurances that nobody will fall through the cracks" because of an oversight.

So what can you do while you wait? Personnel has hired consultants to help us deal with the morale issues related to downsizing. Attendance has been disappointingly low at these courses; it seems that many people are reluctant to attend because it might appear that they have already assumed that they are going to be gone. Even if you think you are going to stay employed, someone you know may not be staying and will need your understanding and support. I am investigating ways to have similar courses made available to the Branch, but, meanwhile, please take advantage of the course offerings through the Division.

I also have received reports that tempers are sometimes flaring in response to what would, under normal circumstances, be small annoyances or inconveniences. Although I truly understand the high anxiety level at this time, it is not acceptable to take it out on one another. We all make slips, and we're all human, but it is incumbent on each of us to apologize to anyone we may have offended by inappropriate responses to situations. I encourage each of you to find ways to deal with the anxiety that invariably accompanies the degree of uncertainty about the future that everyone is experiencing. Talk with your section leader about your concerns, talk with Personnel, talk with your Branch Chief, or talk to someone you consider a friend. Please take responsibility for your actions and behavior.

Someone told me yesterday that no one advances to the top in a Japanese corporation without suffering some major setback or failure during the course of his or her career. The rationale is that it is not the setback that matters but how a person deals with that setback that determines his or her ultimate success. We all need to develop strategies to deal with the uncertainty that the next few months have to offer. It's a setback for everyone to even have to deal with the possibility of losing a job.

Thank you, Christine.

FY 1996 BUDGET OUTLOOK

Through the late summer and early fall of 1994, the FY 1996 budget outlook for the Geologic Division was modestly bright. The FY 1996 budget request of $219 million was up nearly 3 percent from our FY 1995 enacted budget of $213 million, although the FY 1995 budget was substantially reduced from the $219 million FY 1994 budget.

The Senate and House have now passed budget resolutions for FY 1996. These budget resolutions set broad outlines and targets for various parts of the Federal budget (taxes, entitlements, and discretionary spending). They also provide nonbinding guidance to the appropriations committees on how they should deal with some programs or agencies.
In the Senate version, the USGS is not mentioned specifically. There are some very specific recommendations for large reductions in other parts of the Department, including abolishing the National Biological Service and significantly reducing land-acquisition funds for the National Park Service. The lack of reference to the USGS is a good sign; however, it is not an indication that we won't face any budget cuts in the Senate.

In the House version, recommended cuts put the USGS budget for FY 1996 20 percent below the FY 1995 level. The House budget also describes outyear funding levels showing a decline of 35 percent from 1995 to 2002 after adjusting for inflation. The House Subcommittee on Energy and Mineral Resources (our oversite subcommittee) version has some specific language regarding Geologic Division programs and recommends that the Division take a 20 percent decrease (-$42.7 million) with the "expectation that Geologic Hazards Surveys and the National Cooperative Geologic Mapping Program be funded at FY1995 levels." This recommendation would mean that other programs in the Division would need to be reduced by about 35 percent. Whether these recommendations will be reflected in the final House Subcommittee appropriations is not known. These recommendations, however, have been considered in establishing our "worst case scenarios" for RIF planning purposes.

We expect that the House Interior Appropriations Subcommittee will "mark up" our budget (that is, assign specific dollar levels to our budget line items) later this week. This budget will then need to be approved by the full Appropriations Committee and then by the House. The Senate will follow the same process, probably in July. We expect significant differences between the House and Senate appropriations for the USGS, which must then be resolved by a conference committee. As Congress is typically not in session in August, this resolution may not occur until September. The final bill must then be signed by the President.

CAREER CHANGE RESOURCES

The Career Management Resource Centers (CMRC'S), located in the USGS librari· in Reston, Denver, and Menlo Park, have many resources to help staff through the RIF process. Two especially helpful software packages have been installed on the library computers and may be used at each site. "Quick and Easy for the SF-171" is a Federal jobs kit including applications forms and the Federal resume. "You're Hired" is an automated resume builder and career search software package. Books and videos covering change in the workplace, job hunting skills, resume preparation, and interviewing tips are also available to employees. Visit or call the library nearest you for more information.

Eastern Region
USGS Library
National Center, MS 950
Tel: (703) 648-4302

Central Region
USGS Library
Box 25046, MS 914
Denver Federal Center
Tel: (303) 236-1000

Western Region
USGS Library, MS 955
Tel: (415) 329-5027

Mr. LEAHY. I think Mr. Moran hit it on the head in some of his comments earlier today. I think that, because this issue had been a problem for almost a decade, I think there was a general reluctance to believe that we were facing a reduction in force, so I think that many people did not pay attention, or denied that there was a problem of the magnitude that we had.

Mrs. MORELLA. Do you assume any of the responsibility for the department in not making sure that they were apprised? I mean, did it come down like Zeus' thunderbolt from Mount Olympus?

Mr. LEAHY. Well, I think that, as you see the efforts that we went through to inform everyone, with visits to our regional centers, with newsletters from our director, from myself, from the previous chief geologist, I think that every effort was made to reach our regional centers, and many of these meetings were videotaped and passed on to our field centers, also.

If you'll look at attachment A, in my written testimony, there is a series of things that were conducted to communicate the reduction in force before the RIF took place that involved not only senior management but also our personnel office.

Mrs. MORELLA. What troubles me most about the article and about the testimony is that, even after reading both, I don't know how the survey's mission has changed. Was there any change of mission involved in the planning that led to the RIF?

Mr. LEAHY. No. Basically, our mission has evolved. Some of our programs have new directions that they're taking, as one could imagine. The mission has not changed, but certainly our programs are evolving scientifically in new directions.

Mrs. MORELLA. I know that my colleague, Tom Davis, has some great concern, and has commented to me that 128 Reston employees in the Geologic Division of USGS will be terminated effective Friday, October 13—most of the outgoing workers, senior research scientists at GS pay level—indicates that there have been about 60 complaints directed to the Office of Special Counsel as a result of the RIF.

The complaints raise allegations of discrimination, retaliation, nepotism. Many complaints are being brought to the Merit Systems Protection Board, which would have the power to restore jobs, with pay.

Not only this committee, but the House Government Reform and Oversight Committee, total committee, full committee, and the House Veterans Committee have requested that GAO conduct a preliminary investigation into the structure and operation of the RIF.

I wonder what comments you might have to all of those statements that I made with regard to the real upheaval?

Mr. LEAHY. Well, as you are aware, the General Accounting Office has completed their report and has submitted it to this committee. They found nothing wrong with the process that was used to conduct the RIF in the Geologic Division.

In terms of appeals and settlements, attachment C of my written testimony has a summary of that. There were 123 MSPB appeals, 18 from the eastern region. To date, we have prevailed in five of those appeals. We have not had any findings against us. Twenty-two of the appeals have been dropped and 13 cases have been settled, with no finding against or in favor of either of the parties.

Mrs. MORELLA. How many have not been settled yet?

Mr. LEAHY. There's probably on the order of, I would say, something on the order of 60 that still have not found their way through the process.

Mrs. MORELLA. So one-half of the appeals have been decided. And I'm trying to figure out, has there been any guilt in any of those that have been decided attributed to the procedure or the agency?

Mr. LEAHY. No decisions have been issued in favor of the appellants.

Mrs. MORELLA. OK. I may want to supply some other questions, as I go through this material more thoroughly, to you and also to Mr. Luke.

I wondered, both to you, Dr. Leahy, and Mr. Luke, about any counseling that took place, career counseling. I would like both of you to address it.

Mr. LUKE. Yes.

Mrs. MORELLA. Mr. Luke, you maybe could expand on what you did, and Mr. Leahy, what has been done.

Mr. LUKE. With respect to both of our RIFs, the one in November 1995 as well as the current one, we have had extensive contractual support with respect to both populations—résumé writing, interviewing techniques, job search techniques, career counseling techniques, as well as data base tools that one can use in terms of sharpening skills with respect to the current marketplace.

In our November 1995 activities, they were extensively used by our staff and they are currently being used today here in Washington, by our staff, as well.

Our total expenditure has been around $300 to $350,000 to date.

Mrs. MORELLA. Have you followed through to find out how successful it has been?

Mr. LUKE. To some degree, we have. That gets to be very difficult, particularly in closed offices, where we no longer have a facility or presence. So, to the extent that you check, it's by anecdotal followup. But I would say, with respect to the populations in New York, Detroit, and Cincinnati, of that population, 50, 60 percent are employed now.

Mrs. MORELLA. Are they basically employed in the public sector, mostly in the private sector?

Mr. LUKE. Again, that is hard to say. I would be speculating, to the extent that I responded. But if you look at the Detroit market, I mean, there is just not a large Federal presence in Detroit. So the likelihood, with respect to being public, is no.

New York, the demographics are a little different. But again, my suspicion is the preponderance of those are not reemployed in the Federal community.

Mrs. MORELLA. So you've done some like generalities. You think 50 percent probably are now employed and, depending upon the region, there is speculation about whether it is public or private.

Do they advise you? Did you fill out any form after that to see what has happened to them, or is it just "Adios, I've given you counseling"?

Mr. LUKE. In terms of continuing reporting?

Mrs. MORELLA. Well, just to know finally that they do have a job, or they do not.

Mr. LUKE. We don't have a formal system in place in terms of reporting, but I periodically, every other week or so, check with the manager of New York in terms of what is happening with the staff in New York.

I personally make phone calls myself back and forth in terms of the Detroit community, pretty much on a weekly basis, to ascertain how things are going, is there anything that we can do to be of further assistance. We continue to do character references, that kind of a thing for them.

Mrs. MORELLA. Because of your personal commitment?

Mr. LUKE. Right.

Mrs. MORELLA. Dr. Leahy.

Mr. LEAHY. We tried a number of different things, and I think we had some success that I can report on.

Congressman Davis, who is a member of the full committee, and Congressman Wolf, sponsored a job fair for individuals that were separated. We also had an active outplacement effort in each of our regional centers and field centers that were affected. This involved State employment agencies and contractors, again improving job searching skills, résumé preparation, and that sort of thing.

We have had over 110 individuals placed in other parts of the USGS and in Federal bureaus, Department of the Interior bureaus as well as other bureaus, through a priority placement program that was put into place.

It is very difficult to get a handle on the private sector, the individuals that find employment in the private sector.

We also had employee counseling through the employee assistance program. I believe Congress was responsible for starting that program.

Mrs. MORELLA. Well, I don't have any other specific questions at this point to ask but, again, I would like the opportunity to submit questions.

Mr. BASS. Very well. Thank you very much, Mrs. Morella. We will certainly give you the opportunity, if you think of any other questions you wish to ask, to do so in the next few minutes. I just have one or two questions here for Mr. Leahy.

Mr. Leahy, your testimony provides evidence that far fewer veterans were affected by the RIF than one would expect. How did you produce this result without knowing the status of the employees whose positions you abolished?

Mr. LEAHY. Veterans have stronger rights. I mean, we followed the regulations concerning veterans' retention rights.

Mr. BASS. We'll move on to the next section, which is age discrimination.

The director of the Geological Survey has been quoted as referring to some agency personnel as "dinosaurs." Could you explain this term to the subcommittee?

Mr. LEAHY. Well, I'll comment on my interpretation of the director's comment.

The USGS is in a transitional period. Certainly, the Federal Government landscape is changing, very rapidly. We need the capability to adapt to this changing landscape. If we do not adapt and evolve, perhaps we will become extinct, much like the dinosaurs did.

Mr. BASS. Spoken as a true Earth scientist. [Laughter.]

Mr. Leahy, can you tell the subcommittee how many people or what proportion of those over age 40 were separated through this RIF?

Mr. LEAHY. We can provide you with that information. I would prefer to answer that question for the record.

[The information referred to follows:]

At the time of the Reduction-in-Force (RIF), the Geologic Division of the USGS had a total of 1,537 permanent employees age 40 and above. Of these permanent employees, 318 or 21 percent, were adversely impacted by the RIF (i.e., separated, resigned, placed outside the Division, or involuntarily retired).

Mr. BASS. Thank you very much. We'll do that.

Mr. Leahy, the law requires that reductions in force be run competitively, giving due consideration to four factors: Seniority, tenure, veterans' preference, and performance. I'm sure I'm not telling you anything you don't know.

What competition did you establish, and how were these factors considered?

Mr. LEAHY. Basically, those factors were involved in—once the staffing plans were populated, those factors were involved in the determination of individual retention rights.

Mr. BASS. Then I guess my last question is, why did you resort to single-person competitive levels, then, and who made the decision to use this approach?

Mr. LUKE. No. 1, I think it's important to note that, even with the old system, we were very narrow in competitive level codes. This is a research organization. Researchers, as I said in my testimony, tend to have narrow specialties.

Our whole purpose in doing the competitive level codes evaluation was to become compliant with MSPB rules, as I said in my testimony. It's important to get the records correct, so that the competition can be done fairly.

The narrowing is not a surprise. It did not come as a surprise to us, for a research organization, but we did not know the outcome. Our process involved external or extensive review and evaluation by scientists.

Mr. BASS. Thank you very much, Mr. Leahy. Are there any other questions?

Mrs. MORELLA. I just wondered about the GAO RIF rules that you have supposedly developed with employee input and, you know, we hear about how these RIF rules are cumbersome and unworkable and unfair. We heard some of that from your agency before Congress gave you the authority to rewrite them and, today, you say GAO's RIF rules are basically the same as the executive branch rules.

So I wonder why you didn't use the authority that you got from Congress to make more significant changes?

Mr. LUKE. That's a fair question.

One is that, in devising the RIF rules, I can report that the employees at GAO were actively involved with respect to the construct and the final publishing of those rules.

Two, the changes that we sought in terms of facilitating, balancing our work force, were addressed, the principal one being the definition of competitive zone, a zone of consideration, if you will.

And as a result of our redefining for ourselves in relation to our mission and our staff mix, that was a principal change that we made and that we thought would do the job for us at this point in time.

The other changes, as I indicated earlier, were minor in nature, but they were in the direction of lessening the burden on those that were actually affected in terms of being reached by the RIF or affected by the RIF, if you will. But the major change was to the competitive zone.

Mrs. MORELLA. Are you satisfied now?

Mr. LUKE. That the RIF is behind us; yes.

Mrs. MORELLA. How do you handle appeals of the RIF action?

Mr. LUKE. As you know, there as well, employees continue to have the same appeal rights that they had prior to our change in our rules. The major change there to our rules is with respect to our personnel appeals board, as to whether they can stay a RIF.

In the past, they felt they had the authority to do that but, in these rules, we're very explicit with respect to our personnel appeals board not having the authority to stay a RIF but that in no way negates the appeal rights of the employee.

To the extent that one finds or thinks that something is awry with respect to being released, they have the same basic appeal rights that they have always had.

Mrs. MORELLA. Dr. King was trying to explain to us that he feels the RIF is more expensive than the buyout. I wonder if each of you would like to comment on just whether you think that is the case and then, second, what you think of the bill, the administration's bill, that would allow, reopen the concept of buyouts.

Mr. LEAHY. We do not have the full cost of the RIF in hand, yet, because some of the issues are changing.

Mrs. MORELLA. Of course, you've had so many appeals, too.

Mr. LEAHY. Yes; the appeals being a good case in point. So I can't really comment on the economic impacts of the RIF. But I will say that the Washington Post article that you had in your hand certainly articulates the emotional damage, and I think that's something that has to come into consideration, also.

Mr. LUKE. I would agree. I mean, you've heard earlier today in the earlier panel, in terms of the disturbance and the turbulence created by RIF's vis-a-vis buyouts with respect to morale, productivity, and so forth. I think all of those are true, because we've experienced that ourselves, both with respect to our field closures as well as with respect to our Washington-based RIF's.

All the costs are not in, as well, with respect to our RIF's today, so it's hard to give a bottom line number in terms of what that exact figure is. Again, you know, all things considered, depending on where you are, what you are trying to achieve, one tool may be better for that objective than the other tool, and that's what we're beginning to sense.

Again, as I indicated earlier, as we try to maintain a work force of 3,500, a buyout is not that attractive to us, because we are in a maintaining mode in terms of balancing our organization. It was very important for us to have that authority with respect to getting down to 3,500.

Mrs. MORELLA. So you say a buyout no longer has the attraction for GAO?

Mr. LUKE. Not with respect to getting down to our authorized level, to the extent that it does in the future, with respect to targeting, that we're trying to accomplish some other objective versus getting down.

Mrs. MORELLA. I have no other questions, Mr. Chairman. Thank you very much.

Mr. BASS. Thank you very much. I just have one last question of Dr. Leahy, I guess a follow-on to Congresswoman Morella's question. If you had it to do again, what would you do differently?

Mr. LEAHY. As I said, using a RIF was the management option of last resort. Unfortunately, we were at that point where we had to use that last resort. I don't think we had any options to do things differently.

Mr. BASS. Thank you very much, Dr. Leahy and Mr. Luke. We very much appreciate your time and your testimony. There being no other business to come before the subcommittee, this meeting is adjourned.

[Whereupon, at 12:05 p.m., the subcommittee was adjourned.]

[Additional information submitted for the hearing record follows:]

GAO

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

General Government Division

June 13, 1996

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

Dear Mr. Chairman:

As a follow-up to our May 23, 1996, testimony before the House Subcommittee on Civil Service on the status of agencies' downsizing efforts, you asked us to provide you with data comparing the extent of workforce reductions at Department of Defense (DOD) and non-DOD agencies. This letter responds to that request.

As shown in the enclosed table, which was drawn from the Office of Personnel Management's Central Personnel Data File (CPDF), DOD agencies were reduced at a faster rate than non-DOD agencies. Indeed, CPDF data show that the DOD workforce was reduced by 15.6 percent over 3 years, declining from 983,710 employees at the end of fiscal year 1992, to 830,738 employees at the end of fiscal year 1995. During that same time period, the non-DOD workforce declined by 5.1 percent, moving from 1.24 million employees to 1.18 million employees. The civilian executive branch of government as a whole was reduced 9.7 percent or nearly 217,000 employees.

I trust this information has been helpful. Please call me on (202) 512-8676 if I can be of further assistance.

Sincerely yours,

L. Nye Stevens
Director
Federal Management and
Workforce Issues

Enclosure

ENCLOSURE ENCLOSURE

Federal Executive Branch (Non-Postal) Workforce Levels, FY 1992 - FY 1995

	DOD	Non-DOD	Total
FY 1992	983,710	1,244,056	2,227,766
FY 1993	920,510	1,235,665	2,156,175
FY 1994	879,651	1,205,615	2,085,266
FY 1995	830,738	1,180,183	2,010,921
Difference FY 1992 - FY 1995	152,972	63,873	216,845
Percent reduction FY 1992 - FY 1995	15.6%	5.1%	9.7%

Source: Office of Personnel Management's Central Personnel Data File.