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CANCELLED CAREERS

The Impact of Reduction-in-Force Policies on
Middle-Aged Federal Employees

A REPORT

TO THE

SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE



MAY 1972

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**A report to the Senate Special Committee on Aging by Elizabeth M. Heidbreder,
Institute of Industrial Gerontology, The National Council on the Aging**

PREFACE

Pressures for early retirement have gained powerful momentum in recent years.

Increasingly, many noted authorities in private industry and government now regard this trend as inevitable, and perhaps even desirable.

This strongly underscores the need for carefully designed programs to prepare employees for retirement. Such a program has been proposed for civil service employees in S. 1392 (the Federal Employees Preretirement Assistance Act)¹ and previously in S. 2554, which was the subject of hearings² by the Subcommittee on Retirement and the Individual nearly 3 years ago.

Even though earlier retirement and second careers may often be desirable, employees should be free to decide if they wish to retire early.

*Unfortunately, there is very disturbing evidence to suggest that the Federal Government—which it seems clear, ought to be a model employer—may be a leading offender in applying pressure tactics to coerce older employees to retire at an early age.*³

We are mindful that a system which provides overly protected job tenure can lead to one extreme: bureaucratic entrenchment. This, of course, is not only inefficient but also unresponsive to the needs of its citizens.

But if management in Government is allowed to take arbitrary actions which, in effect, cause "cancelled careers," it may pose a serious threat to well-trained and conscientious employees—and to the entire civil service system. Such capricious actions can only cause our Nation to lose some of our most experienced, dedicated, and knowledgeable personnel in Government. Even more fundamental, it can only serve to undermine the deep and personal commitment which many career civil servants have toward their jobs.

To examine relevant policy issues, the Committee has called upon Elizabeth Heidbreder—of the National Council on the Aging's Institute of Industrial Gerontology—to prepare an exploratory report. She has responded with a forceful document which merits the close and serious attention of Congress and the Executive Branch.

¹ S. 1392 would provide for a comprehensive program of preretirement counseling and assistance for Federal employees who are eligible for or approaching retirement. Additionally, the bill would require the Civil Service Commission to establish standards for this program; provide training for agency retirement advisers; and issue guidelines about related work-life time programs, such as phased retirement, trial retirement, new kinds of part-time work, and sabbaticals.

² "The Federal Role in Encouraging Preretirement Counseling and New Work Lifetime Patterns"; Hearing before the Subcommittee on Retirement and the Individual of the Senate Special Committee on Aging; 91st Cong., 1st Sess.; July 25, 1969.

³ "The Federal Spotlight, by Joseph Young; "Agriculture Pressuring for Early Retirement Too"; *The Evening Star*; April 18, 1972; p. A-2. The lead paragraph in this article stated: "The Agricultural Department is the latest governmental unit to use pressure tactics to get its older employees to retire."

Her findings also provide disturbing evidence to substantiate the impression that the Federal Government's efforts to reduce the work force are having dire consequences for many older workers.

Typically, early retirees can expect their annuities to be less than one-half of their prior salaries. Yet, this is the time in life when their family and household responsibilities are growing. At this point the older worker is ordinarily making payments on his home, car, furniture, or household appliances. And quite frequently, he may have added financial burdens, such as paying for his children's college education.

We are also mindful that some early retirees from the Federal Government are able to locate another job to help supplement their annuity. Yet, in far too many cases, the older civil servant is likely to find that his age is a formidable barrier for a second career. Moreover at this stage in life, he may be unable to build a sufficient amount of supplementary pension credits from private employment to equal his Federal annuity if he had not been forced to retire prematurely.

A major revelation is that Federal training programs are frequently "off limits" to persons 45 or older.

Yet, these individuals should be offered a wide range of choices depending upon their needs, desires, and personal aspirations. They should have broad latitude with regard to meaningful career options. And they should not be hesitant about changing careers, especially if they believe that their new occupations will lead to a more rewarding and fulfilling role.

But how can mature Federal workers upgrade their work skills when they are excluded from training programs? And how can they ever be provided with flexible work patterns when they are denied these fundamental choices?

Economy in government is, of course, essential. Selective reductions in force may be both desirable and necessary. But wholesale slashing of Federal employment—with a heavy emphasis upon the older career civil servant—is likely to be counterproductive.

No nation can ever hope to achieve its full potential if some of its most capable and experienced personnel are forced prematurely to the sidelines against their wishes. And no nation can assure its elderly a livable income in retirement if their employment is terminated abruptly midway during their productive careers.

On a number of earlier occasions, the Committee has explored possibilities to encourage the Federal Government to serve as a model employer. In some key areas it has responded admirably.⁴ But now, fundamental questions are being raised about its determination to act as a model employer, especially when pressures to economize continue to intensify.

Instead of seeking more effective alternatives, the Federal Government may be adding to the growing unemployment problem which our Nation is painfully seeking to reduce. In the process our manpower and training policies have failed to respond to the special needs of middle-aged and older persons.⁵ Perhaps even more fundamental, existing

⁴ The Federal pension system, for example, provides for vested benefits after 5 years of employment.

⁵ Less than 4 percent of all first time enrollees in Federal manpower and training programs are 45 and older. Yet, this age group accounts for 20 percent of the unemployment in the United States and 30 percent of the long term joblessness (15 weeks or more).

Federal employment and retirement practices may lead to the creation of a "scapegoat class" in the civil service.

Much more can be gained, we firmly believe, through a national effort to raise our productive capacity, as well as development of responsive and flexible employment, training, and retirement policies for the mature worker.

The Committee again expresses its heartfelt thanks to Elizabeth Heidbreder for her yeoman's job in preparing this timely and effective report. Additionally, we wish to extend our gratitude to Michael Batten—Assistant Director for Research and Demonstration at NCOA—for his work in coordinating and providing overall direction for this document.

FRANK CHURCH,

Chairman, Special Committee on Aging;

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Chairman, Subcommittee on Employment and Retirement Income;

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Chairman, Subcommittee on Retirement and the Individual.

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SUMMARY OF FACTS AND FINDINGS

I. Early retirement and layoff of middle-aged Federal employees are being caused by management directives to cut jobs and grades, and by management emphasis in some agencies on preserving the jobs of younger employees.

The Office of Management and Budget has ordered an across-the-board 5-percent cut in agency personnel by the end of June 1972 and a reduction in average grade levels. The likelihood that higher grade slots will be occupied by older employees makes them especially vulnerable targets for job cuts.

II. The number of discontinued service or "involuntary" early retirements has soared in the last several years. Figures for fiscal year 1971 show that they were 2½ times as great as in 1970 and 6 times that of the total in 1969. So far, figures for 1972 are similar to monthly averages for 1971.

The increase in involuntary retirements occurred after a Civil Service Commission rule which allows agencies facing a reduction in force (RIF) to request voluntary resignation of eligible employees *before* any RIF actually takes place. Under this type of retirement, employees may retire at the age of 50 with 20 years of service or at any age with 25 years service. A large proportion of the employees retiring under the involuntary provision were between the ages of 50 and 59.

The Post Office reorganization, in which over 1,800 employees retired in a period of several weeks, is an example of the uncertain and pressured type of atmosphere in which an employee must decide to retire in an agency facing a RIF.

III. Annuity income received by early retirees under the involuntary retirement provisions usually replaces less than one-half of their Government salary. The average annuity was a little less than two-thirds of the average annuity received by retirees under the "full career" 30 years and over provision.

IV. During a RIF, the tactics being employed by some agencies in determining competitive areas and assigning jobs to which senior career employees can "bump" or "retreat" has been the subject of appeals to the Civil Service Commission. The complaint is that competitive areas may be so narrowly defined that in effect employees have no one against whom they can compete and their rights to jobs held by employees with lower retention ratings evaporate.

RIF statistics show that in the last 3 fiscal years an average proportion of 38 percent of those who were separated and did not retire were age 50 and over; an average proportion of 62 percent were 40 and over.

V. Upper age limits put on some Federal training programs indicate that employees over age 45 or even over 35 may not apply for participation in these programs.

One of the reasons that managers may prefer younger workers is that their education is better or more recent. One of the complaints which this investigation uncovered was that middle-aged and older Federal employees do not have access to training to update their education.

ACKNOWLEDGEMENTS

This report was prepared with the assistance of consultants Janet L. Smith and Kathleen McMillan. Information was provided by the Civil Service Commission, the Office of Management and Budget, the Department of Defense, and other Federal agencies. The National Federation of Federal Employees, the National Society of Professional Engineers, other employee organizations, and individuals were helpful in representing employee views.

SCOPE OF THE REPORT

The Institute of Industrial Gerontology of the National Council on the Aging was requested in January by the Senate Special Committee on Aging to investigate reports that middle-aged Federal employees were currently being forced out of the Government and, if so, to determine if an immediate reassessment of personnel policies, particularly early retirement policies, is needed. The Institute initiated this study as a part of its continuing study of the employment and retirement problems of middle-aged and older workers.

Because of time limitations, there was no attempt to undertake an exhaustive study although many sources were investigated. It was also found through requests to the Government agencies that the availability of statistical data on retirements and separations varied. Of the agencies contacted, some were able to provide very detailed age breakdowns while others were not. The Civil Service Commission has the most complete statistics and was the source of much of the statistical data used in this report. Additionally, information was obtained from employee union representatives, individual employees, and published reports.

CANCELLED CAREERS

The Impact of Reduction-in-Force Policies on Middle-Aged Federal Employees

INTRODUCTION

(By Elizabeth M. Heidbreder*)

The executive branch of the Federal Government is currently cutting jobs and reducing grade levels to trim the budget and the work force. There have been reports that early retirements are being actively encouraged by various agencies, that jobs are being abolished, and that experienced civil servants are being replaced by younger and inexperienced employees as a part of management policy. Thus, there are indications that while the Federal Government has a policy of nondiscrimination toward older workers, and enforces the age discrimination in Employment Act which covers private industry, it may be guilty of letting the age factor by itself influence personnel decisions when employee cuts must be made.

The regular early retirement provisions plus the ability to utilize lower age and service retirement requirements for "involuntary retirements" under the special circumstances of reductions in force (RIF) may encourage Government managers to focus work force reduction efforts on middle-aged workers. This reduces the need for applying complicated RIF procedures which protect employees with seniority.

There is also the temptation to assume that employees will not suffer if they can qualify for any retirement benefits. This does not take into consideration the fact that early retirement benefits, especially reduced benefits, may replace only less than one-half of the salary, and that the employee has a personal commitment to a job. The abrupt loss of a career is a serious and traumatic matter both because of loss of income and of personal identity.

This report is an effort to determine the extent of actions which separate middle-aged employees from their jobs, the effect on the employees, and the policy implications.

*Elizabeth M. Heidbreder is an economist and research associate with the National Council on the Aging. Her publications include "Old Age Income Programs" (Co-author for an article in a compendium of papers prepared for the Joint Economic Committee, December 1967), "Federal Civil-Service Annuitants and Social Security" (*Social Security Bulletin*, July 1969), and "Recession and the Older Worker" (*Industrial Gerontology*, Autumn 1970).

PART I

THE FEDERAL GOVERNMENT CUTS JOBS

The current emphasis on personnel reductions in the Federal Government has been brought about by a number of factors. A lagging economy has helped produce huge budgetary deficits as Federal revenues have decreased. The administration is trying to reduce the deficit by cutting Federal spending and personnel. In August 1971, an across-the-board 5-percent cut in agency personnel by June 30, 1972 was ordered. Agencies were also ordered to achieve grade distributions which would result in a general reduction of average grades by one-tenth by the end of fiscal year 1972 and two-tenths by the end of fiscal year 1973. These actions have resulted in job cuts and reports of future slashes. The Army, for example, is reported as having to cut 20,000 civilian jobs by the June deadline.

Even before the August orders, the winding down of the war and slowing of the space program had caused program and personnel cuts in the defense and space agencies. The Department of Defense reports that there were 33,150 RIF actions in fiscal 1970 and 15,217 in fiscal 1971. Domestic agencies, including the Postal Service, had been re-organized and/or decentralized. All of these actions have resulted in disappearing job slots even though some agencies have been given new functions and are expanding in certain areas, e.g. the Department of Labor's occupational safety and health program.

Overall, the Office of Management and Budget states that from January 1969 through June 1971 the level of Federal civilian employment was reduced 125,000.¹

The reduction in Federal jobs has contributed to an unemployment rate which has hovered around 6 percent. Experienced engineers and scientists are among those looking for work. At the same time, large numbers of highly educated young people are being graduated into the labor market. Once scarce job skills are in demand no longer, and even those with advanced technical degrees have no job guarantee. Therefore, Federal agencies can pick and choose as to whom they want to hire and no longer have to offer high entering grades as special inducements to obtain qualified people.

RETIREMENT PRESSURES

It is in this setting that reports have started to surface that agencies are pressuring employees to retire and may be selecting older people for RIF action.

¹ U.S. Office of Management and Budget, *Civilian Employment in the Executive Branch*. (Special Analysis H. Budget of the United States Government, 1973) January 1972, p. 106.

“Older” does not mean only those approaching the mandatory retirement age of 70 (with higher exceptions),² but includes those in their 50’s and even late 40’s.

A paper which usually does not concern itself with the internal affairs of the Federal Government, *The Wall Street Journal*, reports that “subtle and not-so-subtle steps are being taken to force the aging to quit,” because of “two of Mr. Nixon’s goals: trimming Federal manpower 5 percent by this July and lowering the average grade level (and thus pay) of civil servants.”³

Those in the higher grade slots are particularly attractive targets because the elimination of their jobs would help reduce agency grade levels as directed by the Office of Management and Budget.

As the *Federal Civil Service Biweekly Newsletter* for January 26, 1972 states:

Government Agencies are pressuring Middle and Upper Grade Employees to Retire.

In a move to comply with the President’s 5 percent job cut order and his directive to reduce average salary grades, some Federal Departments and agencies are urging eligible employees to retire.

In some cases this has taken the form of a letter. [For an example, see letter from Federal Aviation Administration, appendix 2, p. 39], and in other cases, the employees have been counseled by their superiors.

Some of the employees are only 55 or so but, because they have 30 or more years of service, they are eligible for immediate retirement. Many feel they are too young to retire or that their financial situation won’t permit them to retire. Agencies deny that they are applying pressure on these employees.

However, agencies make no secret of their desire to have some of these employees retire because most are in the higher grades and their departure would tend to lower the average grade as well as meet the 5 percent reduction quota.

The retirements referred to in this newsletter are the so-called “optional” retirements and under this type of retirements the earliest an employee can retire is at age 55 with 30 years or more of service. Another kind of retirement is the “involuntary” discontinued service retirements which apply only in RIF situations. Under these circumstances, an employee can retire at age 50 with 20 years of service or at any age with 25 years of service. However, the annuity is reduced 2 percent for every year under age 55. Despite this reduction, employees who would qualify under the “involuntary” rules are also being pressured to retire. The Federal Dairy in *The Washington Post* reports:

The Pentagon is alerting its older and long-service workers that many of them will be asked to resign soon to avoid major layoffs of younger employees.

² Those with less than 15 years of service at age 70 may work until they have completed 15 years employment in the Federal Government.

³ “As Government Moves to Cut Payroll, Morale of Workers Plummet.” *The Wall Street Journal*, January 20, 1972, p. 1.

In a diplomatic attempt to avoid ruffling feathers, personnel units have or will ask employees with 25 or more years of service, or those age 50 with 20 years service, if they would like to volunteer for "involuntary separation" that would qualify them for immediate pensions.⁴

There have also been reports that the agencies have not made it sufficiently clear that these type of annuities are reduced. Jerry Kluttz's *Federal Employee Newsletter* of January 18, 1972 states:

HOUSING & URBAN DEVELOPMENT, which is drastically cutting its Washington staff has been firing off memos to workers touting the advantages of quick retirement. Some of the word has convinced employees and *incorrectly*—that they can get immediate and full annuities if they quit before reaching the *standard age 55-30 years or 60-20* plateau. "The idea is to reduce the impact of the RIF on younger employees with less service," the official said. Under Federal layoff rules generally, the last hired is the first fired. [Italics supplied.]

The reported actions of the Defense Department and the Department of Housing and Urban Development are similar to actions in other agencies and are in accordance with a directive from the Office of Management and Budget on grade reductions. In a bulletin to the heads of executive departments and establishments concerning control of grade escalation in the General Schedule, OMB has five examples of actions that might be taken. Example No. 4 states:

"Identify employees who would qualify for involuntary retirement if positions were abolished."⁵

The use of involuntary retirement as a management tool is also sanctified by inclusion in the *Federal Personnel Manual* which suggests in its chapter on reductions in force that there are certain solutions for "minimizing disruption" including:

Meeting individually with employees eligible for optional or involuntary retirement to explain its benefits. This type of activity must be handled with patience and understanding to avoid any suggestion of a threat of what will happen if the employee does not wish to retire.⁶

How this "type of activity" could be handled or mishandled is illustrated by a report from a local union:

Agency X wanted a female (over 50) to retire because a younger male employee would face a reduction in force if she did not. It was explained to her that he was supporting a family and it would be easier on him if she retired. She stated she did not wish to retire because she was widowed and her job was her only means of support. The Agency then threatened to send her from Washington, D.C. to a field office in Arizona.

⁴ "Pentagon to Push Early Retirements," *The Federal Dairy, The Washington Post*, February 11, 1972, p. D 13.

⁵ Executive Office of the President, Office of Management and Budget. "Control of Grade Escalation in the General Schedule," (Bulletin No. 72-4) August 5, 1971, Attachment B. See appendix 1, p. 35.

⁶ Benefits of Planning, Management Aspects of Reduction in Force, *Federal Personnel Manual*, Chapter 351.

Even if considerably more tact is used, employees may be forgiven for putting the wrong interpretation on being counseled about unplanned retirement. They may develop feelings of not being wanted and have visions of a disappearing job, an unsatisfactory performance rating, or an enforced transfer if retirement is not embraced.

While employees with considerable Federal service have job protection in that if their jobs are abolished they are supposed to be able to "bump" other employees in similar jobs with less seniority or "retreat" to a lesser graded position, there are always ways for overzealous supervisors to circumvent rules or harass subordinates.

One way is to strictly limit the competitive bumping area with the result that there is no one to bump. Another is to temporarily assign employees to jobs in distant places. An employee may well decide to **bow out rather than risk such actions.**

PART II

EARLY RETIREMENT—VOLUNTARY OR INVOLUNTARY?

Under current law, the earliest age at which Federal employees may retire without a reduction in their monthly annuity is 55 providing they have 30 years of service. Since 70 is the normal mandatory retirement age, retirement at age 55 is early retirement even though the annuity is not reduced. The latter does not mean, however, that the annuity is for the maximum amount.

Under the Civil Service Retirement System, the maximum wage replacement level is 80 percent and this can only be achieved with 41 years and 11 months of service.

Those who meet the regular minimum age and service requirements—55/30 or 60/20—will not qualify for maximum wage replacement proportions. Furthermore, since the annuity is based on an employee's "high-3" average salary, and pay levels generally increase from year to year both because of general and grade or in-grade increases, early retirement will reduce the retirement base figure as compared to the probable base which could be obtained by working an additional 5, 10, or 15 years.

The effect of early retirement on an annuity is compounded in the case of those who retire under the involuntary or discontinued service provisions—50/20 or any age with 25 years of service—by the fact that the annuity is reduced by one-sixth of 1 percent for each month that the retiree is under age 55. Civil Service Commission figures show that for fiscal year 1971 the average monthly retirement annuity was \$438 for those who retired under the involuntary provisions compared to \$669 for those who qualified under the optional 30 years and over provision. The latter received annuities which were 53 percent higher than the involuntary retirees.

Some hypothetical cases follow which show how much annuities under involuntary provisions will typically be:⁷

1. Grade=GS-5

High-3 salary=\$9,000; 35% of salary replaced

Retirement provision=50/20

Age=51

Service=21 years

Monthly annuity (no survivor benefits)=\$287

Age deduction=8%-\$23

Reduced annuity=\$264

Annual income=\$3,168

2. Grade=GS-9

High-3 salary=\$13,000; 44% of salary replaced

⁷ Estimated from the basic pay schedule and Civil Service Retirement System Monthly Annuity Rates.

Retirement provision = 25 years any age
 Age = 56
 Service = 25 years
 Monthly annuity (with survivor benefits) = \$473
 Annual income = \$5,676

3. Grade = GS-14

High-3 salary = \$24,000; 41% of salary replaced
 Retirement provision = 25 years any age
 Age = 48
 Service = 28 years.
 Monthly annuity (with survivor benefits) = \$963
 Age deduction = 14% - \$135
 Reduced annuity = \$828
 Annual income = \$9,936

Since there is a distinct financial disadvantage in retiring under the discontinued service provisions, it is interesting to note that the number of such retirements has been escalating in recent years.

Civil Service Commission figures show that the number of involuntary retirees in fiscal year 1971 was 2½ times as great as in 1970 and 6 times that of the total in 1969.

The actual numbers are as follows:

<i>Number of New Involuntary Retirees</i>		
1969	1970	1971
2,274	5,350	13,970

Figures for the first seven months of fiscal year 1972 show that the average monthly figures are similar to monthly averages for 1971.

AGE

As might be anticipated from the age and service requirements, Table I shows that the great majority of the involuntary retirees (80 percent) were between the ages of 50 and 59. About another 10 percent were 49 and younger, and another 10 percent were 60 and over. It is apparent that almost all of these retirees were middle-aged.

AGENCY

Civil Service Commission figures for fiscal 1970 show that 78% of the involuntary retirees were from the Department of Defense.

The rest were thinly spread among the domestic agencies. Although DOD employed 45 percent of the civilian work force during that year, it still had a disproportionate share of this type of retirement. The 1970 figures precede, of course, the upsurge in the number of retirements in fiscal 1971 and the August 1971 orders to cut personnel and grades.

Inquiries to selected Federal agencies, as well as information from unions and other sources, indicate that retirement pressures, particularly concerning involuntary retirements, are by no means uniform in the various agencies.

TABLE 1.—INVOLUNTARY RETIREES IN FISCAL YEAR 1970¹

[By age and sex]

Age	Men		Women		Total	
	No.	Percent ²	No.	Percent	No.	Percent ²
Under 45.....	26	1	13	1	39	1
45-49.....	420	10	115	10	535	10
50-54.....	1579	38	375	33	1954	37
55-59.....	1755	42	525	46	2280	43
60 and over.....	423	10	119	10	542	10

¹ Latest year that demographic data is available.² Does not total 100 percent because of rounding.

Source: U.S. Civil Service Commission, Bureau of Retirement, Insurance, and Occupational Health.

The Veterans' Administration stated that:

... the VA has avoided any general reduction in force during the past five years through sound management practices and manpower planning. Occasionally, a field station does experience a minor staffing adjustment due to program changes that involve a limited number of positions and one or two employees may be affected. As a result, very few retirements have occurred in our agency during this period as a result of such staffing adjustments.⁸

The Department of Labor reported that:

During the past 5 years, 64 employees involuntarily retired or separated by reduction in force. Since July 1, 1971, one employee has retired involuntarily and one was separated by reduction in force.⁹

However, the OMB orders as well as the Civil Service Commission's December 1969 rule enabling agencies to authorize 50/20 and 25 year retirements even before any RIF's occur have caused some agencies to currently emphasize early retirement "opportunities."

The Federal Aviation Administration sent memorandums concerning an "Opportunity for Retirement" in March and November 1971. The memorandum said in part:

The policy of the CSC provides that after an agency determines that a reduction-in-force situation exists, it may, before resorting to reduction-in-force procedures, request by letter the resignation of employees in affected competitive areas who meet the age and/or service requirements for discontinued service retirement on immediate annuity. Separation resulting from a resignation submitted in response to such a request will be considered involuntary for retirement purposes. (The eligibility criteria are 25 years or more of service regardless of age, or age 50 or over with at least 20 years of service. The years of service must include 5 years of civilian service.) This letter should be considered such a request.¹⁰

⁸ Letter to Senator Frank Church dated February 16, 1972 from Donald E. Johnson, Administrator.

⁹ Letter to Senator Frank Church dated February 23, 1972 from J.D. Hodgson, Secretary of Labor.

¹⁰ See appendix 2 for complete text of November 1971 memorandum.

The Bureau of Indian Affairs in the U.S. Department of the Interior sent memorandums concerning both discontinued service annuities and a "survey" of optional retirements. The latter memo was sent to those whom a computer print-out list identified as eligible for optional retirement by June 29, 1972. Other agencies which have taken similar steps include the Bureau of Domestic Commerce, the Department of Housing and Urban Development, and the Department of the Army. HUD also scheduled two preretirement planning seminars in quick succession. According to a CSC retiree, managers in the Civil Service Commission are also approaching middle-aged and higher graded employees and encouraging them to retire.

All of the agencies stress the voluntary nature of the retirement opportunities.

In a letter to Senator Church, the Department of the Interior said that "there is an absolute prohibition against forcing any employee to retire, and we abide by that policy" and reduction-in-force situations are "not created in Interior for the purpose of bringing the discontinued service retirement provision into practice, but by budgetary and other management conditions prevailing throughout the Executive Branch."¹¹

CIVIL SERVICE COMMISSION POLICY

Before 1969, employees could only qualify (by and large) for involuntary retirement if they were subjected to a reduction-in-force. In December 1969, the Civil Service Commission sent out a letter to all agencies modifying this policy as follows:

The Commission has long held that resignations submitted in response to a request, not based on misconduct or delinquency, by a responsible agency official constitutes an involuntary separation for purposes of retirement on an immediate annuity. This "resignation requested" procedure has arisen infrequently, usually in cases of high-level-policy-making positions following a change of administration.

The Commission has now decided that a limited extension of this policy is warranted so as to lighten the impact of current and future reductions in force (i.e., an employee may decide to forego his retention rights and resign, thus enabling the agency to retain an employee who would otherwise have to be separated).

Accordingly, after an agency determines that a reduction in force is necessary, it may, before resorting to the prescribed reduction-in-force procedures or while such procedures are in process, request by letter the resignation of employees in affected competitive areas who meet the age and/or service requirements for discontinued service retirement on immediate annuity. Separation resulting from a resignation submitted in a response to such a request will be considered involuntary for retirement purposes.¹²

¹¹ Letter to Senator Frank Church dated February 17, 1972 from Richard R. Hite, Deputy Assistant Secretary of the Interior.

¹² Federal Personnel Manual System Letter No. 831-23. *Civil Service Retirement: Involuntary Separation for Discontinued Service Annuity*. See appendix 3 for complete text.

After this, an agency could request involuntary resignations before any RIF actually took place and thus reduce or even possibly eliminate the necessity for such action. The effect on older employees is to present them with a decision as to whether or not they will opt for early retirement before knowing what will happen in the impending RIF.

Currently, the Commission has a bill before the Congress (H.R. 9303) which would permit *optional* retirement under the "involuntary" provisions now in effect when the Commission determines that an agency is undergoing a major reduction in force. In a letter to the Congress, the Commission listed one of the bill's benefits as follows:

Another benefit to be derived from the proposed legislation is that it will enhance the agency's future effectiveness in carrying out its mission by helping to retain younger employees. Nothing raises the average age of an organization more quickly than a substantial reduction in force in which the youngest employees with the lowest retention standing are separated and the oldest employees are retained.¹³

The implication of these statements is that raising the average age is somehow "bad" and retaining the youngest employees is somehow "good" with youth alone used as a criteria for enhancing an agency's effectiveness.

The Commission also explained that "the time within which the option to voluntarily retire could be exercised would be set by the Commission so that employees could not defer a decision until the reduction in force had been nearly completed."¹⁴ In other words, an employee could not delay his decision until he determined how the RIF would affect him.

¹³ Letter to the Senate and House of Representatives accompanying H.R. 9303 dated June 8, 1971, page 1.

¹⁴ Ibid, page 2.

PART III

THE POST OFFICE REORGANIZES

While the United States Postal Service (prior to July 1, 1971, the Post Office Department) is not affected by the efforts to cut back Federal employment and reduce average grade levels, in its recent reorganization and reduction in force there are some parallels with the current situation of government agencies and departments.

The Post Office, under authority granted it by the Postal Reorganization Act, engaged in a thorough reorganization of its headquarters and regional office staff. The actual reorganization and its resultant reduction in force occurred in August and September of 1971. However, employees were aware early in 1971 that a reorganization of unknown dimensions and with unknown effect on their own position would be taking place. The following was reported in the *Weekly Federal Employees News Digest* of February 1, 1971:

The United States Postal Service is planning across-the-board cuts and some salary reductions in an effort to put the new quasi-corporation on a self-paying basis . . .

First to feel the job-cut impact will be headquarters staff in Washington, D.C. Next will be the postal regional offices . . .

Extensive studies are being made on manpower needs.

A memorandum was issued last week to all postal employees at headquarters detailing the projected job cutbacks and reductions in pay grades. It was signed by Lawrence C. Gayle, Acting Assistant Postmaster General for Personnel.

Gayle attempted to allay the fears of employees, but said "any reorganization naturally means some job changes—and those changes may vary from personnel transfers to reduction in grade to job abolishment, or reduction in force."

Employees were told, "it is planned to send notices in the latter part of February to employees affected by the reduction in force, and to complete the reduction by April 16, 1971."

Postal officials said they do not know the scope of the layoffs . . . because relevant studies are incomplete . . .

The impending job cuts and, in some instances, salary downgradings are lowering morale among postal workers.

This period between the announced or understood plans to reorganize and the actual RIF at the Post Office parallels the current period between OMB announcements and a specific agency's or department's actual RIF. It is during this period, when the scope of layoffs is not known, that retirement offers are made. It is in this atmosphere that older Federal employees "decide" whether or not to retire.

On May 12, 1971, the Post Office announced its new management structure in a memorandum to headquarters and regional employees, and also announced a "liberalized" retirement policy which put into effect the 50/20 and any age at 25 years rule, and made its retirement bonus offer.¹⁵ The Postal Service would give to each eligible employee who retired between May 16, and June 15, a bonus equal to 6 months pay, the bonus to be paid on January 1, 1972 so that the income would be taxed during a year when the retiree's taxable income was lower.

In order to also take advantage of a Federal retiree annuity cost-of-living increase of 4.5 percent, it was necessary for the employee to retire by May 31. The memorandum noted that "the openings created by those who chose to retire will provide greater opportunities for our younger managers." The offer was announced on May 12, 1971.

The United States Postal Service reports that between May 16, and June 15, 1,884 employees retired.¹⁶ It is assumed that the majority of the retirements occurred by May 31, within slightly more than two weeks after the offer was first announced.

A former postal employee recalled the post-announcement events:

In those weeks following the announcement it was impossible to walk down a corridor, walk into an office, or ride an elevator at headquarters without hearing someone discuss their age and their years of government (and military) service; how close or how far they were from being eligible or who or how many people in their office were retiring. It would be hard to exaggerate how prevalent the topic was. I worked in a small office—a staff of six, none of whom were eligible for retirement—and even when employees from other offices were not dropping by to discuss the latest retirement news, the subject was often discussed among the six of us.

People started leaving immediately, using annual leave until their retirement became effective. There was a story about one woman reading the memo, covering up her typewriter, reporting to Personnel and walking out that same afternoon. How many employees already had been considering retirement cannot be known, but it was clear that many employees who prior to May 12 had given that subject no serious consideration were soon indicating their wish to retire before June 1.

I was aware of no arm twisting going on, but that may have been because no one in my office was eligible. On the other hand, I also heard nothing about retirement counseling. There was really almost an euphoria related to the bonus offer. I recall no one in any of the retirement conversations talking about their actual annuities. In many cases, I think employees chose retirement because they felt it was better to take the bonus than to take the chance of seeing how they fared in the RIF.

A 49-year-old former postal employee, with the Postal Service when the retirement offer was made, said he heard that employees eligible

¹⁵ Because of the Postal Service's quasi-independent status, it did not seek Congressional approval of the bonus offer. Other agencies had reportedly been considering such a bonus, but apparently have dropped the idea.

¹⁶ See letter to Senator Church, Appendix 4, p. 42.

for retirement were individually spoken to by a superior within the management structure who talked as if he knew what was going to happen when the RIF took place.

The *Federal Employee Newsletter* of June 22 reported that 64 percent of those eligible at headquarters (more than 500) and 70 percent of those eligible in the regional offices (1,354 of 1,944) took advantage of the retirement offer which cost the Postal Service \$15 million.

Subsequent to the retirement offer, a reduction in force occurred at the Postal Service in August and September. Four hundred and ten postal employees including 170 at headquarters and 240 at the regional offices were separated. No figures were maintained as to the age of these employees. Thus, between the retirements and the separations, the Postal Service reduced its force by 2,294 employees—82.1 percent by retirement, 17.9 percent by separation during reduction in force.

Currently, a new organization called Postal Management Employee Association, Inc. is considering a legal challenge to the methods used by the Post Office in obtaining 1,800 retirements, charging coercion. The efficiency of the Postal Service has not notably increased and according to some critics has actually decreased. In fact, it is difficult to detect any public benefits resulting from the reorganization, retirements and firings. Quite to the contrary, the Postal Service has proposed continuing increases in postal rates which can impose further burdens on the limited incomes of retired persons.

PART IV

REDUCTIONS IN FORCE AND OLDER EMPLOYEES

Reduction in force procedures are supposedly structured to favor employees with long service and veterans.

Employees compete for retention on the basis of four factors: type of appointment (tenure); veteran preference; total length of civilian and creditable military service and performance ratings. When an agency decides that a reduction in force is necessary, according to the Civil Service Commission the agency must:

1. Decide the jobs to be affected. The agency decision to abolish one kind of job instead of another is not subject to review by the Civil Service Commission.
2. Determine, according to an equitable formula, which employees will lose their jobs or change jobs.
3. Determine whether employees about to lose their jobs have rights to other positions.
4. Issue notices to the affected employees at least 30 days before the reduction is scheduled to take place.
5. Help career and career-conditional employees who are, or will be displaced find other jobs.¹⁷

When a career or career-conditional employee's job is abolished, the employee is entitled to another "suitable" job if he or she has a higher retention ranking than the person holding the job. A suitable job is a job of the same or lower grade in the same competitive area. Employees can "bump" persons at their own grade or "retreat" to a lower grade. The agency determines the competitive area and the jobs to which employees can be assigned.

The agency is required only to make a "reasonable" offer of assignment of a job to which an employee can bump or retreat. If the agency determines that there is no job to which an employee has a right, or if the employee declines a reasonable offer, the employee is separated.

RIF IMPACT

Although RIF procedures are set up to follow the "last hired, first fired" dictum, employees with many years of service can be, and are being, separated. Older people who came to the government after other employment are also affected. And the pre- and post-RIF "opportunities for retirement" result in the separation of many older employees.

Table 2 shows that in the last three fiscal years, an average proportion of 38 percent of those who were separated and did not retire were age 50 and over; an average proportion of 62 percent were 40 and over.

¹⁷ U.S. Civil Service Commission, *On Reduction in Force In Federal Agencies* Fed Facts 13, Oct. 1971. Page 2.

TABLE 2.—RIF SEPARATIONS BY AGE¹

Age	[Fiscal year]					
	1969		1970		1971	
	No.	Percent	No.	Percent	No.	Percent
Total.....	3,580	100	14,220	100	6,410	100
Under 30.....	560	16	3,280	23	1,630	25
30-39.....	560	16	2,710	19	930	14
40-49.....	870	24	3,720	26	1,410	23
50-59.....	1,160	32	3,540	25	1,870	29
60+.....	430	12	970	7	570	9

¹ Does not include RIF related resignations, retirements, and separations because of refusal to transfer.

Source: U.S. Civil Service Commission, Bureau of Personnel Management Evaluation. Estimate based on 10 percent sample.

If the number of RIF separations and involuntary retirements are compared for the last three years, it can be seen that the importance of involuntary retirement rose dramatically in fiscal 1971 as follows:

RIF SEPARATIONS AND INVOLUNTARY RETIREMENTS

	1969		1970		1971	
	No.	Percent	No.	Percent	No.	Percent
	Total.....	5,854	100	19,670	100	20,380
Separations.....	3,530	62	14,220	73	6,410	31
Involuntary retirements..	2,274	38	5,350	27	13,970	69

Source: U.S. Civil Service Commission.

Fiscal 1971 was the first full fiscal year after the Civil Service Commission announced in December 1969 that agencies facing a RIF could request involuntary retirement *before* the RIF took place.

If it is assumed that the age breakdown for involuntary retirements in 1971 was about the same as in former years (an average of 89 percent age 50 or over), employees age 50 and over constituted an estimated 72 percent of those either laid off or involuntarily retired because of a reduction in force.

THE COMPETITIVE AREA QUESTION

The manner in which some agencies have determined competitive areas and assigned jobs to which senior career employees can bump or retreat has been the subject of appeals to the Civil Service Commission.

A GS-14 Assistant Regional Director (age 59) in the Department of the Interior had his job abolished and was told, "there are no positions in your competitive level which you can displace or in lower sub-groups which you can bump." He was given the right to retreat two grades at a lower salary to a position which he had left *some 23 years ago* in 1948.

In his appeal the employee stated:

In my present position I supervise and coordinate five district divisions, each headed by an employee of GS-14 grade. Although I have served as the head of one or more of these

divisions, I am not allowed to compete for any such position and I am told that I have no reassignment or bumping rights as these positions fall outside of my competitive level. This is the cruelest fiction as my competitive level simply does not exist.

In discussing the retreat assignment he stated, "this offer was not only unreasonable but in my opinion represents an offer that the Bureau knew well that I would not consider."

The RIF, according to the employee, resulted from a recruitment drive and the inability of the Bureau to obtain a supplemental appropriation:

Instead of reducing personnel costs at the level of the new employees, whose employment accounted for the budget deficit, the Bureau chose to trim costs from the opposite end of the tenure scale. It was apparently resolved to avoid the acknowledgement of the fiscal error of the recruitment program at the expense of the Bureau's older employees who were eligible for optional retirement.

Before the RIF, the employee had indicated interest in a GS-15 job and was given some encouragement until he and others were informed that the position would be filled by someone *not over 35 years of age*.

The former employee of the Department of the Interior was in group 1A, the highest retention category. This was also true in the case of a 61-year-old separated postal employee who was not eligible to retire. He, too, filed a complaint alleging that he was transferred to a competitive area where in effect he had no bumping or retreat rights.

Another 49-year-old mechanical engineer separated from the Postal Service is also appealing, in part because of the way his competitive area was limited. During the RIF, he and other project engineers were considered to be very detailed specialists, while for work purposes their jobs were characterized by their interchangeability and flexibility.

In a letter to the Civil Service Commission concerning possible changes in the RIF system, the National Federation of Professional Organizations commented on the areas of competition as follows:

In our opinion, the Commission has almost scuttled true RIF principles by its present regulations which permit agencies to reduce areas of competition to extremely small units in which there is no alternate position which the employee can choose. We could write a lengthy memorandum of examples in which agencies have so artificially restricted the competitive area that there is no one against whom the displaced employee can compete, even though there are a multitude of positions which the employee could fill in the agency . . .¹⁸

The executive director of the National Society of Professional Engineers also wrote to the Civil Service Commission concerning com-

¹⁸ Letter dated Aug. 5, 1971 from James D. Hill, executive director, National Federation of Professional Organizations to Mr. Harold H. Leich, Chief, Policy Development Division, U.S. Civil Service Commission.

petitive levels established by the National Aeronautics and Space Administration during RIF's at the Goddard Space Flight Center and Lewis Research Center. The letter stated:

According to a news report published in the September 7, *Washington Daily News*, NASA has established 1,381 competitive levels for 1,830 aerospace scientists and engineers at Goddard. We find it very difficult to believe that there can possibly be that many unique positions at Goddard. Similarly, we are informed that among 2,300 general schedule employees at Lewis Research Center, 1,200 competitive categories have been established. We do not have detailed information on professional scientific and engineering personnel and categories at Lewis, but the overall ratio appears to be consistent with that reported for Goddard, indicating that the same pattern is likely. The effect of establishing such a large number of competitive categories is in many cases to reduce or eliminate veterans' preference and seniority as factors in retention.¹⁹

A more recent report in the *Washington Daily News* calls attention to the "booby trap" which is inherent in a new job classification system being developed by the Civil Service Commission with regard to the competitive levels used in RIF's. The column again referred to the layoff at Goddard Space Flight Center where there were "different competitive levels for some 3,400 employees—an average of less than one employee per level." It went on to point out that other agencies are catching on to this technique, and the Commission's new job evaluation plan would make it easier, for:

Job descriptions, and the manipulation of same, are the key to setting up as many competitive levels as possible. At present, these descriptions are of the written variety, with words used to evaluate each major element of John Doe's job.

Under the new plan, numbers will be substituted for words. Each job element will be rated on a numerical scale. The total of the numbers thus derived will determine the grade of the job.

But unless CSC sets up safeguards, these totals—and the individual numbers which make them up—also can be used for something else. They can be used to identify alleged differences between like jobs in the same grade, and thereby justify their assignment to separate (and, of course, smaller) competitive levels.

Words are relatively imprecise. Substitute numbers, even as a translation of words, and you give off an aura of precision.

And don't think the "experts" won't know how to make the most of it.²⁰

¹⁹ Letter dated Sept. 30, 1971 from Paul H. Robbins, executive director, National Society of Professional Engineers to Robert Hampton, Chairman, U.S. Civil Service Commission. See appendix 5, p. 43.

²⁰ "New Job Plan is Real Booby-Trap," 9 to 4:30, *Washington Daily News*, Mar. 9, 1972.

THE APPEALS SYSTEM

The Civil Service Commission's reply to the National Society of Professional Engineers' letter concerning the space agency RIF in effect told the Society that scientists and engineers could appeal to the Commission. An appeal, however, must go through a lengthy process before it is decided and an employee will have been long separated from his agency before a decision is reached. Furthermore, an employee rarely wins.

During fiscal 1971, there were 2,372 reduction-in-force appeals which were decided. In 2,132 cases the agency was upheld and in 240 cases the agency reversed. Thus, in about 90 percent of the cases the agency was upheld.

RE-EMPLOYMENT ASSISTANCE

Employees who have been given a RIF notice, and who have competitive status, are eligible for the Civil Service Commission's Displaced Employee Program. Under this program employees can register with the Civil Service Commission for Federal jobs in one region and in Washington. Their names are referred to vacancies ahead of other eligibles on civil service registers at or below the grade of the position from which they have been displaced. Career employees can remain on the register for 2 years. There is a special placement assistance program for scientists and engineers called the National Referral Center.

The Civil Service Commission reports that as of January 8, 1972, 25,000 employees had registered in the program since its beginning in February 1970. Of these, 9,000 (36 percent) were rehired by the government and 3,000 are still on the list. The remaining 13,000 are no longer on the registration list.

The Defense Department, which is responsible for a large proportion of the RIF's, has its own placement program called the Stability of Employment program, and DOD employees may also use the Civil Service program. According to DOD, its placement program operates in this way:

All employees facing release at any Department of Defense activity are registered in a single computer bank (the Centralized Referral Activity) for jobs for which they are qualified and for all locations in the Department of Defense at which they have indicated a willingness to work.

All Department of Defense activities automatically receive a computerized listing of the skills of the displaced employees available for their particular activity. When a vacancy occurs for which one of these employees is qualified, the activity is precluded from filling the vacancy from other sources. The activity with a vacancy must submit a requisition to the Centralized Referral Activity which then furnishes the employment resumes of qualified displaced employees.

Four Department of Defense Zone Coordinators coordinate the program in different areas of the country, working with releasing and gaining activities to assure proper placements within their respective zones.

Other Federal agencies are encouraged to use the Department of Defense data bank of displaced employees when filling their vacancies. Computerized lists of the names and employment qualifications of employees meeting their job needs are promptly furnished by the Centralized Referral Activity.

The Department of Defense has also worked closely with the Department of Labor in placing displaced employees in industrial positions and in industry retraining programs to qualify employees for positions in industry.²¹

According to what DOD terms "partial" figures, between October 1969 (when a major RIF was announced) and December 1971, 46 percent of the employees registered were placed in other jobs, primarily Federal. No age breakdown was given either for the DOD or CSC programs.

A study of displaced workers in New England provides some insights into what happens when employees are separated because of a RIF. In this study, former employees of seven defense agencies which had undergone RIF's in 1969 and 1971 were surveyed. "In June of 1971, over 18 percent of the respondents reported that they were unemployed."²² Another 8 percent reported that they were no longer in the labor force.

A good number of the respondents felt that age was a barrier in finding suitable employment. This seemed to be borne out by the fact that ". . . the currently unemployed, on the average, are nearly three years older than their fellow workers who are now holding a job of some sort."²³

However, the difference between those reemployed by the Federal Government and those employed by the private sector seemed to indicate that it was the latter which discriminated. The study stated:

The currently unemployed are, on average, only about 6 months older than respondents separated at the RIF who have been reemployed by the Federal Government. Therefore, there does not seem to be much reluctance on the part of the Federal Government to rehire workers because of their age. But for workers who were separated and are now employed outside the Federal Government, there is a decidedly greater difference between their average age (38.6 years) and that of the currently unemployed (43.1 years).²⁴

Despite the relatively good showing of the Government with regard to rehiring older displaced employees, there were comments from the respondents which suggested that the Government had not done all it could after they were laid off. Some of the respondents ". . . propose that the Government provide funds or loans for further education or training, with special attention being given to the older displaced

²¹ Letter to Senator Frank Church dated Feb. 16, 1972 from Carl W. Clewlow, Deputy Assistant Secretary of Defense (Civilian Personnel Policy).

²² Mary J. Oates, *The Employment Experience of Displaced Federal Employees in New England 1969-71*. Unpublished study prepared for the Boston Regional Office of the U.S. Civil Service Commission, page 5.

²³ *Ibid*, page 14.

²⁴ *Ibid*.

worker. *Many protest that little seemed to be done during the RIF to help the older worker in the 15-25 year bracket. Given the relatively greater difficulty experienced by older workers in finding another position after the RIF, they do warrant some additional help at the time of separation.*"²⁵ [Italics supplied.]

Other employees of all ages felt that ". . . better information channels should be developed to take care of employees needing help in locating existing vacancies. In particular, there was the feeling that better cooperation and coordination should exist among Federal agencies."²⁶

²⁵ Ibid., page 26.

²⁶ Ibid., page 20.

PART V

TRAINING OF OLDER EMPLOYEES

One of the reasons that managers may prefer younger workers is that their education is better or more recent, and one of the complaints which this investigation uncovered was that older Federal employees are not given enough training. One engineer wrote to the president of the National Society of Professional Engineers as follows:

The subject matter is professional development opportunities for older engineers. Much of what I say has been my own experience and I echo complaints of many other engineers employed in Federal Government.

Engineers in Federal service should not be allowed to become isolated from the technological life of our nation. Individually selected modes of participation in work of technical and professional societies, as long as the participation is real and constructive, should be strongly encouraged. The growing tendency in Federal Government is to disallow travel expenses or administrative leaves to older engineers wishing to attend conferences of such societies as NSPE, IEEE, and ASME, in which they are committeemen, speakers, or both. This prevents them from updating their expertise, their knowledge of the public needs and industrial practices, that is indispensable to efficient operation of Federal agencies.

Service to the public, and economy in acquisition of industry products and services will certainly be enhanced through mutual interaction of the Federal and industry engineers.

The requirement that such attendance must be directly related to the engineers' present duties is often misinterpreted by nonengineering supervisors.

In most cases, the management does not authorize any leaves or travel at all. At the same time, the older engineer in Federal service does not get frequent assignments to special training courses as is done for the younger engineer. The result is that the older engineer becomes technically stagnant and ineffective as a human resource, despite the investment that has been made in him and the technical responsibilities that he is expected to carry.²⁷

The *Federal Personnel Manual* in its chapter on training states:

“(1) In the selection of employees for training there is no discrimination because of race, color, religion, sex, national origin, or other factors unrelated to the need for training.”²⁸

²⁷ Letter to Pierce G. Ellis, President, National Society of Professional Engineers dated July 6, 1969.

²⁸ “Selection and Assignment of Employees for Training” *Federal Personnel Manual*, Ch. 410, 3-2.

Presumably "other factors" would include age. *However, in a memorandum from the Department of the Army titled "Competitive Development Opportunities for Civilian Employees, Academic Year 1970-71" in 7 of the 8 programs listed there was an age limitation as follows:*

- a. National War College. Age: 35 to 45.
- b. U.S. Army War College. Age: 35 to 45.
- c. Industrial College of the Armed Forces. Age: 35 to 45.
- d. Princeton University's Educational Program for Federal Officials at Mid-career. Age: 30 to 40—however, an applicant at grades GS-15 in his early 40's may be considered in unusual circumstances.
- e. Carter Education Award. Age: 28 to 35.
- f. Defense Systems Analysis Educational Program. No age requirement.
- g. Educational Program in Systematic Analysis. This program is designed to encourage identification and development of younger persons expected to make major contributions in the area of systematic program analysis. Persons selected will normally be career employees between 25 and 30 years of age.
- h. Army Comptrollership School, Syracuse University. Age: 28 to 37.²⁹

It is not known how prevalent these types of age requirements are in the Federal Government, but the above are probably fairly typical since the Defense Department employs almost half of all civilian employees. A recent announcement of an executive development seminar for managers from the Federal-State employment offices also stated that participants were limited to "those persons holding responsible positions in State employment security agencies and who are 35 years old or less . . ."

If older employees are not given a chance to participate in training courses and seminars, they are cut off from learning experiences. This puts them at a disadvantage to younger employees who do have access to such training since they have been denied the opportunity to continue to learn and grow.

²⁹ Department of the Army, U.S. Army Electronics Command, Fort Monmouth, N.J., *Competitive Development Opportunities for Civilian Employees, Academic Year 1970-71*, April 10, 1969.

PART VI

CONCLUSIONS AND RECOMMENDATIONS

Within the Federal Civil Service there is the officially stated policy of nondiscrimination because of age, and the usual compulsory retirement age is 70. Management mandates to cut grades and jobs are putting pressures on these policies.

The emphasis placed on early retirement as a primary management tool for cutting jobs places an unequal burden upon a particular group of employees—the middle-aged (and older) workers.

The Civil Service Commission's ruling that agencies facing a RIF may request employees to voluntarily retire under the "involuntary" retirement provision before the RIF is made was followed by a large increase in the number of such retirements. The effect on middle-aged employees who must decide before a RIF whether or not to retire early is to present them with an important career decision before knowing what will happen in the impending RIF and often before they have time to seriously consider retirement. While some employees may welcome the opportunity to retire early, others may find it difficult either to start a second career or to live on a reduced income.

Career employees who do not wish to retire or who are not eligible for retirement cannot rely on their seniority to protect them from separation in a RIF.

Bumping and retreating rights can be bypassed by management definition of competitive areas, and there is some evidence that older employees have been singled out for RIF action. Once separated, older employees have difficulty in finding another job despite the existence of Federal placement services.

In certain Federal employee training programs, youth is emphasized in determining eligibility.

The exclusion of older employees from training programs denies them the same opportunity to update their skills as is offered younger employees. This makes it more likely that some older employees will, in fact, find that their education and skills are obsolescent.

In managing the Federal work force, policy makers are not always correlating this responsibility with Federal responsibilities for determining overall national manpower policy and for enforcing the Age Discrimination in Employment Act.

The Federal Government should be a model employer, yet budgetary concerns often override all other considerations. Agencies are given exceptional authority in terms of using RIF's and early retirements to reduce the work force and save money, and the cost savings accomplished in these reductions are overemphasized. No account is taken of other factors such as the cost to the Nation of increased unemployment, the cost of retraining successors, the loss of some of the most experienced employees in the Federal Civil Service, and the increased incidence of poverty in old age because of the encouragement of early retirement on reduced pensions.

RECOMMENDATIONS

On the basis of the findings of this study, the following recommendations are made:

I. Immediate steps should be taken to forestall continued emphasis on early retirement as a primary management tool to reduce the Federal work force. Specifically, the power now given agencies by the Civil Service Commission to invoke the "involuntary" retirement provisions before a RIF should be investigated by the appropriate Congressional committees as to its legality and/or propriety.

In addition:

II. The General Accounting Office or a similar independent agency should evaluate the present regulations and practices concerning competitive areas in RIF situations in order to determine if employee rights are being infringed upon.

III. The Civil Service Commission should be given the authority to see that age limitations are removed from all training programs.

IV. Further study should be made of those who have been separated or retired in middle-age in order to evaluate in some depth (a) early retirement policies; (b) RIF placement effectiveness; (c) "second career" experience and needs; (d) overall Federal civil service manpower policies.

V. The provision of the Middle-Aged and Older Workers Employment Act ³⁰ which provides special services for middle-aged and older persons caught in mass layoffs should be extended to locations where Federal employees have been displaced through RIF actions. In addition, the study of federally assisted training programs should be extended to training programs within the Federal Civil Service in order to determine if these programs are responsive to the needs of persons age 45 and over.

³⁰ The Middle-aged and Older Workers Employment Act (S. 1307) was introduced by Senator Jennings Randolph on March 19, 1971. This measure would establish a comprehensive midcareer development services program in the Department of Labor to provide training, counseling, and special supportive services for persons 45 and older. Additionally, it would provide placement and recruitment services in communities where there is large-scale unemployment because of a plant shutdown or other permanent reduction in the work force.

APPENDIXES

Appendix 1

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C.

Bulletin No. 72-4

August 5, 1971.

To the Heads of Executive Departments and Establishments:
Subject: Control of grade escalation in the General Schedule

1. *Purpose.* This Bulletin establishes a plan for controlling excessive grade escalation of employment under the General Schedule. These instructions supplement those in OMB Circular No. A-64, Revised, "Position Management Systems and Employment Ceilings," June 28, 1965.

2. *Background.* Over the years there has been continuing increase in the average grade of employees under the General Schedule, Government-wide. This upward trend has persisted in recent years so that the average grade level for classified employees has risen from 7.4 in 1968 to 7.9 in 1970. Between 1969 and 1970 the total number of employees declined by nearly 12,000 but the number in grades GS-11 through GS-15 increased by 14,600. Preliminary estimates indicate that the 1971 data will also show a significant increase over 1970 in the average grade.

At 1971 salary rates each one-tenth increase in the average grade of the General Schedule adds \$160 million to the basic payroll. It also results in increased costs of Federal Employees Group Life Insurance, as well as additional past service liability in the Civil Service Retirement System.

During the past three decades there has been a gradual increase in the proportion of professional, technical and managerial employees in the Nation's labor force. The same factors that produced this trend in the total labor force also have affected the grade distribution of the Federal workforce. It can be expected that technological change, for example, will result in some grade escalation in the Government; however, changes in the grade distribution of the General Schedule since 1968 have greatly exceeded normal trends.

There is considerable evidence that many Federal agencies have failed to exercise adequate controls over their staffing patterns for higher level positions. In many agencies the number of employees in grades GS-7 and GS-9 has declined. In view of the ample supply of

new college graduates with bachelor and masters degrees and the fact that Federal salary rates are now competitive with the private sector, increases in the population of these grades would have been expected.

3. *Coverage.* This Bulletin applies to all executive agencies having employees paid under the General Schedule or whose salary rates are set administratively in accord with the General Schedule.

4. *Objective.* The objective of this plan is to reduce, Government-wide, the average grade of the General Schedule by at least—

$\frac{1}{10}$ by the end of fiscal year 1972.

$\frac{2}{10}$ by the end of fiscal year 1973.

5. *Reduction plans.* In order to achieve the overall objective stated above, each agency head is asked to prepare a plan to effect changes in the grade distribution of his employees as follows:

a. If the average grade of the agency has increased by 0.4 or more between June 30, 1968, and June 30, 1971, the agency plan should provide for a reduction from its June 30, 1971 average of 0.15 in fiscal year 1972 and an additional 0.15 in fiscal year 1973.

b. If the average grade of the agency has increased less than 0.4 between June 30, 1968, and June 30, 1971, the agency plan should provide for a reduction from its June 30, 1971 average of 0.1 in fiscal year 1972 and an additional 0.1 in fiscal year 1973.

c. If the average grade of the agency has remained level or decreased between June 30, 1968, and June 30, 1971, the agency plan should provide for a staffing pattern which will not exceed its June 30, 1971 average grade during the next two fiscal years.

Agency plans for achieving the required reduction in average grade will be submitted to the Director of the Office of Management and Budget on or before September 15, 1971, in the format shown in attachments A and B. Plans will be reviewed and either approved or revised in connection with the development of the budget for fiscal year 1973.

6. *Guidance.* It is intended that each agency shall have wide flexibility in developing a plan which will achieve the stated objective. Responsibility for development and implementation of the plan should be assigned to an appropriate officer who will also serve as liaison with the Office of Management and Budget.

Since the plan requires a specified reduction in average grade by the end of the current fiscal year (i.e., June 30, 1972) it would be expedient to consider the immediate imposition of some restrictions on the filling of vacancies, especially those occurring in grades GS-11 through GS-15.

Specific measures which agencies may wish to consider, consistent with the provisions of chapter 51 of title 5 of U.S. Code, include:

a. Careful review of all programs to determine which low priority activities can be reduced or eliminated.

b. Review of the organizational structure of each unit to determine if existing staffing patterns are still appropriate in view of program changes.

c. Review of supervisory levels, with particular attention to the extent of "layering" and the need for deputies or assistants.

d. Evaluation of each position that becomes vacant to determine whether it could be eliminated or restructured at a lower grade.

e. Planning of the staffing of new programs in a manner that will tend to lower the average grade.

f. Exploration of feasibility of using technicians where professional staff is not being utilized at their full skill level.

g. Consideration of the opportunity of eliminating certain positions through increases in productivity.

h. Limiting of promotions above the journeyman level to those necessary to fill vacancies in positions of greater responsibility.

i. Reorganization of work so that it can be accomplished with lower grade employees.

j. Strengthening of position management system as prescribed by OMB Circular A-64.

7. *Reports.* Agencies will prepare semi-annual reports showing the number of full-time employees in each grade of the General Schedule and the grade average (computed to four decimal places) for the agency as of June 30 and December 31 of each year. Grade averages will be computed by (a) multiplying each grade number by the number of full-time employees in the grade, (b) totaling the results so obtained, and (c) dividing the total by the number of positions involved.

Data reported should be identical with that reported to Civil Service Commission in the Annual Report of Salary and Wage Distribution of Federal Civilian Employees.

The first report for June 30, 1971, will be submitted to the Director, Office of Management and Budget by August 23, 1971. Subsequent reports will be submitted within 45 calendar days after the date of reference.

8. *Budget guidance.* Later instructions will provide for the identification and use of savings resulting from the reductions in grade averages pursuant to this Bulletin in the absorption of pay raise costs in fiscal year 1972.

9. *Effective date.* These instructions are effective upon issuance of this Bulletin.

10. *Inquiries.* Inquiries should be addressed to Office of Management and Budget, phone 395-3894 (Code 103—Ext. 3894).

GEORGE P. SHULTZ,
Director.

{Attachments}

[Attachment A]

DEPARTMENT OF GOVERNMENT—PLAN FOR REDUCTION OF AVERAGE GRADE

Grade	Number of full-time employees			Report estimated data for this date.
	June 30, 1971 Actual	June 30, 1972 Estimated	June 30, 1973 Estimated	
GS-1.....	103		113	
GS-2.....	410		456	
GS-3.....	1,188		1,332	
GS-4.....	1,695		1,674	
GS-5.....	2,144		1,999	
GS-6.....	1,298		1,208	
GS-7.....	1,830		2,250	
GS-8.....	826		780	
GS-9.....	3,089		3,070	
GS-10.....	471		412	
GS-11.....	2,221		2,254	
GS-12.....	2,543		2,449	
GS-13.....	2,353		2,333	
GS-14.....	1,708		1,639	
GS-15.....	1,223		1,133	
GS-16.....	224		224	
GS-17.....	84		84	
GS-18.....	30		30	
Total.....	23,440		23,440	
Average grade.....	9.1744		9.0744	
Reduction.....			-0.1000	

[Attachment B]

DEPARTMENT OF GOVERNMENT

DESCRIPTION OF PLAN

- A. *Organizational changes*—Examples of subjects to be addressed :
1. Programs or activities which can be reduced or eliminated.
 2. Organizational units for which the staffing pattern can be changed.
 3. Evaluation of each position that becomes vacant to determine whether it could be eliminated or restructured at a lower grade.
 4. Positions to be eliminated through increased productivity.
 5. Plans for increasing number of positions at grades below the present average grade.
- B. *Implementation*¹—Examples of actions that might be taken :
1. Restrictions on the filling of vacancies.
 2. Fill vacated positions by interagency transfers rather than new hires.
 3. Staff new or expanding activities so as to reduce agency-wide average grade.
 4. Identify employees who would qualify for involuntary retirement if positions were abolished.
 5. Lower entry levels for selected occupations.

¹ Indicate which actions have already been put into effect. Name and phone number of responsible officer to whom questions should be addressed.

(Name)

(Phone)

Appendix 2

DEPARTMENT OF TRANSPORTATION, FEDERAL AVIATION ADMINISTRATION

WASHINGTON, D.C. 20590

11 November 1971.

Subject: Opportunity for Retirement.

To: All Eligible Employees—Washington Headquarters:

As you are aware, we are in the process of fulfilling our obligation to reduce staffing, as ordered by the President in his recent speech in which he presented "The Challenge of Peace" to the American people.

We have already taken the positive step of declaring a moratorium on hiring from outside of the agency and are exploring other means of accomplishing our goal. We are trying our best to minimize the impact of this reduction in our employment level and will use every means possible to protect the interests of our fine work force.

One step that will help in our effort to reduce the employment level of the agency is to take advantage of a Civil Service Commission policy, announced in late 1969, which has the effect of liberalizing the requirements for discontinued service annuity.

The policy of the CSC provides that after an agency determines that a reduction-in-force situation exists, it may, before resorting to reduction-in-force procedures, request by letter the resignation of employees in affected competitive areas who meet the age and/or service requirements for discontinued service retirement on immediate annuity. Separation resulting from a resignation submitted in response to such a request will be considered involuntary for retirement purposes. (The eligibility criteria are 25 years or more of service regardless of age, or age 50 or over with at least 20 years of service. The years of service must include 5 years of civilian service.) This letter should be considered such a request.

This letter is being sent to all FAA employees who now or will soon meet the age and service requirements to be eligible for a discontinued service annuity. Its purpose is to find out how many employees in this group are interested in retiring with a discontinued service annuity. The positions vacated by employees who are interested in retiring earlier than is usually possible will be used to reach the prescribed level of employment in the FAA.

This is essentially an offer to those eligible employees who may have been wishing for an opportunity for early retirement in order to pursue other interests or careers while maintaining the financial cushion of a regular monthly income. You may be sure that there is not now, nor will there be, any element of pressure on any employee to resign in order to accept this offer. No employee who elects to decline this

opportunity will be denied his or her normal retention rights under any reduction-in-force procedures that might otherwise be necessary.

An exception to the acceptance of resignations will be made in the event that more resignations for discontinued service annuity are received than the number necessary to reach the prescribed level of employment. If this occurs, cases will be judged on the basis of comparative retention standing among the applicants applying and the agency needs for the skills they represent.

The recently distributed "Certificate of Membership in the United States Civil Service Retirement System" should be helpful to you in reaching a decision. It contains an annuity chart and other helpful information. Your servicing personnel office will answer any questions you may have regarding qualifications for or benefits of a discontinued service retirement.

Any employee receiving this letter who will soon meet the requirements for a discontinued service annuity may submit a resignation for consideration of the appropriate officials.

If you are interested in taking advantage of this retirement opportunity, please so indicate on the enclosure to this letter and forward it to your personnel office. Since we need to know by the middle of January the approximate number of employees who plan to retire between now and 30 June 1972, we would appreciate receiving your indication of interest by the first week in January even though you plan on retiring between January and 30 June 1972. We understand that some employees may not make a final decision until after January due to personal situations. For those employees there will be a continuing opportunity to retire until 30 June 1972.

If you are interested in taking advantage of this opportunity, please let us know as soon as possible; the purpose of this procedure is to help avoid a reduction-in-force by identifying positions that can be used to reduce the level of employment by the required amount before 30 June 1972.

K. M. SMITH,
Deputy Administrator.

[Enclosure]

I hereby indicate my interest in submitting my resignation in response to an official request being made of interested employees who are eligible for a discontinued service annuity. I understand that the request for resignations is being made to help the FAA avoid imposing reduction-in-force procedures that might otherwise be necessary in order to alleviate the impact of an overall reduction in staffing.

I realize fully that by retiring with a discontinued service annuity in response to a management request for resignations, I forfeit any retention rights that I would otherwise have in the event of a reduction-in-force.

This indication of interest is being forwarded to my servicing personnel office, with the understanding that I may be contacted with specific instructions as to how to submit a formal resignation for the purpose of qualifying for a discontinued service annuity.

Name: Signature _____
 Printed _____

Date: _____

Organization: _____

Appendix 3

UNITED STATES CIVIL SERVICE COMMISSION FEDERAL PERSONNEL MANUAL SYSTEM

LETTER
WASHINGTON, D.C.

December 10, 1969.

Subject: Civil Service Retirement: Involuntary Separation for Discontinued Service Annuity.

Heads of Departments and Independent Establishments:

The Commission has long held that resignation submitted in response to a request, not based on misconduct or delinquency, by a responsible agency official constitutes an involuntary separation for purposes of retirement on an immediate annuity. This "resignation requested" procedure has arisen infrequently, usually in cases of high-level policy-making positions following a change of administration.

The Commission has now decided that a limited extension of this policy is warranted so as to lighten the impact of current and future reductions in force (i.e., an employee may decide to forego his retention rights and resign, thus enabling the agency to retain an employee who would otherwise have to be separated).

Accordingly, after an agency determines that a reduction in force is necessary, it may, before resorting to the prescribed reduction-in-force procedures or while such procedures are in process, request by letter the resignation of employees in affected competitive areas who meet the age and/or service requirements for discontinued service retirement on immediate annuity. Separation resulting from a resignation submitted in response to such a request will be considered involuntary for retirement purposes.

This procedure is not to be used as a device for coercing employees to give up their retention rights (see discussion of voluntary vs. involuntary character of personnel actions beginning on page 24.02 of FPM Supplement 752-1). Before an individual is requested to resign he must be fully informed of his retention rights under the reduction-in-force regulations and he must freely decide whether he wants to exercise them or to forego them and retire. In order to avoid any misunderstandings that might arise, each employee's written resignation must state that he is resigning in response to the particular responsible official's request in the reduction-in-force situation and that he was not coerced into giving up his retention rights. A copy of the resignation must accompany the application for retirement submitted to the Commission in each affected case. Standard Form 2806 in such case should record the separation as "RET RIF (Res Req)".

NICHOLAS J. OGANOVIC,
Executive Director.

Appendix 4

EXECUTIVE ASSISTANT TO THE POSTMASTER GENERAL

WASHINGTON, D.C.

February 18, 1972.

DEAR SENATOR CHURCH: The Postmaster General has asked me to respond to your letter of February 8 regarding involuntary retirements and reductions in force in the Postal Service.

During the past 5 fiscal years prior to 1972, Headquarters and Regional Offices of the United States Postal Service have had neither a reduction in force nor any involuntary retirements. In early 1971, in response to the mandate of the Congress as expressed in the Postal Reorganization Act, it was determined that a thorough reorganization of both the Headquarters and Regional offices should be made. It was envisioned that the reorganization would result in a significant cut-back in our administrative staff. Therefore, all eligible employees were given the opportunity to retire early.

A total of 1,884 employees retired between May 16 and June 15, 1971. We are unable to provide figures as to age and sex of those who retired during this one-month period, as these figures were not collected at the time.

The subsequent reduction in force occurred during the months of August and September 1971. 410 employees were separated from the Postal Service, 170 at Headquarters and 240 in our Regional offices. A major reason for these separations was unavailability for geographic relocation. No figures were maintained as to sex and age.

Intensive efforts were made both at Headquarters and in the field to find positions inside and outside the Postal Service for those persons scheduled for separation under reduction in force. In fact, many employees were offered and accepted employment in other postal installations not affected by the reorganization, such as the Postal Data Centers, Post Offices, and other field units. Contacts were made with other federal, state and county agencies as well as private business and industry to place qualified personnel. A significant number of employees were placed.

We regret that the information on sex and age which you requested is not available. If I can be of any further service to you please contact me.

Sincerely,

JOHN W. POWELL,
Congressional Liaison Officer.

Appendix 5

NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS

WASHINGTON, D.C.

September 30, 1971.

HON. ROBERT HAMPTON,
Chairman, U.S. Civil Service Commission, Washington, D.C.

DEAR MR. HAMPTON: We are most concerned about reports in the press and from our members about procedures being followed by NASA in reductions in force at both Goddard Space Flight Center in Greenbelt and Lewis Research Center in Cleveland. We urge the Commission to review the situation carefully to assure that the spirit and letter of Civil Service law and regulations are being carried out. We also feel that, pending such a review, NASA should be restrained from carrying out any of the reductions involved.

According to a news report published in the September 7 *Washington Daily News*, NASA has established 1,381 competitive levels for 1,830 aerospace scientists and engineers at Goddard. We find it very difficult to believe that there can possibly be that many unique positions at Goddard. Similarly, we are informed that among 2,300 General Schedule employees at Lewis Research Center, 1,200 competitive categories have been established. We do not have detailed information on professional scientific and engineering personnel and categories at Lewis, but the overall ratio appears to be consistent with that reported for Goddard, indicating that the same pattern is likely. The effect of establishing such a large number of competitive categories is in many cases to reduce or eliminate veterans' preference and seniority as factors in retention.

From this information it would appear that NASA may be establishing competitive categories based on position descriptions alone rather than a combination of actual duties and individual qualifications and abilities, as required by the Federal Personnel Manual.

We realize, of course, that employees have the right to appeal if they believe they have been improperly treated, and it is likely some appeals will be forthcoming in any event. However, we do not believe that NASA should rely upon the appeal process to establish correct competitive categories. Rather, it is our opinion they should be properly worked out in advance in an effort to minimize misunderstanding and uncertainty.

We respectfully urge you to direct a full review of this matter and, pending such a review, require NASA to delay its reduction process.

Very truly yours,

PAUL H. ROBBINS, P.E.,
Executive Director.