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BY THE COMPTROLLER GENERAL

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Report To The Congress

OF THE UNITED STATES

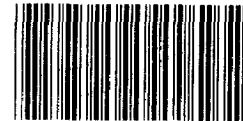
Civil Service Reform-- Where It Stands Today

Although it will take several years for the central features of civil service reform to be in place, the Office of Personnel Management (OPM) has made good progress in the first year. It has issued regulations and guidance on major reforms, conducted an extensive education and information program, and laid a foundation for extensive evaluation. OPM sees its role as leadership in all phases of personnel management in the executive branch, in integrating personnel management with line management of agency programs, and in promoting productivity and better management in all types of Government programs.

GAO believes that the time frame established by the act for implementing performance appraisal systems and merit pay systems may not give OPM and the agencies adequate time to develop and test these systems before implementation. GAO also has reservations about the liberalized early retirement program, Federal executive pay, grade and pay retention procedures, and the minority recruitment program.



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This report discusses the status of implementation of the Civil Service Reform Act of 1978. It describes the fundamental requirements of the act, provides the status of implementation through February 1980, and expresses our concerns and the concerns of others about the implementation.

We made our review during the early phase of implementation to provide an early insight into the status of implementing the important changes to the Federal personnel management systems. The report was prepared pursuant to title I of the Civil Service Reform Act (5 U.S.C. 2304).

We are sending this report to the President of the United States as required by title 5, section 2304, United States Code. Copies are being sent to the Director, Office of Personnel Management, and to the Director, Office of Management and Budget.

A handwritten signature in black ink, reading "Luther A. Stucke".

Comptroller General
of the United States

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D I G E S T

Passage of the Civil Service Reform Act of 1978 marked a new era in the management of the Federal work force. The law is intended to provide Federal managers with the flexibility to improve Government operations and productivity while, at the same time, protect employees from unfair or unwarranted practices.

The Congress did a commendable job in striking a balance between these objectives. That balance, however, can be changed by the way the Office of Personnel Management (OPM) implements the law.

WHAT THE LAW DOES

The law provides greater flexibility for Federal managers in managing human resources, new tools to motivate subordinate supervisors and employees, a comprehensive personnel system for executives, and an organization structure better equipped to support efforts to achieve good management of Government programs.

The critical component of civil service reform is that it makes clear that managers are responsible for directing the efforts of the people who work with them in accomplishing program goals. The law provides the tools managers need to create a work environment conducive to better productivity and improved employee morale.

The act also provides greater protection of individual Federal employee rights, provides greater protection of the career civil service system from political abuses, and gives a statutory basis to labor-management relations.

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As part of civil service reform, the President proposed, and the Congress approved, a reorganization of the agencies which administer the Federal personnel system.

The Civil Service Commission was abolished as of January 1, 1979, and OPM and the Merit Systems Protection Board and its Special Counsel were established in its place. The Federal Labor Relations Authority was established in place of the Federal Labor Relations Council. The Equal Employment Opportunity Commission was given responsibility for enforcing equal employment laws in the Federal agencies.

WHAT OPM HAS DONE

The Director, OPM, has consolidated and realigned the organizational components inherited from the Civil Service Commission and has refocused OPM's activities in line with the requirements of the Civil Service Reform Act.

OPM's implementation of the Civil Service Reform Act is guided by the following principles:

- Making OPM's constituency agency line managers as well as personnel specialists.
- Placing more emphasis on the performance of organizations and individuals while maintaining the traditional interest in hiring, promoting, and training of Federal employees.
- Decentralizing many personnel decisions to agencies and encouraging them to further decentralize to their operating components.
- Regulating only to the extent that there is a compelling need for uniformity in interpreting the law.

Beginning with a program development conference for agency managers and personnel officers in October 1978, OPM has attempted to open channels of communication to inform Federal line managers about civil service reform and how it will affect the executive branch.

OPM has employed a two-stage process to develop and issue new regulations implementing the Civil Service Reforms Act. First, it issued interim regulations putting specific provisions of the law into effect and, at the same time, eliciting comments from agencies, unions, interested organizations, individuals, and the public. After considering these comments, OPM issued final regulations. The new regulations deal with appointment of veterans, probationary periods for new supervisors, performance appraisals, reduction in grade or removal for unacceptable performance, adverse actions, merit pay, delegations of personnel management authorities, conversion to Senior Executive Service (SES), grade and pay retention, and other subjects.

OPM has developed new or revised training programs relating to civil service reform subjects--performance appraisals, merit pay decisions, SES performance award decisions, and others. OPM has offered these and other courses in its training centers and has made the courses available to agencies for use in their training programs.

OPM is also planning extensive evaluations of the Civil Service Reform Act, including surveys of Federal employee attitudes, organizational assessments, case studies, and special studies. OPM is working with the General Accounting Office (GAO), the Congress, the Congressional Budget Office, the Office of Management and Budget, and executive branch agencies to tailor its evaluations to meet their needs to the extent possible. (See ch. 10.)

ISSUES AND CONCERNS

OPM's basic implementation principle is that it will regulate only to the extent that there is a compelling need for uniformity in interpreting the law. This principle is based on the premise that the number, range, and variety of Federal occupations and the diversity of Federal programs and conditions under which they operate require agencies to tailor personnel management programs to meet their own unique needs. The concept of management flexibility could help agencies provide better service to the public, but there is the possibility that merit system principles could be compromised unless OPM maintains strict oversight of agency personnel management activities.

In most cases, agency personnel management systems should be designed around a basic framework provided by OPM. Where there is a compelling need for an agency to establish a different program, it should explain why it is necessary to deviate from OPM's guidelines.

The Congress and the public will not be able to compare agency programs unless there is a common framework. Without such a framework, central direction of personnel management policy could shift to the Merit Systems Protection Board and the Federal Labor Relations Authority and be based on the outcome of individual cases brought before those agencies.

GAO found that agency regional personnel relied heavily on direction from their agency headquarters. Very little reliance was being placed on OPM regional offices except for training, security investigations, and hiring. This may reduce the need for OPM to maintain its extensive field organization.

OPM agency relations officers are responsible for providing agencies with technical assistance and consultative services, as well as for conducting compliance evaluation. GAO believes the agencies may be reluctant to request assistance from the same group that inspects them. OPM officials believe that this is not a problem and that it is appropriate to assign the separate functions of advice and compliance to the same group.

GAO is also concerned that:

- The time frame established by the act for implementing performance appraisal systems and merit pay systems may not give OPM and agencies adequate time for development and testing. (See pp. 13 and 46.)
- Liberalized early retirement procedures are permitting employees who are not adversely affected by reduction in force, major transfer of functions, or major reorganization to take early retirements. (See pp. 21 and 22.)
- Linkage of Federal executive pay to congressional pay continues to exacerbate pay compression for SES. (See pp. 40 and 41.)
- Not enough attention is being paid to gathering sufficient data, to protecting seniority rights, and to considering alternatives to grade and pay retention. (See pp. 63 to 65.)
- Agencies are making very little progress in complying with OPM's regulations on the Federal Equal Opportunity Recruitment Program. (See pp. 27.)

Because GAO's review was made during the very early stages of implementation, GAO is not making recommendations at this time.

GAO will continue to monitor the specific areas of concern and issue individual reports as warranted.

AGENCY COMMENTS

In general, OPM agrees that this report appropriately documents the first year of implementation of the act. However, OPM disagrees with GAO's concerns about decentralization, grade and pay retention, and the early retirement program. (See pp. 83 to 95.) GAO continues to believe that OPM needs to evaluate its procedures in these areas.

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ABBREVIATIONS

AFL-CIO	American Federation of Labor and Congress of Industrial Organization
CSC	Civil Service Commission
CSRA	Civil Service Reform Act
FEORP	Federal Equal Opportunity Recruitment Program
FLRA	Federal Labor Relations Authority
FPM	Federal Personnel Manual
GS	General Schedule

IPA	Intergovernmental Personnel Act
MSPB	Merit Systems Protection Board
NRC	Nuclear Regulatory Commission
OLMR	Office of Labor-Management Relations
OPM	Office of Personnel Management
SES	Senior Executive Service
SPCD	Special Programs and Consulting Division



CHAPTER 1

CIVIL SERVICE REFORM ACT OF 1978

INTRODUCTION

From July 1974 to March 1978, we issued many reports which made specific recommendations and which highlighted conflicting policies and objectives that needed to be addressed. These reports dealt with

- conflicting roles of the Civil Service Commission (CSC) as policymaker, prosecutor, judge, and employee protector (June 1977),
- simplifying the appeals system (February 1977),
- improving performance appraisals and ratings (March 1978),
- making hiring procedures more flexible (July 1974),
- establishing a new salary system for Federal executives (February 1977),
- relating pay to performance (October 1975, March 1978), and
- studying overall Federal retirement policy (August 1977).

In May 1977 President Jimmy Carter established the Federal personnel management project to study civil service system problems and to recommend solutions. The project confirmed that (1) repair of the civil service system could not be done through patch work and (2) changes to the civil service organizational structure were required.

The February 1978 report entitled "Revitalizing the Federal Personnel System," which was published by the independent Committee for Economic Development, supported the need for reform and recommended

- restoring managerial authority and responsibility for personnel;
- creating a Federal career executive service;
- reorganizing civil service administration; and

--establishing merit as the basis for career public service.

On March 2, 1978, President Carter proposed legislation to revise the Federal personnel system. Seven months later the Congress enacted Public Law 95-454, the Civil Service Reform Act of 1978 (CSRA), which was signed by the President on October 13, 1978.

The Congress also approved the President's Reorganization Plans No. 1 and No. 2 of 1978, effective January 1, 1979. Reorganization Plan No. 1 transferred the responsibility for equal employment opportunity in the Federal work force to the Equal Employment Opportunity Commission. Reorganization Plan No. 2 abolished CSC and established in its place the Office of Personnel Management (OPM) and the Merit Systems Protection Board (MSPB) and its Special Counsel. It established the Federal Labor Relations Authority (FLRA) and abolished the previous Federal Labor Relations Council. CSRA, effective January 11, 1979, incorporates the organizational changes made by Reorganization Plans No. 1 and No. 2 and clarified the division of authorities and responsibilities among the new agencies.

Concerning the civil service system, CSRA

- stated the fundamental merit principles and defined prohibited personnel practices (title I);
- set up a basis for changing performance appraisal systems to link performance of employees to all types of personnel actions (title II);
- revised the laws for taking action against employees for unacceptable performance and misconduct and for adjudicating appeals from such actions (title II);
- made a number of changes in the process for filling jobs, in applying veterans preference in personnel management, in authorizing new programs to hire disabled veterans, and in setting up recruiting programs for minorities and women (title III);
- established the Senior Executive Service (SES) (title IV);
- provided for establishing a system of merit pay for supervisors and managers in grades GS-13 through GS-15 (title V);

- authorized research and demonstration projects in the field of public management (title VI);
- established the labor relations program of the Federal service on a statutory basis (title VII); and
- provided for grade and pay retention for Federal employees whose positions are downgraded through no fault of their own (title VIII).

CSRA provides Federal managers with greater flexibility in managing human resources, new tools to motivate subordinate supervisors and employees, a comprehensive personnel system for executives, and an organization structure better equipped to support efforts to achieve good management of Government programs. Managerial flexibility is the critical component of civil service reform in that it affirms clearly that managers have the basic responsibility for directing the efforts of the people who work with them in accomplishing program goals. Managers are responsible and accountable for the motivation and involvement of employees in the work of the organization, and they have been given the means of creating a work environment that will foster economic and efficient delivery of services in a way that contributes to employee satisfaction. The manager is the prime motivational force for getting the work of the organization accomplished through its people.

CSRA also provides greater protection of individual Federal employee rights, provides greater protection of the career civil service system from political abuses, and gives a statutory basis to labor-management relations.

In his statement before the Senate Committee on Governmental Affairs, in support of CSRA, the Comptroller General said that:

"A fundamental issue is how can we give management flexibility to improve Government operations and productivity, while, at the same time, protect employees from unfair or unwarranted practices? The greater the degree of management flexibility, the greater the potential for abuse. The greater the controls against abuse, the greater the restrictions on innovative management."

We believe that the Congress has done a commendable job in striking a good balance between these objectives in CSRA. That balance, however, can be changed by the way actual implementation takes place.

SCOPE OF REVIEW

Title I of CSRA requires us to submit an annual report to the President and to the Congress on the significant OPM activities and to determine whether these activities are in accord with merit system principles and free from prohibited personnel practices.

To meet these responsibilities, we monitored OPM activities from October 1978 through September 1979. Also we have undertaken specific reviews on major CSRA implementation. (These specific reviews and expected report issue dates are listed in app. I.)

This report, which focuses on OPM's activities in implementing CSRA, highlights

- the requirements of CSRA;
- the status of OPM's implementation efforts through September 1979 (updated to February 1980 where practical); and
- our concerns and the concerns of others about the status of implementation of CSRA requirements.

The report does not include information on other significant OPM activities, such as establishing an office of ethics, implementing alternative and compressed work schedules, or participating in the President's Management Improvement Council.

STATUS OF IMPLEMENTATION

OPM is the primary agent for the President in carrying out his responsibilities for managing the Federal work force. It is responsible for executing, administering, and enforcing the civil service rules and regulations and the laws governing the civil service (except those functions which MSPB or FLRA have primary responsibility.)

OPM aids the President in preparing civil service rules and advises him on actions to promote an efficient civil service and on systematic application of the merit system principles. This includes recommending policies relating to selection, promotion, transfer, performance, pay, conditions of service, tenure, and separation of employees; carrying out retirement and position classification programs; and conducting studies and research into methods of improving personnel management.

The Director, OPM, has consolidated and realigned the organizational components OPM inherited from CSC and has re-focused OPM activities in line with CSRA requirements. The new organizational structure centers on five major groups, each having an associate director, which provide leadership and support to agencies.

1. Agency Relations Group: This Group is responsible for maintaining contact with agencies to identify personnel management and general management problems and for giving advice and guidance to agencies on solving the problems. It is also responsible for conducting compliance evaluations to determine if Federal agencies' personnel policies, procedures, and practices are in accord with civil service regulations.
2. Workforce Effectiveness and Development Group: This Group is responsible for establishing programs to improve productivity and management of Government programs through research, consulting services, and advice to managers. It also administers OPM's training and development programs for agency personnel.
3. Executive Personnel and Management Development Group: This Group is responsible for establishing and administering SES and related programs for executives and for developing and administering programs for selection and development of future managers and executives.
4. Staffing Services Group: This Group is responsible for administering OPM's programs of recruiting, examining, and developing examinations and classification and qualification standards.
5. Compensation Group: This Group is responsible for developing and administering policies relating to pay and benefits--retirement, health benefits, and life insurance.

In addition, related staff offices in OPM provide Government-wide leadership in such areas as labor-management relations, affirmative employment programs, intergovernmental personnel programs, and ethics. The OPM regional offices have been reorganized to incorporate new areas of responsibility, such as agency relations, productivity, and consulting services. (See app. II for the OPM organization chart.)

The general principles governing OPM's implementation efforts follow.

1. Making OPM's constituency agency line managers as well as personnel specialists.
2. Placing more emphasis on the performance of organizations and individuals while maintaining the traditional interest in hiring, promoting, and training of Federal employees.
3. Decentralizing many personnel decisions to agencies and encouraging them to further decentralize to their operating components, which must be accompanied by strict oversight by agency headquarters and OPM.
4. Regulating only to the extent that there is a compelling need for uniformity in interpretation of the law.

Beginning with a program development conference for agency managers and personnel officers in Ocean City, Maryland, in October 1978, OPM made major efforts to open channels of communication to line managers in all Government agencies and to inform them about civil service reform and how it will affect the work of the executive branch. Some examples follow.

- Followup conference for managers, January 1979, to continue the dialog established among agency line managers, personnel officers, and OPM personnel at the first conference.
- Conferences, workshops, symposia, speeches, showcases, and other presentations centered on specific subjects, such as merit pay, performance appraisals, and SES productivity.
- Videotapes and pamphlets to explain civil service reform generally and to present specific topics.
- New publications aimed specifically at managers of Government programs.
- An assistant secretary's work group to provide a forum for discussion of key policy changes relating to civil service reform.

--Reorganization of the long-standing Interagency Advisory Group, the organization of agency personnel directors, to divide it into groups of agencies with common functional interests for better communication.

--A conference on public management research at the Brookings Institution, November 1979, which provided a forum for representatives of academia and Government to discuss and formulate research agenda for fiscal years 1980 and 1981.

--The second Annual Management Conference, February 1980, which provided (1) Federal executives with the opportunity to identify issues and problems affecting Government productivity and (2) information to executives about new programs and activities being undertaken by the Office of Management and Budget, the General Services Administration, and OPM to improve productivity in the Federal service.

OPM has developed and issued new regulations to implement CSRA provisions, such as appointment of veterans, probationary periods for new supervisors, performance appraisals, reduction in grade or removal for unacceptable performance, adverse actions, merit pay, delegations of personnel authority, conversion to SES, and grade and pay retention. The regulations were issued in two stages. First, interim regulations were issued to give an immediate effect to specific CSRA provisions and, at the same time, to solicit comments from agencies, unions, interested organizations, individuals, and the public. After considering the comments received on the interim regulations, OPM issued final regulations. OPM is revising the guidelines and instructional material in the Federal Personnel Manual (FPM) on these and other subjects concerning personnel management.

OPM has developed new courses and course modules relating to civil service reform subjects--performance appraisals, merit pay decisions, SES performance award decisions, and others. OPM has offered these and other courses in its training centers and has made the courses available to agencies for use in their training programs.

With the involvement of congressional committee staff, our Office, the Congressional Budget Office, the Office of Management and Budget, White House staff, Assistant Secretaries for Administration, and Directors of Personnel in agencies, OPM has launched a major plan to evaluate CSRA.

The plan includes making surveys of Federal employee attitudes, organizational assessments, case studies, and special studies. OPM has made an extensive effort to identify the evaluation needs of interest groups. Although OPM may not be able to satisfy all parties, it has constructed its evaluation to satisfy many evaluation needs. (See ch. 10 for a detailed discussion on the evaluation effort.)

Implementation of CSRA is a major undertaking. It will take several years for the central features to be installed and operating. We believe that, overall, OPM has made good progress. It has issued regulations and guidance on the major aspects of CSRA; has undertaken an extensive effort to inform executives, managers, and employees regarding the significant changes, and has laid a foundation for making an extensive evaluation. OPM sees its role as leadership in all phases of personnel management in the executive branch, in integrating personnel management with the line management of agency programs, and in promoting productivity and better management in all types of Government programs.

ISSUES AND CONCERNS

OPM's basic implementation principle is that it will regulate only to the extent that there is a compelling need for uniformity in interpreting the law. This principle is based on the premise that the number, range, and variety of Federal occupations and the diversity of Federal programs and conditions under which they operate require agencies to tailor personnel management programs to meet their own unique needs. The concept of management flexibility is one that could help agencies meet their obligation to provide better service to the public, but there is the possibility that compromises of merit system principles could arise unless OPM maintains strict oversight of agency personnel management activities.

Agency personnel management programs should be based on a basic framework provided by OPM, and these programs should be similar throughout the Government, unless there is a compelling need for an agency's program to be different. In such cases the agencies' programs should lay out the basis upon which the decision to deviate from the parameters set out by OPM's framework was made. The Congress and the public will want to make comparisons of agency programs, which cannot be made unless there is a common framework. Without such a framework, central personnel management policy direction could shift to MSPB and FLRA and be based on the outcome of individual cases brought before those agencies.

During our monitoring of OPM and agency implementation activities in respective agency regional offices, we found that agency regional personnel relied heavily on direction from their agency headquarters. Very little reliance was being placed on OPM regional assistance, except for training, security investigations, and hiring. The high degree of delegations to the agencies by OPM may reduce the need for the current extensive OPM field organizations.

We have expressed our concern to OPM about placing the Office of Agency Compliance and Evaluation under the supervision of the Agency Relations Group. The Agency Relations Group is responsible for providing the agencies with technical assistance and consultative services and for conducting compliance evaluations. We believe that the agencies may be reluctant to request assistance from the same group that also inspects them. OPM officials told us that they believed that this was not a problem and that it was appropriate to have the separate functions of advice and compliance within the same organizational group.

Chapters 2 through 8 of this report relate to titles II through VIII of CSRA. Each chapter highlights the major CSRA requirements; provides a status report on what has been done to implement the requirements; and expresses some of the concerns, if any, about either the CSRA requirements or the implementing procedures.

Because our review was made during the very early stages of implementation, we are not making recommendations at this time. We will continue to monitor these specific areas of concerns and issue individual reports as warranted.

Chapters 9 and 10 discuss the status of the work done in the areas of productivity and the evaluation of CSRA, respectively.

AGENCY COMMENTS

OPM agrees that CSRA requires and encourages substantial decentralization of personnel management authority, that there is a need to monitor closely agency actions to insure adherence to merit principles, and that risks are incurred in decentralization.

However, OPM believes that risks are far outweighed by the benefits of allowing managers to manage within the framework of Government-wide policies and programs provided by OPM. Further, OPM believes that our report does not recognize the continuing danger and the stultifying effect of too

much central regulation and direction. OPM stated that the aim of OPM's deregulation and decentralization efforts is to push the pendulum back the other way so managers in the agencies can, in fact, make the decisions they have to make.

We do recognize the danger and stultifying effect of too much regulation and are not suggesting a continuation of the level of regulation prior to CSRA. We agree that the pendulum should be moved but do not believe it should swing too far toward the other extreme. We continue to believe that there is a need for some similarity between agency personnel systems, unless there is a compelling need for agency programs to be different. During our review, we found that some of OPM's regulations and guidance merely restated the requirements of CSRA, and some agencies were awaiting decisions of MSPB and FLRA to establish policy in the areas of performance appraisals and actions against unsatisfactory performers.

OPM does not agree that the high degree of delegations to the agencies by OPM may reduce the need for the current extensive OPM field organizations. It believes that the new emphases on productivity, consulting services, and technical assistance will require a more extensive OPM field structure.

During our review, we visited more than 30 agencies in 10 OPM regions. Most of the agencies we visited told us that they relied on their own agency headquarters for consulting services and technical assistance, not the OPM regional offices. We are not asserting that OPM should reduce its regional structure, only that a careful evaluation of the regional role, structure, and size needs to be made. We plan to make such a review.

OPM concludes that the first year of activity under CSRA has gone smoothly, that there is a great deal yet to be done, and that we must be careful to judge success prematurely.

We agree that, overall, OPM has made good progress; that much remains to be accomplished; and that it is too early to judge the degree of success.

CHAPTER 2

PERFORMANCE APPRAISALS, ADVERSE ACTIONS,

AND ACTIONS BASED ON UNACCEPTABLE PERFORMANCE

PERFORMANCE APPRAISAL SYSTEMS

Section 203 of CSRA requires each agency to set up new performance appraisal systems that specify performance standards and tie personnel actions more closely to individual performance. The performance appraisal systems are to serve as the basis for merit pay, removal or demotion of unacceptable performers, and other personnel decisions. Some expected results of the new performance appraisal systems follow.

--Improved individual and organizational effectiveness.

--Increased managerial accountability for employee personnel management.

--An improved basis for personnel decisions, such as training assignments and promotions.

--Better supervisor-employee relations.

--Deserved pay increases for managers who perform well.

OPM is responsible for

--prescribing performance appraisal system regulations,

--assisting agencies in developing performance appraisal systems,

--reviewing each performance appraisal system developed by agencies and determining whether the system meets the requirements of the law, and

--directing agencies to implement an appropriate system or to correct system operations if the system does not meet the requirements of law or regulation.

Status of implementation

The Director, OPM, has assigned the responsibility for performance appraisal systems to several offices within OPM. The Special Programs and Consulting Division (SPCD) is the focal point for the non-SES performance appraisal systems

and is responsible for prescribing the necessary regulations. The responsibility for providing technical assistance and consulting services in developing performance appraisal systems is shared by SPCD, the Office of Training, the Merit Pay Task Force (for relevance to merit pay), the Agency Relations Group, and the OPM regional offices. The responsibility for correcting deficiencies in agency performance appraisal systems is shared by SPCD, the Office of Agency Compliance and Evaluation, and the OPM regional offices. Evaluating the results of performance appraisal systems is shared by the Office of Agency Compliance and Evaluation, the CSRA Evaluation Management Division, the Office of Productivity Programs, and OPM regional offices.

SPCD has issued non-SES performance appraisal regulations, policy, and guidance, including the following publications:

- FPM Bulletin 430-1, Performance Appraisal Provisions of CSRA, December 1978, provides a general discussion of CSRA performance appraisal changes.
- FPM Bulletin 430-3, Checklist for Review of Agency Performance Appraisal Systems for Other Than SES Positions, April 1979, lists minimum performance appraisal system requirements to be met by agencies submitting plans to OPM for approval.
- Performance Evaluation: Basic Bibliography, April 6, 1979, lists about 50 books and articles on performance appraisals which agency staffs could use as reference material.
- FPM Bulletin 430-4, State of the Art of Performance Appraisal, May 1979, provides background information to agencies on current theory and trends in performance appraisals.
- FPM Bulletin 430-5, Guidance on Implementing Performance Appraisal for Merit Pay, July 1979, discusses considerations in designing performance appraisals for merit pay managers. This was a joint publication with the Merit Pay Task Force, issued also as FPM Bulletin 540-4.
- Title 5, Code of Federal Regulations, part 430, was published in the Federal Register on August 3, 1979.

SPCD is responsible for reviewing and approving agency non-SES performance appraisal plans. Initially, SPCD's review and approval was limited to department-level or agency-level plans and to the basic requirements of CSRA and the Code of Federal Regulations. For example, it would review and approve the plan of the Department of Health, Education, and Welfare but not that of the Social Security Administration.

Now, however, because of MSPB's decision in Wells v. Harris ^{1/}, SPCD must review and approve component-level plans when the agency has authorized components to submit their plans to OPM separately. It not only reviews plans for compliance with the law and regulation but also for suggestions about how the plans might be improved. As of January 1980, 16 agencies had submitted plans to OPM for review and approval. All agencies are required to submit non-SES performance appraisal plans to OPM by July 31, 1981.

Issues and concerns

Establishing performance appraisal systems that meet CSRA criteria is extremely difficult and time consuming. The performance appraisal system is the most crucial element in improving Government productivity, implementing merit pay and cash awards programs, and removing unacceptable performers. We are concerned that the time frames established by CSRA are overly optimistic not only for performance appraisal systems but also for other major programs which are dependent upon performance appraisal systems.

ADVERSE ACTIONS AND ACTIONS BASED ON UNACCEPTABLE PERFORMANCE ^{2/}

CSRA establishes new statutory procedures for creating a separate, simpler method of removing employees or reducing their grades for unacceptable performance. These procedures are intended to make it easier for agencies to take adverse actions based on unacceptable performance.

^{1/}MSPB's decision in Wells v. Harris requires the agency or component to have an OPM-approved performance appraisal plan before taking action against an unproductive employee under title 5, Code of Federal Regulations, part 432, Reduction in Grade and Removal Based on Unacceptable Performance. Until the agency performance appraisal plan is approved by OPM, it must proceed against unproductive employees as it would have before CSRA's passage.

^{2/}Includes nondisciplinary reductions in grade and removals.

The functions of hearing and adjudicating employees' appeals were delegated to MSPB. OPM is responsible for issuing Federal regulations and for providing leadership, assistance, and information to Federal agencies in promoting an efficient civil service and a systematic application of merit system principles. OPM's leadership role includes providing policy guidance, technical assistance, and training to agencies on adverse actions and actions based on unacceptable performance.

Title II of CSRA revises the procedures for Federal agencies to take adverse actions and unacceptable performance actions against employees. Before the legislation, all adverse actions covering personal conduct and actions based on unacceptable performance were covered under chapter 75, title V, United States Code. Procedures for reductions in grade or removal based on unacceptable performance have been changed and are set out separately in chapter 43 of the code. The adverse actions provisions covering personal conduct actions are generally the same as before. In the unacceptable performance area, CSRA established a separate, easier, more effective method of removing employees or reducing their grades when their performances continue to be unacceptable.

Previously, adverse actions had been described as removals, suspensions for more than 30 days, furloughs without pay, or reductions in rank or pay. CSRA redefined "adverse actions" as removals, reductions in grade or pay (with certain exceptions), furloughs of 30 days or less, and suspensions of more than 14 days. Reduction in rank (title) without loss in grade is no longer considered an adverse action.

CSRA allows employees to choose between appealing adverse actions to MSPB or under the agencies' negotiated grievance procedures if the employees are members of the bargaining units and the grievance procedures cover the area being appealed. In appeals to MSPB, the burden of proof is on the agency which took the action. However, if employees are appealing agencies' actions based on alleged harmful procedural error, prohibited personnel practices, or a decision which was not in accordance with law, the burden of proof to show harmful error is on the employee.

Prior to CSRA, agencies could remove or suspend employees only "for such cause as will promote the efficiency of the service." Agencies were required to furnish the weight of the evidence which included "any and all reasons, specifically and in detail." As a practical matter, agencies found it to be very difficult to develop the quantity of evidence needed to remove unproductive employees, and, as

a result, very few employees were removed for unacceptable performance. Now, agencies can remove employees or reduce their grades if they can present substantial evidence to support their decisions that employees have failed to meet the performance standards for one or more critical job elements regardless of how well they perform other elements of the job.

MSPB defined "substantial evidence" as that degree of relevant evidence which a reasonable mind, considering the record as a whole, might accept as adequate to support a conclusion that the matter asserted is true.

"Performance standards" are described by OPM as the expressed measure of levels of achievement, including quantity, quality, and timeliness, established by management for the duties and responsibilities of a position or group of positions.

Status of implementation

To implement the legislation on adverse actions and actions based on unacceptable performance, OPM has delegated maximum flexibility to agencies to make their own rules, set their own systems and procedures, and take their own action insofar as they are consistent with law and broad policies. However, to insure that agencies are uniformly and accurately interpreting the legislative intent, OPM is responsible for providing leadership through guidance, technical assistance, and training.

The Employee Relations Branch within the Workforce Effectiveness and Development Group provides guidance and technical assistance to agencies. The Personnel Management Training Center within the same Group provides training.

The regulations and guidance OPM issued through December 31, 1979, generally repeated the language in the law. The guidance issued consisted of a Federal personnel bulletin in each of the two areas.

OPM officials have agreed that additional guidance is needed to clarify the legislation and regulations. They said that some provisions of the Reform Act were confusing and that additional guidance would help agencies in implementing the new provisions. In January 1980 OPM issued a handbook for managers and supervisors to help them become knowledgeable of the general changes to adverse actions and unacceptable performance actions. On January 11, 1980, OPM issued a Federal personnel bulletin providing agencies with

guidance in taking removal or demotion actions against employees based on unacceptable performance, which would meet MSPB's order in the case of Wells v. Harris. In addition, OPM plans to revise the FPM relating to adverse actions and actions based on unacceptable performance and to supply agencies with analyses of MSPB, FLRA, and court decisions.

Since the passage of CSRA, OPM has prepared a training package for instructing personnel staff, line managers, and supervisors in the specific provisions of the Reform Act and OPM regulations pertaining to actions for unacceptable performance and adverse actions. In addition, it has made a videotape containing general information on performance appraisals and work force discipline. Most agencies are satisfied with the quality of training offered.

Issues and concerns

One of the intents of CSRA was to establish a simpler procedure for removing employees or reducing their grades for unacceptable performance. Many agency officials believe that it will be easier to take actions against employees for unacceptable performance, particularly after agencies develop and implement performance appraisal systems.

A union complaint presently before FLRA could, if sustained, greatly affect the ability of agencies to take actions against employees for unacceptable performance. This complaint concerns whether an agency can implement the new procedure to evaluate and discipline employees because of unacceptable performance without giving an exclusive representative union an opportunity to bargain on this procedure. Specifically, the union maintains that it has the statutory right to bargain on the critical elements used in evaluating employees' performance standards. OPM has filed an amicus brief with FLRA, arguing that the setting of critical elements and performance standards are protected management rights which are nonnegotiable under CSRA.

If FLRA decides that critical elements are negotiable, the agencies will not be able to remove employees whose performance is unacceptable until agreement is reached on the critical elements.

CHAPTER 3

STAFFING

Title III of CSRA contains several significant changes to staffing procedures which include

- establishing a probationary period for new managers and supervisors,
- expanding OPM's authority to grant early retirement,
- restricting compensation for retired military personnel who are employed by the Federal service,
- establishing a Federal minority recruitment program, and
- setting a temporary employment limitation on the Federal work force for fiscal years 1979-81.

PROBATIONARY PERIOD FOR NEWLY APPOINTED MANAGERS AND SUPERVISORS

Title III (section 303), CSRA, authorizes the President to establish a period of probation before the initial appointment as a supervisor or manager becomes final.

The success or failure of agency programs is dependent to a large extent on the caliber of agency supervisors and managers. They require unique skills and abilities which cannot readily be taught or developed in other kinds of positions. The probationary period is intended to bridge the gap between perceived potential and actual performance. It gives the agency an opportunity to assess the new appointee's development on the job and to return an employee to a non-supervisory or nonmanagerial position without undue formality should circumstances warrant.

Status of implementation

On August 3, 1979, OPM issued to Federal agencies the final regulations (FPM, part 315, subpart 1) for establishing the probationary period for new managers and supervisors. The regulations required the agencies

- to implement a probationary period no later than August 11, 1979, and

--to send a copy of their regulations concerning the probationary period to OPM not later than August 11, 1979.

As of October 3, 1979, only nine agencies had sent copies of their regulations on the probationary period to OPM as requested.

The OPM regulations authorize Federal agencies to use their own discretion in implementing certain aspects of the probationary period. We reviewed the regulations of the nine agencies that had submitted them to OPM. Our review revealed differences in (1) grievance coverage, (2) length of probationary period, and (3) evaluation procedures.

1. Grievance coverage. OPM's initial regulations required coverage of probationary period actions in agency grievance procedures. However, its final regulations give agencies the option to include probationary period actions in agency grievance procedures.

Three of the nine agencies we reviewed allowed probationary period personnel actions to be covered under the agency grievance procedures. In the six other agencies, the probationary period decision is final based on the recommendation of the immediate supervisor and the concurrence of the next higher official.

2. Length of probationary period. The OPM regulations delegated to the Federal agencies the authority to determine the length of the probationary period, with the provision that it be of reasonable fixed duration, appropriate to the position, and uniformly applied. Most of the nine agencies we reviewed used 12 months as the length of probationary period. One agency determined that 6 months was the appropriate period, and another agency determined that 18 months was the appropriate period. Most of the agencies established 90 days as the minimum period for a decision to return employees to nonmanagerial or nonsupervisory positions.
3. Evaluation procedures. The OPM regulations give the agencies flexibility in establishing procedures for evaluating and monitoring new supervisors and managers. Only two of the nine agencies we reviewed required written critical job elements and performance standards to be developed for new supervisor and managers.

OPM has given the agencies considerable flexibility in managing probationary periods. This has resulted in differences between agencies concerning whether probationary periods are subject to grievance procedures, the length of probationary periods, and how new supervisors and managers will be evaluated. Management flexibility is one of the objectives of CSRA, and differences will occur among agencies as a result of differing missions and functions. Nevertheless, when circumstances do not warrant major difference, we believe the procedures should be relatively consistent. Where agencies apply differing procedures and criteria, we believe agencies and OPM should have feedback information from monitoring the results to insure that the intent of CSRA and OPM regulations are being carried out by the agencies. OPM has developed a 2-year plan to evaluate the operations of the probationary period in agencies to determine how it is being used and its effectiveness in fulfilling its intended purpose of raising the quality level of the Government's managers and supervisors.

EARLY RETIREMENT

Prior to enactment of CSRA, title V, United States Code, section 8336(d)(2), gave CSC the authority to grant voluntary early retirement when an agency undergoes a major reduction in force. Title III, section 306, CSRA, expanded OPM's authority to grant voluntary early retirement when an agency undergoes a major reorganization, a major transfer of function, or a major reduction in force.

The eligibility criteria for early voluntary retirement are

- at least age 50 with 20 years of Federal service or
- any age with 25 years of Federal service.

With either criterion, an employee can retire with an immediate annuity. The annuity is computed under the retirement formula prescribed by 5 U.S.C. 8339(a) (i.e., high 3-year-average annual salary multiplied by the sum of 1.5 percent times the first 5 years' service; 1.75 percent times the next 5 years' service; and 2 percent times all years of service over 10) and reduced by one-sixth of 1 percent for each month under age 55.

Status of implementation

OPM issued guidelines to implement title III, section 306 of CSRA on August 13, 1979 (FPM Letter 351-8). These guidelines provide the following criteria:

"The Office of Personnel Management will authorize early optional retirements for an agency or segment of an agency when 5 percent or more of the positions in the component for which the authorization is requested will either be abolished or transferred to another commuting area or when the combination of transfers and abolishments equals 5 percent or more. Early retirements may be authorized in rare cases when the 5 percent guideline is not met if other significant factors including: (1) a severe impact on the local economy; (2) poor placement opportunities for employees; or (3) serious disruption to agency operations are present." (Underscoring supplied.)

The previous guidelines provided that voluntary early retirements would be authorized upon agency request when at least 5 percent of the employees in a geographic area, agency, or unit were facing involuntary separation. The new OPM guidelines represent a substantial change because they permit early retirements in organizations where no employee is being involuntarily separated.

The expanded provision and liberalized criteria are resulting in many agencies' requesting and being granted voluntary early retirement authorizations. In 1977 and 1978 combined, the CSC approved 48 agency requests for voluntary early retirement authority under the 1973 law; two of these were subsequently canceled. Since CSRA became effective on January 11, 1979, through August 31, 1979, OPM granted 51 early retirement authorizations; one was subsequently canceled.

The significance of the new criteria is evident in OPM's own early retirement authorization, the first granted under the revised guidelines.

In justifying early retirement for its employees, OPM had indicated that by June 30, 1979, 220 of its positions would be abolished and 150 positions would be transferred to other commuting areas. This met the 5-percent criterion (6,511 total positions in OPM with 370 positions being affected--5.7 percent).

Our analysis indicates that very few employees (far fewer than 5 percent) lost their jobs or were adversely affected by the reorganization. Most job abolishments resulted in the employees being reassigned to newly created positions within their groups without a change in job series or grade. Nevertheless, 149 OPM employees retired early during the authorization period.

OPM officials said they planned to replace virtually all their early retirees with new hires. We noted that, in April 1979, OPM issued an open continuous job vacancy announcement for General Schedule (GS)-13, 14, and 15 positions in eight job series. Of the 149 early retirees at OPM, 27 were at the GS-13, 14, or 15 level in the job series covered by the vacancy announcement. Furthermore, we understand that, even though OPM had a shortage of investigators before the early out authorization, 21 of its investigators were permitted to retire early. A serious shortage now exists, and OPM is trying to fill those vacated positions.

Early retirement authority was also granted to MSPB. The request letter for an early retirement authorization for MSPB was prepared by the former CSC before MSPB existed. The letter stated that by June 30, 1979, 40 MSPB positions would be transferred to other commuting areas and that 10 positions would be abolished. This met the 5-percent criterion (271 positions with 50 positions being affected-- 18.5 percent). During the early retirement authorization period, MSPB did not transfer any positions to other commuting areas or abolish any positions. Yet, 11 MSPB employees retired early.

According to MSPB's Director of Personnel, MSPB is now studying its organizational structure, and only after the study is completed will MSPB be in a position to know exactly what positions, if any, will be abolished or transferred to other commuting areas. The Director of Personnel said that the timing on the early out authority was completely wrong. MSPB had the early out authority at a time when it was unsure whether the authority was needed or not.

Of the 11 MSPB retirees, 5 were either chief, senior, or assistant appeals officers and 2 were members of the Office of Appeals Review. One retiree was later rehired. On August 20, 1979, MSPB issued an open vacancy announcement for chief appeals officers in all its regions and headquarters.

Issues and concerns

We believe the granting of early retirement authorizations when employees are not being adversely affected is a costly misuse of the retirement system. Both OPM and the employing agencies need to be more selective and careful in exercising the early retirement authority to be sure that it is used only as a last resort to correct staffing problems that cannot be resolved by other management techniques.

In our review of the legislative history of the changes made by CSRA, we found no indication that the Congress intended that early voluntary retirement authorizations be granted to agencies when their employees were not being adversely affected. The reform legislation seems to emphasize retaining valued employees whenever possible. For instance, CSRA stated:

"* * * The training program of the Government should include retraining of employees for positions in other agencies to avoid separations during reductions in force and the loss to the Government of the knowledge and experience that these employees possess * * *."

OPM has not included the liberalized early retirement provisions in its evaluation plan for CSRA. However, we are reviewing the expanded early retirement provisions and the implementing guidelines OPM developed.

AGENCY COMMENTS

OPM maintained that the Congress, when it enacted CSRA, was fully aware that the expanded early retirement provisions would allow eligible employees to retire early during an agency's reorganization or transfer of function, even though no employee was facing involuntary separation. OPM stated that reorganization and transfer of function can result in downgradings and other actions which have an adverse impact on employees and their agencies and that it was congressional intent that early retirements be allowed in such situations.

Prior to the enactment of CSRA, the retirement law allowed employees to voluntarily retire when their agency was undergoing a major reduction in force (employee separations). The objective of the early retirement program was to allow eligible employees to retire during such reductions, even though they may not have been affected at all, in order that other employees who would have otherwise been separated could keep their jobs.

It is, of course, impossible for us to know whether the individual Members of Congress were aware that CSRA, in allowing OPM to authorize early retirements during reorganization and transfer of function, would permit employees to retire when no employee separations were scheduled. More important, however, we are concerned that the liberalized criteria are resulting in early voluntary retirements in cases

where very few or no employees are being adversely affected in any manner. We continue to believe that this was not contemplated or understood by the Congress.

OPM also maintained that the Comptroller General had advised the Congress of these specific consequences of the new CSRA provision when it was being considered. This is not correct. We objected on the grounds that any further expansion of early retirement authority could not be justified in view of the system's huge and growing unfunded liability. As indicated above, we were not aware that OPM intended such a broad interpretation of this provision.

COMPENSATION RESTRICTIONS FOR RETIRED MILITARY PERSONNEL

Section 308 of CSRA changed the dual compensation laws governing the pay of military retirees who become employed in the Federal civil service. Before CSRA, enlisted and reserve officer retirees were permitted to receive, without limitation, both their full retirement benefits and their full pay from the civilian position. Retirement pay received by regular officers was subject to a reduction. Regular officer retirees received full salary and a base amount of their retirement pay (currently \$5,033.72) plus one-half of any remainder of their retirement pay. CSC could make exceptions to the reduction to fill special or emergency hiring needs. Most of the exceptions were used to hire medical officers or scientific administrators.

Under CSRA the combined military retirement income and Federal salary of all personnel retiring from the military service after January 11, 1979, cannot exceed the salary paid to Level V of the Executive Schedule (currently \$50,112.50). Since, under the law, only retirement income can be reduced, an employee is entitled to receive full salary when it exceeds the Level V rate. The limitation does not apply to those military personnel who retired before January 11, 1979. However, CSRA retained the retired pay limitation imposed on regular officers.

CSRA gives OPM the authority to grant exceptions to both the Level V limit and the reduction in officers' annuities for those military personnel retiring after January 11, 1979, to fill medical officer positions only. OPM can also delegate the exception authority to employing agencies to fill any such hiring needs. Thus far, the Department of Defense is the only agency given this authority, and it has granted four exceptions. OPM has also granted four.

Status of implementation

OPM has drafted FPM instructions outlining the law and detailing the responsibilities of agencies to enforce it. Agencies are responsible for notifying the military finance centers of any changes in civilian pay or in the status of military retirees. The military finance centers are responsible for determining the applicability of the dual compensation restrictions and for making the appropriate deductions from retirees' pension.

Plans for OPM to monitor these provisions of CSRA have not been finalized. Information concerning military annuities is kept at the military finance centers. We were told that consideration is being given to an annual merging of the retirement files from the finance centers and OPM's Central Personnel Data File to obtain a list of military retirees employed in the Government. This list could then be used to check compliance with CSRA's provisions, particularly the Level V limitation.

FEDERAL EQUAL OPPORTUNITY RECRUITMENT PROGRAM

Section 310 (title III) of CSRA directs the Federal Government to establish a minority recruitment program. This program is intended:

"* * * to eliminate underrepresentation of minorities in the various categories of civil service employment within the Federal Service * * *."

The Director, OPM, stated:

"We see this section of the Reform Act as a charge and a charter to move affirmatively to implement the policy stated in the act's opening paragraph - to provide a Federal work force reflective of the nation's diversity."

"Underrepresentation" is defined as a situation in which the number of members of a minority group within a category of civil service employment constitutes a lower percentage of the total number of employees within the employment category than the percentage that the minority constituted within the U.S. labor force as determined under the most recent decennial or mid-decade census.

The intent of the program is to eliminate underrepresentation of women and minorities in the Federal service by increasing the number of female and minority applicants

available for Federal employment. Increasing the number of qualified women and minorities in applicant pools should increase their chances of being selected and hired.

Section 310 of CSRA assigns specific responsibilities for the development and implementation of a minority recruitment program. By December 12, 1978, the Equal Employment Opportunity Commission was to

- establish guidelines to be used by OPM in administering a recruiting program;
- make the initial determinations of underrepresentation; and
- transmit these determinations to executive agencies, OPM, and the Congress.

On the basis of the Commission's guidelines, OPM was to

- issue regulations to implement a recruitment program, within 180 days of enactment of the legislation, requiring executive agencies to conduct a continuing recruitment program designed to eliminate underrepresentation;
- provide continuing assistance to agencies in carrying out the program;
- conduct a continuing program of evaluation and oversight to determine the effectiveness of these programs; and
- report annually to the Congress on the program not later than January 31 of each year.

Status of implementation

On December 12, 1978, the Commission sent the guidelines for implementing the minority recruitment program to OPM. On April 13, 1979, OPM issued regulations on the Federal Equal Opportunity Recruitment Program (FEORP) to the executive agencies requiring each agency to (1) conduct a continuing program for the recruitment of women and minorities, (2) assign specific program responsibility to an appropriate agency official, and (3) establish an up-to-date recruitment plan in agency headquarters by July 1, 1979, and in field installations by October 1, 1979.

We found that agencies had made very little progress in complying with the specific requirements of the regulations.

For example, we found that only two of the eight agencies we examined had clearly assigned program responsibility to a single agency official. OPM, concerned about this inactivity, sent an August 22, 1979, memorandum to the heads of executive agencies reminding them of the requirement to designate a person to be responsible and accountable for FEORP. Agencies were required to provide the names of the responsible officials to OPM by October 1, 1979, but as of that date only 57 of 89 agencies had formally assigned responsibility for the program.

Until recently agencies had made little effort to provide their field installations with guidance and instructions necessary to carry out FEORP agencywide. For example, as of September 30, 1979, only 8 percent had a workable plan and were implementing it effectively. Seventy-six percent of the installations indicated that they had not developed a plan for carrying out the program, and they had no knowledge of being included in a plan developed at another organizational level. Eighty-four percent of the installations indicated that FEORP had not affected external recruitment in any way, and 90 percent indicated that internal recruitment had not changed.

On April 2, 1979, OPM's Office of Affirmative Employment Programs established its own internal plan for managing the program which included specific objective and target dates. According to the plan, by September 30, 1979, OPM was to

- develop evaluation criteria for FEORP;
- develop a format for agency annual reports on FEORP;
and
- develop, in conjunction with the Commission, the agenda for OPM's onsite evaluation.

OPM has published preliminary evaluation criteria (FPM Letter 720-2, Sept. 19, 1979). A format for agency annual reports is still being developed. OPM officials said that they had made a conscious decision not to use annual reports on FEORP for this first year because it was too soon to report the results. OPM's primary vehicle for conducting onsite evaluations of FEORP is the existing personnel management evaluation system.

OPM issued its first FEORP report to the Congress on January 31, 1980.

Issues and concerns

Officials from several agencies said that neither adequate guidance nor instructions had been issued by OPM which address

- the question of whether the director of equal employment opportunity or the director of personnel should have lead responsibility for implementing the program,
- the organizational level at which program responsibility should be assigned,
- the time frame which should be used to achieve representation of women and minorities, and
- the method for calculating underrepresentation of women and minorities in civil service employment.

The Commission's guidance to agencies states that calculations of underrepresentation should be made for each agency's six most populous occupations. OPM's guidance to the agencies states that the calculations should be made for Professional, Administrative, Technical, Clerical, and Other categories and mainstream occupations by grade level. OPM officials consider FEORP as a program distinct from other aspects of affirmative action, and if FEORP does not retain identity as a separate program, OPM will not be able to carry out its evaluation and oversight responsibilities specified in the legislation. Commission officials, however, view the program as an integral part of affirmative action and have incorporated it into the affirmative action planning process.

The whole philosophy behind CSRA, OPM officials said, was to give agencies general guidance and let them adopt the guidance to meet their needs. They said that decisions, such as who should have program responsibility and at what level, can best be made by the agencies and that they could not be more specific on time frames for use in achieving representation because of the unavailability of data, for example, projected vacancies and skill requirements.

OPM agrees with the Commission that FEORP is an integral part of affirmative action but maintains that the act gives OPM the responsibility for implementing and evaluating FEORP, and, in order to do so, it is vital that FEORP remain a separate component. OPM agreed that more clarification is needed regarding the roles OPM and the Commission will play in managing FEORP, and it is working to resolve this matter.

We are continuing to review FEORP and plan a separate report to the Congress on this program.

TEMPORARY EMPLOYMENT LIMITATION

Section 311 of CSRA establishes a temporary maximum limit on the number of civilian employees in the executive branch of the Government. This section states that civilian employees in the executive branch on September 30, 1979, on September 30, 1980, and on September 30, 1981, shall not exceed the number of such employees on September 30, 1977. The United States Postal Service, the Postal Rate Commission, and individuals participating in special employment programs established for students and disadvantaged youths are excluded from the limit.

The President may authorize employment of civilians in excess of the limitation if he deems that such action is necessary in the public interest. However, the percentage of increase in employees may not exceed the percentage increase of the population of the United States since September 30, 1978, as estimated by the Bureau of the Census, Department of Commerce. Using this criterion, the September 30, 1979, employment level could exceed that for September 30, 1977, by about 16,000 positions, and 19,000 positions could be added by September 30, 1980.

Determining the actual statutory limitation is based on OPM's Monthly Report of Civilian Employment. A derivation of the statutory limitation on total employment as of September 30, 1977, follows.

Unadjusted for population growth	2,191,121
Adjusted for population growth:	
Sept. 30, 1979	2,207,121
Sept. 30, 1980	2,226,121
Estimated total employment, planned in the President's Budget:	
Sept. 30, 1979	2,195,000
Sept. 30, 1980	2,184,000

According to OMB, the estimates of executive branch employment opportunity for 1979 and 1980 are very austere. New programs have been added, and the scope of others has expanded since September 1977. These programs require additional employees. For this reason, and to avoid disruption

of services that would be caused if required reductions were made too quickly, the President applied a small portion of the flexibility available under the statutory provisions as necessary in the public interest.

By September 30, 1980, employment is planned to be well within the adjusted statutory limitation. Reducing planned employment further would, according to OMB, seriously impair the executive branch's ability to discharge its responsibilities properly in such areas as law enforcement, implementing key provisions of environmental statutes, and administering recent tax and energy legislation.

Status of implementation

OPM's figures show that, on September 30, 1979, the number of civilian employees in the executive branch totaled 2,204,063, or 3,058 below the 1977 ceiling of 2,207,121 when adjusted for population growth.

Issues and concerns

The Federal work force should be no larger than needed to do the work required to accomplish the programs and activities authorized by the President and the Congress. Sound implementation of programs and activities can be weakened by too many employees, resulting in costly nonproductivity, or by too few, resulting in an unmanageable workload and in inadequate supervision of contractors. Although we fully support the goal of an efficient streamlined work force, we believe the President and the Congress must carefully examine the impact of future personnel reductions on specific programs and activities.

If, because of personnel ceilings, agencies cannot directly hire enough people to accomplish approved programs and activities, they must work employees overtime and/or obtain the services of additional people indirectly through contracts with private firms or grants to institutions and State and local governments. These additional people are neither included in employment ceilings nor counted as part of the Federal work force but must be paid from Federal funds.

Emphasis on limiting the number of persons on the Federal payroll may obscure the reality that the Government incurs the cost of all manpower resources expended on Federal programs even though many of the people are not on the Federal payroll.

DELEGATION OF PERSONNEL
MANAGEMENT AUTHORITIES

Title II of CSRA authorizes OPM to delegate to heads of agencies, in whole or in part, authority for personnel management functions, including the authority for competitive examination with certain exceptions.

OPM is required to establish and maintain an oversight program to insure that the use of the personnel management authorities meets merit systems principles and standards. If OPM makes a finding of the misuse of delegated personnel authorities, it may require the agency to take corrective action. In addition, OPM may revoke or suspend delegation agreements on finding misuse which violates the spirit and intent of merit principles.

Before CSRA, most examining, appointing, and other personnel management authorities were vested in CSC. This centralized approach to personnel management resulted in delays in personnel actions, and Federal managers were severely restricted in managing (hiring, firing, detailing) their employees because of having to obtain prior approval.

Status of implementation

A task force was established to identify delegable personnel management authorities. To identify these authorities, the task force surveyed CSC program offices and made a search of the Code of Federal Regulations and the Federal Personnel Management System. It identified a total of 112 delegable authorities, established four categories of delegations, and assigned each delegable authority one of these categories.

- Blanket delegations. Authority will be delegated to all agencies without exception, subject to OPM's postaudit.
- Delegation through performance agreement. Authority will be delegated on an agency-by-agency basis through formal written agreement, subject to OPM's postaudit and oversight.
- No delegation (statutory). Authority will be retained by OPM because the law prescribes that OPM take such action.

--No delegation (nonstatutory). Authority will be retained by OPM, even though there is no statutory prohibition to delegation.

To date, OPM has delegated personnel management authorities to the agencies in two phases. In phase I (effective February 1979), OPM made blanket delegations of 26 personnel authorities to agencies. These authorities were considered to be clearcut, straightforward, and have minimal labor-management relation implications. Under these delegations, agencies can take the actions specified without obtaining prior OPM approval and are encouraged to redelegate these authorities to operating personnel officers and line managers wherever possible. (App. III lists the authorities delegated during phase I.)

OPM is studying the results of increased delegation of personnel authorities in a cross section of agency installations. Study objectives include determining whether delegations of authority to agencies are perceived as helping managers do their jobs better, determining whether delegations have reduced delays affecting agency personnel actions, and identifying problems agencies are having with the delegated authorities. Since the study is still in the preliminary stage, no conclusions have been reached.

OPM also plans to continue its systematic monitoring of agencies. Some OPM officials believe that OPM's regional offices have the capability to monitor local agency offices on a continuous basis.

Agency managers, personnel officials, and the heads of agencies are responsible for insuring that OPM regulations, guidelines, and instructions are properly applied to all actions taken under delegated authorities. If OPM finds that any action taken by an agency is contrary to law, rule, or regulation, it will direct the agency to take appropriate action. Where a pattern of error conclusively shows that either the agency or one of its activities is unable to manage successfully the authorities, OPM will have the option of temporarily suspending, restricting, or withdrawing any delegated authority.

In phase II, OPM made a blanket delegation of 5 additional personnel management authorities and identified 24 other authorities as available for delegation on an agency-by-agency basis through formal written agreements. (App. IV lists the authorities delegated during phase II.)

OPM has also prepared a handbook entitled "Delegation Agreement Information for Agencies" which provides guidance for developing an agreement. The handbook contains draft agency/OPM master agreements and information on each authority.

We interviewed personnel officials from six organizations to determine their progress in, and plans for, redelegating personnel authorities. The consensus was that the major benefit of the delegations would be the time saved in processing and approving personnel actions. The agencies appear to be redelegating most authorities. Authorities delegated under agreement will stipulate the level to which redelegation is permitted.

OPM issued general guidance on blanket delegations. Agency personnel officials, however, believed that the existing laws and regulations were adequate. OPM program offices have issued or are issuing further guidance.

The criteria for use of these authorities will not change; therefore, OPM and other agency officials do not foresee a significant increase in their use. Because the agencies had previously handled much of the paperwork required for the delegated authorities, the delegations are expected to have little effect on agency resources. The exception is those delegations relating to the examining authority which require significant expenditures of resources.

OPM's Great Lakes Region is field testing a "model competitive staffing plan" which provides for delegation of examining authorities to agencies on a case-by-case basis. Where requested and approved, delegating examining authority to agencies will greatly expand agencies' role in examining and recruiting and should enable them to improve the quality and timeliness of the hiring process. The pilot program began October 1, 1979. While participation is voluntary, 80 of the 120 agencies in the Great Lakes Region are taking part. OPM says that, overall, the new streamlined procedures contained in the model staffing plan can reduce the resources agencies anticipated they would need for examining. As a result, agency managers are expressing interest in assuming the examining responsibility for their staffing needs.

OPM is required to establish performance standards to accompany the authority delegated to agencies. Since delegation was intended to reduce paperwork and delays, OPM kept its reporting requirements to a minimum when it delegated the phase I authorities. For each action taken, each agency must record the type of action, the processing time, the

name of the person who authorized the final action, the date of the decision, and a brief statement about the basis for the decision. These records must be retained for at least 2 years and be available for audit by OPM and agency evaluators. In addition, each agency must have a means of internally evaluating the use and proper application of the authorities.

Issues and concerns

Although agency officials are generally enthusiastic about the delegation of personnel authorities, this enthusiasm is not without reservation, nor is it shared by everyone. Union leaders, managers, and agency officials have all expressed concern over the delegations.

Union leaders are concerned about the effect that these delegations can have at the bargaining table and the potential for misuse. Most blanket delegated authorities, OPM officials said, are outside the scope of bargaining. However, some of the delegations being made by agreements could affect labor relations.

Both the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) and the National Federation of Federal Employees are strongly opposed to OPM's delegations of personnel authorities. In its written response on the OPM delegation concept, the AFL-CIO stated that the delegation of authorities to agencies was not appropriate for the following reasons:

1. Past experience indicates agency misuse of a particular authority.
2. The item being delegated does not come fully within the scope of bargaining, and, therefore, the merit system and rights of employees would not be protected by collective bargaining agreements.
3. The delegated authority is not necessary for the effective and efficient management of Government business and would have an opposite effect.

The National Federation of Federal Employees believes that OPM made too many delegations at one time. It would have preferred to see one to three items delegated on an experimental basis with careful followup procedures. Its opposition was based on the past history of agencies' misuse of the authorities and CSC's poor performance in monitoring

agency personnel management programs. It knew of no instance in which CSC required an agency to take corrective action when it found an agency misusing an authority. Although CSC issued recommendations to the agency, it did not follow up on its recommendations and findings.

According to Federal Managers Association officials, authorities should never be delegated below the Director, Office of Personnel. They said that personnel subjects, laws, and regulations are too technical for managers to be involved in and that, without the required backgrounds, managers would leave themselves open to all kinds of litigation. The Association is also concerned about the potential for political influence or pressure on managers now that OPM no longer will approve all appointments.

Although conceding the potential for abuse, agency personnel officials believe that the monitoring systems are adequate enough to prevent or limit it. They are more concerned with the resources required to adequately administer the delegations of authority, especially those involving examining and model staffing. The officials cited the added burden that is placed on their offices to run those programs. They also noted that, although their responsibilities were being increased, their resources were not. Some officials recalled that, when CSC took over all of the examining authorities, it also took the resources allocated to agencies to administer the program. Now the authorities are being returned to the agencies, but the resources are being retained by OPM.

OPM acknowledges that its staffing program may require fewer resources over the next few years. However, OPM believes that its oversight responsibilities, technical advice, and assistance will counterbalance any resource savings which might be realized in the first few years of delegation.

OPM officials said that over the years it had systematically specified and followed up on corrective actions in matters previously delegated to agencies. They said also that the 1979 delegations had been made a top priority in personnel management evaluations and that they would continue to enforce corrective action.

CHAPTER 4

SENIOR EXECUTIVE SERVICE

Title IV of CSRA created SES based on "rank-in-the-person" instead of "rank-in-the-position." SES covers positions which are classifiable as GS-16, 17, and 18 and Executive Levels IV and V (or their equivalents).

SES is designed to

- provide better management of the number and distribution of Federal executives,
- give agency managers greater flexibility in assigning executives where most needed,
- insure that career people entering the SES meet the requisite qualification criteria,
- make executives individually accountable for their performance,
- enable the removal of those whose performance is less than fully successful without showing improvement,
- provide bonuses and cash awards based on performance, and
- offer increased advancement opportunities to career executives.

The act limits to 10,777 the total number of SES positions and non-SES General Schedule supergrade positions. The law further limits to 517 the number of scientific and professional executive positions that can be outside the SES and General Schedule supergrades.

There are four types of appointments to the SES, as follows:

- Career appointment. Selection is made by the merit staffing process; approval of managerial qualifications is required by OPM.
- Noncareer appointment. Selection is not made by the merit staffing process; no review of managerial qualifications is required by OPM.

- Limited-term appointment. A nonrenewable appointment for up to 3 years to a general SES position, the duties of which will end during that time.
- Limited-emergency appointment. A nonrenewable appointment for up to 18 months to a new general SES position which must be filled urgently.

CSRA provides some safeguards against the politicalization of SES. These safeguards include

- a requirement that no more than 10 percent of SES positions Government-wide and usually no more than 25 percent in any agency can be noncareer (no such limitation previously existed on these positions),
- a requirement to earmark certain positions requiring impartiality or the public's confidence in the impartiality of the Government as "career reserved,"
- the establishment of a 120-day waiting period after the beginning of a new Presidential administration before a performance appraisal and rating may be made of a career appointee, and
- the establishment of a 120-day waiting period before new agency heads or immediate noncareer supervisors could reassign or transfer career executives involuntarily.

SES is a gradeless system in which salary and career status are personal and not dependent on the position occupied. The legislation requires five or more rates of pay for SES; the President established six rates of pay within SES. The first pay period beginning on or after October 1, 1979, the six salary levels were:

ES-1	\$47,889
ES-2	49,499
ES-3	a/ 51,164
ES-4	a/ 52,884
ES-5	a/ 54,662
ES-6	a/ 56,500

a/Executive Schedule salaries are now limited to \$50,112.50 by Public Law 96-86. Individuals who were at Executive Level IV before conversion are limited to \$52,750.

The act requires the lowest rate to be at least equal to the first step of GS-16 and the highest rate not to exceed the rate for Executive Level IV.

Provisions for performance awards and ranks are among the most innovative and appealing aspects of SES. SES career executives with fully successful performance are eligible to receive a lump-sum performance award (bonus) of up to 20 percent of their base pay. Awards granted in any fiscal year may not exceed 50 percent of the total SES positions in an agency.

Career executives are also eligible for meritorious executive and distinguished executive ranks.

--Meritorious executive. Up to 5 percent of SES positions per year; one-time lump-sum payment of \$10,000.

--Distinguished executive. Up to 1 percent of SES positions per year; one-time lump-sum payment of \$20,000.

Basic pay plus performance awards and rank payments may not exceed the rate payable for Level I of the Executive Schedule (\$69,630).

STATUS OF IMPLEMENTATION

CSRA set July 13, 1979, as the date for converting the service of Federal executives to SES. Under a tight time frame, OPM performed creditably as the focal point for SES conversion. Bounded by the 10,777 position ceiling, OPM initially allocated 9,296 authorities for SES and non-SES General Schedule supergrade positions to the Federal agencies. About 98.5 percent of the incumbents in SES-designated positions elected to join SES. Initial conversion was completed July 13, 1979.

The Director, OPM, has assigned the responsibility for administering the SES program to the Senior Executive Service Division, Executive Personnel and Management Development Group. This Division operates on the principle of minimum regulations; therefore, agencies have the maximum freedom to establish procedures to meet their own unique and specific needs. Consequently, regulations have been kept to the minimum. OPM has provided some guidance and regulations covering conversion, executive resources boards, performance review boards, merit staffing, and data reporting. It has published information pamphlets and films and has held many briefings and seminars on SES. It is available for technical assistance upon request from the agencies.

CSRA requires each agency to establish executive resources boards and performance review boards. The executive resources board is responsible for the merit staffing of career appointees. This responsibility includes reviewing executive qualifications and making written recommendations on candidates to the appointing authority. The performance review board makes recommendations on performance ratings and performance awards.

Each agency is required to develop, in accordance with OPM standards, one or more SES performance appraisal systems designed to

- permit accurate evaluation of performance on the basis of criteria which specify the critical elements of the position;
- provide for systematic appraisals of performance of senior executives;
- encourage excellence in performance;
- provide a basis for making eligibility determinations for retention and for performance awards;
- establish, on or before the beginning of each rating period, performance requirements which are developed in consultation with the senior executive and communicated to the executive;
- establish written appraisals of performance which are based on individual and organizational performance requirements established for the rating period; and
- provide (1) a copy of the appraisal and the rating to the senior executive, (2) the opportunity to respond in writing, and (3) for the rating to be reviewed by an employee in a higher executive level before the rating becomes final.

OPM reviews each agency's performance appraisal system to determine whether it meets CSRA requirements. By May 1, 1979, agencies were required to submit their plans for SES performance appraisal to OPM for approval. As of October 1979, most plans had been reviewed by OPM, and some agencies were working to bring their system into conformance with the law.

The first performance rating must occur no later than October 1980 but can take place as early as February 1980. Performance awards can be made in fiscal year 1980 if performance is based on the approved performance appraisal system. Removal for unsatisfactory performance cannot be made until the first performance rating is given.

OPM also is responsible for establishing an executive development program, which will provide for systematic development of SES candidates. OPM has made very good progress in carrying out its executive management responsibilities. It has issued regulations and guidelines on establishing agency executive resources boards and agency annual plans for executive development. It is now developing regulations and guidance on sabbaticals and temporary placement of executives for developmental purposes.

CSRA exempts SES employees from the limitations on the accumulation of annual leave. The stated purpose of this exclusion is to:

"* * * allow executive managers to spend as much time on the job as the job requires without forfeiting their entitlement to annual leave for later use or the cash value of that leave upon separation from the Federal service."

Thus executive managers may accumulate as much annual leave as they wish by not taking their leave as it accrues during the years.

OPM issued regulations which provide that (1) leave accrued by an individual while serving under an appointment to SES shall not be subject to the normal limitation on annual leave accumulation and (2) individuals who leave SES for other Federal employment are entitled to retain any excess annual leave subject to the regular reduction provisions applicable to other employees with leave ceilings greater than 30 days.

OPM is required to report biennially to the Congress on the status of SES throughout the Government. Consequently, it is developing an extensive computerized SES information system. The basic input document is the executive personnel transaction form which contains information on both the position and the SES executive. Agencies are required to complete the form for each SES action they make.

At the end of January 1980, the SES information system of OPM was partially operational. Additional work was being performed on development of the data base and the reports needed for SES program management.

ISSUES AND CONCERNS

Some major SES program elements, for example, performance appraisal and executive development, are still being designed, and some are in the early implementation phase. Several significant SES issues and concerns remain unresolved. We believe the long-range success of SES requires resolution of these issues and concerns. These issues and concerns are discussed briefly below. A comprehensive report on SES conversion which we expect to issue in June 1980 will discuss these issues and concerns in more detail.

Pay compression

The two major factors compressing the salaries of SES members are (1) the linkage of Federal executive and congressional salaries and (2) the limitation of \$50,112.50 for executives, which was imposed by Public Law 96-86. The following table compares the executive salaries established by the President to the authorized payable salary.

	President's established <u>salary</u>	Authorized payable <u>salary</u>
ES-1	\$47,889	\$47,889.00
ES-2	49,499	49,499.00
ES-3	51,164	50,112.50
ES-4	52,884	a/ 50,112.50
ES-5	54,662	a/ 50,112.50
ES-6	56,500	a/ 50,112.50

a/\$52,750 for individuals in offices or positions who were in Level IV of the Executive Schedule before conversion to SES.

Because of the limitations, individuals in grades Executive Level V, GS-18, 17, and most individuals in grade GS-16 who converted to SES are now receiving the same salary--\$50,112.50. Consequently, many different levels of responsibility receive the same pay. This situation creates inequities and can adversely affect recruitment, retention, and incentive for advancement to senior positions.

Our report 1/ and the President's Panel on Federal Compensation report 2/ recommended breaking the linkage between Executive Schedule and congressional salaries. We believe executive pay compression is detrimental to the overall success of SES.

Allocation of positions

The Department of Defense was also authorized a pool of SES positions for unexpected emergencies and for executive development. It was the only agency given a pool of unassigned positions. Other agencies, also with the potential for an emergency need, have been told that they must first attempt to satisfy that need within their current authorization, and then they may come to OPM on a case-by-case basis to request additional positions.

Defense was authorized SES positions for executive development. According to OPM, it did not authorize this for other agencies because other agencies did not propose a plan. Although Defense's plan was said to be innovative, to date no formal plan for use of these executive development positions has been received and approved by OPM.

During the authorization process, OPM determined that the Government-wide level of occupied noncareer positions was very close to the 10-percent limitation. In fact, it was so close that agencies were told they could only receive authorities enough to convert their current noncareers into SES. Nonetheless, the National Aeronautics and Space Administration was initially allocated 100 percent (24 authorities) of its request when less than 50 percent of that request would have satisfied its conversion needs. Other agencies were given little or no increase. Subsequent to our review, OPM told us that the National Aeronautics and Space Administration's noncareer authorities were reduced to 12.

Potential for inequity in the bonus system

Although performance awards (bonuses) for SES are among the most innovative and appealing aspects of CSRA, a systemic potential for inequities exists in the bonus system. The

1/"Annual Adjustment--The Key to Federal Executive,"
FPCD-79-31, May 17, 1979.

2/"Report to the President of the President's Panel on
Federal Compensation," December 1975.

law stipulates that performance awards may be granted to 50 percent of the total SES positions in an agency. Only career executives are eligible for bonuses. Therefore, career executives in agencies with a high percentage of non-career executives have a significantly greater opportunity to receive bonuses. Examples of the possible inequity in bonus opportunities follow.

<u>Agency</u>	<u>Total number of SES positions</u>	<u>Percent of noncareer executives</u>	<u>Percent of career executives</u>	<u>Percent of career executives eligible to receive bonuses</u>
A	100	25	75	67
B	100	10	90	56
C	100	0	100	50

As the table shows, agency A with 25 percent noncareer executives may grant bonuses to 67 percent of its career executives, while agency B with 10 percent noncareer executives may grant bonuses to 56 percent of its career executives.

Criteria and procedures for monitoring career-reserved designation

There are two types of positions in SES, general and career reserved. The general position is the norm and executives with career, noncareer, or limited status may occupy the general position. The career-reserved position can only be occupied by an executive with career status. SES positions are designated career reserved when it is necessary to insure impartiality or the public confidence in the impartiality of the Government.

We have identified types of

- positions that appear to meet the criteria for career reserved but are designated general,
- positions with similar responsibilities that are treated differently, and
- positions that are being arbitrarily designated career reserved to meet the career-reserved floor.

A clear definition may be needed to insure that the intent of the law is being realized.

Although OPM initially reviewed all positions and its designations to determine the total number of SES positions to be allocated to a particular agency, agencies were given the flexibility to designate the positions as general or career reserved. OPM does not plan to review these positions and its designations, except on a selective basis or when a change in designation is requested. Without a full review there is no assurance that initially all positions have been properly designated and that the guidance has been consistently and clearly interpreted and understood. In commenting on this report, OPM told us that it was reviewing position designations at our request and would intercede with the agencies when warranted.

CHAPTER 5

MERIT PAY

Title V of CSRA provides for the merit pay system and the cash awards programs which would recognize and reward quality performance by varying merit pay adjustments and making cash awards for superior accomplishments and special service. This applies to supervisor or management officials in grades GS-13, 14, or 15.

OPM is required to establish a merit pay system that provides for a range of basic pay for each of the grades, limited by the minimum and maximum rates of basic pay for each of the grades. Under OPM-prescribed regulations, each agency head may provide for increases within the range of basic pay for employees covered by the merit pay system. Agencies must base their merit pay decisions on a formal performance appraisal system.

The funds available for merit pay adjustments must be determined by OPM before the beginning of the fiscal year. The amount is to be estimated from

- within-grade step and quality step increases which would have been paid if the employees had not been covered by the merit pay system and
- one-half of the percentage of the annual comparability adjustment reduced by any amount determined by OPM.

In other words, the minimum funds available would be the amount of within-grade step and quality step increases which would have been paid, and the maximum would be those increases plus one-half of the comparability increase.

In addition, under OPM regulations, the agency head may pay a cash award to any employee covered by the merit pay system for superior accomplishments and special service. This award may not exceed \$10,000. If the accomplishment or service is highly exceptional and unusually outstanding, a cash award in excess of \$10,000 but not more than \$25,000 may be awarded on OPM's approval.

Title V provisions take effect on the first day of the first applicable pay period beginning on or after October 1, 1981, except that they may take effect on October 1, 1980, for any category or categories of positions if agencies notify OPM by March 31, 1980.

STATUS OF IMPLEMENTATION

As of October 1979 OPM had issued the following FPM bulletins concerning the implementation of the merit pay system and cash awards programs: (1) Merit Pay Provisions of CSRA (FPM Bulletin 540-1), (2) Questions and Answers on Merit Pay and Additional Guidance on Employee Coverage (FPM Bulletin 540-2), (3) Guidance on Implementing Performance Appraisal for Merit Pay (FPM Bulletin 540-4), (4) Role of Cash Awards in the Merit Pay System (FPM Bulletin 540-5), and (5) Merit Pay and Cash Awards Regulations (FPM Bulletin 540-6).

OPM plans to provide other assistance to agencies in developing the merit pay system and the cash awards programs. It has sent an information booklet to the agencies. It also answers inquiries from agencies, reviews agency merit pay plans, gives onsite consultations, conducts briefings and seminars for agency personnel, and provides a checklist to be used in reviewing and approving the agency merit pay system and cash awards programs.

OPM is also developing a management information system for monitoring the agency merit pay system and the cash awards programs. According to OPM officials, the basic data for the system has been determined, but the types of reports anticipated from the system have not yet been determined.

OPM plans to offer agencies two training courses on the merit pay system and cash awards programs. One course, Design of the Merit Pay System, was started on October 22, 1979, and OPM expected most agency representatives to complete it by the end of January 1980. It is a 5-day course with topics on major CSRA provisions, salary increase programs, cash awards programs, performance appraisal programs, implementing the system, and auditing for system effectiveness and any trends which reflect disparate treatment or discrimination. The overall course objective is to provide participants with the knowledge, tools, and skills needed to design, implement, and audit performance-based pay systems for merit employees.

The second course, scheduled for January 1980, had not been finalized as of March 1, 1980. It is for employees covered by the merit pay system and/or making merit pay determinations. After completing the course, participants should be able to

- explain the major requirements of the merit pay system (including cash awards) and performance appraisals;

- explain the desirable characteristics of a performance appraisal system aimed at organizational and individual performance measurement;
- recognize the direct relationship of the merit pay to the appraisal of job performance and the need to base such appraisal on a validated system that complies with labor, court, and equal employment opportunity case law;
- integrate the merit pay system with the principles underlying CSRA and good personnel management techniques; and
- recognize their responsibilities for administering merit pay funds.

The CSRA Evaluation Management Division is working on a plan for evaluating merit pay and cash awards programs. The plan is to provide information on the achievement of the following merit pay objectives:

- Relating pay adjustments to job performance rather than length of service.
- Improving the efficiency, productivity, timeliness, and quality of work or service in the Government.

ISSUES AND CONCERNS

We are concerned that the time frame established by CSRA for implementing the merit pay system by October 1981 may not give OPM and the agencies enough time to develop and test the system before it is implemented. Some private sector firms having experience with such systems indicate it takes several years to develop a good workable system; yet, the entire Federal Government is attempting to do it in less than 3 years. We are reviewing the United States Postal Service's merit performance evaluation system. Although the Postal Service is not covered by CSRA, the results of our review should provide useful insights into this problem.

We are now monitoring the implementation of the merit pay system and are visiting some State and local governments and private companies that have merit pay programs. We expect to issue a report on the merit pay system in early 1980 addressing the following questions.

- Is training being provided to assist managers in making objective, fair performance appraisal and pay decisions?
- Are the agencies and OPM developing and maintaining information systems and evaluation strategies for present and future evaluation and improvements?
- Is OPM giving adequate guidance and coordination to agencies in the development of their pay-for-performance systems?
- Are agencies and OPM developing adequate cost information on their systems and how will merit pay and bonuses be budgeted?
- Has enough research been done with respect to designing and implementing a merit pay system?

AGENCY COMMENTS

OPM agrees that it will probably take more than 3 years before the merit system will be functioning without problems but added that it needs to get started this year. OPM also suggested additional areas of concern for our consideration in preparing our 1980 report on merit pay. Areas involved actions taken or not taken by individual agencies to implement merit pay. Although our current work involves these areas to some extent, they will receive much more emphasis in the future.

CHAPTER 6

RESEARCH, DEMONSTRATION, AND OTHER PROGRAMS

RESEARCH PROGRAMS AND DEMONSTRATION PROJECTS

Title VI of CSRA assigns the responsibility for administering Federal personnel research and demonstration programs to OPM. For research programs, OPM is required to

- establish and maintain research programs to study improved methods and technologies in Federal personnel management,
- assist other Federal agencies in establishing and maintaining research programs,
- evaluate research programs, and
- establish and maintain a program for collecting information on personnel management research and for disseminating that information to the public.

For demonstration projects, OPM is required to

- conduct and evaluate demonstration projects (OPM can conduct projects directly or through agreement with agencies or other public or private organizations),
- develop and publish plans for demonstration projects and notify affected employees 180 days in advance of the effective date of the project,
- notify the Congress of proposed projects 180 days in advance of the effective date and provide a report to the Congress on the final version of the plan 90 days in advance of the effective date of each project, and
- consult with unions on demonstration projects which are to be conducted in units where a labor organization is accorded exclusive recognition and, if no union exists, consult with employees in the unit.

The year before title VI was enacted, actual expenditures for civilian personnel research by OPM were reported at \$1,085,000. For the most part, this research related to test development and validation and was conducted by OPM staff. An additional \$600,000 of matching grants for management improvement at the State and local government level was

used to fund research. In sharp contrast, the armed services spent about \$100 million during the same year on military personnel research.

Besides the low level of financial support, there were other problems in and limitations on the personnel research system which existed before CSRA. An internal OPM task force identified the following deficiencies:

- Lack of systematic procedures to insure that research was based on policy needs and fed into policy decisions.
- Lack of systematic procedures to bring to the attention of management policy-relevant findings originating outside of OPM.
- Lack of systematic procedures for getting input on research needs from agency managers and from others outside of OPM.
- Lack of systematic methods of making agency managers aware of useful research findings.
- A traditional focus on a limited number of important areas, such as selection methods, without sufficient attention to other, possibly broader, issues (e.g., employee motivation and organizational effectiveness).
- Lack of explicit authority to conduct research and development.
- Lack of authority and responsibility for coordinating federally sponsored research relevant to public management.
- Lack of authority to waive the provisions of laws or regulation conflicting with field tests of new management techniques.

Status of implementation

OPM officials anticipated that many agencies, and even some components of OPM itself, would propose demonstration projects under title VI. OPM has received nine proposals for specific demonstration projects. Of these, two have been withdrawn; one has received OPM approval to proceed through the statutorily required public notice, public hearing, and congressional review process. A title VI waiver was found unnecessary for three of the proposals, and three proposals are still being examined.

The approved proposal involves the Navy Laboratories located at the Naval Weapons Center, China Lake, California, and the Naval Ocean Systems Center, San Diego, California. The proposal calls for an integrated approach to pay, performance appraisals, and position classification which includes

- using broad pay and classification levels;
- basing employee movement within those levels on the basis of performance;
- using performance as the prime factor in retention during reduction-in-force actions; and
- using suspended penalties in adverse actions.

The three research and demonstration proposals which are being considered by OPM include:

- Developing qualification standards based on job analysis of each individual job, in lieu of OPM Manual X-118 qualification standards. This proposal was made by the Department of Energy.
- Using an incentive pay system that directly links pay to performance for first- and second-level managers in the Internal Revenue Service centers.
- Paying for preemployment interview travel expenses for certain research and development positions. This proposal was made by the Department of the Air Force.

Some OPM officials said that the low level of interest exhibited in title VI activities may be due to Government managers being so absorbed in implementing other CSRA provisions that they have not had time to fully explore the opportunities provided by title VI.

During the past fiscal year, OPM had no one assigned full time to guide, coordinate, and insure the quality of its research. The equivalent of about two staff members were detailed from other OPM divisions. For the current fiscal year, four staff members are authorized, and three are now performing these activities.

OPM has adopted the decentralized approach to research. The head of each OPM directorate or Government-wide program is responsible for research in his/her areas of responsibility. The decentralized approach permits OPM units to control

directly the resources in support of their programs and helps to keep research closely related to program issues and policy problems.

OPM has been involved in facilitating and encouraging the exchange of information among the producers and users of public management research. The first effort involved the award of a modest grant to identify Federal research which might be useful to State and local governments.

The second effort was a conference in November 1979 on public management research sponsored jointly with OMB, the General Services Administration, and our Office. The conference, which was initiated and funded by OPM, was attended by academicians and representatives of actual or potential supporters and users (foundations, Federal agencies, State and local government interest groups).

Issues and concerns

In our opinion, the decentralized management approach substantially increases the importance of OPM's having a highly qualified, full-time, centralized staff capable of providing guidance, quality control, and coordination of research being conducted throughout OPM and the Federal agencies. Otherwise, there is a great potential for nonresponse to OPM-wide research initiatives, for duplication and gaps in research, and for allocation of resources to issues of lesser importance.

INTERGOVERNMENTAL PERSONNEL ACT AMENDMENTS

Sections 602 and 603 of title VI of CSRA amends the Intergovernmental Personnel Act of 1970 (IPA) (Public Law 91-648) and subchapter VI, chapter 33, title 5, United States Code.

CSRA abolished a variety of statutory personnel eligibility requirements which State and local governments had to meet to obtain grant-in-aid programs. It established the Merit System Principles as the unified requirement for grant programs and expanded the coverage and eligibility for State and local governments to participate in IPA's mobility program.

IPA, enacted on January 5, 1971, was established to improve the quality of Government with particular emphasis on improving personnel management systems in State and local governments. Specifically, it authorized the Civil Service Commission (now OPM) to conduct a series of activities and programs, including

- grants for fellowships, training, and improving personnel management systems;
- the administration of merit system standards at the State and local level;
- technical assistance to strengthen State and local personnel management;
- the interchange of employees between Federal and State and local governments or universities (referred to as the mobility program);
- intergovernmental training whereby State and local employees can participate in Federal training programs; and
- cooperative recruiting and examining activities among Federal, State, and local governments.

To participate in the activities and programs, State and local governments had to comply with a myriad of Federal statutory and regulatory requirements. In 1973 the former Advisory Council on Intergovernmental Personnel Policy recognized that the lack of a unified Federal Government policy severely hampered the funding and coordinating of related programs. In 1978 the President's Personnel Management Reorganization Project also recognized that the existence of too many Federal personnel requirements diluted and undermined State and local governments' ability to manage and administer grant-in-aid programs and activities to improve their personnel management systems.

Section 602(a) of CSRA abolishes all statutory personnel requirements which are a condition of eligibility for Federal financial assistance to State and local governments except (1) those requirements for Merit System Principles, (2) requirements that generally prohibit discrimination in employment or require equal employment opportunity, (3) the Davis Bacon Act, and (4) chapter 15, title 5, United States Code, relating to political activities of certain State and local employees.

CSRA calls for simplifying personnel requirements. It authorizes all Federal grantor agencies to adopt the Merit System Principles as the personnel requirement that State and local governments must meet to receive Federal grant funds. This authority is a step toward unifying personnel requirements for all grant programs.

IPA's mobility programs authorize the assignment of personnel between Federal executive agencies; colleges and universities; State, local, and Indian tribal governments; and other organizations for work of mutual concern and benefit. Mobility assignments are made for a limited period of up to 2 years without loss of employee rights and benefits. These assignments may be on an intermittent, a part-time, or a full-time basis and may be extended up to an additional 2 years under appropriate circumstances, thus providing a maximum tour of 4 years. The program's goal is to facilitate the movement of employees for short periods to serve a sound public purpose. Mobility assignments can be used to

- strengthen Federal, State, and local government management capabilities;
- assist in the transfer and use of new technologies and approaches to solving governmental problems; and
- serve as an effective means of involving State and local officials in developing and implementing Federal policies and programs.

OPM stated that since the passage of IPA in 1971, 6,846 mobility assignments had been completed or were in process at the end of fiscal year 1979.

Section 603 of CSRA amends the mobility program to

- expand the coverage of the program to include the Trust Territory of the Pacific Islands;
- expand eligibility for participation in intergovernmental mobility assignments to certain Federal units which were not previously covered;
- extend eligibility for participation in intergovernmental mobility assignments to national, regional, State-wide, and metropolitan organizations representing member State or local nonprofit organizations which offer professional, advisory research, and development or related public management services to governments or universities;
- prohibit SES noncareer, limited-term, and limited-emergency appointees from being placed on mobility assignments;
- require as a condition of acceptance of a mobility assignment that Federal employees agree to serve in the

civil service upon the completion of the assignment for a period equal to the length of the assignment;

- make the employee liable for all expenses of the assignment (excluding salary) if the employee fails to carry out the assignment without a good and sufficient reason;
- allow Federal agencies to supplement the salary of detailed State and local employees on mobility assignment to the extent that pay received from the State or local government is less than the appropriate rate of pay which the duties warrant;
- allow Federal agencies to reimburse State and local governments for their contributions to employee benefit systems for employees detailed to Federal agencies on mobility assignments; and
- authorize section 5224a(b) of title V, U.S.C., to be used by the employee for miscellaneous expenses related to change of station where movement or storage of household goods is involved.

Status of implementation

OPM is administering IPA in the spirit of civil service reform and is taking appropriate action to implement the amendments to IPA and title V. On March 12, 1979, OPM sent a memorandum to the heads of departments and agencies requesting their help in identifying those statutory requirements to be abolished. OPM specifically requested agencies to examine any statutes which authorize or affect grant-in-aid programs administered by the agency and to identify those provisions of the act which are affected.

OPM stated that all agencies had reported the statutory requirements which they believed may be abolished. Thirty such requirements were reported, and OPM has reviewed these requirements to determine which ones were abolished by CSRA. Letters have been sent to the Department of Health, Education, and Welfare and to the Federal Emergency Management Administration identifying abolished requirements and asking that grantees affected be notified.

While assuring proper administration of the program involved, OPM plans to follow through on the congressional initiative to reduce personnel requirements established as a condition for the receipt of Federal grants. Through administrative action, it plans to identify and reduce Federal personnel requirements which are established by regulation.

OPM's general counsel has ruled that OPM has the authority to review the Federal regulatory personnel requirements. Under this authority, OPM will consult with Federal agencies to identify those requirements and to determine which ones should be replaced by the Merit System Principles. OPM expects to start identifying the regulatory requirements about the third or fourth quarter of fiscal year 1980.

OPM has allocated 4.2 staff years to evaluate Federal grant programs during fiscal years 1979-83. It plans to measure:

--The extent to which the administrative burden of personnel requirements on State and local governments has been eased. This includes identifying:

1. Statutory requirements that have been eliminated.
2. Inappropriate regulatory requirements that have been eliminated.
3. Effects on State and local government administration of Federal assistance programs.

--The extent to which State and local government personnel management and grant administration has been improved through the adoption of Federal personnel standards administered by OPM. This includes identifying:

1. Federal assistance programs to which the current Merit System Principles do not apply that subsequently adopt a merit policy.
2. The increase in the number of State and local government agencies under a merit system.

OPM has taken several steps to implement the provisions of section 603 of CSRA. It has published new program regulations, forms, and other guidance material which incorporated the changes in section 603. In addition, OPM stated that it had notified previously ineligible Federal agencies of their eligibility to participate in the mobility program. OPM has received requests for eligibility determinations from 97 non-profit organizations and has found 47 organizations eligible under the new authority in section 603. Through January 30, 1980, there have been 24 assignments involving these newly eligible organizations.

The Office of Intergovernmental Programs is working in four major areas to address problems in State and local government productivity. The activities initiated or planned include

- working with public interest groups, private sector organizations, Federal agencies, and State and local governments to coordinate programs and increase cooperative efforts in productivity;
- setting up a productivity resource exchange to identify and distribute information on significant productivity improvement projects in State and local jurisdictions;
- developing plans for providing increased training and technical assistance to the established network of Governor-appointed IPA designees and State advisory councils on the development of productivity improvement activities; and
- directly supporting productivity improvement projects through IPA grant-in-aid.

Productivity improvements can be supported by IPA grants only if the improvements are related to personnel management. We have recommended in prior reports that the IPA program be broadened to fund general management improvement projects. As a result of these recommendations, House and Senate bills have been introduced to amend IPA by adding an additional title which would encourage productivity improvement on the part of State and local governments beyond the area of personnel management.

IPA is discussed in our report entitled "An Evaluation of the Intergovernmental Personnel Act of 1970" (FPCD-80-11, Dec. 19, 1979).

CHAPTER 7

LABOR-MANAGEMENT RELATIONS

Title VII of CSRA establishes, for the first time in law, a labor-management relations program for nonpostal Federal employees. Although the law generally continues the policies and practices that have evolved under Executive order, labor organizations and Federal employees now have additional representational rights and benefits.

The rise of union membership and collective bargaining in the public sector has had a profound impact on public management. In the Federal sector, 60 percent of all non-postal Federal civilian employees are represented by exclusive bargaining agents with about 3,000 labor agreements. Some of the significant changes in the Federal labor relations program brought about by CSRA follows:

- Established FLRA, including an independent General Counsel.
- Provide for court enforcement FLRA decisions and orders and judicial review of FLRA final orders with certain exceptions.
- Expanded the scope of negotiated grievance procedures.
- Provide for union representation at certain investigative interviews of employees.
- Increased official time for employees representing the union in negotiations during regular work hours.

FLRA's role is one of an independent and neutral third-party agency which promotes a viable labor-management relationship to insure that the parties to that relationship can resolve their problems bilaterally. (See "The Federal Labor Relations Authority: Its First Year in Operations," FPCD-80-40, Apr. 2, 1980.) OPM's role is one of promoting, strengthening, improving, and representing management. It provides policy guidance, technical assistance, training, and information to Federal agencies on labor-management relations. It consults with labor organizations on Government-wide personnel rules and regulations which it issues. It also assists agencies in cases before FLRA which may have Government-wide labor relations impact. Specifically:

- It may submit amicus briefs in significant cases before FLRA.

- It provides advisory opinions on request to FLRA on the interpretation of OPM regulations.
- It may become a party to a case before the FLRA through intervention. OPM may intervene in cases involving OPM rules or regulations and in cases concerning labor relations issues of Government-wide impact and precedential value.
- It may provide labor relations support to other agencies. The support function may include representing another agency, at its request, before FLRA.

STATUS OF IMPLEMENTATION

The Director, OPM, assigned the primary responsibility for providing overall leadership to agencies for the Federal labor-management relations program to the Assistant Director for Labor-Management Relations, including

- developing labor relations policy guidance;
- providing informational material on labor relations development and technical assistance to agencies, unions, and the public;
- determining whether consultation with labor organizations concerning proposed OPM regulations or other policy directives is required;
- representing OPM in cases before FLRA which have Government-wide impact; and
- reviewing and evaluating the Federal labor relations program to determine whether modification would improve its effectiveness.

Although providing guidance for Federal labor relations is not a new role for the Office of Labor-Management Relations (OLMR), the scope and emphasis of its management leadership role in personnel administration are new, as well as the legal responsibilities to consult with labor organizations on Government-wide personnel rules and regulations.

OLMR officials said that they were evaluating the impact of title VII on the labor-management relations program in the Federal Government. A 5-year evaluation study is planned, with the first phase scheduled to be completed by

June 1980. The study will focus on (1) the scope of bargaining, (2) the third-party mechanism, and (3) management effectiveness. About 2 staff years have been allocated to the study for fiscal year 1980.

OLMR plans to obtain information for the study from grievance and arbitration awards, FLRA's decisions, results from a questionnaire on employees' problems, and discussions with labor relations officers. OLMR officials said that they would not be able to start analyzing CSRA's impact on the labor-management relations program until the spring of 1980 when more information will be available.

ISSUES AND CONCERNS

Agency views

Most agency labor relations officials we talked with said they were satisfied with the type and quality of training offered by OPM's Labor Relations Training Center. However, these officials said they were limited in their use of the Center's training program because of the high costs of the courses. As a result, officials of three of five agencies we contacted told us that they had only occasionally participated in the OPM training program.

One agency said that the Center conducted a 2-day training session for over 1,000 of its supervisors, and the number of unfair labor practice complaints decreased significantly after the training session.

Most agency officials we talked with believed that OPM was doing an adequate job in providing guidance and information dealing with labor-management relations. OPM has taken a number of actions to help agencies meet their title VII responsibilities effectively and promptly. OLMR has issued guidance addressing selected labor-management relations issues, conducted workshops, and held conferences and briefings. This assistance has included such subjects as representation rights, grievance and arbitration coverage, and procedures, OPM's interpretation of management rights, and the scope of bargaining.

In addition, OPM has been meeting biweekly with most agency headquarters' labor relations officers. These meetings have been devoted primarily to management concerns on the implementation of title VII. Agency officials told us that the OLMR staff was responsive in assisting them on a daily basis when specific problems occurred.

Agencies generally believe that OPM regional offices are performing an adequate job in meeting their responsibilities in implementing the changes in the labor relations program. The only significant problem appears to be inadequate staffing in some regional offices. Although the present staff generally has knowledge and experience in the Federal program, additional staffing is needed to provide increased technical assistance and training to agencies. For example, one regional office has one labor relations officer who provides leadership and guidance on all labor-management relations matters to over 339 Federal installations covering 6 States with 124,000 employees.

Although other regional offices may not have the responsibility for a large geographical area, a number of regional officials said inadequate staffing was a problem. One regional labor relations officer said that he had denied numerous training requests from agencies because he did not have the time to conduct the courses.

Some agencies expressed concern that OPM guidance is often viewed as policy decisions concerning labor relations. Agencies see OPM's new role as a coordinator and advisor, not as a decisionmaker. One agency official said that when OPM issued policy guidance, it was often interpreted by the unions as being the official Government position, and this undermined the agencies' independence in negotiations with the unions.

It should be noted that FLRA officials have publicly stated that OPM's guidance is entirely legitimate, because it reflects management communication with management.

"It does not represent the voice of 'the government.' The position of the government is determined by FLRA in disputes between labor organizations and management. If either party disagrees with an FLRA interpretation, then they may seek judicial review."

Union views

Most union officials we met with generally believed that it was too soon to determine whether the Federal labor relations program would improve because of CSRA. They believed it was a step forward in Federal labor relations because of the statutory requirements of the program. They believed, however, that there were still too many unanswered questions concerning title VII. Union officials agree that establishment of FLRA as an independent agency to carry out

the major functions previously performed by the Federal Labor Relations Council and the Assistant Secretary for Labor-Management Relations, Department of Labor, and the elimination of CSC's dual role of promoting efficient personnel policy and protecting employees and union rights were fundamental positive changes.

Union officials expressed concern with the startup problems faced by FLRA which delayed decisions being issued. Union official also expressed concern with the Federal labor relations program. Some of these concerns relate to

- consultation before the issuance of Government-wide regulations,
- the right of employees to be represented by a union representative at any meeting where disciplinary action may be taken against the employee, and
- the scope of bargaining.

CSRA requires any agency that issues Government-wide rules or regulations affecting conditions of employment to give labor organizations consultation rights if they meet FLRA-prescribed criteria. Agencies are also required to give qualified unions a reasonable time to present their views and recommendations, and they must be considered by the agency that is issuing the Government-wide regulations.

Officials of two unions said that they believed the consultation process was not productive and that OPM generally did not accept their recommendations. One official also said that when the union was consulted, it was not given sufficient time to determine the impact of the proposed regulations. Union officials believe this is a significant problem because OPM can take months to develop the regulations, while they are given a limited number of days to present their views. However, OPM officials told us that unions had been consulted early in the development of personnel policy; that unions had submitted 75 substantial recommendations for consideration; and that, as of December 27, 1979, almost half of these were adopted in varying degrees.

Union officials said also that they believed OPM and agencies were not taking a good labor-management relations approach to bargaining because they were broadly defining management rights and narrowly defining what could be negotiated. Union officials said that, as a result, many subjects of vital concern to employees were being barred from the bargaining table.

CHAPTER 8

GRADE AND PAY RETENTION

Title VIII of CSRA provides grade and pay retention for certain employees whose positions are downgraded. The purpose is to protect employees in cases of position classification error, reduction in force, transfer of function, and reorganization.

Two developments prompting increased attention to classification accuracy in recent years have been (1) the President's plan to reorganize and streamline Federal organizations to increase efficiency and improve responsiveness and (2) the increase in position classification audit activity which identified serious overgrading problems.

Grade and pay retention provisions were intended to reduce the adverse impact on employees of (1) downgradings associated with such actions as reorganizations within and between agencies, transfer of functions, and staff reductions and (2) downgradings resulting from correction of classification errors.

The law provides for 2 years of grade retention for employees whose positions are downgraded (1) because of reclassification if the position has been classified for at least 1 year at the higher grade or (2) because of reduction-in-force procedures if the employee has served 1 year at a grade higher than the grade to which reduced.

At the expiration of the 2-year grade retention period, qualifying employees are placed in the proper grade. They continue to receive the same pay. If their existing rate of pay is higher than the maximum rate for the grade to which reduced, they receive their existing rate or 150 percent of the maximum rate for the grade to which reduced, whichever is lower. However, they can receive only one-half of the annual comparability adjustments for that grade until the maximum rate for that grade equals or exceeds the employees' pay.

STATUS OF IMPLEMENTATION

OPM issued interim regulations on February 23, 1979 (later finalized on Oct. 22, 1979), providing agencies with guidance in implementing title VIII. Other bulletins (1) provided guidance to agencies in publicizing grade and

pay retention regulations and in notifying employees of their eligibility for grade and pay retention, (2) required agencies to develop classification and placement plans by June 30, 1979, and (3) instructed agencies on how to document grade and pay retention actions for OPM's Central Personnel Data File.

OPM plans to make periodic evaluations to insure that the laws, rules, and regulations of personnel programs are observed, including periodic requests for information from agencies and for agency-level evaluations. It also plans a long-term assessment of the effectiveness of major civil service reform initiatives, including identification of the changes in overgrading rates and payroll costs before and after implementation of CSRA.

ISSUES AND CONCERNS

OPM may not gather enough data to adequately monitor and evaluate grade and pay retention activity

To obtain data on the implementation status at various agencies, OPM, in an August 1979 letter, requested 25 agencies to provide (1) the number of positions downgraded, the number of employees demoted, and the number of employees on grade retention and (2) copies of classification and placement plans.

Our discussions with 10 agencies showed that some of the data agencies submitted represented estimates and was inconsistently compiled. For example, some agencies included employees entitled to retroactive benefits in their count of employees on grade retention; others did not. To be eligible for retroactive entitlements, qualifying individuals must have been reduced in grade on or after January 1, 1977, and before the effective date of CSRA.

OPM agreed that the data received was inconsistent and unreliable and blamed it, in part, on agency startup difficulties and problems in understanding OPM's request. Without consistent and reliable data, however, OPM cannot properly monitor and assess grade and pay retention activity.

Although the results of the request were limited, OPM believes that the purposes of the request were met, that is, (1) agencies were made aware of OPM's interest in monitoring the implementation and (2) the approximate level of activity was identified.

Another source of evaluation data is the Central Personnel Data File, an automated file of personnel actions. Although OPM eventually expects to obtain accurate information from this file, that data will include only personnel action activity, such as the number of employees with retained grade, step, and pay.

We believe that OPM's evaluation could be improved if additional data were gathered on the extent of the initial problems involving misclassified positions and how the problems were resolved. We suggested that OPM obtain data on (1) the number of positions audited, (2) the number of positions misclassified due to erosion of duties or error, and (3) how these misclassifications were corrected.

OPM procedures may not insure that agencies are properly protecting the seniority rights of certain misclassified employees

One agency said that an official distinction was not made to determine whether the cause of demotions was erosion of duties or classification error, although both causes were thought to be included in the count of employees demoted. Other agencies said they did not know whether any of their reported misclassified positions were caused by erosion of duties.

The distinction is important because, in certain circumstances, an employee in a misclassified position can be entitled to preference over a less senior employee in obtaining a properly classified position at the same grade level. For example, if a misclassified position had originally been classified correctly, but some of the duties had eroded away over time, the employee would be entitled to bump a less senior employee. If a position had been misclassified by error, however, the employee in that position would have no bumping rights.

OPM could help insure that agencies apply appropriate reduction-in-force procedures by monitoring agency actions to (1) distinguish between misclassifications based on error and erosion of duties and (2) afford seniority bumping procedures to affected employees.

OPM procedures may not consider
some feasible alternatives to
grade and pay retention

We are concerned that OPM may not be doing everything it can to insure that agencies minimize the number of employees on grade retention. Placing employees on grade retention could be costly and should be done only when other alternatives (for example, job restructuring and reassignment) are not available.

Job restructuring can be used to permit managers to justify the grade level of a position on the basis of changes in supporting duties and responsibilities. Job restructuring would be preferable to paying grade retention benefits to employees performing lower graded work.

Similarly, reassignment of an employee to a properly classified position at his/her current grade level would be more appropriate and less costly than paying grade retention benefits.

Our preliminary work did not indicate that OPM was monitoring or emphasizing the use of these alternatives. For example, OPM does not plan to identify the number of restructured positions or to evaluate the appropriateness of decisions to demote rather than reassign employees. Without such initiatives, OPM cannot be sure that agencies are minimizing the number of persons on grade retention.

Reassignment, in lieu of demotion, could be enhanced if OPM, as authorized in CSRA, required agencies to (1) report existing and impending vacancies, (2) place employees in different agencies when necessary, and (3) take steps to insure that downgraded employees have the opportunity to obtain qualifications for other positions.

OPM could help agencies minimize the number of persons on grade retention by using its authority to require inter-agency reassignment, emphasizing alternatives to demotion, and monitoring agency restructuring and reassignment actions.

AGENCY COMMENTS

OPM said that this report implied that OPM should be more intensively involved in agency administration of grade and pay retention, and it questioned the criteria we used to reach this conclusion. We did not suggest that OPM become

more intensively involved in administration, but we did suggest that OPM have better data for its oversight and evaluation role. We continue to believe that OPM should at least be aware of the number of, and the reasons for, misclassifications and how these misclassifications were corrected.

OPM disagreed with our suggestion for gathering additional data on the number of positions audited, the number of positions misclassified and the causes, and how these misclassifications were corrected. It said that the Central Data Personnel File would not provide this data and that a similar additional data system would be required to provide it. We are concerned about the information which OPM was obtaining from agencies and which OPM agreed was inconsistent and unreliable. Most of the problems in the agency data resulted from agencies' misunderstanding of OPM's instructions, and it may well be that agencies could provide this information without establishing another data system similar to the Central Personnel Data File.

OPM disagreed also with our suggestion that agencies improve their efforts to minimize downgradings, stating that it examines questionable agency restructuring and reassignments in its personnel management evaluations and that it does not have the resources to monitor each and every action that occurs throughout the Government. We did not recommend a review of every such action, but we believe that OPM should have overall data on agencies' restructuring and reassignment activities so that OPM would be in a position to insure that agencies take steps necessary to avoid downgradings.

CHAPTER 9

PRODUCTIVITY

OPM has defined productivity improvement as increasing efficiency, increasing the usefulness and effectiveness of governmental services or products, increasing the responsiveness of services to public need, decreasing the cost of services, and decreasing the time required to provide the services.

OPM has established the Office of Productivity Programs in its Workforce Effectiveness and Development Group to provide leadership in developing and testing new knowledge about productivity and the dissemination of such knowledge within the Government. OPM has also expanded productivity training initiatives and established within the Group a consulting division which supplies agencies with managerial and technical expertise as well as referral services at their request.

Major elements of the productivity improvement program are research, program development, and measurement and analysis.

The purpose of OPM's research program is to expand the knowledge about productivity and the benefits it brings so that the knowledge can be applied to increase productivity in the future. Two research studies which are expected to be issued soon involve examinations of flexible work schedules and conflict and cooperation within agencies.

Several other major research efforts are underway. For example, five major papers which synthesize research findings on the implementation of CSRA are planned for fiscal year 1980 and a long-range research agenda is under development.

The Productivity Program Development Division was established under the Office of Productivity Programs to identify examples of successful improvements in productivity by examining exemplary practices and to test new concepts, approaches, techniques, and technologies.

The exemplary practices program is an effort to identify, validate, and document improvements in Federal productivity and publish the results in a way that is useful to operating managers. As of January 1980, the program was in its pilot phase, and productivity improvements in capital investment, equipment maintenance, financial and accounting processes,

and case management were under review. Draft reports were issued in January 1980 on (1) the Department of Defense's productivity enhancing capital investment program and (2) the San Antonio Air Logistics Center's productivity improvement program. The program's overall objective is to show, through a series of examples, what productivity is, how it has been achieved, and how other agencies might use the examples.

Another effort involves field testing of hypotheses and concepts or approaches derived from research or evaluation findings, private or public sector experience, or other sources in several agencies and sites. Test results are to be published and made available to agencies for possible application to their own operations.

To promote the use of exemplary practices, test results, and productivity improvement in general, the Office of Productivity Programs and the Office of Intergovernmental Personnel programs jointly established a productivity resource center in October 1979. This center serves as an information and referral source for Federal, State, and local officials.

OPM considers reliable measurement systems as essential for providing hard evidence of productivity improvements and has management responsibility for measuring the productivity of the Federal work force. The Measurement and Analysis Division was established to help agencies develop and improve productivity measures and measurement systems. There are three efforts underway to achieve this objective.

Aggregate measures are obtained through a Government-wide productivity call issued by OPM, which covers about 65 percent of the Federal work force. The Measurement and Analysis Division works in conjunction with the Bureau of Labor Statistics and the agencies to analyze the data and the factors which contribute to the changes in productivity. The result of this effort is an annual report on productivity.

A second effort is the development of productivity measures for common administrative services which are applicable to all agencies. These services include personnel, procurement, and accounting. In February 1980, OPM issued a report on the productivity measurement system for the personnel function. A similar effort is underway for the accounting function. The Division also plans to begin the more complex process of developing effectiveness and qualitative measures. Work on development of such measures for the personnel function is planned for fiscal year 1980.

A third effort is validation of existing good measurement techniques in selected agencies and departments and publication of the results for adoption by other agencies and departments. This effort is similar to and linked with the exemplary practices programs of the Productivity Program Development Division.

OPM has also incorporated previously existing organizations into its Office of Productivity Programs. These organizations are to develop policy and provide technical assistance to agencies to bring about improvement in individual performance. Incentive awards, employee counseling and health, and employee relations are part of the Office of Productivity Programs.

OPM plans to improve the management of the present awards system and to expand substantially the proportion of the payroll used for incentive awards.

On October 12, 1979, OPM published new regulations on Government employees' incentive awards program. These regulations will help to motivate employees to increase productivity and creativity by rewarding those whose performance and ideas benefit the Government.

The new regulations require the agencies to insure that (1) equal opportunity exists for all employees to earn awards, (2) awards are granted equitably on the basis of merit, and (3) the greatest motivational impact is achieved by allocating adequate budget and staffing and support services. Under these regulations OPM is responsible for reviewing agency compliance, providing technical assistance, and taking whatever other action is appropriate to bring about compliance.

OPM provides assistance to agencies in the development and implementation of employee counseling and employee health programs. These programs are part of OPM's productivity improvement initiatives under the assumptions that (1) employees with ill health or alcohol, drug, or severe emotional problems are not fully productive and (2) if such employees can be rehabilitated, overall Federal productivity will be enhanced. The Employee Health Services Branch is involved in two distinct categories of programs.

--The first category includes preventive health measures which consist of health units and screening programs in the agencies. OPM's role for these programs is advisory.

--The second category consists of employee counseling on such matters as drug abuse, alcoholism, and other employee problems. Stress management, physical fitness, and smoking are expected to receive increased emphasis in the near future. OPM has issued mandatory policy on employee counseling services.

An interagency committee has been convened at the request of the Director, OPM, to review all Federal employee safety and health programs. This committee will help to insure that there are no gaps in coverage and no failures to implement needed health and safety programs.

OPM has also been designated as the lead Federal agency for productivity improvement programs for State and local governments. OPM has established a Grants Assessment, Research and Productivity Section within its Office of Intergovernmental Personnel Programs. This Section was established to provide a focal point for Federal efforts to help State and local governments improve productivity and to concentrate on:

1. Improving the network of Federal, State, and local officials; public interest groups; and others working in the field of State and local government productivity improvements.
2. Developing a productivity exchange to disseminate information about successful productivity enhancement projects.
3. Providing technical assistance and training to State and local officials.

CHAPTER 10

EVALUATION OF CSRA

OPM is aware of the need for both short-term and long-term evaluations of the effects of civil service reform. OPM, in September 1978, began developing an evaluation strategy for civil service reform to provide the needed evaluation information.

From December 1978 through March 1979, OPM officials met with staff members of the House Committee on Post Office and Civil Service and the Senate Committee on Governmental Affairs to discuss possible strategies for evaluation. Other organizations participating in the discussions were our Office, OMB, the Domestic Policy Staff of the White House, the Congressional Budget Office, the National Academy of Public Administration, and the Federal Executive League. As a result of these meetings and discussions, OPM developed a 5-year evaluation strategy calling for

- examining the effects of Government-wide implementation of the major civil service reform initiatives,
- making case studies of the effect of implementing a single reform initiative in individual agencies, and
- examining the overall effects of CSRA.

OPM has assigned the responsibility for evaluating CSRA to the CSRA Evaluation Management Division, which is a part of the Office of Planning and Evaluation. The Division

- serves as the central management function for coordinating all CSRA evaluation activities,
- assists other OPM staff units in their contributions to the evaluation effort,
- monitors CSRA evaluation efforts by other agencies,
- assists in special evaluation projects by other units (e.g., Office of Agency Compliance and Evaluation),
- awards and monitors contracts for work on specific evaluation projects by outside consultants,
- identifies areas where new personnel policies might be available, and

--prepares an annual report dealing with the evaluation of CSRA implementation and CSRA effects.

EVALUATION STRATEGY

Examination of the effects of Government-wide implementation of major civil service reform initiatives

OPM has developed a system for tracking the extent, speed, and quality of implementing major reform initiatives. Government-wide information for the tracking system is being obtained from onsite visits, interviews, questionnaires, agency records, and management information systems. The tracking system includes information on decentralizing the examining authority, delegating personnel management authority, SES, performance appraisal, merit pay, work force discipline, FEORP, save grade and pay retention, and intergovernmental personnel programs.

Case studies of the effects of implementing a single reform initiative in individual agencies

OPM is also conducting a series of in-house case studies. These studies will concentrate on four provisions of CSRA: performance appraisal, merit pay, employee discipline, and SES. Each individual study will concentrate on only one of the four provisions.

The study plans for the SES and performance appraisal case studies have been developed. For the SES studies, the general characteristics of the agencies to be involved have been outlined, a schedule of activities has been agreed on, and the specific questions to be asked have been determined. The SES studies call for each agency to be visited four times. The first visit would be to collect baseline data. The other visits would be made after (1) the first nominations for meritorious and distinguished service awards, (2) the completion of the first executive development program, and (3) the second set of nominations for meritorious/distinguished awards.

A number of activities are planned for each agency visit. All SES personnel will be given a work force questionnaire and a structured interview. Information contained in agency records and in OPM's executive personnel information system will also be used. During the first visit the role of "site historian" will be created. This historian

will be an individual working onsite who will attempt to document all major agency or program events, as they occur, that might influence (positively or negatively) the implementation and effectiveness of the SES provisions. Such onsite documentation would be for determining whether the SES implementation is the actual cause of a particular change or whether some other cause is a more plausible explanation.

The data collection instruments have been designed to secure a wide range of information dealing with the interviewees' judgments as to how extensively SES implementation is being achieved, how it is affecting employee behavior and performance, and whether it is having a desirable effect on the appropriate personnel policies and practices.

A similar method is being used in the performance appraisal case studies. A total of four visits is planned. The first visit will be to collect baseline data under the current performance appraisal system. The second visit will be made after all employees have been trained and are operating under the new system of appraisal. The third and fourth visits will be made after the first and second annual performance appraisals have been completed. Other data collection will be obtained through interviews with representative samples of managers and employees, the work force questionnaire, and a review of performance appraisal documents and personnel actions. These studies, like all others, will also have site historians.

Examination of the overall effects of CSRA

The examination of the overall effects of CSRA includes:

- Organizational assessments over a 5-year period.
- Federal work force questionnaire.
- Public survey.

Organizational assessment

OPM awarded contracts for the initial phase of a series of large-scale analyses of the impact of selected CSRA provisions on organizational functioning and effectiveness at nine agency sites. Three contractors received awards totaling \$731,200 for fiscal year 1980. Each will be responsible for documenting and evaluating the effects of specific CSRA provisions at five sites.

The overall method to be used is essentially that of an extensive case study, that is, a small number of individual units will be studied in depth over a 5-year period using a variety of techniques to gather information. Within each targeted agency, existing personnel and organizational records, specifically designed questionnaires and interviews, and direct observation will be used to describe and document the effects.

The contractors will concentrate on two principal tasks pertaining to the following six major CSRA provisions:

- Delegation of personnel management authorities.
- SES.
- Performance appraisal.
- Merit pay.
- Employee discipline (adverse action).
- Labor-management relations.

The first task is to document extensively the degree to which these provisions are being or have been implemented. The second task is to assess the positive and negative effects of the implementation through a wide variety of criteria, such as employee job satisfaction, employee opinions concerning the new personnel policies, absenteeism and turnover, individual productivity, quantity and quality of agency services, and validity of management promotions and transfers. Assessments are to be made periodically over a 5-year period, and the contractor is responsible for making yearly reports on progress and findings.

Work force questionnaire

A large-scale questionnaire survey of a systematic sample of about 20,000 Federal employees has been made. The questionnaire included 226 items covering a wide variety of employee judgments and opinions about Federal personnel policies and practices. Some items asked very general questions about employee opinions (e.g., how much they like their work), and some were quite specific as to CSRA provisions (e.g., the extent to which employees think that senior executives would be removed from their positions when they perform poorly). Opinions about the effectiveness of each CSRA provision are assessed by several questions, each of which

pertains to some specific feature or outcome of the provision. The more general items cover the individual's summary opinions about organizational policies and the nature of the individual's job, financial rewards, job security, and so on.

The first survey was made in the summer of 1979, and 73 percent of those surveyed responded. The survey data will serve as a baseline against which to compare the results of subsequent surveys. The tentative plan is to repeat the survey twice at intervals of 12 to 18 months. Survey respondents are not identified by name, and a new representative sample will be drawn for each survey.

Besides providing an opportunity to look at how the responses within each of 20 major agency groups change over time, the questionnaire permits comparisons between agencies. Also the survey data can be further broken down to show such demographic characteristics as length of service, gender, minority group membership, and job level.

Public opinion poll

OPM contracted with an opinion polling firm to survey a national sample of U.S. adults regarding their opinions on civil service reform. At a relatively small cost, seven questions of a rather general nature (e.g., "How much effect do you think civil service reform will have on the Federal Government?") were asked. The first survey was made in May 1979, and the survey is expected to be repeated about once each year. The intent is to document any changes that might occur in the public's perception of the effectiveness of the Federal work force.

ISSUES AND CONCERNS

Overall, the CSRA evaluation project is an extensive effort, which holds much promise for obtaining valuable data for decisionmakers.

A principal strength of the project is the use of several different methods. The project plans provide an opportunity for the same questions to be addressed two or three different ways. If more than one method (e.g., survey and case study) yields the same results, certainly more confidence can be placed in the data. This is especially important in the CSRA evaluation because of the determination that the situation does not lend itself to straight forward scientific experiments that yield unambiguous statements of causal relations between programs and effects. For that reason it is crucial that the multiple-methods approach be carried through to completion.

Because CSRA evaluation represents such an array of legitimate perspectives, not all interested parties may agree on a common set of evaluation objectives. OPM has tried to absorb each of these perspectives into its overall strategy of evaluation. The multidimensional, multimethod character of its evaluation plans is more likely to satisfy the myriad of interests in CSRA than any singularly defined evaluation perspective.

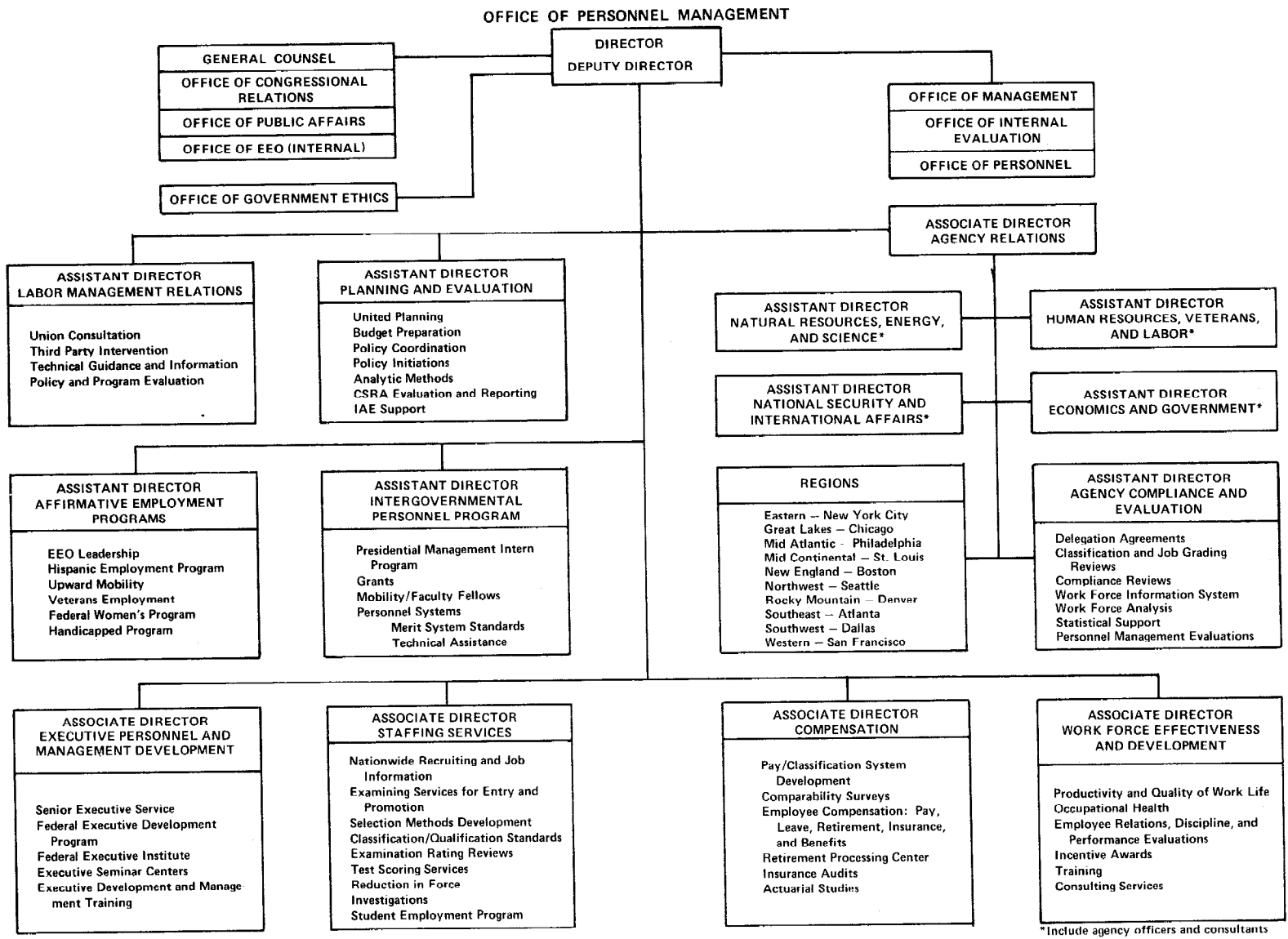
The CSRA Evaluation Management Division seems to serve primarily as a coordinating function and must rely on the voluntary cooperation of a number of other units both within and outside of OPM. This lack of authority may prove troublesome in getting the necessary work done on time and in preventing duplication and inefficient use of scarce resources.

We question the potential benefits of including the public opinion poll as part of the overall evaluation. In any random sample of 1,500 citizens, very few might have sufficient direct contact with the Federal work force so that any difference in their opinions could be attributed to implementing of major CSRA provisions. Lacking any direct information, the citizen being polled can respond only on the basis of his or her existing stereotype of Federal employees. Such data can only cloud the issue. Even if differences were observed between two public opinion polls made a year apart, such differences could not be attributed to CSRA effects. Too many other things may have caused the differences. Consequently, as it was structured and conducted, the public opinion poll will not contribute positively to the overall assessment of CSRA effects.

OUR REVIEWS/REPORTS ON CIVIL SERVICE
REORGANIZATION AND REFORM IMPLEMENTATION

<u>Reviews/reports</u>	<u>Report number and issue date or scheduled issue date</u>
An Evaluation of the Inter-governmental Act of 1970	FPCD-80-11 December 1979
Present and Proposed Executive Pay Systems and Their Effect on Employees and Agency Operations	FPCD-79-31 May 1979
Implementation of the Grade and Pay Provisions of CSRA	Letter to Director, OPM, January 1980
Scope of Bargaining--The Need for Reserve Management Rights	FPCD-79-35 April 1979
Senior Executive Service Conversion	April 1980
Senior Executive Service Performance Appraisal Systems	October 1980
Prospects of Civil Service Reform Improving the Quality of Federal Managers and Program Management	September 1980
Early Retirement Policies and Practices	June 1980
Implementation of Merit Pay System	June 1980
Development, Implementation, and Effectiveness of the Minority Recruitment Program	June 1980
U.S. Postal Service's Merit Performance Evaluation Program	June 1980
OMB's Study of the Decentralization of Federal Government Functions	May 1980

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*Include agency officers and consultants

PHASE I--BLANKET DELEGATIONS

Employment of graduate students in scientific, analytic, or professional positions

Extension of details beyond 120 days

Appointment of experts and consultants

Extension of 1-month temporary limited appointments for special needs

Appointment based on service in the Office of the President, Vice President, or White House staff

Appointment based on legislative or judicial service

Waiver of limitation on appointment of retired military within 180 days of discharge

Waiver of reduction of military retirement pay

Dual employment: pay for more than one position for more than 40 hours a week

Payment for travel and transportation to first post of duty

Exclusion from General Schedule and approval of maximum stipends for certain student employees

Approval of agency requests to extend reduction-in-force notice period beyond 180 days

Exclusion of Presidential appointees from annual and sick leave

Noncompetitive appointment of certain disabled veterans

Approval of positions in Federal mental institutions when filled by former mental patients

Appointment of certain local physicians, surgeons, or dentists on a part-time, contract, or fee basis

Approval when filling shortage positions with prison inmates on work release programs

Approval when hiring national science contest finalists as
summer interns

Emergency-indefinite appointments

Overseas limited appointments

Extension beyond 1 month of emergency appointments of family
members

Conversion to career employment of certain employees serving
on indefinite or TAPER 1/ appointments

Extension of temporary limited-appointment authority beyond
12 months for certain wage grade positions

Approval of alternate standards for motor vehicle operators

Waiver of road test for motor vehicle operators

Appointment of severely handicapped or mentally retarded
sons and daughters for summer or student employment

1/Temporary appointment pending establishment of Register.

PHASE II--BLANKET DELEGATIONSBLANKET AUTHORITIES

Assignment of excepted employees to competitive positions
(schedules A and B)

Remote worksite commuting allowances

Controls on non-Government training for employees

Approval when filling certain positions with severely physi-
cally handicapped persons

Approval of training plans for disabled veterans

DELEGATION AGREEMENT AUTHORITIES

Establishment of excepted positions (schedule C only)

Modification of selection procedures for excepted positions

Detail of excepted employees to competitive positions
(schedule C only)

Competitive examining

Approval of selective and quality ranking factors

Veterans passover (medical/suitability/other)

Ruling on objections to eligibles

Suitability and loyalty adjudications on applicants

Appointment of aliens in the competitive service

Conversion to career of employees formerly within reach on
a register

Restriction of consideration to one sex

Waiver of time-in-grade requirements

Rare bird

Bringing excepted position or units of public or private
enterprise into the competitive service

Advanced in-hiring based on superior qualifications

Payment of travel for interview at GS-13 and below

Training agreements

Agency consultation on classification actions affecting 20
or more positions

Establishing smaller competitive areas in reduction in force

Onsite evaluation function

Controls on non-Government facility training

Exceptions to prohibition on payment of premium pay for
periods of training

Exceptions to training restrictions of 5, U.S.C., ch. 41
(not covered by other delegations)

United States of America
**Office of
Personnel Management** Washington, D.C. 20415

In Reply Refer To

MAR 10 1980

Your Reference

Mr. H.L. Krieger
Director
Federal Personnel and
Compensation Division
General Accounting Office
Washington, D.C. 20548

Dear Mr. Krieger:

This responds to your letter of February 19, 1980, inviting our reaction to GAO's first annual report on the Civil Service Reform Act. This report documents a highly successful first year of implementation. We are engaged in a tremendously complex and challenging undertaking to reform the Federal civil service, and we are pleased that you acknowledge the very good progress we have realized.

Attached is a detailed set of chapter-by-chapter comments which updates factual material, corrects occasional inaccuracies, and presents OPM's perspectives on several basic issues raised in the report. We summarize several of the major points below.

First, on the issue of decentralization and the concomitant variety of approaches that are likely to emerge in Federal agencies under such a decentralized approach, we recognize a philosophical issue of considerable importance. The Civil Service Reform Act clearly requires and encourages substantial decentralization of personnel management authority to as close to the operating managerial level as practicable. OPM's actions have complied with the letter and spirit of the law. We are cognizant of the need to monitor closely agency actions in order to ensure adherence to merit system principles, and we at OPM are fulfilling our responsibilities in that regard. We realize the risks incurred in decentralization, but we strongly believe that the risks are far outweighed by the benefits of allowing managers to manage, within the framework of Government-wide policies and programs that OPM provides.

Second, the GAO report acknowledges the substantial need for technical assistance from OPM if Federal agencies are to implement the reforms successfully and accelerate efforts at improving the quality of public sector management. The argument that greater decentralization should reduce the need for regional staff is a specious one. We believe that the new emphases on productivity, consulting services and technical assistance will require a more extensive OPM field organization in the future. The recent substantial cuts in regional staff will have to be reversed.

Third, OPM has assembled a talented and enthusiastic staff, hard at work on reform. We are aware of the difficulties of our mission -- of providing leadership and technical assistance in areas such as performance appraisal, productivity and pay for performance. Nevertheless, we believe that the current staff reflects, in background and experience, the best available expertise in these new and emerging areas. I might add that we are assembling a quality staff and at the same time seeking to serve as an example in achieving a more representative work force.

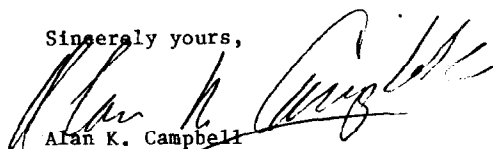
Fourth, on the subject of grade and pay retention, we continue to believe that a clear distinction must be made between OPM's legitimate role in implementing and enforcing civil service laws and regulations and a Federal agency's responsibility to organize its work and employees. Your report implies that OPM should be more intensively involved in agency administration of grade and pay retention. We are not aware of the criteria you used to reach your conclusions; however, it is our view that OPM already has systems and instructions which appropriately carry out our responsibilities in this area.

Finally, it is clear that we disagree with GAO's interpretation of adverse impact on employees and Congressional intent in amending the early retirement authority. It is our firm belief that there are a number of situations, over and above actual separations, which can cause adverse impact on employees, including reorganizations, RIFs and transfers of function. Further, it is our belief that Congress was aware of the probable consequences of the change in the statute as evidenced by the comments of the Comptroller General included in the legislative history of the Act. He pointed out these consequences in his explanation of why GAO did not endorse the program. We conclude that it was the intent of Congress, by their passage of section 306 of the CSRA, to authorize early retirements even though no separations were scheduled but when down-gradings and other actions were likely to have an adverse impact on employees and the agency.

In conclusion, the first year of activity under the Civil Service Reform Act has gone very smoothly. There is a great deal yet to be done. We have in place an ambitious and sophisticated monitoring and evaluation effort. We anticipate much useful information over the coming months on how reform is proceeding and with what results. We must be careful not to judge success prematurely. Yet we at OPM cannot help but be encouraged by the complimentary and constructive tone of GAO's annual report.

Thank you for this opportunity to comment.

Sincerely yours,



Alan K. Campbell
Director

Attachment

COMMENTS ON THE GENERAL ACCOUNTING OFFICE'S FIRST ANNUAL
REPORT ON ACTIVITIES OF THE OFFICE OF PERSONNEL MANAGEMENT

In general, the General Accounting Office's First Annual Report on activities of the Office of Personnel Management appropriately documents the many accomplishments of OPM in Civil Service Reform implementation, training and evaluation. What follows are chapter-by-chapter comments -- both specific and general -- which update factual materials, correct occasional inaccuracies and present OPM's perspectives on several basic issues raised in the report.

Chapter 1: Civil Service Reform Act of 1978

(See GAO note 1.)

- [2] Page 3, lines 1-4. The report discusses the organizational changes adopted by Presidential Reorganization Plans Nos. 1 and 2 and states that the CSRA "provided the statutory basis" for these changes. However, the Reorganization Plans and the CSRA were considered independently by Congress and the organizational changes set forth in the Plans would have been effected regardless of Congressional action on the CSRA.
- [7] Page 10, line 22. The Annual Management Conference was titled the Second Annual Management Conference and was held in February 1980.
- [8] Page 12, lines 20-23. We believe it is misleading to say that OPM has placed high priority on convincing agencies that OPM's major roles are to recognize systemic problems in personnel management and to provide technical assistance. OPM sees its role as leadership in all phases of personnel management in the Executive Branch, in integrating personnel management with line management of agency programs, and in promoting productivity and better management in all types of Government programs. Toward these ends, OPM does much more than simply identify systemic problems and give agencies technical assistance. With respect to all areas of personnel management carried out by agencies, OPM:
- develops relevant policies and legislative proposals;
 - develops and issues regulations;
 - publishes system-wide guidance and instructions;
 - develops program plans, stating objectives and milestones to measure progress;
 - carries out extensive programs of information and education aimed at agency managers, supervisors, employees, and the public;
 - develops pertinent training curricula and courses and either conducts the courses or hands them off to agencies;
 - conducts or provides for research and development and makes the results of research widely known throughout the Government;
 - identifies problems agencies encounter and seeks solutions;
 - hears complaints from employees and managers and takes action to correct deficiencies in programs;
 - provides technical assistance to agencies;

- gathers and analyzes system-wide data and statistics to reflect trends and conditions in the programs;
- represents system-wide policy interests in critical cases before the Merit Systems Protection Board (MSPB) and the Federal Labor Relations Authority (FLRA);
- checks agency actions for compliance with relevant laws, rules, regulations, guidelines;
- evaluates results and impacts of programs and feeds those evaluations back into policy development and program development processes.

We think this represents a lot more activity than just trying to convince agencies that OPM's role is limited to detecting problems and providing technical assistance.

- [8] Page 13, paragraph 2. This paragraph outlines the proposition that OPM should provide the central policy and system framework for agency personnel management so there is a core of uniformity throughout the system. OPM has, in fact, done just that, and continues to do it -- by issuing regulations and operational guidelines for agencies to follow, by training agency people who have to design and operate the new systems and educating managers and employees in what the systems should do for them, and by all the other program leadership activities listed above. Here again, we at OPM believe this report understates the scope of OPM's activities in guiding and leading the agencies.

The CSRA specifically authorizes delegation of personnel management functions by the Director of OPM to agency heads. In adopting a delegation of authority provision Congress clearly intended to establish a personnel management system which afforded agencies greater flexibility. Accordingly, it is our position that OPM's policy regarding the appropriate extent of regulation accurately reflects the Congressional intent underlying the CSRA. Moreover, while OPM has attempted to limit its regulatory activity, it has increased its guidance and assistance to agencies in the form of policy opinions, FPM issuances and legal assistance.

The GAO report does not recognize the continuing danger and the stultifying effect of too much central regulation and direction in the personnel programs involved. One of the major reasons for civil service reform was to turn back a tide of too much central direction -- overly precise regulations, overly detailed operating procedures, too many levels of checking and review, too many controls, too many areas in which agency personnel actions had to be approved in advance by the Civil Service Commission. The effect of that pattern is that the central personnel agency makes the day-to-day personnel decisions that should be made by agency line managers and agency personnel officers. The aim of OPM's deregulation and decentralization efforts is simply to push the pendulum back the other way so managers in the agencies can, in fact, make the decisions they have to make, within the framework of Government-wide policies and programs that OPM provides.

- [8] Page 13, lines 21-24. The report states that without the issuance of additional regulatory guidance by OPM, central personnel policy-making authority may be assumed by the MSPB. However, the report does not address the relationship between OPM and MSPB, especially OPM's role as an intervenor before the MSPB. Under the CSRA, Congress provided OPM with the right to intervene in individual cases before the MSPB and its regional offices where the resolution of those cases would have a substantial impact on the Civil Service laws, rules or regulations. Moreover, Congress authorized the Board to request an advisory opinion from OPM concerning the interpretation of any law, regulation, or other policy directive issued by OPM.

Acting pursuant to these provisions, OPM has intervened in approximately 75 cases before the MSPB and its regional offices. The Board's regional offices have issued decisions in six of these cases and, in each instance, the position advocated by OPM has been supported. Moreover, the MSPB has issued three decisions in which OPM has intervened, and each of these decisions, which have been generally favorable to management's interests, has a substantial impact on CSRA implementation.¹

We believe that the likelihood of central personnel management policy-making shifting to MSPB is significantly decreased as a result of the intervention function.

- [9] Page 14, lines 4-6. GAO suggests that the delegation of personnel authorities may reduce the need for an extensive field organization within OPM. In fact, OPM regions have already taken substantial cuts. However, GAO recognizes throughout the report the substantial need for technical assistance from OPM and actually comments at several points on the need for additional staff in the field. We believe that the new emphases on productivity, consulting services and technical assistance will require a more extensive, not less extensive, field organization in the future.

- [9] Page 14, lines 10-13. Agency Compliance and Evaluation conducts compliance evaluations, not agency officers.

(See GAO note 2.)

Page 22 bottom and top page 23. The definition of "critical element" which is cited is not the current one. The correct definition of the term appears in the final regulations, 5 CFR 430.202(e), published in the Federal Register on August 3, 1979, and reads as follows:

"Critical element" means a component of an employee's job that is of sufficient importance that performance below the minimum standard established by management requires remedial action and denial of a within-grade increase, and may be the basis for removing or reducing the grade level of that employee. Such action may be taken without regard to performance on other components of the job."

¹These three decisions are Wells, Frazier, and Parker.

In addition, the report criticizes OPM's definition of critical element as "too negative" and recommends that the term be defined as "performance of a job component which, taken as a whole, overshadows the performance of other job components." However, OPM's definition of this term is mandated by the statute. Moreover, the definition advocated by GAO appears to adopt the approach specifically rejected by Congress, since it would focus attention on the job as a whole instead of on the critical elements of that job.

According to the CSRA, an employee's performance appraisal is used as the basis for a variety of actions, including rewarding, promoting, or removing the employee. The CSRA defines "unacceptable performance" as an employee's failure to meet established performance standards in one or more critical elements of the employee's position. Thus, according to the statute, a critical element is so essential to job performance that sub-standard performance of the element requires some remedial action by management. Accordingly, a definition of critical element as an element of the job which "overshadows" other job components would significantly understate the importance of this statutory concept.

Although not directly addressed by the report, it should be noted that requiring denial of a within-grade increase for sub-standard performance of a critical element is fully supported by the CSRA. This is true, since one of the primary underlying purposes of the Act was to base pay increases on performance rather than length of service. Accordingly, OPM's definition of the term critical element is fully consistent with both the language and the purpose of the CSRA.

- [57] Page 28, last paragraph. We agree that the FLRA's decision on the negotiability of performance standards and critical elements will have a substantial impact on CSRA implementation. However, the report does not note that OPM has filed an amicus brief with the FLRA arguing that the setting of critical elements and performance standards are protected management rights which are non-negotiable under the CSRA.

Chapter 2: Performance Appraisal; Adverse Actions and Actions Based on Unacceptable Performance

(See GAO note 2.)

Page 18, lines 20-25; page 19, lines 1-12; page 22, lines 13-18. At several points in Chapter 2 criticisms are levelled concerning the responsibilities and qualifications of the OPM staff at work on performance appraisal. We take exception to this for a number of reasons. First, the Special Programs Consulting Division (SPCD) is not charged with the responsibility for linking appraisal to pay. This is the responsibility of the Merit Pay Task Force, Compensation Group. SPCD is responsible for providing consulting and technical assistance to agencies in their development, implementation, evaluation and improvement of their performance appraisal systems. These systems are required, by law, to be the basis for training, rewarding, reassigning, promoting, reducing in grade, retraining and removing employees. Obviously, the range and scope of expertise required to cover all of these areas cannot reasonably be aggregated in a single consultant nor is it necessarily feasible (or desirable) to aggregate such expertise in the division when it would duplicate existing, and available, OPM expertise. SPCD staff are cognizant of, and avail themselves of, expert assistance available elsewhere in OPM.

Second, we believe that the current staff of SPCD reflects, in background and experience, the best available expertise in the new and emerging area of performance appraisal. With one exception, all members of the SPCD staff have professional degrees at the master's level or above in the fields of organizational, industrial, or research psychology as well as the social sciences of public administration and political science. Their knowledge, skills, and work experiences include: (1) MBO in terms of setting work objectives and measuring performance, (2) organizational analysis and organizational development, (3) position classification and personnel staffing, (4) planning and program development, and (5) performance appraisal research, including measurement of work motivation and satisfaction. We believe those qualifications represent the requisite staff requirements for policy development, technical assistance, and consulting in the areas of performance appraisal.

Chapter 3: Staffing

- [19] Page 33, first paragraph. The report expresses concern about consistency in agencies' probationary periods when circumstances do not warrant major differences. Furthermore, it suggests that agencies and OPM should have feedback information to monitor the results of applying differing procedures and criteria.

The report itself points out that agencies are required to submit their regulations on the probationary period to OPM. Thus, an initial feedback device for monitoring initial disparities is already in place. Moreover, abuses concerning the application of the probationary period would ordinarily come to the attention of OPM through its evaluation of agency personnel management practices and employee complaints.

- [22] Pages 33-38, Retirement Section. The report states that GAO "...found no indication that the Congress intended that early voluntary retirement authorities be granted to agencies when its employees were not being adversely affected." It appears from this section that GAO considers involuntary separation to be the only situation in which employees are adversely affected.

As we pointed out in our February 25, 1980 response to an earlier GAO letter on early retirement, it is our firm belief that there are a number of situations, over and above actual separations, which can cause adverse impact on employees. For example, because reorganizations, RIFs and transfers of function cause material changes in certain positions, these positions no longer exist and must be abolished. These abolishments result not only in separations, but in other adverse personnel actions, such as downgrades, reassignments, and/or relocations of employees. Director Campbell's statement before the House Committee on Post Office and Civil Service on March 14, 1978, and before the Senate Committee on Governmental Affairs on April 6, 1978, apprised them of the fact that the proposed legislation would expand the coverage of the early retirement provision to situations involving reorganization or transfer of function (as approved by the Office of Personnel Management), which might or might not involve a reduction in force. As a result, we concluded that it was the intent of Congress, by their passage of

section 306 of the CSRA, to authorize early retirements even though no separations were scheduled but when downgradings and other actions were likely to have an adverse impact on employees and the agency. We believe that this approach takes into account not only the adverse effects felt by individual employees but also those which impact on the agency and its operations.

In addition, it is clear that even before section 8336(d)(2) was amended, authorization for voluntary retirement of employees was not conditioned solely on showing of adverse effect and that GAO did not intend the section to be so restricted. Moreover, the legislative history of the CSRA does indicate a recognition by GAO of the probable consequences of the change in the statute at the time it was being considered by Congress. Thus, in a letter to the Chairman of the House Post Office and Civil Service Committee, the Comptroller General observed:

"Current law allows employees to volunteer for early retirement when their employing agency is undergoing a major reduction-in-force even if they are not directly affected by the reduction. Under H.R. 11280, the early retirement option would also be made available to employees if their agency is undergoing a major reorganization or a major transfer of function. We cannot support the utilization of the early retirement provisions proposed by H.R. 11280." (Emphasis added). H. Rep't. 95-1403, 95th Cong. 2d Sess. 109-110 (1978).

The report also questions the use of early retirement by OPM and MSPB. The justification for OPM's early retirement request was based on a belief that many jobs would be impacted as a result of the reorganization, budget cuts, and changes in program emphasis. The fact that fewer positions were affected than estimated is the result of several factors; new programs evolving somewhat differently than originally planned, human resource management actions which limited the disruption during the transition, and overall tight resources and heavy workloads that did not allow as much flexibility in shifting of programs as originally envisioned. The fact that 149 employees did retire with this authorization allowed the agency a somewhat greater degree of flexibility than would otherwise have been possible.

When OPM officials stated that they planned to replace all the retirees with new hires, this did not mean all would be replaced in the same positions. Also, although it was unforeseen that 21 investigators would retire under this authority, it is this very type of flexibility afforded by the provision that allowed us to increase the personnel ceiling for the investigations program to accommodate their heavy workloads.

The early retirement request for the MSPB was prepared by the former Civil Service Commission on December 29, 1978 which was before the MSPB existed. However, this was completed with the knowledge and concurrence of top management officials who were to be designated and assigned to the MSPB. This was a reasonable and rational approach since the function of the Appeals Review Board under the reform and reorganization was expected to be eliminated.

ARB was comprised of a staff of approximately 50 people. The fact that new MSPB leadership, when appointed, was later able to adopt plans which allowed them to avoid transferring or separating anyone during that time frame does not make the initial request suspect.

Also, to the extent MSPB feels the request was made at the wrong time, they could have requested an extension of the authority to enable them more time to review and implement any newly formed plans.

- [23] Page 38, lines 15 and 24. We recommend an insert in line 24 as follows:

"Since, under the law, only retirement pay may be reduced, an employee is entitled to receive current salary, even if it exceeds the level V rate."

Also, the current base amount of \$5,033.72 (not \$4,708.81 as stated).

- [25] Page 44, first paragraph. While we realize that the GAO Report is intended to cover only FY 1979, two important items have occurred since then which, if omitted, may lead to inaccurate conclusions. First, although OPM has not yet developed a standard format for future agency annual reports on program results, on November 21, 1979, we did require agencies to report on the status of their program implementation. Second, OPM has no plan to develop a report format for its annual report to Congress and is not awaiting finalization of its format for agency reports before issuing that report to Congress. We have, in fact, already issued our official report to the Congress. The GAO report does not acknowledge this nor include any mention of our findings.
- [28] Page 48, first paragraph. The first sentence is inaccurate. According to the Special Analyses to the Budget for Fiscal Year 1981, page 278, OMB plans to exceed the unadjusted statutory limitation on employment for September 30, 1980, by about 19,000 positions, which will be about 12,000 positions under the adjusted figure.
- [30] Page 49, bottom. In addition to requiring an agency to take corrective action in cases of abuse of delegated personnel authority, OPM may revoke or suspend delegation agreements on finding misuse which violates the spirit and intent of merit principles.
- [32] Page 53, last paragraph. As it stands, the last paragraph is inaccurate. We recommend the following as a substitute: "OPM's Great Lakes Region is field testing--successfully thus far--that part of the Model Competitive Staffing plan which provides for delegation of examining to agencies on a case by case basis. Where requested and approved, delegating examining authority to agencies will greatly expand their role in examining and recruiting and should enable them to improve the quality and timeliness of the hiring process. The pilot program began October 1, 1979. While participation is voluntary, 80 of the 120 agencies in the Great Lakes Region are taking part. OPM says that overall, the new streamlined procedures contained in the Model Staffing plan can reduce the resources agencies anticipated they would need for examining. As a result, agency managers are expressing interest in taking on examining responsibility for their staffing needs."

- [34] Page 56, bottom. Since the last two sentences reflect negative agency opinions, we would like GAO to add the following statement to show our views: "Although OPM acknowledges that the staffing program may, over the next few years, be requiring fewer resources, the agency points out that the oversight and technical advice and assistance which will be required to aid agencies in initiating delegated examining operations will counterbalance any savings which might be realized in the first years of delegation."

Chapter 4: Senior Executive Service

- [41] Page 67, lines 16-22. We at OPM believe the NASA request was modest -- less than 5 percent of NASA positions. Contrary to the contention in the report, NASA did have a justification for the request. Prior to SES, NASA had 425 supergrade excepted positions, and SES for them represented a decrease in appointment flexibility. In any case, NASA has received only 12 authorities; the figures cited in the report are inaccurate.
- [41] Page 67-68. As the report states, performance awards may be granted to only 50 percent of the total SES employees in an agency and only career executives are eligible for awards. Therefore, career executives in agencies with a high percentage of non-career executives have a greater opportunity to receive awards. It should be noted that the percentage restrictions on the employment of non-career executives in an agency and the awarding of bonuses to career executives are imposed by the CSRA rather than OPM implementation of the Act.
- [43] Page 69, lines 14-16. OPM is reviewing the designations of positions as general or career-reserved at GAO's request and will intercede where it appears warranted.

Chapter 5: Merit Pay

- [46] Page 74. GAO is correct in pointing out how ambitious a project is the full implementation of merit pay in just three years. It will probably take more than three years before the system will be fully functioning without problems, but we need to get started this year. We welcome GAO's interest and assistance in the implementation of the merit pay portions of CSRA.

We would suggest four additional questions for GAO's early 1980 report on the Merit Pay System. These questions are:

- Has each agency developed adequate training on performance appraisal and merit pay processes for both the employees and the administrators of these systems?
- To what extent is this training integrated within or viewed as part of the supervisory/management training requirements?
- Has each agency developed its overall compensation philosophy or policy to guide the designers of its merit pay system?

- Has each agency tested or simulated the features of its Merit Pay System?

Chapter 6: Research, Demonstration and Other Programs.

(See GAO note 2.)

Page 80, last paragraph; page 81, first paragraph. OPM has carefully and deliberately followed a conservative approach to building a research and demonstration program. The small amount of money available to fund research makes it necessary to select the projects carefully and to forestall unrealistic expectations by the research community. On the other hand OPM has been aggressively seeking the advice of all those communities which have an interest in these programs: agency managers, personnel directors, public interest groups, universities, etc. The process takes time, but has very great long run payoffs.

- [51] Page 85, first two paragraphs. There are a few inaccuracies in these paragraphs. We recommend substituting the following wording: "CSRA calls for simplification of personnel requirements. It authorizes Federal grantor agencies to adopt the Merit System Standards as the Personnel requirement that States and local governments must meet to receive Federal grant funds. This authority is a step toward unifying personnel requirements for all Federal grant programs."

The Intergovernmental Personnel Act's mobility program authorizes the assignment of personnel between Federal executive agencies, colleges and universities, and State, local and Indian Tribal governments for work of mutual concern and benefit.

- [53] Page 86, lines 4-6. Since the signing of the Intergovernmental Personnel Act in 1971, 6,846 mobility assignments had been completed or were in process at the end of fiscal year 1979.
- [54] Page 88, first and third paragraphs. The report can be updated with two substitutions. First, the following language can replace the first paragraph: "OPM indicates that all agencies have now reported the statutory requirements which they felt may be abolished. Thirty such requirements were reported. OPM has reviewed these requirements to determine which were abolished by CSRA. Letters have been sent to HEW and FEMA identifying abolished requirements and asking that the grantees affected be notified."
- Second, the first sentence of paragraph three should be changed to read as follows: "OPM's General Counsel has ruled that OPM has the authority to review the Federal regulatory personnel requirements."
- [55] Page 89, line 1. OPM has allocated a total of 4.2 staff years to evaluate this program over the period fiscal years 1979-1983, but these staff years are not in the Office of Internal Evaluations.
- [55] Page 89, before last paragraph. We recommend the addition of the following paragraph:

"OPM has also taken several steps to implement the provisions of Section 603 of the CSRA. Specifically, OPM has notified previously ineligible

Federal agencies of their eligibility to participate in the mobility program. In addition, OPM has received requests for eligibility determinations from 97 nonprofit organizations and has found 47 eligible under the new authority in Section 603. Through January 30, 1980, there have been 24 assignments involving these newly eligible organizations. OPM has also published new program regulations, forms, and other guidance materials which incorporated the changes in Section 603."

Chapter 7: Labor Management Relations

[57-58] Chapter 7 of the report discusses the labor-management provisions of the CSRA. In discussing the relationship between OPM and the FLRA, the report states that OPM assists agencies in cases before the FLRA which may have Government-wide labor relations impact (p. 93). We recommend that the report include a more thorough discussion of OPM's role before the FLRA. Thus, under CSRA, OPM has four roles with regard to the FLRA:

- 1) It may submit amicus briefs in significant cases before the FLRA.
- 2) It provides advisory opinions on request to the FLRA on the interpretation of OPM's regulations.
- 3) It may become a party to a case before the FLRA through intervention. OPM will intervene in cases involving OPM rules or regulations, and in cases containing labor relations issues of government-wide impact and precedential value.
- 4) It may provide labor relations support to other agencies. The support function may include representing another agency, at its request before the Authority.

OPM has participated in a number of cases before the FLRA concerning (1) negotiability issues; (2) the scope of the section prohibiting ULP's; (3) a series of major policy determinations brought before the FLRA by various unions addressing the implementation of Chapter 71; and (4) the scope of an arbitrator's authority to order corrective action.

Chapter 8: Grade and Pay Retention

[63-66] Pages 102-105. As we pointed out in our written response of February 11, 1980 to Mr. Krieger's letter and recommendations of January 8, 1980 on the subject of monitoring the implementation of grade and pay retention, we continue to believe that a clear distinction must be made between OPM's role in implementing and enforcing civil service laws and regulations and a Federal agency's responsibility to organize its work and employees. Your report implies that OPM should be more intensively involved in agency administration of grade and pay retention. We are not aware of the criteria you used to reach your conclusions; however, it is our view that OPM already has systems and instructions which appropriately carry out our responsibilities in this area.

You recommended that OPM emphasize alternatives to demotions. OPM (CSC) has been doing this consistently for years. Both the Federal Personnel Manual and our personnel management evaluation report case listings specifically advise agencies of these alternatives to demotion. OPM already examines questionable agency restructuring and reassignments during personnel management evaluations. We do not have the resources to monitor each and every one of these actions that occur throughout Government.

We have a problem also with your recommendation that OPM should obtain data on the number of positions audited; the number of positions misclassified due to RIF, erosion of duties, or error; and data on how these misclassifications are corrected. In the first place, the Central Personnel Data File (CPDF) does not discriminate between the causes of the reclassification--there is a single personnel action code to cover all three causes. Moreover, your proposal would require agencies to establish and maintain uniform data collection systems, similar in expense and complexity to the CPDF and most important, such systems would only produce unevaluated, raw statistics. We could not tell by these numbers whether agencies were acting responsibly or not; we would have to audit the actions behind each statistic.

In addition to our surveys and reviews of agency classification and placement plans, we are using the Central Personnel Data File to increase our evaluation capabilities without requiring additional agency reports and recordkeeping. For example, we plan to create a file containing transactions, plus training received, on grade and pay retention employees. Reports from the file would aid in determining interagency movement and training.

Chapter 9: Productivity

No comments.

Chapter 10: Evaluation of the Civil Service Reform Act

- [72] Page 114, line 15. Our annual reports will deal with the evaluation of not only CSRA implementation but also CSRA effects.
- [73] Page 117, lines 13-19. Changes have occurred in the cost of the organizational assessments and the number of sites to be included. The second and third sentences under "Organizational assessment" should now read: "Three contractors received the awards totaling \$731,200 for fiscal year 1980. Each will be responsible for documenting and evaluating the effects of specific CSRA provisions at five sites."
- [74] Page 118, line 10. "Three provisions" should be replaced by "six provisions."
(See GAO note 2.)
Page 122. We believe that we do have a comprehensive statement of the questions which must be answered about the degree of implementation of CSRA and its consequences in the strategy package. This statement cannot be cast in concrete but must be allowed to change as the needs of policy makers in OPM, GAO, the Congressional offices and so forth change. The GAO report itself, on page 120, indicates that our office has attempted to absorb the array of these perspectives on CSRA evaluation into the overall strategy of evaluation. The changing nature of these perspectives will be reflected in a revised strategy package to be prepared in the spring.

GAO notes:

1. Page references in brackets refer to pages in this report.
2. This comment pertains to material that was included in our draft report but not included in this report.

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