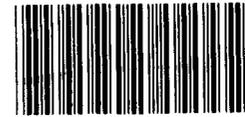


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STATEMENT OF  
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GENERAL GOVERNMENT DIVISION  
BEFORE THE  
SUBCOMMITTEE ON HUMAN RESOURCES  
HOUSE COMMITTEE ON POST OFFICE AND CIVIL SERVICE  
ON  
PLACEMENT PROGRAMS FOR DISPLACED  
FEDERAL EMPLOYEES

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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the federal government's efforts to find new jobs for its displaced employees. At your request, we gathered information on

- the operation of the Department of Defense's (DoD) Priority Placement Program (PPP);
- the operation of the two current governmentwide placement programs administered by the Office of Personnel Management (OPM) and the placement programs at the General Services Administration (GSA) and the Departments of Housing and Urban Development (HUD) and Health and Human Services (HHS);
- the advantages of establishing a governmentwide program similar to the DoD placement program and the views of selected agencies, unions, and federal managers' associations on such a program; and
- the impact on placement programs of OPM's proposed changes to reduction-in-force (RIF) rules that would give greater emphasis to job performance in determining which employees will lose their jobs.

Our review was conducted at DoD, OPM, HHS, and GSA headquarters in Washington, D.C., and at selected field locations. We also reviewed the placement program at HUD's San Francisco Office. We reviewed program regulations and records on the number of registrants and placements, and we interviewed officials responsible for operating the programs. We did a

limited review of DOD and OPM reported fiscal year 1983 and 1984 placements at five locations. Since we did not use sampling techniques in selecting the placements, our findings cannot be projected to all reported placements.

OPM regulations state that each agency has the primary obligation to operate a positive placement program to find new jobs for its displaced employees. As a minimum, agencies are required to register their separated employees on a reemployment priority list and to consider these registrants when filling vacant positions in the separated employees' commuting area. OPM regulations state that generally an agency cannot fill its vacant competitive positions with a new appointment from outside the government, through transfer of an employee from another agency or by reemployment of a person who is not on the reemployment list, if there is a qualified and available displaced employee on the reemployment priority list. OPM's displaced employee and interagency placement assistance programs supplement these agency efforts by providing a means for separated employees from one agency to be considered for certain vacancies governmentwide. However, the OPM programs are not intended to replace an agency's program or to relieve an agency of its responsibility to provide the maximum placement assistance possible for its employees.

I will now discuss in detail DOD's placement program.

MORE THAN A THIRD OF SEPARATED  
OR ABOUT TO BE SEPARATED  
REGISTRANTS IN DOD'S  
PLACEMENT PROGRAM WERE PLACED

DOD's priority placement program serves DOD's nearly one million civilian employees and has been in existence since

1965. This program supplements the positive placement program that each DoD agency must maintain for its own displaced employees. The DoD program is an automated system that matches employees who are scheduled to be separated or downgraded, or to complete an overseas assignment with permanent Defense position vacancies. Over 700 Defense activities that employ 50 or more civilians are tied into a computerized network. Registrants are entitled to one year of eligibility in the program, and are ranked on a priority scale of one (the highest) through five on the basis of their need for placement assistance. For example, a priority one is assigned to a DoD employee who is scheduled to be separated, demoted six or more general schedule grades, or furloughed for more than 6 months. A priority two is assigned to an employee who is being demoted four or five grades or is facing separation by declining a geographical transfer. Priority three is for nondisplaced returning overseas employees nearing the maximum tour of duty of five years. Priority four is for employees being demoted three or fewer grades. Priority five is for nondisplaced returning overseas employees or their dependents who complete one overseas tour but are not nearing the maximum period for overseas tours.

Generally, the Defense program prohibits DoD agencies from cancelling a vacancy or filling a vacancy through some other means if a qualified registrant is available. When a priority one, two, or three registrant is available, DoD agencies usually must offer the job to the registrant before they can fill the vacancy by appointing a new employee or competitively promoting, demoting, transferring, or reassigning a current employee. DoD

agencies are not required to make job offers to priority four and five registrants.

According to DoD data, during fiscal year 1983, 2,128 (16 percent) of PPP's 13,021 registrants available in all five priorities were placed. During fiscal year 1983, 2,765 of the program registrants were scheduled to be separated or were actually separated, and 1,028 (37 percent) of them were placed. From 1974 through 1983, nearly 59 percent of the scheduled to be separated or separated registrants were placed.

We did a limited review of DoD reported fiscal year 1983 and 1984 placements for the DoD locations we visited and found that 34 of the 37 placements we checked were accurately reported. The three inaccurate placements were due to administrative error. We discussed these errors with DoD officials who agreed to look into them.

DoD data shows that during fiscal year 1983, 48 percent of all placements of scheduled to be separated employees occurred before the employees were actually separated. A DoD official stated that the major reason for the large number of placements before separation was DoD's requirement that employees be given 60 days notice of their scheduled separation. OPM only requires that employees be given thirty days notice of their scheduled separation.

DoD's placement program attempts to assure that program registrants have the skills to perform in the position for which they are matched by requiring that personnel specialists from both the losing and gaining activities decide whether or not a registrant is qualified for a vacancy. If disagreement over the

registrant's skills occur, the placement decision is made at a higher level. DoD officials responsible for the program advised us that when the program was originally established, many DoD managers opposed it because it restricted their prerogatives in filling vacant positions. However, the officials said that they believe most DoD managers currently support the program. The Assistant Secretary of Defense for Manpower, Installations, and Logistics believes that the program minimizes employees' resistance to reduction-in-force actions, lowers employees' anxiety, and enhances DoD's image as a responsible employer.

DoD studies indicate that registrants placed through DoD's program can satisfactorily perform their new jobs. In four separate DoD surveys conducted since 1976, about 94 percent of the DoD supervisors who responded stated that the performance of the displaced employees hired through the program was average or above in comparison with other employees they supervised doing similar work. Similarly, about 99 percent of the employees placed through PPP who responded to the surveys stated that their performance and effectiveness were average or above when compared to other employees performing similar work at their activity.<sup>1</sup>

All Defense employees scheduled to be separated who are entitled to severance pay must be registered in the Defense

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<sup>1</sup>The response rates for the first three surveys was not readily available. For the last survey conducted in December 1983, the response rate for supervisors was 55 percent and the response rate for employees was 57 percent.

program. No other placement programs reviewed had this requirement. DOD established this policy to reduce its severance pay costs since employees generally do not receive severance pay if they are placed in another federal job before or after their scheduled separation or if they decline a comparable job offer prior to their separation. DOD estimates that in fiscal year 1983 it reduced its severance pay costs by at least \$7.2 million because of its placement program, or about 18 times the direct costs of operating the program for the same period. DOD officials stated that its mandatory registration policy resulted in additional savings in lump sum annual leave payments and unemployment benefits that were not paid as a result of program placements; however, DOD officials had no estimate for these savings.

I will now discuss OPM's placement programs.

OPM'S GOVERNMENTWIDE PLACEMENT  
PROGRAMS ARE NOT AS RESTRICTIVE AS PPP

OPM operates two governmentwide placement programs--the Interagency Placement Assistance Program (IPAP) and the Displaced Employee Program (DEP)--that are intended to supplement agencies' positive placement programs. These programs require that registrants be considered for certain vacant positions governmentwide, not just in the registrants' agency. The first program is for employees who may be separated through no fault of their own but who have not been formally notified. The second program is for employees who have been formally notified of their scheduled separation or have actually been separated through no fault of their own. Employees who register

in IPAP are entitled to 120 days eligibility which can be extended, while DEP registrants are eligible for one or two years. Unlike the DOD program, employees who have been downgraded are not eligible for the OPM programs. Registration in OPM's programs is voluntary from the employee's standpoint. OPM does not require agencies to register in the OPM programs employees entitled to severance pay.

OPM requires DOD and civilian agencies to consider displaced employees registered in the OPM programs when agencies having vacant positions ask OPM for a certificate of eligible candidates from outside the government. According to an OPM official, about 20 percent of all federal agencies' vacant positions are filled through OPM certificates. In addition, OPM refers program registrants for vacant positions that are filled outside of the certificate process.

OPM prohibits agencies from making appointments from certificates when qualified OPM program registrants are available. However, unlike the DOD program, agencies are not prohibited from cancelling vacancies or filling them through promotion, demotion, transfer, or reassignment of current federal employees when qualified OPM program registrants are available. OPM data for fiscal year 1983 shows that agencies cancelled or filled internally 2,556 (49 percent) of the 5,183 vacancies for which OPM had referred registrants through the certification process. OPM data shows that in fiscal year 1983 executive branch agencies filled about 101,000 vacancies through competitive promotions, 7,000 through demotion, 17,000 through transfers, and 31,000 through reassignments.

OPM REPORTS ONE-TENTH OF DEP  
AND IPAP REGISTRANTS PLACED IN 1983

OPM reported placing 648 (9.9 percent) of the 6,569 registrants available for placement during fiscal year 1983. For the 5,051 DEP registrants available during fiscal year 1983, OPM reported that 500 (9.9 percent) were placed in new jobs. For the 1,518 employees registered in IPAP during the same period, OPM reported that 148 employees (9.8 percent) were placed in new jobs. The 648 DEP and IPAP placements consist of 241 made through the formal OPM certification process as well as 407 placements resulting from OPM referring registrants to agencies outside the certification process. OPM could not estimate the amount of savings in severance pay, lump-sum annual leave payments, and unemployment benefits that were not paid because of these placements.

We attempted to confirm the accuracy of the 154 placements reported by OPM's Washington and San Francisco area offices during fiscal year 1983. However, OPM did not have sufficient documentation to enable us to confirm 52 of the claimed placements. For the remaining 102 placements where OPM did have sufficient documentation, we found that

--Sixty-nine reported placements were a result of OPM actions, although two of the registrants placed were technically ineligible for placement assistance because they were not involuntarily separated from their last positions.

--Fifteen reported placements did not take place. These placements were incorrectly reported because of OPM or agency administrative error.

--Eighteen placements of employees not registered in IPAP were incorrectly reported as IPAP placements. OPM did assist in placing these employees even though they were not registered in either DEP or IPAP. OPM reports all placements that occur because of its efforts as either DEP or IPAP placements regardless of whether the employees were actually registered in the programs.

We also found 10 placements that occurred but because of administrative error OPM did not take credit for them.

We discussed with OPM officials the discrepancies we found, and they agreed to look into them.

I will now discuss the other agency placement programs we reviewed.

#### GSA AND HUD PLACEMENT PROGRAMS

We found that the GSA and HUD offices we visited had established reemployment priority lists for their displaced employees as required by OPM regulations. Except for a few GSA administrative errors, GSA and HUD properly registered and considered employees for vacant positions.

In fiscal years 1982, 1983 and 1984, these agencies placed 66 of the 176 employees registered on their lists. However, we found that seven GSA employees who were on the lists were not eligible for placement assistance under OPM regulations and should not have been registered. We also found three GSA employees who were eligible for placement assistance but, because of an administrative error, were not on the lists. GSA officials agreed to look into these discrepancies.

## HHS PLACEMENT PROGRAM

We also obtained some general information about the Department of Health and Human Services' (HHS) recent reduction in the size of the Office of the Secretary. HHS reduced the number of Office of the Secretary positions by over 1,200 (37 percent) without involuntarily separating any employees. According to HHS data, over 1,200 positions were eliminated through use of a hiring freeze, early retirement authority, transfer of functions to other HHS organizations, and administration of two placement programs. One placement program, which was similar to DoD's mandatory hiring program, placed about 60 employees within HHS. Under this program, HHS activities nationwide were generally not permitted to cancel or fill vacancies through new appointment, transfer, reassignment, or competitive promotion when qualified employees from the Office of the Secretary were available. Under the other program, a contractor assisted about 50 employees in finding new jobs in other federal agencies, state and local government, and private industry.

The next part of my statement deals with establishing a governmentwide program modeled after DoD's.

## ESTABLISHING A GOVERNMENTWIDE PROGRAM MODELED AFTER DOD'S PROGRAM

Whether there should be a governmentwide mandatory hiring program for displaced federal employees similar to the one operated by DoD has long been an issue. Over 16,000 federal civilian employees have been separated because of reduction-in-force since 1981. Three bills have been introduced in the

Congress in recent years that would create a governmentwide mandatory hiring program but no legislation has been passed. Although no such program exists today, we recommended as early as 1974 that the Civil Service Commission (predecessor to OPM), DOD, and the Department of Labor study the feasibility of establishing a single placement program for federal civilian employees.<sup>2</sup> Although the Commission did not believe a single placement program was needed, it took actions based on our report to improve existing placement programs. In a 1979 report, we urged OPM to prescribe minimum standards for agencies' positive placement programs and OPM agreed.<sup>3</sup> We also reported in 1982 that OPM's current placement programs could result in additional placements if OPM placed more restrictions on agencies to prevent them from filling vacant positions with other than qualified and available displaced employees.<sup>4</sup> OPM does not believe that additional restrictions would significantly increase the number of placements. The results of our current review reaffirm our earlier position that if more restrictions were added to OPM's current placement programs there would probably be more placements of former employees.

We did a limited test to determine the potential for additional job placements if a governmentwide program like

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<sup>2</sup>Assistance Programs for Displaced Federal Civilian Employees, (B-168700, October 18, 1974).

<sup>3</sup>Assistance to Displaced Federal Civilian Employees-- Avoiding Loss of Needed Trained Personnel (FPCD-80-3, October 16, 1979).

<sup>4</sup>Programs to Help Displaced Federal Civilian Employees Obtain Employment (GAO/FPCD-82-75, September 28, 1982).

DOD's were established. We identified 62 vacant positions in effect in March 1984 at OPM and GSA headquarters' offices for which registrants in OPM's programs were not considered because the agencies planned to fill the vacancies by promoting or transferring current employees. However, if DOD's placement program rules had been applied, any qualified registrants would have to be considered for these vacancies. We asked OPM to search its programs' registrants to identify those who (1) were registered in the commuting area where the vacancy was located and (2) met the minimum qualifications as stated in the job descriptions for the vacancies. We then provided the qualifications of the registrants identified through this process to OPM and GSA personnel officials who compared the registrants' qualifications with the job descriptions. These officials concluded that for 12 of the 62 vacancies, at least one OPM program registrant could have received a job offer if DOD's mandatory hiring restrictions had been in effect. We do not know whether these registrants would have accepted a job offer. Although this was a limited test of imposing mandatory hiring restrictions, we believe that it demonstrates that some additional job offers would probably be made to displaced employees if OPM were to establish a governmentwide placement program modeled after DOD's.

DOD and OPM officials we contacted believe it would be technically feasible to establish a governmentwide, automated placement program modeled after DOD's program. However, OPM officials stated, although they had no figures, that the costs of developing, operating, and monitoring such a program would be high both in funding and staffing. DOD officials agreed that if

OPM were to develop a new system, the costs would be extremely difficult to estimate but significant.

OPM, GSA, and HUD officials oppose establishing such a program, primarily because it would further limit agency managers' prerogative to fill vacant positions through promotion and reassignment of current employees. OPM officials also believed that establishing a governmentwide mandatory program would not substantially increase the number of placements because of the small number of vacant positions, the general lack of skills interchangeability across agency lines, and the lack of employee mobility.

We asked officials of four Federal employee unions and three federal manager associations if they would support a governmentwide placement program modeled after DoD's. Officials from three unions said they would support establishing such a program (the American Federation of Government Employees, the National Federation of Federal Employees, and the National Association of Government Employees). Officials from two manager associations also said they would support such a program (the Federal Managers Association and the Senior Executive Association). Officials from one union and one management association opposed a governmentwide mandatory program. The President of the Professional Managers Association (PMA) was opposed to a mandatory hiring program modeled after DoD's because it would further limit agency managers' prerogative to fill vacant positions. Officials from the National Treasury Employees Union (NTEU) said they were opposed to such a governmentwide program because employees could be denied a promotion

when a qualified registrant was available. However, both PMA and NTEU officials are in favor of strengthening current placement programs as long as agencies are not prevented from promoting or reassigning their own employees.

The Director of OPM, has the administrative authority to impose additional hiring restrictions on agencies and in 1977 and 1978 did so on a limited basis when two military bases were closed. Federal agencies with vacant positions in the vicinity of these two bases were not permitted to fill the positions through transfers, reinstatements, or new appointments as long as qualified registrants from the placement programs were available. Promotions, reassignments, and other personnel actions were not affected. Employees from the two military bases as well as other federal employees displaced from their agencies in the geographical area where the restrictions applied could register for placement assistance. As of December 31, 1978, almost 40 percent of the nearly 1,500 employees needing assistance had been placed. OPM did not know how many of these placements were attributable to the additional hiring restrictions. OPM has not implemented similar hiring restrictions since 1978.

OPM AND DOD OFFICIALS'  
VIEWS ON THE IMPACT OF OPM'S  
PROPOSED RIF RULES

On October 25, 1983, OPM issued new reduction-in-force regulations that would give greater consideration to performance, rather than seniority, in deciding which employees will lose their jobs. The Congress enacted legislation prohibiting

the implementation of these new regulations until July 1985. The Director OPM, has stated that he intends to implement the new regulations after that date.

OPM and DOD placement officials advised us that if the proposed changes to the RIF rules are eventually implemented, federal managers may perceive displaced employees as poor performers and this may lessen their confidence in the quality of individuals referred. As a result, OPM and DOD placement officials have considered changing their programs to make displaced employees with poor performance ratings ineligible for placement assistance. OPM's Associate Director for Staffing stated that if the rules are implemented they will have little or no impact on the operation of OPM placement programs since the performance of the majority of employees would probably continue to be rated fully successful. We believe that until agencies gain some experience under the proposed RIF rules it is not possible to determine their impact on employees and placements.

#### SUMMARY OBSERVATIONS

In summary, DOD reported that more than a third of its employees registered in its program in fiscal year 1983 who had been separated or were scheduled for separation were placed in new jobs. OPM reported that about one-tenth of the employees registered in its two governmentwide placement programs during the same period were placed in new jobs.

We are not able to project the impact of a governmentwide program modeled after DOD's program because of uncertainties about the number of vacant positions for which qualified,

displaced employees would be available. Our limited test of applying DOD's hiring restrictions at two civilian agencies demonstrated that some additional job offers would probably be made to displaced employees if OPM were to establish a governmentwide placement program with limitations on filling and cancelling vacant positions like DOD. The costs of developing and operating such a program are unknown.

We believe the major advantages of establishing a governmentwide program similar to DoD's placement program would be retaining the services of an additional number of trained experienced employees and reducing separation costs such as severance pay, lump-sum annual leave payments, and unemployment benefits. In addition, establishing such a program could lower the anxiety of Federal employees faced with the loss of their jobs and enhance the government's image as a responsible employer. One disadvantage of establishing such a program is that it would further limit agency managers' prerogative to fill vacant positions. In addition, for every separated employee placed in a vacant position under such a program, another federal employee may not be promoted, transferred, or reassigned. The adverse effect of such a restriction on an agency's operations and employee morale and productivity should be considered in deciding whether or not to establish a governmentwide mandatory hiring program. The cost to develop, operate, and monitor such a program is another factor that would have to be considered.

OPM and civilian agency officials we interviewed believe that the disadvantages of establishing a mandatory government-

wide hiring program outweigh the advantages and OPM has no plans to implement such a program. Five of seven federal union and managers' association representatives we interviewed would support establishing such a program and two would not.

We believe that even if the cost to develop the program and the number of additional placements resulting from the program were known, there would still be no clear cut answer whether a governmentwide placement program modeled after DoD's should be established. The adverse impact from further limiting agency managers' prerogatives and employee promotion opportunities would remain unknown. We believe this is a policy decision appropriate for the executive branch or the Congress to decide.

If the Congress believes a governmentwide mandatory hiring program should be legislated, several alternatives could be considered. One alternative is to establish a governmentwide mandatory placement program modeled after DoD's. This alternative may maximize the placement of displaced employees but it would probably be opposed by most agencies because of the restrictions it would impose on filling vacant positions. Another alternative would be to establish a governmentwide placement program that prohibits agencies from filling vacancies through new appointments, reinstatements, and transfers from other federal agencies but does not prohibit agencies from filling vacancies through promotion and reassignment actions. This alternative may result in fewer placements of displaced employees than the previous alternative, but it would probably be more acceptable to agency managers since it would not stop agencies from filling vacancies by promoting or reassigning their current employees.

The Congress could also decide not to establish a governmentwide program like DOD's but place additional restrictions on agencies that separate employees without cause. These agencies could be prohibited from cancelling or competitively promoting or reassigning current employees, transferring federal employees from other agencies, or appointing new employees as long as qualified employees who had been displaced from that agency were available. This alternative would be similar to the voluntary actions that HHS recently took, but the legislation could require all agencies to take these actions rather than leaving the decision up to each agency. This alternative would be consistent with current OPM regulations that state each agency has the primary obligation to provide the maximum placement assistance for its employees. However, under such a program, employees displaced from one agency would not receive mandatory consideration for vacancies in another agency. This alternative would also restrict the prerogatives of managers of agencies that separate employees.

This concludes my formal testimony. I will be happy to respond to any questions that you or members of the Subcommittee may have.