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**Testimony**

Before the Subcommittee on Federal Services, Post Office, and  
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**DEFENSE FORCE  
MANAGEMENT**

**DOD Management of Civilian  
Force Reductions**

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Force Management Issues, National Security and International  
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Mr. Chairman and Members of the Subcommittee:

I am pleased to provide preliminary information on our ongoing review of the Department of Defense's (DOD) plans for civilian force downsizing and efforts to minimize the adverse impact on individual civilian employees. I am also providing information on DOD's efforts to establish special separation incentives and other programs to facilitate the downsizing of the uniformed military. Our review focuses on the issue of civilian force reductions within DOD, some of which result from base closures. The objectives of our review are to examine the magnitude of the planned downsizing that is occurring, management of the drawdown of military compared with civilian personnel, and efforts to minimize the impact of separations on individuals affected as well as preserve a quality work force for the future.

While we are only in the initial phases of our review, we can offer some preliminary observations about the magnitude of force reductions, including an important difference between DOD's approach to military and civilian force reductions, both in targeting reductions and providing separation incentives. Based on our review to date, we do have some concerns about the adequacy of planning and management of civilian force reductions as contrasted with the military downsizing.

#### MAGNITUDE OF THE DRAWDOWN

By the end of fiscal year 1997, DOD expects to have completed a 25-percent reduction in the size of its active duty military over fiscal year 1987's end strength. That means that the services' authorized end strength will have been reduced by over 548,000 positions; over 236,000 of these reductions are scheduled to occur during fiscal years 1992-93. Also, by the end of fiscal year 1997, DOD expects to reduce its total civilian end strength by 20 percent over fiscal year 1987, or approximately 229,000 positions; about 87,000 of these reductions are scheduled to occur during fiscal years 1992-93. (See app. I.)

While these reductions are significant, the actual number of individuals who may be either voluntarily or involuntarily separated to meet these reduction goals will depend on a number of factors, including normal attrition, policy objectives, programs directed toward shaping the force, and what controls are placed on accessions. This points to a key difference in how military and civilian force reductions have been managed to date.

#### MANAGING THE DRAWDOWN

The Office of the Secretary of Defense, in managing force reductions for its uniformed military, is following a policy of trying to achieve and maintain a degree of balance between its accessions and losses in order to "shape" its uniformed forces in terms of rank, years of service, and specialties. The policy

implementation includes some reductions in accessions and reductions in persons eligible for reenlistment and increases in retirements among those eligible to do so, as well as increased voluntary separations among those having more than 6 years of service. DOD recognizes that without this approach, the services would be faced with skill imbalances, promotion and career stagnation, and a more senior work force with higher personnel costs, and many senior persons doing lower level work. Shaping the force to avoid these problems requires a larger number of mid-career attritions than would be the case if one focused primarily on limiting the intake of personnel to achieve end strength goals.

To date, we have not seen as much attention devoted to planning and managing civilian force reductions. DOD, in managing reductions to its civilian work force, has relied primarily on voluntary attrition and retirements and a partial hiring freeze, in effect since January 1990, to achieve its force reductions. This hiring freeze has been modified to allow some continued accessions by permitting roughly two external hires for every five persons who leave DOD. In some selected instances, involving major reductions, DOD has also used Office of Personnel Management (OPM) authority for early retirements to encourage voluntary separations at activities facing major reductions in force--though with decreasing success over time. Compared to the military force reductions, DOD's approach to civilian force reductions appears to focus more on controlling the intake of personnel than in achieving or maintaining a balanced civilian work force.

DOD officials cite early retirements and use of two-for-five hiring authority as providing some ability to help minimize imbalances in the civilian work force.<sup>1</sup> They also cite the continuation of intern programs and special programs for hiring scientists and engineers to preserve some intake of personnel, as well as use of temporary employees. Yet, the cumulative effects of ongoing downsizing efforts, along with the current economic environment, have caused some service officials to be concerned about declining attrition rates and have caused concerns among some DOD and service officials about the potential for civilian skill imbalances.

Our review to date has shown significant differences between DOD and at least one service's data on civilian attrition rates that affect conclusions one might draw about the potential for involuntary reductions. On one hand, DOD-wide data shows voluntary civilian attrition and retirement rates of full-time career employees ranging between 5 percent and 7 percent in recent years (depending on how the data is aggregated), including fiscal year

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<sup>1</sup>Some DOD and service officials told us that authorized hiring under the two-for-five rule has been minimized because of funding constraints, as well as diminished hiring at some bases slated for closure in the next few years.

1991. On the other hand, Army data reflects a civilian attrition rate of 3 percent for the entire fiscal year 1991 and only 2 percent for the last half of fiscal year 1991--both including regular attrition and retirements.

Various service officials with whom we have discussed civilian force reductions have expressed concerns about declining attrition rates and the ability of DOD organizations to achieve required civilian force reductions without involuntary separations. We are working to gather more definitive data on DOD civilian attrition rates.

Annual reports to the Congress from the Secretaries of Defense in recent years have cited the importance of DOD civilians to the "Total Force." They have recognized that increasingly complex support functions within DOD drive a continuing demand for highly skilled technical, administrative, and professional employees. The Secretary's fiscal year 1989 report stated that

"changes in the composition of our work force, however, continue to concern us. A decline in our more senior, experienced employees is continuing, and we as yet have no corresponding increase among those who are under age 31. These dynamic changes in the civilian work force composition, both in terms of special skills, and experience, indicate problems which, if left unattended, will result in future recruitment and retention difficulties."

The Secretary's fiscal year 1990 report stated that

". . . both the Packard Commission and the Defense Science Board have expressed concern over the problems they found in our recruiting and retention and in our ability to provide incentives for high quality scientific, engineering, and acquisition personnel."

The Secretary's fiscal year 1991 report stated similar concerns. These reports suggest some recognition of problems affecting DOD civilians at the outset of current downsizing efforts.

A cognizant official in the Department of the Army's Directorate of Civilian Personnel, recently told us that the typical Army civilian today is 43 years of age and averages 13 years of service. That profile approximates other available data on the civilian work force. This official expressed concern about a significant aging of the work force if the Army continues to rely primarily on hiring freezes to reduce the civilian work force. At a minimum, this situation creates the potential for a significant gap in experience levels and skill imbalances in the future, and the potential for other problems similar to those DOD is seeking to prevent in

downsizing its uniformed military force levels. We are seeking to make a more complete and current assessment of this situation.

We recognize that force shaping involving DOD civilian personnel, who provide support to the military, is in some respects a more difficult one to manage at the OSD level than it is for the uniformed military. The management of civilian personnel is more decentralized in DOD than it is for the uniformed military, and civilian employment levels are more driven by operating budgets at the activity level.

A cognizant DOD official told us that the need for the civilian hiring freeze will be reexamined in March 1992, when the current freeze is set to expire, and that it is likely to be extended. This official said that DOD will also be reexamining its hiring policy to determine whether it needs to be more targeted to benefit shaping of the civilian work force and whether other measures might be required.

#### MINIMIZING THE IMPACT ON INDIVIDUALS

To date, DOD has been more aggressive in seeking to minimize the adverse impact of downsizing on its military than on its civilian work force, including attention to shaping the remaining force for the future. In planning for the military downsizing, DOD has received congressional authority for a variety of actions or tools to facilitate downsizing, shape the force, and minimize the impact on involuntary separations. Key among them is authority to provide Special Separation Benefit (SSB) and Voluntary Separation Incentive (VSI) pay--one a lump-sum payment and the other an annual payment extending for double the number of years of service--both intended to serve as inducements for voluntary separation of selected military personnel having 6 or more years of service. Authorization for these programs was recently provided in the National Defense Authorization Act for Fiscal Years 1992 and 1993. DOD officials have described these programs as essential to their efforts to downsize and reshape their military work force and to minimize the adverse impact that would accrue if involuntary separations were required.

Without enactment of these special programs, an Army captain, for example, having 10 years of service would have receive \$36,090 in lump sum severance pay if he were involuntarily separated in fiscal year 1992. On the other hand, this same individual who, having elected to leave the service before being involuntarily separated, and having met eligibility criteria applicable to the two new special separation incentive programs, could receive either \$54,135 in lump-sum pay, or \$9,023 in annual installments for 20 years, for a total of \$180,450 (no provision for cost-of-living adjustments). Additionally, military personnel involuntarily separated or those voluntarily separating under the SSB program are entitled to a number of other transition benefits authorized by the Fiscal Year

1991 Defense Authorization legislation. They include the following: pre-separation counseling, job counseling/assistance, transition health benefits, transition family housing, excess leave/permissive temporary duty, temporary continuation of DOD provided schooling for dependents, commissary and exchange privileges, and relocation assistance, including transportation, and others. (See app. II.)

Special voluntary separation incentive pay and transition programs other than outplacement and job counseling assistance programs have not been proposed to date by DOD for civilian workers. A civilian federal employee involuntarily separated may be given severance pay, with the amount calculated based upon the person's salary, age, and years of federal service. The severance pay is paid at the same rate and at the same intervals as the former salary was paid. For example, a 43-year old GS-12 employee with an annual salary of \$45,336 and 10 years of federal service, could receive a total of \$11,296 paid out in bi-weekly increments for 13 weeks. (See app. III for comparative examples of separation pay available to military and civilian employees.)

DOD officials told us that the Department's efforts for civilians last year were devoted principally to outplacement assistance, including the DOD Priority Placement Program and the Defense Outplacement Referral System (DORS). The Priority Placement Program, in effect since 1965, gives DOD civilians whose jobs are eliminated priority rights to other vacant positions in DOD. The DORS program, established in 1991, is an automated referral system established through a cooperative effort between the DOD and OPM. The system's purpose is to provide maximum placement opportunity to current DOD personnel and their spouses who may be adversely affected by base closure, downsizing, or whose activity is required to reduce personnel due to budgetary restrictions. Referrals are made to other DOD activities, non-DOD federal agencies, state and local governments, and private industry. Additionally, individual military services may provide special employment counseling, and placement programs in an effort to help displaced employees. In some instances, job retraining may be provided to avoid separation from federal service.

DOD placement assistance programs for civilian workers provide some help but they may not ameliorate the impact of downsizing where other employment opportunities are not readily available. Also, they may not provide sufficient basis for fostering significant voluntary separations, particularly for those not eligible for regular or early retirement programs. To the extent voluntary attrition rates for DOD civilian employees are declining, this makes it more difficult to meet DOD's goal of relying on voluntary

attrition and a hiring freeze to preclude involuntary separations. Over reliance on restricted hiring also poses the potential for longer term problems related to the shape of that force.

Mr. Chairman, this concludes my testimony.

CHANGES IN DOD FORCE STRENGTH FROM FISCAL YEAR 1980 THROUGH FISCAL YEAR 1997 (EST.)

	FY 1980	FY 1987	Increase from 1980 to 1987	FY 1997	FY 1997 as a baseline	
					Change from 1980	Change from 1987
<b>Active Military</b>						
Army	776,500	780,800	4,300 (+01%)	536,000	-240,500 (-31%)	-244,800 (-31%)
Navy	527,200	586,800	59,600 (+11%)	501,000	- 26,200 (-05%)	- 85,800 (-15%)
Marine Corps	188,500	199,500	11,000 (+06%)	159,000	- 29,500 (-16%)	- 40,500 (-20%)
Air Force	<u>558,000</u>	<u>607,000</u>	<u>49,000 (+09%)</u>	<u>430,000</u>	<u>-128,000 (-23%)</u>	<u>-177,000 (-29%)</u>
Total	2,050,200	2,174,100	123,900 (+06%)	1,626,000	-424,200 (-21%)	-548,100 (-25%)
<b>Guard &amp; Reserves</b>						
Army	581,500	765,500	184,000 (+32%)	567,400	-14,100 (-02%)	-198,100 (-26%)
Navy	97,000	148,300	51,300 (+53%)	117,800	+20,800 (+21%)	- 30,500 (-21%)
Marine Corps	35,700	42,300	6,600 (+18%)	34,900	- 800 (-02%)	- 7,400 (-17%)
Air Force	<u>155,200</u>	<u>195,000</u>	<u>39,800 (+26%)</u>	<u>200,000</u>	<u>+44,800 (+29%)</u>	<u>+ 5,000 (+03%)</u>
Total	869,400	1,151,100	281,700 (+32%)	920,100	+ 50,700 (+06%)	-231,000 (-20%)
<b>Combined Military</b>						
Army	1,358,000	1,546,300	188,300 (+14%)	1,103,400	- 254,600 (-19%)	-442,900 (-29%)
Navy	624,200	735,100	110,900 (+18%)	618,800	- 5,400 (-01%)	-116,300 (-16%)
Marine Corps	224,200	241,800	17,600 (+08%)	193,900	- 30,300 (-14%)	- 47,900 (-20%)
Air Force	<u>713,200</u>	<u>802,000</u>	<u>88,800 (+12%)</u>	<u>630,000</u>	<u>- 83,200 (-12%)</u>	<u>-172,000 (-21%)</u>
Total	2,919,600	3,325,200	405,600 (+14%)	2,546,100	- 373,500 (-13%)	-779,100 (-23%)
<b>Civilian</b>						
Army	360,500	418,000	57,500 (+16%)	294,644	-65,856 (-18%)	-123,356 (-30%)
Navy/Marines	308,700	353,000	44,300 (+14%)	261,265	-47,435 (-15%)	- 91,735 (-26%)
Air Force	244,300	264,000	19,700 (+08%)	202,767	-41,533 (-17%)	- 61,233 (-23%)
DOD agencies	<u>76,821</u>	<u>98,000</u>	<u>21,179 (+28%)</u>	<u>145,669</u>	<u>+68,848 (+90%)</u>	<u>+ 47,669 (+49%)</u>
Total	990,321	1,133,000	142,679 (+14%)	904,345	-85,976 (-09%)	-228,655 (-20%)

**Notes:**

1. Some increases in personnel numbers for DOD agencies shown in fiscal year 1997 represent consolidations of some activities and the shifting of personnel numbers from individual services to DOD agencies.
2. As of the end of fiscal year 1991, active military force levels have been reduced 171,500 from the high of 2,174,100 at the end of fiscal year 1987; civilian personnel levels have been reduced 88,465 during the same time period--each representing 8-percent reductions to date.

Sources: DOD Manpower Requirements Reports, and Offices of the Secretary of Defense for future years projections, current as of Feb. 1992.

SEPARATION BENEFITS FOR DOD MILITARY AND CIVILIAN PERSONNELMilitary BenefitsCivilian benefitsInvoluntary separation program:

Lump-sum separation pay  
 Counseling and job  
 placement services  
 Transition health care (60-120 days)  
 Commissary and exchange  
 privileges (2-years)  
 Extended use of military family  
 housing (180-days at reasonable cost)  
 Extended use of DOD dependent  
 schools overseas (up to 1 year)  
 Expanded travel and transportation  
 allowances  
 Excess leave (30-days) and permissive  
 temporary duty (10-days)  
 for relocation transition  
 Free furniture storage ( 1-year)  
 Priority affiliation with Reserve  
 and National Guard

Severance pay  
 Counseling and job  
 placement services  
 Continuation of group life  
 insurance (31-days)

Voluntary separation program # 1--SSB:

Special Separation Benefit (SSB)  
 pay (lump sum)  
 Counseling and job  
 placement services  
 Transition health care (60-120 days)  
 Commissary and exchange  
 privileges (2-years)  
 Extended use of military family  
 housing (180-days at reasonable cost)  
 Extended use of DOD dependent  
 schools overseas (up to 1-year)  
 Expanded travel and transportation  
 allowances  
 Excess leave (30-days) and  
 permissive leave (10-days)  
 for relocation transition  
 Free furniture storage (1-year)  
 Priority affiliation with Reserve  
 and National Guard

No comparable benefits

Voluntary separation program # 2--VSI:

Variable Separation Incentive (VSI) pay  
 (annual payments for twice the number  
 of years of service)  
 Counseling and job  
 placement services  
 Free furniture storage (6-months)

No comparable benefits

Note: Civilian employees covered by the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS), who are separated before retirement age, are entitled to withdraw their contributions or, depending on length of service, may opt for a reduced annuity upon attaining retirement age. Employees covered by FERS are also entitled to withdraw matching contributions made by the government on their behalf.

COMPARISONS OF SEVERANCE PAY OPTIONS AVAILABLE TO MILITARY AND CIVILIAN EMPLOYEES IN FISCAL YEAR 1992

<u>Rank/grade</u>	<u>Years of service</u>	<u>Total annual pay</u>	<u>Involuntary separation pay</u>	<u>Voluntary incentive separation options</u>	
				<u>SSB</u>	<u>VSI</u>
1. Military Officer Rank O-3	10	\$45,493	\$36,090	\$54,135	\$180,450
2. Civilian Grade GS-12 (age 43)	10	45,336	11,296	0	0
3. Civilian Grade GS-12 (age 40)	10	45,336	8,689	0	0
4. Enlisted person Rank E-5	12	22,496	21,349	32,024	128,097
5. Civilian Grade GS-06 (age 40)	12	22,341	5,995	0	0
6. Civilian Grade GS-06 (age 45)	15	22,341	12,846	0	0

## Notes:

1. Involuntary separation pay amounts for civilians are enhanced when employees are over the age of 40 and/or have more than 10 years of federal service.
2. Total annual pay shown for civilian examples is the annual General Schedule salary rate at selected steps for fiscal year 1992. Total annual pay shown for military examples includes base pay and quarters allowances for officers and enlisted personnel, and also includes subsistence allowances for officers for fiscal year 1992. SSB and VSI separation amounts are calculated based on base pay; however, for purposes of comparison, we have tried to approximate total pay for the above examples.
3. Involuntary separation pay for military personnel involves a lump sum payment; involuntary separation pay for civilians is paid out on a formula basis over a certain number of weeks.
4. SSB payments for military personnel are paid out in one lump sum.
5. VSI payments for military personnel are paid annually for twice the number of years of service. VSI amounts shown represent the total of annual payments times the number of years in which payments would be made. Present value of the VSI payments would be less than that shown and would vary according to the investment rate of return.
6. Civilian employees are not eligible for the voluntary incentive separation options.

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