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REPORT FOR THE
PRESIDENT OF THE UNITED STATES
ON

FEDERAL CIVILIAN PERSONNEL MANAGEMENT

THE PRESIDENT'S ADVISORY COUNCIL
ON
MANAGEMENT IMPROVEMENT

March 26, 1973

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PRESIDENT'S ADVISORY COUNCIL ON MANAGEMENT IMPROVEMENT

WASHINGTON, D.C. 20503

March 26, 1973

The President
The White House
Washington, D. C. 20500

Dear Mr. President:

It is my privilege to submit the Council's report on Federal Civilian Personnel Management.

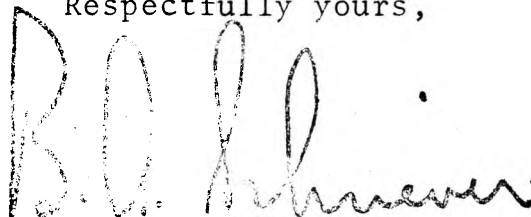
This report represents a comparative study of the techniques used by the leaders in industry and in the Federal systems in the field of personnel management. Part I reflects conclusions and recommendations selected by this Council's Ad Hoc Committee for particular emphasis. Part II contains the full staff report and its appendixes.

In our opinion, the Administration's forward looking actions towards full utilization of the creative and productive capabilities of Federal employees is being hampered by the lack of a wide-scale coordinated systematic approach to the problems which beset our multiple civilian personnel systems.

The report addresses problem areas which can be resolved within existing legal parameters and those which require new legislation.

We hope that the report will be useful in your continuing efforts to improve management within the Federal Government.

Respectfully yours,

A handwritten signature in dark ink, appearing to read "B. A. Schriever". The signature is fluid and cursive, with a large initial "B" and a long, sweeping underline.

B. A. Schriever
General, USAF (Retired)
Chairman

Enclosure

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PART I

COUNCIL AD HOC COMMITTEE

CONCLUSIONS AND RECOMMENDATIONS

FEDERAL CIVILIAN PERSONNEL SYSTEMS

Part I - Principal Conclusions and Recommendations of the Ad Hoc Committee of PACMI (Recommendations appear on pp. 10-14)

Introduction

Federal civilian personnel systems must attract, hold, develop, and reward hundreds of thousands of the Nation's ablest citizens if the Government is to be effective and efficient. Unfortunately, current personnel systems were not systematically designed for these purposes. They are the product of hundreds of laws with inconsistent objectives, some to establish government-wide, inflexible rules and procedures, some to make exceptions to the general rules, some to benefit special groups of employees, but few to enable and encourage managers to maximize the effectiveness, efficiency, and morale of their organizations. The size and diversity of the Federal establishment, coupled with the imperative to achieve equity of compensation and treatment among some three million employees, make it unusually difficult to give managers the flexibility they need to develop first-rate personnel policies and practices adapted to their particular requirements.

Numerous studies have been made of various aspects of civilian personnel systems, but there is neither a clear focal point within the government for follow-up in respect to the best recommendations emanating from these studies,

nor has there been a hard look taken to determine whether a systematic review of existing laws should be made, and if so, by whom, and how. It is the purpose of this report to examine these questions.

Source and Nature of the Problems

Not all the deficiencies in current personnel systems and practice stem from the hodge-podge of inconsistent laws. Many stem from the failure of government executives to make full use of their opportunities under current law. It is useful to separate these two types of deficiency.

A. Deficiencies which probably require changes in law -

These are of three types:

1. Complexity and confusion - Hundreds of civilian personnel laws without any cohesive philosophy make it impossible for anybody but an expert in civil service law to work his way through the maze. Unless and until Congress is persuaded to simplify, systematize, and give coherence to this large body of law, government managers will be handicapped and frustrated by it.
2. Inadequate flexibility for top officials
 - (a) The "Rule of three" is too limiting and arbitrary - The legal requirement that a manager must select one of the three top persons on a register is not sound. It

is based on the false assumption that it is possible for civil service examiners to make precise objective determinations and numerical ratings of the comparative aptitude, education, experience, and effectiveness of competing applicants. The difference between the first and tenth or twentieth person on a register is often numerically small and fluctuates according to the subjective judgment of the grading officer. Officials--especially those who seek out highly qualified persons to fill key posts--need greater flexibility in making their selections than the rule of three allows.

- (b) The merit principle is violated by the longevity principle - Federal employees are supposed to be paid on the basis of comparability with the private sector, but the longevity principle written into law causes many Federal employees--often the least effective--to be paid at a substantially higher rate than their counterparts in private business. They are advanced on the basis of longevity alone as many as ten times without demonstrating above-average performance. Advancement above the mid-step of a pay range should be on the basis of merit alone.

- (c) Employee retirement at well below age 70 at the option of management is needed - At present, aging employees in key jobs who are going steadily downhill may hang on until they are 70, creating a serious problem in some cases, and in others promoting mediocrity.
- (d) It is too difficult to fire incompetent people-
The procedural protections against the capricious, arbitrary, or political firing of employees have been carried to the point which discourages most managers from firing people when they ought to be fired. Some modification of the system is needed to redress the balance.
- (e) Changes are needed in veterans' preference - Veterans' preference is obviously a veterans' benefit which over-rides the merit principle. Its main purpose is presumably to aid veterans in readjusting to civilian life and giving them the "extra break" to catch up with their peers. Careful consideration should be given, however, to the establishing of a time limit for the exercise of veterans' preference after the end of qualifying military service, as is done in respect to various other types of readjustment benefits.

A second modification of veterans' preference deserves careful attention. Because of their importance to the operation of the United States Government, some key positions should be exempt from veterans' preference requirements. A system for identifying those positions is needed.

3. Excessive and conflicting responsibilities of the Civil Service Commission - The Civil Service Commission has a built-in conflict of interest. It was originally set up to protect employees against the adverse effects of the spoils system; hence its three-member bipartisan form, with overlapping terms. In the last two decades, however, it has acquired numerous duties which are the appropriate functions of a direct arm of management, not of an "independent agency." These include: operation and management of an executive assignment system; operation and management of a large number of management training programs up to and including the Federal Executive Institute; and leadership in manpower planning, career development, and a variety of other personnel management functions. The CSC also operates a large investigative unit to check on the security and suitability of candidates for sensitive positions. The CSC tries to straddle the fence and

- U.S. Congress. Senate. Special Committee to Investigate Administration and Operation of Civil Service Laws. Investigations of administration and operation of civil service laws. Report pursuant to S. Res. 68, 78th Congress, extending S. Res. 198, 75th Congress. Washington, U.S. Govt. Print. Off., 1945. (S. rept. 24, 79th Congress) (Ellender Report).
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be both an agent of the President and a protector of employees, and in doing so, its role has become so ambiguous that the Commission is not regarded as an effective arm of management while most agency people -- management and employees alike -- think of the CSC as being primarily a control agency to carry out the excessively large number of laws enacted by Congress.

If affirmative personnel leadership, as an integral function of top management, is to be achieved, it will almost certainly have to be accomplished by the President's principal management arm--the OMB. Some reassignment of responsibilities might be achieved by executive order; others might require a reorganization plan.

B. Performance deficiencies

Following is a selective, not a total list of major performance deficiencies which can be dealt with without change in law.

1. Good personnel management is of low priority among Federal officials - Most government officials and managers pay far less attention to personnel management than do their counterparts in well-managed private industry, or than do their counterparts in the best managed parts of the Federal Government.

Without strong signals from OMB and the White House that this is one of their highest priority responsibilities, they are likely to go right on treating the subject as of low priority.

2. Manpower planning and career development programs are generally sketchy and poor - Planning for manpower, career development, and especially executive development is conducted in the best private businesses under a "Management by Objectives" system, in which the objectives of the company and the career objectives of the various employees are harmonized. This system is used in very limited degree in the Federal Government and should be extensively applied.
3. Performance evaluation system is almost useless - Personnel evaluations in most agencies are not much better than useless. The vast majority of employees are rated as satisfactory, with a tiny percentage rated as outstanding and a similarly small percentage rated as unsatisfactory. Personal characteristics are described subjectively by the supervisor. In contrast, the best performance evaluation systems in both private business and government are related to objective performance ratings, geared to clear statements as to what is expected of the employee-- part of the "Management by Objectives" approach.

4. The personnel ceiling system has effects which run contrary to the President's purposes - The Presidential purpose of keeping a tight rein on Federal employment is understandable and laudable. It seems doubtful, however, that the existing personnel ceiling system is the best way to do it. Instead of stressing true economy, the existing system encourages time-consuming maneuvering and finagling. Agencies farm out activities on contract which they could sometimes do more economically themselves; they encourage early retirement of their employees and their re-employment as consultants, while making sure that they are not on the rolls in June to be counted as year-end employment; they hesitate to abolish unneeded jobs for fear they can never get them back if they should need them; and in various other ways they seek to beat the system. A revised system of financial controls should be possible which does not have these adverse effects and still keeps a tight lid on Federal employment. Industry relies on financial controls.
5. Managerial training and reassignment systems are weak - In the absence of good career development programs, to which top management accords high

priority, management training and assignment programs are weak. Managers behave as if they could not spare their best employees for management training and the best employees often feel that staying on the job is more important than taking time away from the job for training. Troublesome or weak employees often seek to attend such courses-- and are sent--often creating false expectations and further trouble. Reassignment is treated as a demotion instead of an opportunity. And in various other ways, the incentive system works negatively.

6. Reward structure encourages unnecessary layering -

Managers in government find it to their advantage to create additional and unnecessary supervisory layers and to their disadvantage to abolish them. The position classification system rewards the empire builder who creates many levels of supervision between himself and the journeyman worker, each with its own panoply of supporting staff, directing or second-guessing the corresponding staff below. This gives the appearance that his responsibilities are so difficult and complex and important that he deserves the highest possible classification. The proliferation of deputies

and echelons and long lines of communication are the inevitable result. Once in place, surplus layers of supervision are extremely hard to remove. Neither rewards nor honors go to the rare individual who is so bold as to try to eliminate an unnecessary layer of supervision.

RECOMMENDATIONS

Different approaches are obviously needed to cope with those impediments to good personnel management which are entrenched in law and those deficiencies which stem from poor use of opportunities within the existing system.

1. Actions Needed to Overcome Legal Impediments to First-Rate Personnel Management - Piecemeal efforts to improve the numerous laws have got us where we are. Only a comprehensive review and overhaul of civilian personnel legislation would have a chance of producing a coherent and affirmative set of personnel policies. The question then becomes how to bring about such a comprehensive review and overhaul. It would be a very large undertaking.

It is the view of the President's Advisory Council on Management Improvement that the best method of achieving this important purpose would be to ask Congress to create a Hoover-type commission, with representation from the Congress (both houses and both parties), the Executive Branch, and the public to make a study in depth of the

civilian personnel systems of the Federal Government with the objectives of making them consistent with and supportive of what are recognized as the best personnel management systems and practice in business and government. This kind of study would take at least two years with a substantial staff.

Unless the Congress were to have its own membership involved, it seems unlikely that the product of a commission study would fall on sympathetic minds in Congress. The Hoover-type design of a commission achieves the purpose of involving the Congress, while at the same time giving the President the opportunity to designate the chairman and to appoint both the representatives of the Executive Branch and the public-- a majority of the members. If the Congress were to agree to the basic plan, it would not technically commit them to any particular legislative action, but it would be a long step forward in creating a very important cooperative venture between Congress and the Executive Branch aimed at improving government management.

Recommendation #1 - It is recommended that the President urge upon Congress the creation of a "Hoover-type commission to make a two-year study of civilian personnel systems to make them consistent with and supportive of best personnel

practice in business and government. More specifically, it is recommended that the OMB be requested to prepare a proposed plan, suggested agenda, staffing proposals and budget estimates, and a message to Congress to implement this recommendation, looking toward a landmark "Federal Personnel Act of 1976."

2. Actions Needed Within Existing Law to Overcome Deficiencies -

Whether or not there is a major effort to modernize the confusing body of personnel law, much improvement is possible under current law. Significant progress can be achieved simply by making the departments and agencies more explicitly accountable for doing what they are supposed to be doing now. Other improvements require procedural and systems changes which require the collaboration of the Office of Management and Budget, the Civil Service Commission and the departments.

Recommendation #2 - To make departments and agencies more accountable for effective discharge of their personnel functions, it is recommended that the OMB develop an integrated system of budget and personnel systems review, thereby demonstrating to the officials and managers of government agencies that personnel performance and financial performance go hand-in-hand and are of similar priority.

The achievement of procedural and systems changes requiring collaboration on the part of the OMB, the CSC, and the agencies requires a different and somewhat unusual approach. It will

require, in the judgment of PACMI, the creation of a special task force, headed by a highly respected and knowledgeable person who has no empire or institutional interests to protect or promote. A person from outside of government might best meet these criteria. Since one of the issues is likely to be the distribution of responsibilities and functions between the OMB, the CSC, and the agencies, it is important that a person be designated to head such a task force who is above the battle, either a person from outside of government, or, if from within, a person who is an acknowledged "senior statesman" of the highest reputation.

The other members of the task force should include representatives of the OMB, the CSC, and several departments and agencies. It would be well to include the Defense Department and the Veterans Administration, because of sheer size, and the Atomic Energy Commission because of its reputation for having an unusually good personnel system. Participants on the task force should probably be the highest operating managers with specific knowledge of the problems involved.

Recommendation #3 - It is recommended that the President create a temporary "Special Task Force on Personnel Management Improvement" with the following objectives:

--To identify significant improvements in personnel systems and practice which can and should be made within current law;

- To put as many of these as feasible into immediate effect through consensus and agreed-upon action;
- To formulate and recommend to the President or the Director of OMB the draft of any needed directives to departments and agencies to accomplish improvements which do not seem to be achievable otherwise.

Part II of this report contains a fuller analysis and explanation of a variety of procedural and systems changes which we commend to the Office of Management and Budget.

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PART II

STAFF STUDY

FEDERAL CIVILIAN PERSONNEL MANAGEMENT

FEDERAL CIVILIAN PERSONNEL MANAGEMENT

FOREWORD

In October of 1969, President Nixon sent a memorandum to heads of Executive departments and agencies, saying,

"If we are to achieve our national goals, we must have the kind of personnel management in Government that fully taps the creative and productive capacity of our work force. We must also be in a position to assure ourselves and the country that our personnel resources in Government are being utilized efficiently and economically."

Members of the President's Advisory Council on Management Improvement have long agreed that management of manpower is a crucial issue, and this concern is addressed in the following study.

BACKGROUND

In discussing the personnel management problems of the Federal Government, the constraints under which the system necessarily operates must be considered.

Since the job of government is public service and carrying out of public objectives, efficiency may not

always be able to command the highest priority. Management prerogatives are restricted by laws and executive orders, for example, those governing the appointment processes designed to preserve the merit system. Problems arise from outmoded laws or laws that have added to the personnel management structure in piecemeal fashion with little heed for past provisions. This problem, as it relates to the Civil Service Commission (CSC), is discussed by John Macy, Jr. in his book Public Service:

"The trouble has been that over the years most of the change has been in the form of addition, with comparatively little subtraction. The result is an accretion of nonessentials, which like barnacles encrusting a ship's bottom, seriously retard its forward movement."

There are also deficiencies in the execution of some laws and executive orders, resulting from, among other things, indefinite or overlapping assignment of responsibilities and the high turnover rate among policy making public officials. Further problems arise from the difficulty of measuring success or the meeting of goals without profit and loss statements or cost/benefit ratios for most public services.

Commissions and public administration leaders have studied these issues in the past.^{1/} While no major Presidential advisory group has concentrated solely on improving personnel management, past studies have made personnel recommendations in the process of focusing on executive level personnel or executive branch reorganization.

Almost all studies uncovered similar problems such as:

- . lack of executive control of personnel management, coupled with too much congressional control
- . conflicting roles of the Civil Service Commission
- . lack of innovation and experimentation
- . restrictive regulations (e.g., personnel ceilings and Veterans' Preference)
- . no planned recruitment and development of top level staff.

The solutions suggested were also often similar. Many proposed restructuring personnel management organization by establishing an Office of Personnel, Special Personnel Advisor, or Office of Executive Level

Personnel directly in the Executive Office of the President, while at the same time greatly reducing the functions of the Civil Service Commission. Some studies suggested limiting the Commission's functions to issuing and monitoring standards, hearing appeals and enforcing the Hatch Act. Two studies recommended establishing a Civil Service Advisory Board composed of citizens appointed by the President to police violations of the Hatch Act and handle employee appeals. Others suggested that further decentralization of personnel management functions to agency heads and line managers could increase innovation, experimentation, and efficiency.

Executive level recommendations usually involved establishing a senior civil service and giving the President clear authority and responsibility for recruiting and developing top level talent. Most reports recommended abolishing or modifying regulations restricting managerial discretion and emphasized developing an integrated system of personnel management.

Most studies made recommendations that were politically unacceptable to those with authority to implement

them. Congress generally opposed recommendations taking power away from the CSC; neither Congress nor the Executive branch has looked kindly on abolishing veterans' preference, and no President has been interested in removing personnel ceilings lest total Federal employment skyrocket. Consequently, few recommendations from past Commissions and studies have been adopted while the problems have remained and increased.

When legislative changes did follow from recommendations of studies or commissions (as in the case of the two Hoover Commissions) there was usually:

- . a chairman with great status among government leaders as well as the public
- . input and cooperation from those who had to carry out the recommendations
- . public interest aroused by public relations campaigns.

When departments and agencies successfully implemented recommendations made by studies and commissions there was usually:

- . top level commitment and follow up including penalties for failure to comply with changes

- . a plan for action, including specific steps and procedures.

METHODOLOGY

To seek ideas for improving the management of Federal civilian personnel systems, innovative and successful personnel practices were explored in conversations with executives of corporations that have organizational patterns similar to those of the Executive branch of the Federal Government or that are noted for their management and development of human resources.

Interviews were conducted with the Chairman of the Civil Service Commission, some of the Commission bureau directors, and top managers and mid-level employees in independent agencies, the military and in Government departments and agencies which operate under the civil service.

Previous studies by private parties, institutions, and government task forces and commissions were reviewed, and some of the participants were interviewed. Current literature in the fields of public administration and personnel management was also surveyed.

SUMMARY OF RECOMMENDATIONS

Interviews revealed that three keys to successful personnel management in the private sector are:

- 1) Planning for manpower, executive development, and individual careers to further the organization's goals
- 2) A system such as management by objectives to ensure strict monitoring of these plans
- 3) Line managers having responsibility and authority for personnel management.

Most changes recommended in this report are related to these key ideas, now absent from the majority of Federal departments and agencies, although present in some career services within the Federal departments and in a few agencies excepted from the civil service.

Many changes could be introduced without new legislation. Some of these recommendations are already under consideration, but are included here to emphasize the need for action.

First, the foundation of an effective personnel management system is planning. To accelerate the development

of manpower plans, it is recommended that the Office of Management and Budget (OMB) expand guidelines for manpower planning, requiring specific plans from each department and agency. Explicit projected manpower needs as well as dollar requirements could be tied to the budget reporting cycle. Specific recruiting and training needs should be included in projections, with annual review by OMB.

Top priority should be given to the preparation and utilization of managerial manpower. Executive development plans, now required of all departments and agencies for GS 16-18's and selected GS 13-15's, should be developed and monitored in special agency offices with both commitment and resources from top management. Plans should provide means for identifying, training, and tracking "back up" managers for key positions, without designating single "heir apparent" managers for specific positions. Experiments with use of an assessment center should be combined with present procedures of self and managerial nomination to identify "high potential" employees. Employees who are motivated to become

managers merely because of earnings and recognition, not because of real desire and ability to manage, should be given an opportunity to advance in other ways. Department and agency personnel offices should therefore be encouraged to strengthen the dual ladder system of advancement for these professionals through GS-15.

Employee development at other than executive levels should be a responsibility of supervisors and managers. Department and agency heads should stress development of career plans which, when agreed upon, should be evaluated by agency counselors and monitored by supervisors.

Management training should be part of career plans for new supervisors, managers, and executives. The CSC should issue regulations requiring this training before or as soon after promotion as possible. Rotation should be considered as one form of management training, with agency heads developing an accompanying reward system so that it is viewed positively.

The selection process for, and the content and results of, present government supervisory and managerial

training should be reviewed and evaluated by the Office of Management and Budget. Training programs that are mandatory (such as 80 hours for a new supervisor) should be evaluated first.

Agency employee appraisal systems should be redesigned so that managerial decisions about training, rotation, promotion and quality pay increases are made on the basis of performance. It is recommended that this be done by adopting a system such as management by objectives (MBO), with the OMB providing technical assistance to agency heads as they implement these systems.

The above-mentioned results-oriented performance records should also be the basis for separation decisions. Agency personnel training divisions should develop specific guidelines for dealing with marginal employees and include discussion of these guidelines in training sessions for all supervisors and managers. Training sessions should also stress proper use of the probationary period. The present counseling and outplacement service operated by the CSC for employees separated during a

reduction-in-force (RIF) should be extended to cover all separations.

Implementing the recommendation for a MBO system creates a strong framework within which Federal managers may make personnel decisions, but it is also important that managers assume more responsibility and authority for personnel functions such as recruiting, selecting and job classification. Department heads should be encouraged to delegate final job classification authority through GS 15 to line managers at the lowest practical level.

To aid line managers in these personnel responsibilities, the Federal Personnel Manual (FPM) should be revised and simplified by the CSC, and should include a one volume "manager's summary." Careful distinction should be made between advice and regulation.

To provide increased flexibility in utilization of personnel, line managers should be allowed to operate without personnel ceilings, subject only to personnel budget controls. Agencies should be informed by OMB that ceilings will be reinstituted if inadequate attention is

given to efficient use of personnel. If immediate abolition of all ceilings is considered unworkable, OMB should experiment with removing them in a few selected agencies; this experiment, if successful, could then be gradually adopted governmentwide.

Along with increasing a manager's ability to manage, it is recommended that departments and agencies experiment with changes in the work environment to increase employee job satisfaction and productivity. Pilot programs might involve job enrichment, participative management and a rearranged work week. The OMB could ask for volunteers and offer incentive awards to managers and offices testing changes. Experiments should be carefully structured, evaluated after one year, and successful programs extended.

To implement the preceding recommendations, it is recommended that a task force be created composed of top departmental, agency, CSC and OMB officials, headed by a full time chairman who has an outstanding reputation for personnel management.

Solutions to other problems would require changes in the law. Areas recommended for further in-depth consideration directed toward new legislation are:

- . The division of authority and responsibility for civilian personnel management in the Federal system
- . The effect of increased unionization among Federal employees
- . The effect of the Veterans' Preference Act of 1944 on the merit system
 - 1) "rule of three"
 - 2) preferential hiring and reduction-in-force rights
 - 3) tenure regulations
- . The incentive potential of in-grade pay raises
- . The determination and designation of the degree of sensitivity of government positions and the benefits and costs of conducting investigations of those employees not in sensitive positions.

To accomplish this long-range modernization of Federal personnel regulations, it is recommended that a legislative-executive commission similar to past Hoover commissions be established. The charge to such a group might be to draft a Personnel Act of 1976 that will assist the Federal Government in attracting and retaining first-rate managerial manpower in its third century.

FINDINGS AND SUGGESTED SOLUTIONS

While many of the ideas for improvement in the Federal civilian personnel systems uncovered during this study require changes in present laws, some problems can be alleviated or solved without new legislation. The latter are presented first. Work is being done in some of these areas, but discussion is included to emphasize the need for action.

Manpower Planning

To have the right number of properly qualified employees when and where they are needed, long-range manpower planning is necessary.

Business executives interviewed for this project consider manpower planning one of the important keys to successful and efficient personnel management. Detailed projections in industry usually extend five to seven years in the future, and are coordinated with recruiting, training, and individual career plans.

To plan for future growth, there has been and is very little long-range manpower planning in the Federal civilian agencies.^{2/} While planning is often difficult in the Federal Government because of shifts in programs, unless more detailed long-range plans than are requested in OMB Circular A-11 are developed and coordinated with other activities, it is probable that program development will be haphazard and recruitment delays costly, especially in shortage areas.

It is important that the manpower planning function -a staff function-and the employee development function-which begins with the line manager-be coordinated. This might be done by holding agency-level annual information exchange meetings for manpower planning, training and education, and career counseling representatives as well as line managers. At this meeting, supervisors might be given information on manpower supply and demand forecasts for the coming year by occupation, division and other appropriate groups, along with materials and information important for employee development and training. (Further details are included in career planning section).

It is recommended that the OMB expand guidelines requiring specific plans from each department and agency with manpower needs as well as dollar requirements tied to the budget reporting cycle. Specific recruiting and training needs should be included in projections, with annual review by OMB.

Executive Development Plans

In private industry, executive development is usually the responsibility of a person or division, outside of the personnel department, that reports directly to the President or the Chairman of the Board. The development of talented executives is considered a top priority to be closely attended to by management. This division coordinates individual development with corporate development, and up-to-date records are kept on the positions, experience, background, career plans and potential of each individual. Generally, at least two "back-up managers" are identified for each executive position. Other individuals considered to have "high potential" are also tracked. The training and rotation of those identified as "back-up" managers is keyed to

positions which they will probably eventually assume, but identification or training is no guarantee of promotion.

In the Federal Government, executive development plans are required of all agencies and are to be reviewed by both the CSC and OMB. All GS 16-18's and selected GS 13-15's are expected to have career plans and training is to be coordinated with managerial needs and weaknesses.

The need to plan ahead is particularly crucial because within 5 years half of all present career executives, most of whom have been in the Federal service many years, will be eligible to retire or will have retired.^{3/}

Executive development plans are far behind originally requested timetables. Some departments are still finishing drafts. Few have adequate provision for identifying, training, and tracking "back-up" managers for key executive positions. The selection process for identifying managers with "high potential" is often vague.

Executive development in the "career services" is generally an extension of career development. Executive

development is often equated with planned rotation and it is expected that, before reaching the top, executives will have operated in a broad range of positions. The nine-step Forest Service career ladder^{4/} leading to assistant chief is an example. In the IRS, executive candidates go through a rigorous 5-step screening process, which includes attendance at an assessment center. Once selected, the employee assists in the preparation of development plans based on his strengths and weaknesses which appeared during the selection process.

To accelerate action and to emphasize their importance, it is recommended that executive development plans now required of all departments and agencies for GS 16-18's and selected GS 13-15's be developed and monitored outside of the personnel office, in a division that has both commitment and resources from top management (perhaps in the Office of the Secretary). CSC guidelines for executive development plans should request specific identification, training and tracking of "back-up" managers for key positions, without designating single "heir apparent" managers for specific positions. Experimental use of assessment centers could be combined with current selection

techniques.^{5/} Selection techniques should be most closely monitored by OMB and the CSC so that those chosen are best qualified.

Assessment Centers

Businesses today use "assessment centers" to aid in determining which employees have high managerial potential, and which individuals need training and experience before they are ready for advancement.

In addition to identifying management potential early and accurately, the centers help to fill immediate manpower needs with persons most likely to succeed and help to reduce management turnover caused by promoting persons beyond their capabilities. In some companies attendance is for only a selected few; in other cases, attendance is required for all employees.

Most centers are run by private corporations and are staffed by either line managers, psychologists, or a combination of both. Employees' needs and strengths are evaluated during their participation in standardized exercises under constant conditions, and attendees and

their supervisors are informed of the assessment made on the basis of these performance tests, interviews and group activities.

In the Federal Government, the Internal Revenue Service has one of the most highly developed systems for assessing potential in its Executive Selection and Development Program. Final candidates are interviewed and attend the IRS assessment center (similar to ones used in industry). Other Federal agencies are investigating possible use of such centers.

Because there is evidence that managers selected by assessment center methods are more successful than those chosen by other methods,^{6/} it is recommended that agencies be encouraged to experiment with use of assessment centers in identifying "high potential" employees. The centers could be run by private contractors or developed by each agency to identify its particular managerial needs.

Dual Ladder

In private industry, the dual ladder system of advancement is used both to provide equity for professionals

and to produce better managers. Several companies have built into their classification and pay systems two ways of reaching the top in authority and salary - as a manager or as a senior professional.

A recent study of 1200 professional persons in top positions in the Federal service revealed that the professional in a top administrative position is first of all a professional, and only secondarily, if at all, acts as a manager.^{7/} In spite of this, two-thirds of the professionals were in jobs which required managerial ability to supervise other persons. These findings were confirmed in interviews. If agency career ladders and pay structures do not provide for full development as a professional or the opportunity is not explained, many professionals will be motivated to move into managerial positions for the higher salary and prestige, rather than because of a real desire to manage, a quality which experiments have proven to be one of the necessary prerequisites for success.^{8/}

Among the "career services," the IRS instituted a formal dual track system in its Technical Organization

in March of 1971.^{9/} At grade 12 or 13, employees are encouraged to develop individual career plans incorporating selection of the advanced technical track or the supervisory/managerial track. There is no guarantee that an employee who chooses to become a manager will be chosen for such a position, but those who wish to remain specialists are not prodded into managerial positions.

Department and agency personnel offices should be encouraged to strengthen and publicize the dual ladder system to encourage development of the best possible managerial and professional talent in the Federal Government. The choice of technical or managerial track should be discussed as part of the career planning process.

Career Planning and Development

In the successfully managed private businesses visited for this study, career planning and development are considered integral and necessary outgrowths of manpower planning. Supervisors and managers are responsible for the development of their subordinates. Career plans are usually developed in conjunction with goal setting sessions. They identify possible future positions, training

alternatives (e.g., courses available and on-the-job projects), and career interests of employees.

There is career development in the "career services" such as IRS and the Forest Service. It is seldom a formalized written agreement, but rather a generally agreed upon professional progression through positions requiring certain training and experience.

With few exceptions, for example, a plan at Social and Rehabilitation Services, Department of Health, Education and Welfare, there is little formalized career development in the Federal Government.

Few supervisors and managers are trained to be career counselors, yet they need enough information to refer employees to the proper resources. This might be done in conjunction with an agency level annual information exchange meeting (see section on manpower planning). In addition to manpower information, meetings could cover:

- 1) basic employee development techniques
- 2) available training and educational courses, in-house, interagency, and non-governmental

- 3) resources for obtaining more detailed training and educational information (e.g. training catalogs)
- 4) the number and accessibility of career counselors within the agency and at what time it is appropriate or necessary to refer employees to such counselors.

Career plans may be counter productive if there is no realistic possibility that the plans will be translated into action because they were not tied to the organization's manpower plans. If the employee prepares himself for a position in which he will not be needed, time and money will be wasted and the employee will be discouraged.

Career planning need not mean that all employees must consider either new positions or additional training. These should be part of plans for only those employees who seek advancement and when such advancement will fit into the plans of the organization. Mutual planning ahead also allows a supervisor a chance to encourage change when he feels an employee will not grow in his job.

To coordinate individual and organizational goals, and prepare employees for future agency needs, career plans should be part of goal setting sessions, and employee

development should be a goal for supervisors and managers. Career plans should be monitored by the supervisor and evaluated by an agency counselor.

Training and Rotation with Promotion to Supervisory, Managerial and Executive Positions

Neither training nor rotation through a series of positions is required for managers or executives in most Federal agencies. A recent career profile of current Federal managers and executives showed that almost all move to managerial positions from agency or program specialist positions.^{10/} They usually have a BS degree in a technical field, have worked in only one or at the most two agencies, and if they have had post-entry training, the emphasis has been on technical, rather than managerial training. Although eighty hours of training is required for new supervisors, interviews revealed that many have never attended such sessions. Training data collected annually by the Bureau of Training in the Civil Service Commission indicate that almost no training is given to persons before appointment to managerial positions and that even after appointment, incumbent managers receive on the average only about half of a week per year.^{11/}

In some of the private sector companies visited, training and rotation is a prerequisite to promotion to supervisory or managerial positions. Managers in some companies spend time in each substantive area before they are promoted to executive positions. In others, managers are required to take training at two year intervals.

In the Federal "career services" and in the military, rotation is often required for promotion. This is emphasized to new employees, creating from the beginning an acceptance of rotation as an integral part of one's career. Executives are expected to undergo a broad set of experiences before they reach the top. One example of this is the previously mentioned Forest Service career ladder.

IRS has a program in which trainees are given an opportunity to test their interest in and aptitude for supervisory jobs. This plan allows managers to select future supervisors who have demonstrated potential and interest. IRS also requires training for new managers and special six-month training before a first executive-level assignment.

If the Federal Government is to be assured of competent leadership, management training should take place at three crucial points in the manager's career. CSC regulations should require this training before or as soon as possible after promotion to first supervisory, managerial, and executive positions. Rotation should be considered as one form of management training.

Positive View of Rotation and Transfer

In most Federal civilian agencies, rotation and relocation are used for "getting rid of" poor performers and trouble makers. Transfer is viewed as punishment rather than as a means of making efficient use of staff or of developing talent. Planned rotation in most agencies is limited to the management intern program for specially selected college graduates.

Rotation and relocation are often used as a form of management training in private industry. When IBM employees jokingly explain that IBM stands for "I've Been Moved," they really mean it. Private sector companies visited strive to have rotation and relocation viewed as a reward

and a contributor to personal as well as corporate growth. Promotion or a pay increase generally accompany a move, along with reimbursement of relocation expenses.

Department and agency orientation programs should stress that rotation and relocation benefit both individual employees and the agency, and that experience gained through rotation is important for promotion to managerial and executive positions. This is made clear to Air Force employees, particularly when executive development is planned.

Relocation is always accompanied by an in-grade increase in the Atomic Energy Commission (AEC). While in-grade increases could not accompany all relocations in most Federal agencies under present law, efforts could be made to give rotation and relocation a positive connotation. Whenever possible and appropriate, relocation should be accompanied by a promotion. Federal Government relocation reimbursement policy^{12/} should be examined by OMB to ensure that employees do not lose money when they relocate.

Review of Management Training Programs

In private industry, selection for managerial training is based on individual career plans and organizational manpower plans. Courses are matched with demonstrated job-related needs.

The persons selected for management training programs in the Federal Government are often poor performers. They are sent to training to get them out of the way and in the hope that they may find another "slot." The best employees, on the other hand, often "cannot be spared" and as a result receive no management training.

Management training programs seldom include information on the organizational environment (e.g., how the financial or personnel systems of the organization operate). Yet the need for this knowledge has been demonstrated and is generally included in private sector programs.^{13/}

Government training programs^{14/} for supervisors and managers are poorly evaluated, if at all, even though this is a stated requirement in the Federal Personnel Manual.^{15/}

Most agencies use the "happiness index" which consists of asking those who have gone through the training if they enjoyed it and thought it worthwhile. This rating tells little about whether there has been application of learning to the job, retention of information, benefit to the agency in improved employee motivation, lowering of grievance rates, more effective use of the budget, or whatever the trainee was to accomplish. Numbers of employees receiving training, rather than content or application, seem to be the mark of a successful agency program.

In some large companies, the evaluation of training programs has become sophisticated. Valuable data is gathered on the effectiveness of each program. Training evaluation models are being developed that enable managers and personnel officers in any location to judge programs on an objective basis.

Federal Government technical training programs are reported to be among the best; management training programs do not share this reputation. OMB should review all management training programs for content, methods of

selection and demonstrated results, with mandatory training programs being evaluated first. During this review, OMB should develop a comprehensive training evaluation model for future agency evaluation of management programs.

Management by Objectives and Performance Evaluation

The most popular and established system for goal-setting and monitoring in private industries visited for this study is "management by objectives (MBO). Business executives stressed use of an MBO system to integrate personnel functions and planning processes and to provide performance data on which to base personnel decisions.

Described details covered:

- 1) Position Descriptions. Many companies use goal-setting and monitoring sessions to update position descriptions, since the foundation of a management by objectives system is agreement upon the fundamental elements of a job, the skills necessary to perform the job well, and the work priorities.
- 2) Performance Appraisals. Using an MBO system, an individual is evaluated according to whether he has met or failed to meet goals previously set, rather than on personality or on ill-defined or undefined objectives.

This objectives-related appraisal system provides performance records on which training, promotion, and separation decisions are based.

- 3) Career Planning. MBO enables a supervisor to set plans for and with an individual often up to a year in advance, encouraging employees to develop long-range career plans that fit future organization needs.
- 4) Motivation. Feedback on performance and reward for accomplishment of set objectives, both mentioned as prime motivators in interviews, are important components of an MBO system.

Versions of MBO are now used in some Federal departments and agencies and are being introduced in others.

Many Federal agency appraisal forms are based on personality-related characteristics rather than performance, creating problems for managers who want substantive back-up for decisions on promotion, training and separation.

The CSC is developing a new performance evaluation system; however, they do not expect to have a model available to test for 18 months.^{16/} The problems suggest the need for a more immediate response. Agency employee appraisal systems should be redesigned so that managerial

decisions about training, rotation, promotion and quality pay increases are made on the basis of performance. It is recommended that this be done by adopting a system such as management by objectives (MBO). The OMB should provide technical assistance to agency heads as they implement these systems.

Pay Based on Performance

In industry, pay is usually tied to achievement of goals, with pay increases the reward for superior performance.

Many employees in the Federal Government move up the pay scale through promotion. Other pay increases depend solely on time in grade. There are also some provisions for granting pay raises for superior performance.^{17/} The purpose of "quality" increases, which are in addition to within-grade increases, is to reward employees who display continuing high quality performance. To warrant a quality increase, an employee should work "with a high degree of effectiveness" but this performance "does not represent such perfection as to be impossible of attainment

by a well-qualified employee." To be eligible for a within-grade increase,^{18/} an employee must wait a required length of time and clearly meet the standards of his job. The FPM explains that for an in-grade increase to be merited, performance must be "of sufficient level to merit a pay increase and not just adequate for retention on the job."

With these regulations in mind, it is disturbing to note that in recent years 99 out of 100 employees whose time-in-grade made them eligible for their within-grade increases received them^{19/} and that only 3.3 out of 100 employees received quality increases during 1972.^{20/} It is doubtful that 99% of the Federal employees are "clearly meeting the standards" of their job; it is likely that these raises have become automatic.^{21/} On the other hand, it is hoped that more than 3% of Federal employees deserve raises based on superior performance!

Monitoring of both within-grade and quality increases should be stricter. The Civil Service Commission should issue guidelines suggesting reasonable rates for both types

of increases. These suggested percentages might be based on the bell curve.^{22/} Agency management training courses should illustrate the differences between the two types of raises, stressing the use of such raises as managerial tools for motivation.

Marginal Employees

In some private sector companies, training includes teaching managers options to consider when dealing with marginal employees. One company publishes a step-by-step guide to why, when, and how certain employees should be "forced out" of the company. With the help of guidelines, managers determine the key element causing the employee to fail with a recommended course of action then based on this element. If the employee lacks particular information or equipment, he may need training. If he doesn't care about his work, counseling might help. Lateral reassignment may be recommended if the key element is lack of aptitude for the current job. After an attempt has been made to rectify the problems, and all factors (including the cost and time needed to train a new employee) are

weighed, the manager decides, based on these benefits and costs, whether or not to fire the employee.

Other companies make use of extensive counseling which can be either initiated by a supervisor or sought by an employee whose performance rating or job satisfaction is marginal.

It is recommended that agency personnel training divisions develop specific guidelines for dealing with marginal employees and include discussion of these guidelines in training sessions for all supervisors and managers.

Probationary Period

Under Government regulations, there is a one-year probationary period considered by the Civil Service Commission to be a final significant step in the examining process. During probation, a supervisor must notify an employee in writing if it is decided that the employee should be separated. At this stage a supervisor is not required to give complete and specific reasons, and an

ease the separation, particularly at the executive level.
Businesses that fire poor performers often try to

Counseling and Outplacement Service

time for weeding out poor performers.
stress the importance of the probationary period as a
It is recommended that management training programs

on MBO.
ranks of all other employees with evaluation then based
tested on their knowledge. If they pass, they join the
self-study program. After six months of study, they are
about the company and their responsibilities through a
probationary period during which employees must learn
probationary periods. One large firm has an initial
performers early in their careers, particularly during
Most businesses consulted stressed weeding out poor

time consuming.^{23/}
the separation process becomes much more complex and
tion was involved. Once the probation period is over,
employees may appeal decisions if they feel discrimina-
employee is not given the right of reply, although

Several companies have instituted "outplacement" services to provide counseling and information on new possible jobs and to ensure that as little hostility as possible is engendered against the company.

There is no equivalent service in the Federal Government, although the Civil Service Commission does provide some counseling for employees separated during reductions-in-force.^{24/}

To ease the trauma for both manager and employee and to reduce the number of appeals on separation decisions, it is recommended that the present CSC Displaced Employees' Program be extended to cover all employees separated from the Federal Service.

Personnel Responsibility of Line Managers

In private sector interviews, line managers stressed their interest in, and responsibility and authority for, personnel management functions such as recruiting, selecting and job classification.

Government departments and agencies recruit and select employees often with little involvement of line

managers and under complicated procedures (two legal constraints, the "rule of three" and Veterans' Preference, are discussed later in the report). While there are rightly constraints on managerial discretion in the Federal service to ensure compliance with the merit system, increased involvement of line managers is possible within these legal limitations.

Few government managers are interested in recruiting or use their college connections to attract top prospects to the Federal service, while many line managers in the private sector compete to recruit "top of the class" graduates from their colleges.

After recruiting goals are formulated during the planning process, recruiting strategy should be a major management activity of agencies. Managers should follow through to become involved in the selection process itself.

By law, department heads have classification authority over positions through GS-15 under their jurisdiction. The CSC can revoke this authority if it is found that the department is not classifying in conformance with CSC standards (Public Law 491, Sec. 502-503). Department heads

have delegated their authority to personnel officers in some agencies, professional job classifiers in others, and in a very few cases, to line managers.

In private industry, personnel officers and professional position classifiers usually act as advisors, but the final decision is the manager's. In some independent government agencies, such as AEC, personnel experts are consulted, but a line manager has the final say and determines the grade of a job. Personnel officers in those agencies report that more often than not, the manager is stricter than staff advisors in classifying positions.

To increase managerial involvement in personnel and position decisions, Federal department heads should be encouraged to delegate final job classification authority through GS 15 to line managers.^{25/}

Since involvement and commitment of line managers is essential for optimal efficiency and quality of operation, line managers should be encouraged to assume additional personnel responsibility whenever possible.

Revision and Simplification of the Federal Personnel Manual

The explanation of procedures for personnel functions (e.g., recruiting, selecting, and labor management relations) is extremely complicated in the Federal Personnel Manual (FPM).

Personnel officers are generally trained in the use of the manual, but those who were interviewed said that they "only refer to it when forced to do so" and that without such training, the manual would be "even more confusing." Line managers said they did not receive such training, and seldom use the manual. If line managers are to take responsibility for personnel management, they ought to be able to use the FPM as a reference tool, but it is now a quagmire. Therefore, it is recommended that the CSC put out a short, simplified version of the FPM for use of line managers.

The Director of the CSC Bureau of Policies and Standards wrote that there is "no careful differentiation between regulatory and advisory language" in the labor management sections^{26/} and this appears to be the case in

other sections as well. The word "should" sometimes means "must" and sometimes means "might." If advice were separated from regulation and published in a separate volume, the size of the manual, now unwieldy, could be reduced.

It would be helpful to find all regulations pertaining to one subject in the same section. For example, appeals information is now in 20 different (non-consecutive) sections of the FPM and there is additional information in supplements. When all such information cannot be brought together, cross-referencing should be detailed.

In order to alleviate these problems, it is recommended that the CSC revise and simplify the FPM.

Personnel Ceilings

A Federal agency's position management system must ensure that employment does not exceed the maximum allowable number of people as determined by the President at the time of the annual budget review. OMB administers these personnel ceilings.^{27/}

Most agencies find personnel ceilings restrictive and "get around" them, usually by hiring consultants and contractors. One department revealed that in order to meet its ceilings, it encourages early retirement and agrees to reemploy the retiree; it has approximately 1,000 such reemployed annuitants on its roles as consultants.

Managers are reluctant to give up any "slots" apportioned to them, for fear that their future ceiling will be reduced. This accounts for employees being kept in jobs which could be eliminated and keeping two employees when one could do the job. Part-time employment is also discouraged, since in some cases a manager is forced to count a part-time employee the same as a fulltime employee in personnel ceiling reports.

Maneuvers to show compliance with ceilings are often time consuming and complicated. Temporary juggling of personnel in offices within agencies and paying consultants for June in May and July so that they do not show on payrolls at the end of the fiscal year (though they continue to report to their offices) are tricks learned by most government managers early in their careers.

Few of the private sector companies visited "count" employees. Managers are responsible for accomplishing objectives, and are given a certain budget; they are then free, within this budget, to hire staff which they feel will best enable them to meet their goals.

A budget-minded manager is seldom rewarded in the Federal Government. Institutions such as personnel ceilings only encourage disregard for monetary expenditures and place emphasis on a false measure of economy. Line managers should be given tools for increased managerial flexibility by being allowed to operate without personnel ceilings, subject only to budget controls on personnel. Agencies should be informed by OMB that ceilings will be reinstituted if inadequate attention is given to efficient use of personnel. If immediate abolition of all ceilings is considered unworkable, OMB should experiment with removing them in a few selected agencies; this experiment, if successful, could then be gradually adopted governmentwide.

Experiments with the Work Environment

Personnel experts and managers agree that motivation no longer hinges on salary and benefits alone and that extrinsic rewards do not necessarily tap higher levels of productivity.^{28/} Business executives and government managers interviewed for this study stressed the need for a positive organizational climate and an increase in individual responsibility and authority.

Experiments now being conducted in the private sector involve participative management, allowing employees to develop and monitor their own methods of operation and standards of performance. This often includes job enrichment, with individuals allowed to do a larger share of work toward the end product and to take initiative in designing and carrying out their assignments. Experiments have resulted in great reduction of grievances, decrease in overtime and absenteeism, and increased production and employee satisfaction.^{29/}

Flexible scheduling of work hours, either by a rearranged work week or by allowing employees to choose their own eight hours within a twelve hour day has also

RECOMMENDATIONS FOR FURTHER STUDY

Many deficiencies in the law brought out during this study in interviews and readings have been investigated by previous commissions or studies, but practical and politically acceptable solutions have yet to be found. It is recommended that further study and the drafting of new legislation be done by a legislative-executive commission similar to the Hoover commissions. Identification of some problem areas ripe for change are here listed and briefly explained for background.

The division of authority and responsibility for civilian personnel management in the Federal system

Although under the constitution, Title 5, United States Code, the President is the person primarily responsible for personnel management in the executive branch,^{30/} Congress has passed close to 1,500 laws related to personnel, increasingly setting personnel policies in many ways.^{31/}

The Office of Management and Budget, as the major institutional staff arm of the President, also plays a

significant role in personnel management,^{32/} and there are often either omissions or overlaps in personnel programs in which OMB is involved since some duties in this area are also assigned to the CSC.

The role of the CSC^{33/} was not analyzed bureau by bureau, but in even a cursory examination, conflict is evident. Inadequate consideration has been given to added assignments related to past and continuing CSC responsibilities. Thus the Commission is now a protector of both employee and management interests. Services (e.g., training programs and personnel investigations) are sold to the same departments and agencies whose procedures the CSC later evaluates. The Commission is a consultant, advisor, operator, regulator and judge of other personnel procedures.

Some personnel functions have been delegated by the CSC to the agency heads,^{34/} who in turn, have given the responsibility for functions such as training, merit promotion and executive development plans to agency personnel offices.

These piecemeal additions and delegations have led to confusion between line and staff responsibility and the overlap in some functions performed by line and staff offices and agencies, and in some cases two staff agencies.

The effect of increased unionization among Federal employees

There has been tremendous growth in union representation of Federal employees, particularly among white collar employees, in the past decade.^{35/} Responses through executive order and guidelines issued by CSC and OMB for the agencies^{36/} have broadened the scope of labor management relations, but have left many problems still unanswered.

Present authority is extremely diffused, with responsibility in the agencies, CSC, OMB, Labor Department and independent advisory councils, raising questions as to whether future management policies will be sufficiently unified.

Representatives of both management and labor have stated that they feel the present areas for collective

bargaining are too narrow, but decisions must be made on what is negotiable and what are management rights.

Since most issues of economic concern (wages, hours, fringe benefits, etc.) are still set by law, unions have pressured Congress for change, rather than seeking direct negotiation.^{37/} Whether it is time for legislation or whether labor relations is still developing so rapidly that change should continue to be by executive order must be decided.

The only present weapon open to employee organizations is political pressure on Congress and the Executive branch. Many employees are prepared to ask that the right to strike, now a criminal offense, be given to public employees, with management access, as in the private sector, to the courts to seek an injunction against the strike in an emergency situation.

Other issues involve the level of authority at which bargaining should take place. Some government managers feel little stake in the outcome of negotiations, since they are not accountable for the results. Lack of continuity in top staff also leads to interest in short range

performance only, rather than in long range benefits to employees.

Other problems relate to "merit" principles and whether there is a place for a union or closed shop when employees are chosen under open competitive examinations; in fact, whether any conditions of government employment, which is based on individual merit, should be subject to agreement where terms of employment are on a collective basis.

The effects of the Veterans' Preference Act of 1944 on the merit system

The "rule of three"

The Civil Service Act, which required that appointments be made "from among those graded highest," did not restrict consideration for vacancies to the top three names on the applicable civil service register. However, this practice became the custom and in 1944, the "rule of three" was written into law as part of the Veterans' Preference Act.

Many people feel the "rule of three" should be expanded. One reason is that most "examinations" are now "unassembled." This means that only the applicant's resume is evaluated. Because it is impossible to have perfectly objective examining procedures, and because the resume is not always a complete indicator of a person's true abilities, this method may not accurately determine rank order of applicants' merit. Secondly, some Civil Service registers now carry thousands of applicants, so that the top three represent a very small percent, many rated within a tenth of a percent of each other.

Preferential hiring and RIF rights

Past commissions and public service organizations have often recommended revision of the preferential hiring procedures under the Veterans' Preference Act of 1944. However, political considerations have resulted in few attempts at change. The relationship of any preferential treatment to the concept of merit principles raises serious questions.

The effect as well as the principle of veterans' preference is important in the appeals process and in

reductions-in-force as well as in initial selection. Mentioned in almost all interviews was the time and effort spent in avoiding veterans who were considered less qualified than an agency's selection. (Agency personnel interviewed agreed that approximately 90-95% of all employees are pre-selected.)

To ensure Commission approval of a person other than a veteran who may be at the top of a register, manipulative techniques well known to both agency and Commission personnel are used. Selection may be arranged by writing the position description to meet only one applicant's qualifications, by hiring the preferred person on a temporary or consultant appointment, or the person may be approved by the Commission for one position and detailed to another for which he or she was not acceptable by Commission standards.

Some offices postpone hiring until a veteran is no longer the "most qualified." If this can't be done, both the veteran and the manager-selected non-veteran are sometimes hired. Veterans' preference is also a problem when reductions-in-force are prevalent. In a tight

manpower situation, managers said they feel it is especially unproductive to retain a veteran in preference to someone more needed.

Tenure regulations

Tenure was built into the civil service to protect an employee from arbitrary dismissal. While the law itself is broad enough to fire for incompetence ("only such cause as will promote the efficiency of the service") procedures for compliance with the law, adopted under the Veterans' Preference Act of 1944, are extremely difficult. One of the often mentioned problems is the required detailed analysis of the reasons for separation written by a manager. This is subject to interpretation on appeal, often making it seem that the manager is the one at fault.

To avoid the difficult and often unpleasant procedures encountered in trying to fire an employee, many managers now simply transfer the offender, leaving the problems unsolved.

The incentive potential of in-grade pay raises

Law determines government salary, and many pay raises depend on time in grade rather than on quality of performance. The law governing within-grade increases states that employees can move through pay steps in their grade level (usually ten in number) if they serve the appropriate amount of time between steps and perform at an acceptable level. Ninety-nine percent of Federal employees now receive these raises. Federal employees receiving within-grade increases above the step four level are generally being paid above the comparability level.^{38/} Thus instead of reserving pay raises beyond the comparability level as a reward for superior performers, increases are granted to poor, average and superior performers alike on the basis of longevity.

In light of the cost of salaries beyond private sector comparability and the potential for increased motivation through pay raises, pay policies such as those for within-grade increases should be reviewed.

Determining and designating the degree of sensitivity of Government positions and the benefits and costs of conducting investigations of those employees not in sensitive positions

Another area for study is the policy covering classification of positions as sensitive-critical. At present, approximately 20% of the positions in the Federal civilian agencies are so classified; some Government officials feel that this is excessively high.

Although over 3/4 of the positions in the Federal service are non-sensitive, conducting personnel investigations is one of the Commission's largest activities. At times as many people have worked on investigations as on recruiting.

Recent court decisions have required the Government to show why private and personal information must be gathered as a condition of employment. Courts have also ruled against unreasonable exclusion from public employment based on loyalty and on rights of privacy in personal conduct and association.^{39/}

* * * * *

Areas recommended for further in depth study are also listed in the Appendix.

CONCLUSION

Complexities uncovered in the course of this study have led to the conclusion that change in government does not occur merely upon publication of a report, even if its recommendations are enthusiastically applauded. Change will occur when procedures are developed that will demand increased responsiveness of the bureaucracy to policies and directives, when the prevailing attitude is no longer "they don't really mean it," and when there are rewards for excellence and penalties for failure to perform.

To develop such detailed procedures for improvements in the Federal civilian personnel systems when new legislation is not required, it is recommended that a temporary task force be created.

As a previously suggested prerequisite for successfully implementing recommendations from past studies was top level commitment, it is urged that the President give impetus to the work of this task force by personally announcing its formation and by choosing as its chairman

someone for whom he has great regard. He or she should have an acknowledged reputation in personnel management and be able to devote full time to this job. Another prerequisite for successful implementation of report recommendations has been follow up, including the development of specific plans for action. It is therefore recommended that this task force formulate such detailed steps and procedures including the drafting of any necessary executive orders.

It is suggested that members of the task force be Federal managers at the highest operating level - those who will be responsible for carrying out the formulated plans. Along with top managers from the OMB and the CSC, executives might be appointed from departments and agencies such as the Defense Department, because of its size, and the Atomic Energy Commission, because of its reputation for having an unusually good personnel system.

Since recent personnel laws have been developed and passed in piecemeal fashion, it is recommended that long range modernization of Federal personnel regulations be accomplished through the creation of an executive-

legislative commission similar to past Hoover commissions.

Previously mentioned ingredients which have contributed to the success of legislative-executive commissions should be taken into account in the planning for this commission - choosing a chairman with great status, seeking input from those who will be carrying out the recommendations and arousing public interest. The charge to this commission should be to draft a Personnel Act of 1976.

It is hoped that the improvements initiated by the task force and the legislation developed by the commission will assist the government in attracting, developing and retaining first rate managerial manpower as it begins its third century.

APPENDIX

RECOMMENDATIONS FOR FURTHER STUDY

It is recommended that the President establish a legislative-executive commission similar to the past Hoover commissions to draft new legislation for an integrated personnel management system. The following areas are recommended for inclusion on the commission's agenda:

- . The division of authority and responsibility for civilian personnel management in the Federal Government
- . The effect of increased unionization among Federal employees
- . The effect of the Veterans' Preference Act of 1944 on the merit system
 - 1) "rule of three"
 - 2) preferential hiring and RIF rights
 - 3) tenure regulations
- . The incentive potential of in-grade pay raises
- . The determination and ~~designation~~ of the degree of sensitivity of Government positions and the benefits and costs of conducting investigations of those employees not in sensitive positions.

RECOMMENDATIONS FOR IMMEDIATE IMPLEMENTATION

It is recommended that the President create a task force to develop detailed implementation plans for the recommendations which follow, and to investigate further possibilities for improvements in Federal civilian personnel management. Members of the task force should include top departmental, agency, CSC and OMB officials with a full time chairman who has an outstanding reputation for personnel management. Recommendations are grouped here according to the authorities involved in possible changes.

All Departments and Agencies:

1. Executive development plans should be developed and monitored in special agency offices with both commitment and resources from top agency management.
2. Department and agency heads should stress development of career plans for employees.
3. Agencies should be encouraged to experiment with use of an assessment center in addition to present procedures for identifying "high potential" employees.
4. Departments and agencies should experiment with changes in the work environment.
5. Agency heads should develop a reward system to accompany rotation.
6. Department and agency personnel offices should be encouraged to strengthen the dual ladder system of advancement for professionals up to GS-15.
7. Agency personnel training divisions should develop specific guidelines for dealing with marginal employees and include discussion of these guidelines in training sessions for all supervisors and managers.

8. Agency management training programs should stress proper use of the probationary period.
9. Agency employee appraisal systems should be redesigned as part of a system such as management by objectives (MBO).
10. Line managers should assume more responsibility for personnel management functions. Department and agency heads should be encouraged to delegate final job classification authority through GS-15 to line managers at the lowest level practical.

Civil Service Commission

1. The CSC should issue regulations requiring training for new supervisors, managers, and executives before or as soon after promotion as possible.
2. The present counseling and outplacement service operated by the CSC for employees separated during reductions-in-force should be extended to cover all separations.
3. The Federal Personnel Manual should be revised and simplified by the CSC, and should include development of a one-volume "manager's summary."

Office of Management and Budget

1. OMB should expand its guidelines and requirements for agency manpower planning.
2. OMB should review and evaluate all government supervisory and managerial training programs for methods of selection, content, and results.
3. OMB should provide technical assistance to agency heads as they implement MBO systems.
4. Personnel ceilings should be abolished, with personnel budget controls substituted.

FOOTNOTES

¹Major studies referred to in the paragraphs that follow are listed below:

General Studies and Commissions:

Brownlow Committee (1936-37)
First Hoover Commission (1949)
American Assembly Papers (1954)
Second Hoover Commission (1955)
Study by James R. Watson (1957)
Bill proposed by Senator Joseph Clark (1958)

Executive Level Personnel Studies:

Brookings Institution Study by David Stanley (1964)
Report by Committee on Economic Development (1964)
Don K. Price Task Force (1964)
Franklin A. Lindsay Task Force (1968)

Recent Reports on the C. S. C.:

Public Service, John W. Macy, Jr. 1971
The Spoiled System, Public Interest Research
Group, (Ralph Nader) 1972
General Accounting Office Study - In
Progress

²John Macy, Jr., former Chairman of the CSC, recently wrote that "an inherent deficiency that must be overcome by public administration is the absence of reliable and meaningful manpower planning." (John W. Macy, Jr., Public Service. New York: Harper & Row, 1971, p.288.)

³Bob L. Wynia, "Executive Development in the Federal Government." Public Administration Review. Vol. XXXII No. 4, July/Aug. 1972, p. 313.

⁴The Forest Service career ladder is: ranger, district supervisor, forest supervisor (in at least two regions), assistant regional forester, regional forester, Washington assignment, regional forester, assistant chief.

⁵See Assessment Center Section.

- ⁶Robert C. Albroom, "Spot Executives Early," Fortune, July, 1968, p. 106;
William C. Byham, "Assessment Centers for Spotting Future Managers," Harvard Business Review, July-Aug. 1970, p. 150;
Winston Oberg, "Make Performance Appraisal Relevant," Harvard Business Review, January-February 1972.
- ⁷Marshall Edward Dimock and Gladys Ogden Dimock. Public Administration. New York: Hold, Rinehart and Winston, Inc. 1969, p.170.
- ⁸J. Sterling Livingston. "The Myth of the Well-Educated Manager," Harvard Business Review. Jan.-Feb. 1971; also Francis Gilchrist, President of Aptitude Testing for Industry, Harvard Business Review, May-June 1971 (Letters to the Editor.)
- ⁹Carl L. Bellas, "The Dual Track Career System Within the Internal Revenue Service." Personnel Administration and Public Personnel Review, Sept.-Oct., 1972. p.4.
- ¹⁰"Characteristics of the Federal Executive." U. S. Civil Service Commission, Bureau of Executive Manpower, 1970.
- ¹¹"Employee Training in the Federal Service." Fiscal Year 1971, U. S. Civil Service Commission, Bureau of Training.
- ¹²OMB Circular A-56, distributed by GSA.
- ¹³James A. Bayton and Richard L. Chapman. "Making Managers of Scientists and Engineers." The Bureaucrat, Vol.1. No. 4, Winter 1972.
- ¹⁴The Training Act of 1958 is the basic statute authorizing employee training throughout most of the government. In 1971, 3/4 of the training was conducted in the agencies. Less than 10% was interagency training, usually conducted by the CSC, and 15% was non-governmental training. (U.S. Civil Service Commission Annual Report, 1971, p.40.)
- ¹⁵Federal Personnel Manual Section 410:13.

- ¹⁶Young's Federal Spotlight, the Evening Star and Daily News, Washington, D. C., December 21, 1972, p.A-2.
- ¹⁷Section 5336 of Title 5, United States Code.
- ¹⁸FPM Chapter 531, Subchapter 4.
- ¹⁹The Civil Services of North America, United Kingdom Civil Service, 1969.
- ²⁰"Quality Increases for Fiscal Year 1972," United States Civil Service Commission, Office of Incentive Systems.
- ²¹An example of the degree to which in-grade increases are considered automatic is the AFL-CIO testimony on the Oliver Task Force Report which included this statement:
"The Task Force proposes that salary increases beyond some fixed step in the salary range for each grade level be on the basis of merit only. This would serve to deprive a major segment of Federal employees of the opportunity for periodic progression to the top of **their** salary range."
- ²²The Social Security Administration includes suggested percentages based on the bell curve in its performance evaluation guidelines for managers.
- ²³FPM Chapter 752, Subchapter 1.
- ²⁴U. S. Civil Service Commission Annual Report, 1971, p.25.
- ²⁵The Job Evaluation and Pay Review Task Force also recommended delegating classification authority to the "lowest managerial level practicable."
- ²⁶Raymond Jacobson, Director, Bureau of Policies and Standards, U.S.C.S.C., Civil Service Journal, Oct.-Dec. 1972.
- ²⁷This authority is outlined in OMB Circular No. A-64, Revised, "Position Management Systems and Employment Ceilings," June 28, 1965.

²⁸See for example: David E. Shrieber and Stanley Sloan. "Incentives: Are they Relevant? Obsolete? Misunderstood?" *Personnel Administration*, Vol. 33-34, 1970-1971, pp. 52-57;
J.C. Wafford. "The Motivational Bases of Job Satisfaction and Performance." *Personnel Psychology*, Vol. 24, 1971, pp. 501-518.

²⁹Robert N. Ford. Motivation Through the Work Itself, AMA, 1969.
Frederick K. Foulkes. Creating More Meaningful Work, AMA, 1969.
Harold M. F. Rush. Job Design for Motivation, Report from the Conference Board, 1971.

³⁰The Role of the President, quoted from the Federal Personnel Manual: "The President, through his staff assistants, through central staff agencies, and through the heads of agencies, performs the following functions:

- Formulates executive branch civilian personnel management goals, policies, and programs.
- Recommendation of personnel legislation and appropriation requests to the Congress.
- Provision of leadership to improve the effectiveness and flexibility of personnel management in, and assure its consistency and coordination among, the various executive agencies.
- Prescribing of rules for the practice of the merit principle and system in all phases of Federal personnel management, and for other personnel management matters.
- Making of appointments to key positions authorized by law.

³¹Some of the ways in which Congress has affected personnel management are by specifically exempting employees of newly created agencies from civil service regulations, by writing supergrade positions into legislation and by appropriating or not appropriating funds for certain personnel-related offices. Examples of this are:

in Public Law 91-596 - Section 30:

"(10) (A) the Secretary of Labor, subject to the standards and procedures prescribed by this chapter may place an additional twenty-five positions in the Department of Labor in GS-16, 17, and 18 for the purposes of carrying out his responsibilities under the Occupational Safety and Health Act of 1970;" in Public Law 91-556, Title V, Sec. 505, "No part of any appropriation contained in this Act, shall be used to pay the compensation of any employee engaged in personnel work in excess of the number that would be provided by a ratio of one such employee to one-hundred and thirty-five, or a part thereof, full-time, part-time, and intermittent employees of the corporation or agency concerned: Provided, that for purposes of this section employees shall be considered as engaged in personnel work if they spend half-time or more in personnel administration consisting of direction and administration of the personnel program; employment, placement, and separation; job evaluation and classification; employee relations and service, wage administration, and processing, recording and reporting;" and in Public Law 91-667, Title IV, Sec. 406, "No part of any appropriation contained in this Act shall be used to finance any Civil Service Interagency Board of Examiners."

³²The role of the Office of Management and Budget in personnel management is to:

- Review and clear legislative proposals, many of which affect the personnel management system.
- Prescribe and monitor ceilings on personnel and grade controls.

- Define the way in which technical and support service personnel is contracted for.
- Participate in the analysis on which the comparability principle for Federal pay is based and share in the decision on the setting of pay rates.
- Monitor the use of contractors and the resultant effects on personnel.
- In conjunction with the Civil Service Commission, establish and maintain a program of policy guidance to agencies on Federal labor-management relations and periodically review the implementation of these policies.
- In conjunction with the Civil Service Commission, assess existing executive development programs and develop policy alternatives and new programs to recruit, develop and evaluate executive level personnel.

³³According to the Federal Personnel Manual, the Civil Service Commission has:

a. Staff responsibilities:

- Executes the many research, planning, development, and evaluation responsibilities delegated to it.
- Aids the President, as he may request, in the development of the basic rules for the competitive civil service.
- Gives leadership, on behalf of the President, to personnel management operations, coordination, and improvement in the executive branch.

b. Administrative responsibilities:

The Commission is charged with the administration of, or has administrative responsibilities under a number of statutes. These include provisions relating to the competitive service, the classification of positions under the General Schedule, training, the civil service retirement system, life and health insurance, incentive awards, performance rating,

the political activities of Federal employees, and veteran preference. In this capacity, the Commission:

- Develops and issues the specific goals, policies, programs, standards, regulations, and procedures which are needed to make the laws, as well as Presidential directives, effective.
- Conducts nationwide examining and recruiting activities, both through its own network of Interagency Boards of United States Civil Service Examiners and through agency-staff boards of examiners.
- Carries out a number of other important operating activities, such as a suitability investigations and retirement administration.
- Makes decisions on employee appeals.
- Delegates, as authorized by law and consistent with good administration, authority to agency heads to act on personnel matters in accordance with appropriate standards.
- Maintains a system of agency personnel program inspection and classification audit.
- Advises and assists agencies in developing effective personnel management programs.

c. Surveillance responsibilities:

Some statutes and Executive orders delegate authority to act thereunder directly to heads of agencies with the provision that the exercise of these authorities is subject to compliance with standards, requirements, and instructions issued by the Civil Service Commission. The Commission may also have a surveillance responsibility which is exercised through audit, review, and inspection.

- d. Develops and makes legislative, policy, and program recommendations to the President.

³⁴According to the Federal Personnel Manual, the head of the agency either personally, or through subordinate officials, to whom he has delegated authority, should perform the following functions:

- Planning, organizing, directing, coordinating and controlling all personnel management programs conducted within the agency.
- Determining that personnel management programs support the agency's missions, meet the needs of management and employees, and are consistent with the basic goals of Federal personnel management.
- Insuring that personnel management is carried out effectively and efficiently in accord with applicable laws, Executive Orders, Presidential policies, regulations, and standards.
- Implementing positively and vigorously the principle of selection and promotion on the basis of ability, merit, and fitness in staffing the agency.
- Managing the activities of his agency in such a manner as to maintain the high reputation of the Federal Government as an employer and contribute to cordial community relations in the localities where it has installations.
- Cooperating with the Civil Service Commission in the planning, development, execution, and review of personnel management matters.

³⁵"Union Recognition in the Federal Government, Statistical Report and Listings by Agency of Exclusive Recognitions and Agreements under Executive Order 11491 as of November 1971." Office of Labor Management Relations, U. S. Civil Service Commission

- ³⁶Joint OMB/CSC Memorandum, Sept. 13, 1972; Executive Order 11491 as amended.
- ³⁷According to staff of Congressional Manpower sub-committees, an AFL-CIO-supported major legislation package dealing with labor management, job classifications and appeals will soon be introduced by Congressman Brasco.
- ³⁸"The General Schedule is derived by using the comparability payline (industry average) rates as the fourth within-grade rates." (Federal Statutory Salary Systems: Joint Annual Report of the Director, Bureau of the Budget, and Chairman, Civil Service Commission, 1969, p.12.)
- ³⁹U. S. Civil Service Commission Annual Report, 1971, p.45.

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