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REPORT BY THE  
**Comptroller General**  
OF THE UNITED STATES

REPRODUCED FROM THE REPORTS OF THE COMPTROLLER GENERAL OF THE UNITED STATES  
OFFICE OF THE COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548  
By the Comptroller General of the United States

**Recent Government-Wide Hiring Freezes  
Prove Ineffective In Managing  
Federal Employment**

RELEASED

The principal stated objective of Government-wide hiring freezes is to reduce the size and cost of the Federal work force. However, employment reductions during the last four freezes were small and OMB did not determine whether the freezes resulted in a net savings. GAO found cases in some agencies where the hiring freezes increased some operating costs and decreased efficiency and effectiveness.

This report was requested by the Chairwoman, Subcommittee on Human Resources, House Committee on Post Office and Civil Service.



FPCD-82-21  
MARCH 10, 1982

520908

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

B-206278

The Honorable Geraldine A. Ferraro  
Chairwoman, Subcommittee on Human  
Resources  
Committee on Post Office and Civil  
Service  
House of Representatives

Dear Madam Chairwoman:

In response to your February 19, 1981, letter, we have reviewed the effects of across-the-board hiring freezes on Federal employment levels and spending and on Federal agencies' ability to carry out their programs.

As requested by your office, we did not obtain agency comments on this report. Also, as arranged with your office, unless you publicly announce this report's contents earlier, we plan no further distribution of this report until 30 days from its issue date. We will then send copies to interested parties and make copies available to others upon request.

Sincerely yours,

A handwritten signature in cursive script that reads "Charles A. Bowsher".

Comptroller General  
of the United States



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ABBREVIATIONS

GAO	General Accounting Office
OMB	Office of Management and Budget
OPM	Office of Personnel Management
VA	Veterans' Administration

D I G E S T

Government-wide hiring freezes have not been an effective means of controlling Federal employment. While the Government-wide hiring freezes reviewed by the GAO provided an illusion of control on Federal employment and spending, they had little effect on Federal employment levels, and it is not known whether they saved money. Because they ignored individual agencies' missions, workload, and staffing requirements, these freezes disrupted agency operations, and in some cases, increased costs to the Government.

GAO recognizes that circumstances, such as budget constraints, may require individual agencies to slow or stop hiring. GAO believes employment reductions should be targeted where they can best be absorbed rather than using across-the-board personnel constraints that do not consider individual agencies' needs. Improved work force planning and use of the budget as a control on employment, rather than arbitrary across-the-board hiring freezes, is a more effective way to insure that the level of personnel resources is consistent with program requirements.

Since March 1977, four across-the-board hiring freezes have been imposed on executive branch employment. The freezes were applied to all agencies, regardless of their workload and work force requirements. The principal stated objective of these freezes was to reduce the size and cost of the Federal work force. (See p. 1.)

Publicity surrounding the hiring freezes has helped create an impression that they substantially reduce the size and cost of Government.

However, the recent Government-wide hiring freezes have been ineffective. (See pp. 5 to 9.) GAO found that

- the freezes did not substantially reduce employment,
- some agencies compensated for the freezes by hiring part-time and temporary employees,
- some agencies compensated for freezes by using contractors or overtime, and
- some agencies hired more employees than allowed.

The Office of Management and Budget (OMB) was responsible for administering each of the hiring freezes including granting exemptions from the hiring restrictions. However, OMB exerted little control over the hiring freezes. (See pp. 10 to 12.) GAO found that OMB

- did not determine whether or not the hiring freezes resulted in a net savings,
- did not identify the costs associated with the retroactive provision of President Reagan's freeze,
- received limited information from agencies about hiring freeze effects on employment,
- relied largely on agencies to comply with freeze guidelines, and
- allowed some exemptions from hiring restrictions based on arbitrary employment reduction goals.

GAO found that OPM issued inaccurate or incomplete information on employment changes during two of the Carter Administration hiring freezes. As a result, stated reductions in full-time employment in permanent positions were exaggerated. (See p. 13.)



Because across-the-board freezes applied to agencies regardless of their mission and workload GAO found that the freezes

- caused decreased oversight of Federal programs by making it more difficult for the Inspector General offices to do their jobs;
- caused lost revenue and uncollected debts;
- increased the cost of Government operations by causing inefficient staff utilization and clerical shortages, and by damaging recruiting efforts; and
- disrupted some agency programs and operations. (See pp. 14 to 21.)

A practical and effective alternative to hiring freezes exists in the budget process. GAO has issued several reports advocating use of the budget to control the size and cost of the Federal work force, including contractors. GAO has also recommended that OMB and the Office of Personnel Management take actions to improve agencies' methods for determining work force requirements. To date, GAO recommendations have not been carried out. (See p. 23.)

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GAO reviewed the effects of these hiring freezes at the request of the Chairwoman, Subcommittee on Human Resources, House Committee on Post Office and Civil Service. While the scope of the review covered the four across-the-board freezes imposed since March 1977, GAO concentrated primarily on the last freeze imposed during President Carter's administration because of its longer duration and the availability of records. This freeze was in effect from March 14, 1980, through January 20, 1981. (See p. 3.)

At the request of the Chairwoman, GAO did not follow its normal practice of obtaining agency comments on the report.



## CHAPTER 1

### INTRODUCTION

In response to a request by the Chairwoman, Subcommittee on Human Resources, House Committee on Post Office and Civil Service, we reviewed the effects of four Government-wide hiring freezes imposed on the Federal work force since March 1977. Three of the freezes were imposed by President Carter and the fourth by President Reagan. The stated purposes of the across-the-board hiring freezes were to reduce Federal employment and spending, or to manage the Government more efficiently or both. We were requested to determine whether the freezes achieved their objectives and whether the Administration could identify savings attributable to the freezes.

#### FOUR HIRING FREEZES IMPOSED SINCE MARCH 1977

President Carter's first hiring freeze was placed on executive branch departments and agencies on March 3, 1977, and lasted until June 17, 1977. The stated purpose of the freeze was to increase the Administration's flexibility to meet revised personnel ceilings. Appointments to full-time permanent positions 1/ were restricted to 75 percent of the vacancies in those positions which occurred after February 28, 1977. Thus, agencies could replace three of every four employees who left full-time permanent positions. Although the hiring restriction did not apply to part-time or full-time temporary positions, the Office of Management and Budget (OMB) stated that persons would not be hired on a part-time or temporary basis as a substitute for full-time permanent employees. OMB guidelines also prohibited contracting outside the Government to alleviate the effect of the freeze.

The second hiring freeze imposed by President Carter lasted from October 25, 1978, through February 1979. 2/ The stated objectives were to manage the Government more efficiently, to

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1/In this report, full-time employment in permanent positions includes only those covered by Office of Management and Budget personnel ceilings. The fiscal year 1981 average for non-ceiling employment was 31,234. Most of these positions are in youth employment programs and in the Worker Trainee Opportunity Program.

2/Agencies could lift the freeze in February 1979 provided they did not exceed revised OMB personnel ceilings.

limit growth in the Federal work force, and to reduce total Federal employment to the level that existed on September 30, 1977, as required by section 311 of the Civil Service Reform Act of 1978. Appointments to full-time permanent positions were limited to 50 percent of the vacancies in those positions occurring on or after October 25, 1978. Part-time and temporary employees were excluded from the freeze. OMB guidelines cautioned agencies not to use temporary employees as a substitute for full-time permanent employees or to use contracting to circumvent the limitation.

President Carter's third hiring freeze lasted from March 14, 1980, until the Reagan administration took office in January 1981. The stated objective of the limitation was to reduce fiscal year 1981 spending by reducing the number of Federal employees and to help produce a balanced budget in fiscal year 1981. Appointments to full-time permanent positions were limited to 50 percent of the vacancies in those positions which occurred after February 29, 1980. The freeze did not apply to part-time and temporary employees. OMB guidelines discouraged contracting to alleviate freeze effects and using temporary employees as a substitute for full-time permanent employees.

President Reagan froze hiring in executive branch departments and agencies from January 20 until mid-March 1981. <sup>1/</sup> The stated objective was to reduce the overall size of the Federal civilian work force as quickly as possible. Unlike limitations during the previous administration, this freeze applied to all categories of Federal employees. It allowed hiring seasonal employees consistent with historical hiring patterns and hiring on a limited basis to help ease the transition to a new administration. Contracting outside the Government was not to be used to circumvent the freeze.

The Reagan freeze was retroactive to November 5, 1980. Applicants who were given employment commitments after that date, but had not actually entered on duty before January 20, 1981, could not be hired. A process and criteria were established to accommodate individuals for whom the retroactive provision caused serious economic hardship. Most of these cases were not resolved by the time the freeze was lifted in March 1981. Generally, agencies were left to resolve these cases after the revised fiscal year 1981 employment ceilings had been established.

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<sup>1/</sup>Letters sent in March 1981 authorized agencies to moderate or lift the freeze, provided that agencies did not exceed revised personnel ceilings.

All four hiring freezes had standard exemptions such as positions involving safety of human life. The freezes also permitted appeals to OMB for exemptions when the agency head believed circumstances warranted. Appendix I provides details on the scope of the freezes and the exemptions permitted.

#### OBJECTIVES, SCOPE, AND METHODOLOGY

The Chairwoman, Subcommittee on Human Resources, House Committee on Post Office and Civil Service, asked us to review the three Government-wide hiring freezes imposed by President Carter to determine whether the freezes actually saved money. She also asked us to examine the freezes' impact on contracting for services, delivery of service to the public, use of overtime, use of temporary and part-time employees, and representation of women and minorities in the Federal work force. We were to address the same issues relative to President Reagan's hiring freeze and to determine (1) whether the Administration could identify the costs related to making the freeze retroactive to November 5, 1980, (2) the effects of hiring freezes on personnel programs, such as the Part-Time Direct Hire Project, and (3) the legality of applying the Reagan hiring freeze to Veterans' Administration medical care positions in light of the Veterans' Health Programs Extension and Improvement Act of 1979 (Public Law 96-151).

The Chairwoman also asked us to provide information on staffing levels at the Immigration and Naturalization Service, which we did in a separate report. 1/

We interviewed personnel, budget, and/or program officials, and reviewed records related to hiring freezes at the following agencies in Washington, D.C.:

- Department of Agriculture
- Department of Energy
- Department of Labor
- Department of the Treasury
- Veterans' Administration
- Department of the Interior
- Department of Transportation

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1/"INS Staffing Levels" (FPCD-81-67, Aug. 20, 1981).

--Small Business Administration

--National Credit Union Administration

--Nuclear Regulatory Commission

We reviewed and analyzed OMB instructions and processes for carrying out and monitoring the four across-the-board freezes and OMB records related to the freezes. We also interviewed OMB officials concerning management of, and costs and savings associated with the freezes.

At the Office of Personnel Management (OPM), we reviewed and analyzed Federal employment statistics and interviewed officials to determine the changes in Federal employment during the hiring freezes. We also examined records and interviewed OPM officials concerning the Part-Time Direct Hire Project and 11 other personnel programs. (See app. II for a listing of these projects.) We reviewed prior GAO and Congressional Research Service reports dealing with personnel ceilings, contracting out, and work force planning.

While the scope of our work covered the four across-the-board freezes since March 1977, we concentrated primarily on the freeze from March 14, 1980, through January 20, 1981, because of its longer duration and the availability of records. We performed this review in accordance with GAO's current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

## CHAPTER 2

### GOVERNMENT-WIDE HIRING FREEZES

#### HAVE BEEN INEFFECTIVE

Publicity surrounding hiring freezes has helped create an impression that they substantially reduce the size and cost of Government. However, OPM data shows that employment reductions reported during the freezes were small because the freezes were either short-lived or allowed hiring to fill some vacancies.

The Carter administration freezes applied only to full-time permanent employment 1/ and some agencies used temporary and part-time employees to compensate for the loss. Some agencies also violated the last Carter hiring freeze by hiring more employees than they were allowed. The Reagan hiring freeze lasted only 7 weeks and applied to all categories of Federal employees. The resulting employment reduction would have occurred anyway because of subsequent personnel ceiling reductions. We found that OMB has not attempted to determine (1) whether the freezes actually saved money or (2) the cost associated with the retractive provision of the Reagan freeze. The freezes also increased some operating costs. We also found instances where OPM issued inaccurate or incomplete information on hiring freeze effects. As a result, the decreases in Federal employment were overstated.

#### CARTER FREEZES DID NOT SUBSTANTIALLY REDUCE EMPLOYMENT

The Carter hiring freezes were designed to reduce the number of full-time permanent employees. As the following OPM data shows, however, employment reductions for these positions were small. Moreover, employment reductions for the first freeze were only temporary. After the freeze was lifted in June 1977, hiring increased so that by November, full-time employment in permanent positions was only 2,965 less than when the freeze began.

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1/Throughout this report, statistics on Federal employment are based on OPM data. OPM included appointments of any full-time worker (permanent or temporary) to a permanent position in its statistics on full-time employment in permanent positions.

Changes in Federal Employment During  
Carter Administration Freezes (note a)

<u>Freezes</u>	Full-time employment in permanent positions subject to freezes ( <u>note b</u> )	Percent change	Employment in temporary, part-time, and intermittent positions ( <u>note c</u> )	Percent change	Total Federal employment ( <u>note d</u> )	Percent change
March 3 - June 17, 1977	<u>e</u> /-9,354	-0.49	<u>f</u> /+67,412	+31.66	+58,058	+2.73
October 25, 1978 - February 1979	-22,968	-1.19	+7,331	+2.97	-15,637	-.72
March 14, 1980 - January 20, 1981 ( <u>note f</u> )	<u>g</u> /-8,874	-0.47	<u>g</u> /+18,626	+6.62	<u>g</u> /+9,752	+4.45

a/Executive branch employment, excluding the Postal Service and Postal Rate Commission.

b/These statistics include some full-time temporary employees serving in permanent positions not subject to freezes. OPM did not identify the number of these employees when issuing data on employment changes.

c/These statistics include full-time permanent employees serving in temporary positions. OPM did not identify the number of these employees when issuing data on employment changes.

d/Does not include full-time employment in permanent positions not subject to freezes.

e/Initially, OPM reported this figure as -16,800, and later revised it to -16,453. We deducted 7,099 Defense Department teachers on annual summer furlough.

f/Includes personnel hired for summer employment.

g/Data used is applicable through December 31, 1980, and excludes employees hired to conduct the 1980 Census. Census workers are hired only for a short period every 10 years.



During two of the three Carter freezes, exempted part-time and temporary employment rose, contributing to an increase in total Federal employment. Most of the part-time and temporary increases were consistent with seasonal hiring patterns and higher personnel ceilings and were not directly related to the freezes. However, we found instances where agencies compensated for the loss of full-time permanent employees during hiring freezes by (1) hiring other types of employees, (2) using contractors and overtime, and (3) hiring more employees than allowed.

SOME AGENCIES COMPENSATED FOR  
FREEZES BY HIRING OTHER TYPES OF  
EMPLOYEES

The hiring limitations imposed by President Carter's administration applied only to full-time permanent employees. As previously discussed, some of the increase in total Federal employment resulted from agencies compensating for the loss of full-time permanent employees by using other than full-time permanent employees. OPM was unable to estimate how much of the increase was caused by agencies' attempts to alleviate the effects of the freeze.

Although OMB guidelines cautioned agencies not to use part-time and/or temporary employees to evade the limitations, OMB did not systematically enforce this provision. An October 24, 1978, memorandum from the OMB Director to the President stated that part-time, temporary, and intermittent employees were excluded from the October 1978 hiring limitation to allow agency heads some flexibility to meet temporary peak workloads and to avoid negating the administration's efforts to find more opportunities for part-time employment. Moreover, during the Carter administration, OMB consistently increased ceilings for other than full-time permanent employees.

An official of the Department of Agriculture's Agricultural Stabilization and Conservation Service, Kansas City Commodity Office, told us that the office hired full-time temporary employees to compensate for the loss of full-time permanent employees during the March 1980 hiring limitation. The official also said that four to eight temporary employees were on board to do work formerly done by full-time permanent employees.

In a report to OPM, the Department of Health and Human Services said it believed that the March 1980 hiring limitation was the major reason for increases in part-time employment. From April through September 1980, the Department increased part-time permanent employment--which was excluded from the freeze--by 742, or nearly 10 percent of its part-time permanent work force.

During the same hiring freeze, the Agriculture Department's Farmers Home Administration also used other than full time permanent employees to perform clerical duties formerly performed by full-time permanent employees. Other than full-time permanent employees in the Farmers Home Administration averaged 3,094 during the freeze--47 percent more than the same period a year earlier. According to a Farmers Home Administration official, use of other than full-time permanent employees increased because of increased workload associated with emergency loan programs and because of the hiring freeze. However, the effect of the hiring freeze could not be separated from the effect of increased workload.

SOME AGENCIES COMPENSATED FOR FREEZES  
BY USING CONTRACTORS OR OVERTIME

A Congressional Research Service study 1/ recognized the incentive for agencies to use contracting as a principal means of coping with hiring limitations and concluded that this practice may be pervasive in executive branch agencies. More recently, we reviewed 2/ the Department of Energy's use of support service contractors to perform basic management functions.

Many of the support service contracts reviewed appeared to provide staff extensions to program offices. In most cases, the contractor was performing work which the Department did not have the in-house resources to perform. Agency officials frequently stated that the contractor's work satisfied a program need which was expected to continue for at least one year, and could be performed by in-house personnel (i.e., no special expertise was required) but that personnel ceilings and hiring freezes prevented the hiring of needed staff.

We also found that managers used overtime to compensate for some of the hiring freezes. Such factors as the March 1980 hiring freeze and increased workload, caused by the Soviet grain embargo and commodity price support programs, contributed to increased overtime in the Agriculture Department. The Agricultural Stabilization and Conservation Service, Kansas City Commodity Office, spent \$298,761 on overtime from March through September 1980--more than a 300-percent increase over the same period in 1979. An official estimated that \$50,000 of the overtime was attributable to the hiring freeze.

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1/"The Relationship Between Federal Personnel Ceilings and Contracting Out: Policy Background and Current Issues" (Aug. 5, 1980).

2/"The Department of Energy's Use of Support Service Contractors to Perform Basic Management Functions" (EMD-81-144, Sept. 14, 1981).

Agriculture's Farmers Home Administration, St. Louis Finance Office, increased overtime between March and July 1980 to help compensate for the loss of more than 50 full-time permanent employees during the March 1980 hiring freeze. Agriculture estimated that the cost of the increased overtime use was about \$15,000 and stated that the increase was directly attributable to the freeze.

We also found examples where the Veterans' Administration (VA) used overtime to maintain operations during the March 1980 and January 1981 hiring limitations. VA could not identify what portion of the overtime used was attributable to the hiring limitations.

VA medical centers in New Jersey, Wisconsin, and Indiana were unable to fill police officer, telephone operator, and boiler plant operator vacancies during the January 1981 hiring freeze. VA officials said that overtime was being used to maintain operations in place of filling the vacancies. Apparently, some of these positions would be exempt under standard freeze exemptions because they involve human safety. However, on February 13, 1981, OMB stated that a blanket hiring exemption could not be applied to VA administrative support positions and that exemption requests would be considered on a hospital-by-hospital basis.

#### SOME AGENCIES HIRED MORE EMPLOYEES THAN ALLOWED

Even though the third Carter freeze limited agencies to filling only 50 percent of their vacancies, officials in two agencies acknowledged that they had violated the limitation and hired additional employees. From September through December 1980--the last months of the Carter hiring freeze--total full-time employment in permanent positions increased by about 15,000. OMB officials acknowledged that some of the increase occurred because several agencies violated guidelines in the latter months of the freeze.

#### REAGAN FREEZE UNNECESSARY TO REDUCE EMPLOYMENT

During President Reagan's hiring freeze, full-time employment in permanent positions decreased 2,358, or 0.1 percent. Other employment subject to personnel ceilings decreased 4,613, or 1.6 percent. 1/ While the stated intent of the freeze was to

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1/These statistics were derived from OPM data as of January 31, 1981, and March 31, 1981. The hiring freeze lasted from January 20, 1981, until allowance letters were mailed to agencies in mid-March. Data is not available for the precise freeze period.

quickly reduce the number of Federal employees, it was too short (about 7 weeks) to have a major effect on Federal employment.

Even if a freeze had not been imposed, an employment reduction would have occurred anyway because of fiscal year 1981 personnel ceiling reductions announced in March 1981. According to OPM data, total Federal employment decreased by 43,454 between January and September 1981.

The Chief of OMB's Resources System Branch stated the Reagan freeze was implemented, in part, to minimize the number of reductions-in-force which subsequently resulted from reduced personnel ceilings. However, they could not demonstrate the extent to which reductions-in-force were avoided because of the hiring freeze.

#### OMB EXERTED LITTLE CONTROL OVER HIRING FREEZES

OMB was responsible for administering each of the hiring freezes we examined, including granting exemptions from the hiring restrictions. We found that OMB

- did not determine whether or not the hiring freezes resulted in a net savings,
- did not identify the costs associated with the retroactive provision of President Reagan's freeze,
- received limited information from agencies about hiring freeze effects on employment,
- relied largely on agencies to comply with freeze guidelines, and
- allowed some exemptions from hiring restrictions based on arbitrary employment reduction goals.

#### OMB did not determine cost savings of freezes

OMB did not attempt to identify either gross savings in salaries and benefits or offsetting costs, such as hiring other than full-time permanent employees or using contractors or overtime. Thus, it is unknown whether or not the hiring freezes actually reduced Federal spending. Additionally, OMB has not determined the cost associated with the retroactive provision of the Reagan hiring freeze.

OMB was largely unaware  
of hiring freeze effects

OMB budget examiners for individual agencies were not responsible for specific freeze monitoring activities. They received preliminary employment statistics from OPM 4 to 6 weeks after the monthly employment changes occurred. Revised statistics arrived 8 to 10 weeks after the end of the reporting period. These statistics were sent to the budget examiners to do with as they believed appropriate. Furthermore, the data was inadequate for the budget examiners to determine whether agencies complied with the Carter freezes because they only showed accessions and separations for total Federal employment. The statistics did not show separate data for full-time permanent employees.

The budget examiners were not responsible for specific monitoring activities during hiring freezes. OMB officials who administered the freeze did not know what monitoring activities were being carried out by budget examiners.

OMB relied on agencies to comply  
with hiring freeze guidelines

OMB's approach in all four freezes was to rely on agencies' good faith to abide by freeze provisions. OMB officials said it was not their role to enforce freeze guidelines.

As noted previously, we found instances where agencies compensated for the hiring freezes by hiring personnel not subject to the freeze, using contractors and overtime, and in some cases, hiring more employees than they were allowed. These were all violations of the basic intent of the freezes. OMB officials do not know to what extent these actions occurred.

Some OMB exemption decisions  
were based on arbitrary employment  
reduction goals

While OMB records concerning exemption decisions were not complete, we found that OMB made some exemption decisions on the basis of arbitrary employment reduction goals, rather than on systematic, consistent assessments of need. For example, the Secretary of Health, Education, and Welfare (now Health and Human Services) asked OMB for an exemption from the March 1977 hiring freeze to fill 75 percent of certain vacancies which existed before the effective date of the freeze (February 28, 1977), as well as filling vacancies as allowed by the freeze. The Secretary would have applied the 3 out of 4 rule to about 1,400 vacancies existing before the freeze in

- activities which pertained directly to the health of beneficiaries, e.g., the patient care activities of the Public Health Service;
- positions related to the management and operation of programs designed to prevent, detect, and prosecute fraud and abuse;
- programs where the Department was under court or congressional mandate to process workloads, for example, civil rights and litigation positions in the Office of the General Counsel; and
- positions related to activities of presidential priority, such as of welfare reform development, health cost containment, and health insurance proposals.

In a letter to the Secretary, the OMB Director denied the request stating only that the exemption "\* \* \* would jeopardize reaching the President's goals within his time frame."

In another case, OPM requested a blanket executive branch exemption from the March 1980 hiring limitation for

- Veterans' Readjustment Appointments for Vietnam-era veterans,
- appointment of severely physically handicapped and mentally retarded persons,
- appointment of 30 percent or more disabled veterans, and
- the temporary assignment pool for senior executives.

OMB denied the exemption request. Regarding the first three programs, the OMB Director stated, in part, that while he shared OPM's concern for veterans, the handicapped, and mentally retarded persons, granting a blanket exemption would "\* \* \* severely hamper our efforts to achieve the President's target of 20,000 fewer employees by the end of this fiscal year \* \* \*."

In another case, OMB granted an exemption from the third Carter hiring freeze to a Department of the Treasury program whose employment costs, according to the Treasury, were financed by a foreign government, thus having no effect on the U.S. budget. Conversely, as discussed on page 20 of this report, OMB made no attempt to exclude other agencies whose personnel costs were not financed by appropriated funds.

In other cases, OMB granted hiring freeze exemptions while requiring the agencies to make reductions in agencies' end-of-year personnel ceilings in order to insure employment decreases.

OPM ISSUED INACCURATE AND INCOMPLETE  
INFORMATION ON EMPLOYMENT CHANGES

OPM issued inaccurate or incomplete information on employment changes during two of the Carter Administration hiring limitations. Stated reductions in full-time employment in permanent positions were exaggerated.

In January 1981, OPM released a summary of the effects of the three Carter freezes. The summary showed a reduction of 16,800 full-time employees in permanent positions during the first freeze. However, data provided by the Department of Defense shows that 7,099 of that reduction was caused by the annual summer furlough of overseas teachers in Defense's Office of Dependent Schools. (OPM deleted furloughed teachers from the reduction which occurred during the third Carter freeze.)

At the outset of the third hiring freeze, President Carter's goal was to reduce full-time permanent employment by 20,000 between February and October 1980. OPM publicly issued monthly freeze status reports covering the period from April through August 1980. It reported that full-time employment in permanent positions had been reduced by 23,775 as of August 31, 1980, reaching the President's goal 1 month early.

OPM stopped these status reports after issuing the report for August 1980. Had OPM issued a report for September, it would have shown that full-time employment in permanent positions had increased by 7,901 since August, missing the President's goal by 4,126.

Full-time employment in permanent positions continued to increase through December 1980. OMB officials stated that some of this increase occurred because some agencies hired more full-time permanent employees than they were allowed. OPM statistics show 1,873,773 full-time employees in permanent positions as of December 1980--only 8,874 less than when the freeze began 10 months earlier.

## CHAPTER 3

### HIRING FREEZES DISRUPT AGENCY OPERATIONS

Hiring freezes are directed primarily toward reducing employment levels. Program and mission requirements are considered only in the exemption process. Because across-the-board freezes applied to agencies regardless of their mission and workload, we found instances where the freezes

- caused decreased oversight;
- produced lost revenue, uncollected debts, and hidden costs;
- impeded agency missions and programs; and
- in one instance, violated law.

We found no evidence that the freezes affected affirmative employment or experimental personnel programs. We have issued reports 1/ advocating use of the budget process instead of arbitrary personnel constraints to control the size and cost of the Federal work force, including contractors. An agency can neither hire workers nor contract out unless it has the funds. We have also recommended OMB and OPM to take actions to improve agencies' methods for determining work force requirements. This would be a better means for managing the Federal work force than using arbitrary personnel constraints, such as hiring freezes. To date, our recommendations have not been carried out.

### HIRING FREEZES DECREASED OVERSIGHT OF FEDERAL PROGRAMS

Government-wide hiring freezes have helped reduce oversight of Federal programs and expenditures by making it more difficult for Inspector General offices to do their jobs. Inspectors General lead and coordinate efforts to (1) promote economy and efficiency in managing agency programs and operations, (2) prevent and detect fraud and abuse, and (3) keep the agency head and Congress fully informed of problems in program management and the necessity for and progress of corrective actions.

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1/"Personnel Ceilings--A Barrier to Effective Manpower Management" (FPCD-76-88, June 2, 1977).

"Federal Work Force Planning: Time For Renewed Emphasis" (FPCD-81-4, Dec. 30, 1980).

"Improving the Credibility and Management of the Federal Work Force Through Better Planning and Budgetary Controls" (FPCD-81-54, July 17, 1981).



We have previously reported <sup>1/</sup> that hiring freezes helped keep Inspector General offices from reaching authorized staffing levels. For example, as of September 30, 1980, the Environmental Protection Agency was authorized 107 auditors and had 87, the Small Business Administration was authorized 62 auditors and had 53, and the Department of Commerce was authorized 89 auditors and had 81.

Further evidence shows that hiring freezes make it difficult for Inspector General offices to carry out their responsibilities. The Community Services Administration Inspector General's September 1980 report to the Congress stated that, partly because of the hiring freeze then in effect, few resources were devoted to the systemic causes of problems, so that requirements for investigations and mandated audits could be met.

The third Carter hiring freeze held fiscal year 1980 staffing in the Department of Labor's Office of Inspector General to 80 percent of the authorized level. The Acting Inspector General reported to the Congress that the freeze restricted both audit and investigative activities. According to the Acting Inspector General, the Office of Loss Analysis and Prevention could not be adequately staffed. This Office was established to identify fundamental weaknesses in program operations, policies, and management which are conducive to waste, fraud, and abuse, and then to work with Department managers to overcome those weaknesses.

The Department of Transportation Inspector General's September 1980 report to the Congress identified the last Carter hiring limitation and travel fund limitations as the principal factors inhibiting full implementation of the Inspector General Act of 1978. Specifically,

- the scope of audit and investigative activities was reduced,
- the quality and timeliness of investigations suffered,
- reports were delayed, and
- professional staff performed clerical functions.

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<sup>1/</sup>"Examination of the Effectiveness of Statutory Offices of Inspector General" (AFMD-81-94, Aug. 21, 1981).

## HIRING FREEZES RESULTED IN LOST REVENUE AND UNCOLLECTED DEBTS

Executive branch departments and agencies which produce revenue or collect debts were subject to all four Government-wide hiring freezes. This worked to offset any possible savings produced by the freezes. The examples we found illustrate how arbitrary across-the-board hiring freezes can work against the objective of saving money.

### Millions in tax revenue not collected

An Internal Revenue Service estimate shows that both the third Carter hiring freeze and the Reagan freeze caused a loss of 445 revenue agent and tax auditor staff-years. On the basis of fiscal year 1981 revenue yields, the Service indicates that \$234 million in additional tax due the Government would have been identified. The Service indicated that about 95 percent (\$222 million) of this amount would have eventually been collected if the agents and auditors had been hired. This figure significantly exceeds the estimated salary and benefit savings of \$10.9 million.

The estimated loss represents the effect of hiring restrictions on the Service from October 1980 through March 1981, and is based on the difference between revised fiscal year 1981 personnel ceilings established by the Reagan Administration and the staff-years actually used. The Service told us that sufficient money was available to fund the 445 staff-years and that the staff-years would have been used had there been no hiring freezes. The estimate does not include revenue loss which may have occurred between March and September 1980 as a result of the third Carter freeze.

### Debt collection activities hampered

Understaffing in debt collection activities, which is a prevalent problem throughout the Government, has been compounded by hiring freezes. The Debt Collection Project, sponsored by the President's Management Improvement Council, concluded in January 1981 that most debt collection activities in the Federal Government lack the staff and other resources to adequately service and collect debts owed the Government. In some cases, the Project noted that the executive branch denied agency requests for additional collection resources, in part, because of efforts to reduce Federal employment levels.

Hiring freezes have exacerbated debt collection problems in the Farmers Home Administration, Small Business Administration,

and VA. Agency officials stated that hiring freezes and other factors, particularly economic conditions, contributed to substantial increases in loan delinquencies. However, they were unable to determine how much of the increase was attributable to the hiring freezes.

Loan delinquencies affected  
Farmers Home Administration

The March 1980 hiring limitation exacerbated longstanding internal control problems in the Department of Agriculture's Farmers Home Administration. According to agency officials, the March 1980 limitation aggravated existing staff shortages and further reduced the agency's ability to service loans.

Between February and September 1980, the Farmers Home Administration was authorized 8,364 full-time permanent positions and averaged 158 vacancies. Administration officials stated that other factors, such as increased loanmaking and depressed economic conditions, as well as the hiring limitation, contributed to a significant increase in loan delinquencies between March and December 1980. Officials said they could not determine how much of the increase was attributable to the hiring freeze.

Loan collections slowed at  
Small Business Administration

Officials from the Small Business Administration's Office of Portfolio Management told us that insufficient allocation of resources has contributed to loan servicing and collection problems. We were told that hiring freezes perpetuated and aggravated existing resource deficiencies.

According to Small Business Administration data, the Office lost 59 of 865 authorized full-time permanent employees in its field offices during the third Carter freeze from February through December 1980. Officials stated that this hiring freeze hit clerical staff the hardest, slowing loan servicing and collection actions and causing these actions to be undocumented. However, they were unable to determine the effect of the freeze on loan delinquencies and liquidations.

Debt collection activities delayed at VA

The VA's debt collection efforts were also hampered by hiring limitations. In December 1980, the Congress authorized funds to support approximately 300 positions for a new VA debt collection project. OMB reduced the number to 150 positions. According to VA, the freezes delayed hiring and slowed the initial debt collection. For example, the VA collected about \$44,000 in January 1981. As added staff came on board, the monthly collection total rose to \$110,000 in March and continued to rise thereafter.

HIRING FREEZES RESULTED  
IN HIDDEN COSTS

Arbitrary freezes can also increase the cost of Government operations by producing imbalances between clerical staff and professionals, impeding recruiting efforts, and wasting recruiting resources.

Hiring freezes caused  
inefficient staff utilization  
and clerical shortages

Several agency officials told us that hiring freezes had produced shortages of clerical personnel and imbalances between secretarial/clerical staff and professionals. The imbalances occur because attrition rates are usually higher among clerical staff and/or because managers hire a greater proportion of high-graded staff during partial hiring freezes. We have previously reported 1/ that staffing imbalances can result in

- higher costs for accomplishing work,
- backlogs in both clerical and professional duties,
- reduced quality of work, and
- reduced mission and program performance and decreased morale.

State Directors in the Department of Agriculture's Farmers Home Administration reported that numerous clerical shortages resulted from the March 1980 hiring limitation. For example, the Georgia State Director said that a shortage of about 40 clerical workers caused untimely processing of loans and applications and backlogs of filing, reports, and other administrative matters. Other State Directors reported clerical shortages which caused similar problems.

In one VA medical center, according to the Center Director, the loss of clerical positions during the second Carter freeze seriously affected the logistical support for direct patient care. More specifically, the loss of clerical positions resulted in

- clinical professional employees becoming involved in routine administrative functions;

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1/"Better Use Can Be Made of Federal Professional Staff"  
(FPCD-81-14, Dec. 31, 1980).

- delays in moving medical information, tests, and supplies;  
and
- increased waiting time for scheduling inpatient and out-patient needs.

As previously mentioned, the Department of Transportation Inspector General reported that the Carter Administration's last hiring freeze caused professional staff to perform clerical duties.

#### Hiring freezes damaged recruiting efforts

The retroactive provision of President Reagan's hiring freeze cost the Government money when it was not able to honor employment commitments. For example, the Internal Revenue Service does not have precise figures on costs-per-hire, but it estimates that recruiting costs could be as high as \$3,500 for each person hired. According to the Service, the retroactive provision of the Reagan hiring freeze prevented it from honoring 460 employment commitments to candidates. Many of these candidates were hired after the freeze was lifted, but recruiting officials believe at least one-third of the candidates were never hired, resulting in a financial loss to the Government.

One agency official we talked to also believed that the integrity of his recruiting efforts was upset by the retroactive provision. Other agency officials believe that any hiring freeze makes it difficult to recruit. Officials in the Farmers Home Administration and the Nuclear Regulatory Commission, for example, said it was difficult to hold candidates' interest without having vacancies to offer or without at least knowing when a hiring freeze would be lifted.

#### HIRING FREEZES HINDERED AGENCY MISSIONS AND PROGRAMS

We found that the last Carter hiring freeze and the Reagan freeze disrupted agency programs and operations at the Department of the Interior, National Credit Union Administration, and Nuclear Regulatory Commission.

#### Monitoring of Alaskan pipeline hampered

The Interior Department's Bureau of Land Management, Office of Special Projects insures that the owners of the Trans-Alaska Oil Pipeline System comply with the agreement that gives them right-of-way across Federal land. During the March 1980 freeze, four vacancies in the Special Projects Office could not be filled; two of the most important vacancies were for pipeline and soils engineers.

In a previous report 1/ we found that, largely because of the two vacancies, the Office had not

--reached agreement with the pipeline operator on an acceptable approach to detect pipeline settlement and thus provide an early warning leak prevention system,

--reached agreement with the operator on what constitutes optimal usage of the device to monitor corrosion inside the pipeline, or

--determined the effectiveness and reliability of the earthquake monitoring system.

We reported that the ability to monitor these facets of Aleyeska's operation was hampered by key staff vacancies, notably those of pipeline and soils engineers. Since the Office's costs for monitoring Aleyeska's activities are charged to Aleyeska, the Government saved no money from imposing the hiring restriction which prevented filling the Office of Special Project's positions.

Scope of credit union  
examinations reduced

The National Credit Union Administration lost about 53 full-time permanent staff years (7 percent of its authorized strength) as a result of the two most recent hiring limitations. The National Credit Union Administration charters, insures, supervises, and examines Federal credit unions. It reduced the scope of examinations, attempting to cover more problem credit unions with fewer staff. Still, according to the agency, the freezes hindered it from adequately performing its mission at a time when some credit unions' financial condition was deteriorating.

The National Credit Union Administration receives no appropriated funds for personnel because its expenses are financed through assessments to the credit unions. Applying hiring freezes to this agency and similar agencies that do not receive appropriated funds for personnel does not result in a Federal budget savings. OMB freeze guidelines do not exclude these types of agencies from hiring freezes.

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1/"Trans-Alaska Oil Pipeline Operations: More Federal Monitoring Needed" (EMD-81-11, Jan. 6, 1981).

Some programs affected at  
Nuclear Regulatory Commission

The Nuclear Regulatory Commission lost about 52 full-time permanent staff-years (one and seven tenths percent of its authorized strength) as a result of the March 1980 freeze. In June 1980, OMB granted the Commission a partial exception from the freeze which mitigated the impact on the agency's accomplishment of its mission. The Commission also shifted hiring authority to high priority programs, but this caused delays in lower priority areas. The Office of Nuclear Materials Safety and Safeguards delayed issuing regulations and other guidelines for nuclear materials licensees for several months, to support its highest priority--managing high level radioactive wastes.

JANUARY 1981 FREEZE  
VIOLATED PUBLIC LAW

The Reagan hiring freeze violated the Veterans' Health Programs Extension and Improvement Act of 1979 (Public Law 96-151). The act requires the OMB Director to make available to VA the funds appropriated by the Congress for personnel and to authorize VA to employ at least the number of employees for which funds were appropriated in three specified accounts.

Contrary to this mandate, the January 1981 freeze did not exempt all personnel in those three VA health care accounts--medical care, medical and prosthetic research, and medical administration and miscellaneous operating expenses. Hiring all employees under these accounts was delayed for 24 days, until February 13, 1981, when OMB exempted certain categories of personnel under the medical care account.

OMB freeze guidelines specifically provided exemptions where necessary "to assure that \* \* \* applicable provisions of law are carried out \* \* \*." Despite this fact, OMB denied a blanket exemption for administrative and other positions funded under the three specified accounts.

In February 1981, we reported 1/ that the freeze could not be legally applied to these accounts. We also reported that the funds needed to fill these positions could not be deferred or otherwise withheld during fiscal year 1981. Nevertheless, OMB later proposed deferring a total of \$31.6 million (1,368 staff-years) for the three accounts. The largest portion of the proposed deferral, \$29.4 million (1,280 staff-years), was in the medical care account. The Supplemental Appropriation

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1/Letter to Senator Alan K. Simpson, Chairman, Committee on Veterans' Affairs, United States Senate, B-198103, February 19, 1981.

and Recission Act of 1981 (Public Law 97-12) restored \$5.8 million (408 staff-years) to the three accounts--\$3.6 million (320 staff-years) for medical care--for the last quarter of the fiscal year.

NO EVIDENCE THAT FREEZES ADVERSELY  
AFFECTED AFFIRMATIVE EMPLOYMENT  
OR EXPERIMENTAL PERSONNEL PROGRAMS

We also attempted to determine whether the across-the-board hiring limitations adversely affected affirmative employment and experimental personnel programs, such as the Part-Time Direct Hire Project. We did not identify instances where affirmative employment programs were unfairly affected, or where OPM personnel programs were adversely affected by the hiring freezes.

Female and minority representation  
increased during hiring freezes

Total Federal statistics provided by OPM show that during the four hiring freezes, the percentage of minorities and women in the work force continued to increase and the percentage of white males decreased. OMB, OPM, and Equal Employment Opportunity Commission officials could not show why improvement in representation generally continued during the four hiring freezes. However, during the last Carter freeze, a joint letter dated May 10, 1980, from the heads of OMB, OPM, and the Equal Employment Opportunity Commission, directed agencies to convert their numerical affirmative hiring goals to percentages and to continue emphasizing affirmative action programs. This could help explain why, while fewer people were hired during the third Carter freeze, the percentages of women and minorities in the work force increased.

While some agency officials stated that the freezes affected their ability to meet affirmative action goals, they were unable to show that freezes unfairly affected women and minorities. They noted other factors which may have also affected achieving these goals, such as high attrition rates in the positions occupied by minorities and a lack of minority candidates in technical fields.

Personnel programs not affected

We reviewed the effect of hiring freezes on the Part-Time Direct Hire Project and found no evidence that Government-wide hiring limitations have adversely affected this program. OPM sponsors the project to fulfill a provision of the Federal Employee's Part-Time Career Employment Act of 1978 (Public Law 95-437). The law, in part, charged the Civil Service Commission (now OPM) with conducting a research and demonstration program



to determine how much part-time career employment may be used in filling positions which have not traditionally been open for such employment.

Through the part-time project, agencies are given direct hire authority to fill certain positions. However, few agencies have used this authority. As of September 1981, only 41 hires had been made through the program. OPM program managers agreed this number was disappointing and cited bureaucratic inertia in the agencies as a major reason for poor program performance.

We also contacted OPM officials concerning 11 other personnel programs. These programs are listed in appendix II. In every case, officials stated that hiring freezes had not adversely affected the programs.

BUDGET/WORK FORCE PLANNING:  
A BETTER ALTERNATIVE

Government-wide hiring freezes are not based on sound analyses of workload and work force requirements. These arbitrary controls are part of a fragmented approach for controlling work force costs through personnel ceilings, limitations on consultants, and travel restrictions.

We have previously reported that using funding or program limitations to control the size and cost of the total Federal work force would eliminate the need for using arbitrary employment controls, since agencies can neither hire nor contract out unless they have the funds. We have also recommended that OMB and OPM take actions to improve agencies' methods for determining work force requirements. However, our recommendations have not been carried out.

Our report 1/ to the Chairwoman, Subcommittee on Human Resources, House Committee on Post Office and Civil Service, summarized previous reports on using the budget to control Federal work force costs and the need for improved work force planning. The report pointed out that personnel decisions and justifications made without credible work force planning data encourage the use of arbitrary employment controls, such as hiring freezes. At the same time, hiring freezes reduce the incentive for managers to improve work force planning capabilities. As a result, rational control over employment is lost.

The report also noted that arbitrary personnel constraints obscure the reality that the Government incurs the cost of all

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1/"Improving the Credibility and Management of the Federal Work Force Through Better Planning and Budgetary Controls."

staffing resources devoted to Federal programs. Many of the people that perform the Government's work are contract or indirect employees whose costs are not controlled by arbitrary personnel constraints on the Federal work force.

Our report concluded that:

"\* \* \* a clearer picture of Federal agencies total work force costs could be provided to the Congress through the budget process by revising the present object classes to show a more detailed breakout of indirect work force costs. This improved visibility would give the Congress a better means to evaluate past performance, assess current mix decisions (in-house or contract), and establish dollar limitations on total work force costs, rather than the piecemeal approach used now \* \* \* [such as] hiring freezes \* \* \*."

## CHAPTER 4

### CONCLUSIONS

#### CONCLUSIONS

Government-wide hiring freezes, regardless of how well they are managed, are not an effective means of controlling Federal employment. While the Government-wide hiring freezes we reviewed provided an illusion of control on Federal employment and spending, they had little effect on Federal employment levels and it is not known whether they saved money. Because they ignored individual agencies' missions, workload, and staffing requirements, these freezes disrupted agency operations, and in some cases, increased costs to the Government.

Since these hiring freezes disregarded agency workload requirements and did not cover all personnel resources used by the Government, they created an incentive for managers to use alternative sources of labor. Any potential savings produced by these freezes would be partially or completely offset by increasing overtime, contracting with private firms, or using other than full-time permanent employees. Decreased debt and revenue collection also occurred as a result of hiring freezes.

Government-wide hiring freezes bear no relationship to the workload that agencies are responsible for carrying out. We recognize, however, that there may be unique circumstances, such as budget reductions, which may be beyond an individual agency's control. Under such circumstances, individual agency managers determine whether or not it is prudent to slow or stop hiring.

We believe employment reductions should be targeted where they can best be absorbed. Improved work force planning and use of the budget as a control on employment, rather than arbitrary across-the-board hiring freezes, is a more effective way to insure that the level of personnel resources is consistent with program requirements.

OMB and OPM have yet to demonstrate commitment to improved work force planning. Unless they provide leadership and use work force planning data in reaching staffing decisions, agencies will have little incentive to improve their planning capabilities.

DETAILED PROVISIONS OF HIRINGFREEZES EXAMINED BY GAOCARTER ADMINISTRATION

The Carter Administration's hiring freezes limited the number of appointments to full-time permanent positions. The first hiring freeze allowed agencies to replace 75 percent of their losses from these positions. The second two freezes allowed them to fill 50 percent of their losses. Other employment categories were not restricted.

OMB guidelines stated that contracting with firms and institutions outside the Government should not be used to evade the hiring limitations. The first hiring freeze prohibited hiring part-time and temporary employees as a substitute for full-time permanent employees. The second two freezes narrowed this prohibition to temporary employees only.

OMB guidelines provided the following standard exemptions from the three Carter administration hiring freezes:

- Hiring necessitated by emergency situations involving the safety of human life and protection of property, at the discretion of the agency head. 1/
- Filling positions under programs exempt from OMB personnel ceilings.
- Filling positions required by law. 2/
- Hiring in accordance with firm written commitments made by agency personnel officers, before the effective date of the limitation. 3/
- Hiring by the U.S. Postal Service.
- Reassigning of personnel within an agency.

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1/The second two freezes added standard exemptions for situations where staffing was essential for maintaining operations directly protecting human safety.

2/This exemption was not provided for the last two hiring freezes.

3/The third hiring freeze was made retroactive to February 29, 1980. Commitments made after that date were to be honored and balanced by two losses after that date.

- Appointing personnel to executive level positions.
- Filling positions of a confidential or policymaking character. 1/
- Shifting employees from one agency to another because of a transfer of functions resulting from presidential reorganization action.
- Hiring employees who receive no compensation (if otherwise permitted in law). 2/

The OMB Director could grant additional exemptions on a case-by-case basis.

#### REAGAN ADMINISTRATION

The Reagan administration's hiring freeze prevented agencies from hiring all types of direct Federal employees. Several standard exemptions from the freeze were provided:

- Hiring necessitated by emergency situations directly involving the safety of human life or the protection of property. 3/
- Filling positions under programs exempt from OMB employment ceilings.
- Hiring in accordance with firm written commitments made on or before November 5, 1980, by agency personnel officers.
- Hiring by the U.S. Postal Service.
- Reassigning personnel within an agency.
- Appointing individuals to executive level positions and filling noncareer positions in the Senior Executive Service.
- Appointing individuals to Schedule C positions. In filling these positions, the number of such appointments could not exceed the number of Schedule C positions existing in each agency as of November 5, 1980.

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1/The last two freezes allowed hiring for executive level positions, but not for positions of a confidential nature.

2/This exemption was deleted from the last two hiring freezes.

3/Such hiring was subject to OMB approval.

- Shifting employees from one agency to another because of a transfer of functions resulting from presidential reorganization or legislative action.
- Hiring by executive branch agencies whose onboard total employment as of December 31, 1980, was less than 100. Hiring could not exceed the number of vacancies that occurred after December 31, 1980.
- Hiring temporary employees consistent with past seasonal hiring patterns, provided that the agency informed OMB in writing in advance of its hiring plans. Such hiring could not be used as means to circumvent the freeze.
- Hiring a limited number of noncareer personnel for up to 120 days to help ease the transition to a new administration.
- Hiring for positions in the Executive Office necessary for the orderly transition and operation of the new administration.

The OMB Director could grant additional exemptions on a case-by-case basis. Agencies were not to use contracting to alleviate or circumvent the effects of the hiring freeze.

OPM PERSONNEL PROGRAMS SURVEYED BY GAO

- Effect of Job Groupings on Selection Procedure Validity.
- Development of Benchmarks for Rating Unpaid Experience in Unassembled Examining.
- Applicant Self-Reports in Personnel Selection.
- Development and Adaptation of Manual for Unassembled Examining for Entry - Level Selection.
- Evaluation of Claims Representative Examination.
- Alternative Examination Procedures for the Department of Navy.
- Executive and Managerial Competitiveness: The Federal Manager's Job and Role Survey.
- Development and Validation of Supervisory Problems Test.
- Methodologies for Selection of the Handicapped.
- An Integrated Approach to Pay, Performance Appraisal, and Position Classification for More Effective Operation of Government Organizations (Title VI Navy Demonstration Project.)
- Turnover Analysis in OPM.

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