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After a comprehensive analysis in the Office of the Secretary of Defense (OSD) to determine ways for improving management and reducing manpower, the Secretary of Defense directed a 21.7% reduction, 448 positions, in OSD headquarters activities and a 22.4% reduction, 344 positions, in OSD field activities. The Secretary also instructed the military services to implement similar 20% to 25% staff reductions in their departmental headquarters. Findings/Conclusions: Headquarters staff reductions were being achieved primarily through transfers of functions, positions, and people to other organizations. Although OSD, the Army, and the Navy had reduced the number of positions by about 2,900, only 62 employees had been removed from the Department of Defense's (DOD's) payroll through retirement, resignation, and involuntary separation. In planning the reductions, emphasis was placed on consolidating related functions, eliminating unnecessary or marginal functions, and transferring to lower levels of authority those which were primarily operational. Departmental headquarters staffs were to limit their functions to policy development, resource management, and program evaluation. The DOD apparently has not fully considered the impact of the current staff on the operations of the agency, and some officials feel that DOD components have been adversely affected in their ability to carry out their responsibilities. The reduction's impact on long-term operations cannot be determined at this time. (RRS)

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STUDY BY THE STAFF OF THE U.S.

# General Accounting Office

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## Defense Headquarters Staff Reductions—An Overview

In May 1977 the Secretary of Defense directed Defense and the military services to reduce their staffs 20 to 25 percent.

Most of the reductions were achieved by transferring functions, positions, and personnel to nonheadquarters activities. Few employees were actually removed from the payroll.



FPCD-78-72  
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## PREFACE

The size of the Federal work force is a matter of continuing concern to the President, the Congress, and the public. Considerable publicity was given to the Secretary of Defense's announcement that he had directed staff reductions of 20 to 25 percent for headquarters of the Office of the Secretary of Defense and the military services.

This is a chronicle of the plans made and actions taken to achieve the staff reduction.

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## SUMMARY

In May 1977 the Secretary of Defense initiated a comprehensive analysis in the Office of the Secretary of Defense (OSD) to determine ways for improving management and reducing manpower by 20 to 25 percent. In July 1977 the Secretary directed a 21.7-percent reduction, 448 positions, in OSD headquarters activities and a 22.4-percent reduction, 344 positions, in OSD field activities.

To achieve the reductions by February 1, 1978, the Secretary directed OSD officials:

"\* \* \* to take all actions necessary, including as appropriate, control by attrition, early retirements, and reductions in force, to arrive at the planned ceiling levels."

In March 1978 hearings on Department of Defense appropriations for fiscal year 1979, the Principal Deputy Assistant Secretary of Defense (Comptroller) said that the Secretary had:

"\* \* \* indicated that emphasis was to be placed on functional transfers but that he also expected absolute reductions of personnel to occur."

The Secretary instructed the military services to implement similar 20 to 25 percent staff reductions in their departmental headquarters.

In planning the reductions, top departmental headquarters staffs were to limit their functions to policy development, resource management, and program evaluation. The Secretary said these changes would ultimately make possible large savings for the taxpayer through improved use of the Nation's defense resources.

Actions completed at the time of our review showed that the headquarters staff reductions were being achieved mainly by transferring functions, positions, and people to other organizations. Although OSD, Army, and Navy had reduced the number of positions by about 2,900, only 62 employees had been removed from DOD's payroll through retirement, resignation, and involuntary separation. The Air Force had not carried out its plans.

Although the plans prepared by Defense and the services for this reduction were comprehensive in scope and content, they did not identify the economies to be achieved by the

proposed actions. GAO could not determine whether these transfers had any adverse impact, primarily because few functional changes or physical relocations were involved. Most transferred functions, positions, and personnel remained in the National Capital Region.

Various functions of the components reviewed were reorganized and realigned but not necessarily because of the reduction effort. In some cases, however, the reduction announcement may have accelerated the changes. Changes in workload and mission in several components were made mainly to adapt to the changing environment rather than to facilitate the reduction.

Defense officials were concerned about what influence the loss of functions and people would have on the effectiveness of their operations. Others noticed no apparent disruption. The reduction's impact on long-term operations cannot be determined at this time.

Since the reductions have been made, most Defense components studied have requested more personnel to carry out new functions which have been added.

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## ABBREVIATIONS

DASD	Deputy Assistant Secretary of Defense
DFA	Directorate of Finance and Accounting
DOD	Department of Defense
FOA	field operating agency
GAO	General Accounting Office
ISA	International Security Affairs
NMCS	National Military Command Structure
OPNAV	Naval Operations
OSD	Office of the Secretary of Defense
PBD	Program Budget Decision
SSA	staff support agency
WHS	Washington Headquarters Services

## CHAPTER 1

### INTRODUCTION

A May 27, 1977, Department of Defense (DOD) news release announced that:

"Secretary of Defense Harold Brown has initiated a comprehensive analysis in the Office of the Secretary of Defense [OSD], to improve management and seek manpower reductions of 20 to 25 percent.

"The analysis of organization and staffing levels will include a review of assigned functions and responsibilities, with the aim of reducing the number of assigned military and civilian personnel. OSD officials were told to consider the following:

- Organizational alternatives to accomplish assigned tasks and responsibilities as effectively as possible.
- Elimination of functions which contribute only marginally to the Defense mission.
- Consolidation of related functions.
- Transfer of functions out of OSD.
- Reductions in the number of people assigned to functions that are retained.

"Officials are to analyze functions and determine the optimum organization and number of people required, and to submit plans to that effect by mid-June for review by the Secretary of Defense."

A July 18, 1977, DOD news release provided more information on the announced reduction:

"As part of an effort to promote economy and efficiency, the Secretary of Defense has directed a reduction in the manpower strength authorized for staff activities of the Office of the Secretary of Defense. The total reduction will be 448 positions, bringing those activities to a level of 1,617 from the present 2,065.



"Field activities of the Office of the Secretary of Defense \* \* \* are to be reduced 344 positions to 1,195 from the present 1,539.

"These are reductions of 21.7 percent in the Office of the Secretary of Defense staff activities and 22.4 percent in OSD field activities, and are to be reached by February 1, 1978.

"Secretary of Defense Harold Brown on May 27, 1977, initiated an analysis of staffing levels in the Office of the Secretary of Defense to improve management and seek manpower reductions. He directed OSD officials to take all actions necessary, including as appropriate, control by attrition, early retirements, and reductions in force, to arrive at the planned ceiling levels.

"Secretary Brown said reductions should be balanced between civilian and military positions as appropriate to the functions of the various offices.

"Authority is being requested from the Civil Service Commission to permit early retirement of certain personnel."

The Secretary also instructed the military services to implement similar 20 to 25 percent staff reductions in their departmental headquarters activities. No activities below departmental level were included in this program to reduce headquarters staff. The decision to reduce staff involved both military and civilian personnel. It originated with the President as part of an effort to promote economy and efficiency.

#### DEFENSE REORGANIZATION STUDY

In September 1977 the President requested the Secretary of Defense to initiate an organization review. The purpose was "to produce an unconstrained examination of alternative organizations, management and decision processes within the Department of Defense." This request complemented reorganization efforts already in progress within DOD. The study, not yet completed, focused on three major areas of inquiry:

--DOD headquarters structure--the roles, functions, and responsibilities of OSD, the service secretariats, and service staffs.

--DOD organization for resource management--DOD resource management systems and support activities.

--The National Military Command Structure (NMCS)--the ability of NMCS to respond to the National Command Authorities, and a review of the appropriate roles of the Secretary of Defense, Joint Chiefs of Staff, and united and component commanders in NMCS.

This study's major objective is to improve the efficiency and responsiveness of DOD organization and management by:

--Strengthening management arrangements and identifying and eliminating unnecessary overlap, fragmentation, or operating redundancies in major DOD programs, functions, and responsibilities.

--Improving the effectiveness of the structures, methods, and procedures used to direct and control the combat forces.

The Secretary does not know whether the study will lead to major reorganization or streamlining of current structures. The review of DOD's headquarters structure could result in further staff cuts or realignment of personnel throughout OSD and the military service headquarters.

#### SCOPE OF REVIEW

We obtained information on the headquarters organizations selected for position and personnel reductions; how the reductions were planned and made, including transfer of functions, positions, and personnel from headquarters to field organizations; and effects of the staff reductions on the organizations and personnel involved.

## CHAPTER 2

### ACTIONS TO REDUCE HEADQUARTERS STAFF

When the Secretary of Defense initiated action to reduce headquarters staff by 20 to 25 percent, he instructed officials to consider (1) organizational alternatives, (2) elimination, consolidation, and transfer of functions, and (3) reductions in the number of people in retained functions. He also directed officials to "take all actions necessary, including as appropriate, control by attrition, early retirements, and reductions in force, to arrive at the planned ceiling levels." (See pp. 1 and 2.)

Responding to a question asked by the Chairman, Subcommittee on Defense, Senate Committee on Appropriations, the Principal Assistant Secretary of Defense (Comptroller) said that the Secretary had "indicated that emphasis was to be placed on functional transfers but that he also expected absolute reductions of personnel to occur." (S. rept. on hearings on DOD appropriations, fiscal year 1979, pt. 3, p. 100.)

Actions completed at the time of our study showed that the headquarters staff reductions were being achieved primarily through transfers of functions, positions, and people to other organizations. Some civilian employees accepted early retirement, but few were separated involuntarily.

The Secretary of Defense must organize and manage DOD's resources and programs effectively, efficiently, and economically. To do this, he has made organizational and management reform a priority.

After examining DOD's organizational structure, the Secretary concluded that:

- OSD and the military department headquarters were too large and engaged in too many activities which could be performed effectively at lower levels.
- The Secretary's span of control was too broad for effective management. Furthermore, fragmentation of executive authority among independent offices within OSD, several with closely related functions and responsibilities, created the need for excessive and time-consuming coordination. Far too many decisions had to be made by the Secretary or Deputy Secretary. These conditions have hampered effective management.

Other areas requiring organizational restructuring were identified. Administrative actions and proposed legislation designed to remedy these problems have been initiated. According to the Secretary, by streamlining and strengthening managerial lines of authority at the top, the stage has been set for similar actions within the military departments and other DOD components.

### PLANNING THE REDUCTIONS

In planning the reductions, emphasis was placed on consolidating related functions, eliminating unnecessary or marginal functions, and transferring to lower levels of authority those which were primarily operational. Departmental headquarters staffs were to limit their functions to policy development, resource management, and program evaluation. The Secretary believes these changes will ultimately make possible significant savings for the taxpayer through improved use of the Nation's defense resources.

With the exception of Air Force plans which were not available for our review, the plans prepared to implement the reduction were comprehensive but did not identify the economies to be achieved by the proposed actions.

The Secretary instructed OSD and the services to use the number of personnel on board as of January 31, 1977, as the baseline figure for the reduction. He designated a February 1, 1978, completion date for OSD, and the service secretaries imposed target dates on their respective services--February 1, 1978, for the Army; September 30, 1978, for the Navy; and September 30, 1979, for the Air Force.

An earlier action significantly affected planning to meet the Secretary's announced objectives. Program Budget Decision (PBD) 324, initiated by OSD in January 1976, was considered in DOD's fiscal year 1977 budget. The objective of this decision was to reduce military and civilian personnel in OSD by 15 percent and in the services' departmental headquarters by 10 percent. The services were implementing this reduction, scheduled for completion October 1, 1977.

OSD had completed its PBD cuts by January 31, 1977. The military services had not. As a result, personnel whose positions had been eliminated before January 31, 1977, were included in the baseline figure used in the Secretary's announced reduction. OSD officials informed the services that they could consider those reductions not completed as of January 31, 1977, and count them as part of the current reduction.

## OSD plans

OSD officials were told to analyze functions and determine the optimum organization and corresponding staff requirements, and to submit plans to the Secretary by mid-June 1977 for his review. The plans were to balance the reductions between military and civilian positions. On July 1, 1977, after reviewing these plans, the Secretary of Defense established a personnel ceiling for each component to achieve by the target date.

## Army plans

The Secretary of the Army directed Army headquarters agencies to prepare plans for accomplishing the Secretary of Defense's announced reductions. The plans were to consider realignment, elimination, and transfer of functions. Army officials believed most of the reductions could be made by transferring functions to field activities. The Secretary of the Army reviewed and approved the plans.

## Navy and Marine Corps plans

Navy officials developed detailed plans which specified the positions to be consolidated, eliminated, or transferred. These plans evolved after officials had consulted various Navy activities, reviewed duties and functions, held briefings, and considered other factors such as redundancy and the professional-to-clerical ratio. The Deputy Under Secretary of Navy conducted briefings covering

- mission and major functions,
- organization charts,
- justification for proposed fiscal year 1977 manpower requests, and
- functional transfers.

## Air Force plans

On April 12, 1978, the Air Force announced plans to realign and reduce departmental headquarters staff and other Air Force activities in the National Capital Region. The proposed actions would achieve the reductions ordered by the Secretary of Defense, reducing Air Force headquarters by approximately 1,360, or 29.5 percent, against a January 31,

1977, actual strength of 4,610 persons. The specific actions planned and the approximate number of positions that may be affected are

- transfer 180 to Air Force major command management headquarters,
- transfer 700 to Air Force field activities,
- eliminate 220 authorized management headquarters positions, and
- realine 260 authorized positions to an administrative support group.

Air Force officials did not permit us to review the plans since the details were yet to be worked out.

#### ACTIONS TAKEN TO ACHIEVE THE REDUCTIONS

Actions completed at the time of our study showed that the headquarters staff reductions were being achieved primarily through transfer of functions, positions, and people to other organizations. Some civilian employees accepted early retirement, but few were separated involuntarily. Details are summarized below and shown in detail in the appendices.

#### OSD action

As of February 1, 1978, OSD had completed staff reductions amounting to 24.1 percent, although the actual count for some OSD components exceeded the ceiling set by the Secretary. The reduction included eliminating 255 positions through attrition and reduction in force, and transferring 420 positions to other offices. (See apps. II and III.) The military and civilian personnel mix remained relatively stable.

#### Washington Headquarters Services

On October 1, 1977, OSD established Washington Headquarters Services (WHS) to consolidate OSD administrative services and operating functions within certain DOD National Capital Region service and support activities. The Deputy Assistant Secretary of Defense (Administration) serves as the Director of WHS. According to his documentation, headquarters administrative support responsibilities had extended

beyond OSD and it was not correct nor beneficial to include the positions for these functions as part of OSD strength. The new organization will continue to support OSD, its field activities, and certain Defense agencies and joint activities which do not have internal administrative support capability.

In establishing WHS, OSD reduced its size by transferring 265 positions, 63.1 percent of OSD's total transfers. This made up the bulk of the 357 authorized WHS positions requested.

### Army actions

As of February 1, 1978, Army had largely completed its headquarters staff reductions, which amounted to 24.1 percent. This included eliminating 213 positions and transferring 1,081 positions to field operating activities. (See app. IV.) The ratio of military and civilian personnel remained relatively unchanged.

Most of the Army's reduction was achieved by converting 6 of its 10 staff support agencies (SSAs) to field operation agencies (FOAs). This accounted for 71 percent of its transfers and over 59 percent of its total reductions. Through functional analysis the Army found that SSAs had been giving most of their support to field activities. An Army regulation provides that an organization is considered a staff support activity when most of its efforts and resources provide support to a headquarters activity. The Army applied this criterion in its justifications for transferring the SSAs to FOAs.

Another action involved transfer of the Army's Directorate of Finance and Accounting (DFA), the principal headquarters staff office responsible for policy and procedural guidance in finance and accounting, from Washington to the Army Finance and Accounting Center, Fort Benjamin Harrison, Indiana. (See p. 12.) On November 27, 1977, the Army transferred this organization (85 positions--11 military and 74 civilian) to better coordinate accounting policy and operations personnel. The physical relocation of the employees affected was scheduled to be completed by July 1978. This transfer was included in the current reduction, and the activity is no longer considered part of headquarters.

Even though the transfer may have been necessary to alleviate problems in developing and implementing accounting systems, there are indications that the Army should

continue to report DFA personnel as part of headquarters strength. A 1977 Army manpower study that recommended transferring only 15 spaces described as being related to operational functions made no mention of transferring DFA itself. Also, a high-level Army official said that DFA would not have been transferred at this time had it not been for the Secretary of Defense's reduction mandate.

Less than half of the 213 Army positions eliminated were related to PBD 324 action.

### Navy and Marine Corps action

When we completed our study the Navy and Marine Corps were still processing their reductions. Although all the positions for elimination or transfer had been identified as of February 1, 1978, a significant number of military and civilian personnel remained on board. The reduction, counting those still on board, was 24 percent. Attrition and reduction in force eliminated 351 positions. Transfer of functions removed 552 positions. (See app. V.) The Navy's ratio of military and civilian personnel remained basically unchanged, but an imbalance existed between Marine Corps civilian and military cuts.

The Navy redesignated a headquarters activity as a lower level shore activity, changing its name and modifying its mission. Although it is considered a management headquarters support activity and still reports to the Chief of Naval Operations, it is no longer considered part of Naval Operations (OPNAV). Its redesignation as an OPNAV support activity accounted for 254 of the Navy's 552 transfers.

As of January 31, 1977, the actual staff count included 135 Navy secretariat and staff members (84 military and 51 civilian) whose positions were being eliminated under PBD 324. However, they were considered part of the Secretary's announced reduction.

All 134 Marine Corps positions (125 military and 9 civilian) counted as part of the Secretary's announced reduction were attributable to PBD 324 and were eliminated in October 1976. Military positions were vacated through normal attrition. Civilian incumbents are being retained in present positions as long as funding and placement considerations permit.



### Air Force action

Although the Air Force had done extensive planning, it had taken little action at the time of our study. On April 12, 1978, the Secretary of Defense approved the Air Force proposal which included realignment of organizations outside the headquarters.

Air Force officials believe most personnel reductions will be achieved through attrition, transfer, and early retirement, but some involuntary civilian reductions may be required. However, the number of civilian personnel who may be involuntarily separated, if any, is not yet known.

### CHAPTER 3

#### EFFECTS OF STAFF REDUCTIONS ON

##### PERSONNEL AND OPERATIONS

Reducing OSD and service headquarters staffs and reorganizing the headquarters affected many persons in different ways. Because functions were transferred and organizations were realigned, operations were affected. Actual or perceived effects on OSD and the services (except the Air Force), noted at the time of our study, are summarized below.

##### EFFECTS ON PERSONNEL

OSD and the services attempted to minimize negative effects on personnel. Some persons remained with their functions in different organizations or were assisted in finding other jobs; some were offered early retirement; only a few were separated involuntarily.

The table below shows the number of people removed from DOD's payroll as a result of the reduction. Others may have separated through normal attrition.

	<u>OSD</u>	<u>Army</u>	<u>Navy</u>
Retirements:			
Optional	6	4	11
Early out	15	-	-
Resignations	9	-	2
Involuntary separations	<u>14</u>	-	<u>1</u>
Total	<u>44</u>	<u>4</u>	<u>14</u>

##### Transfers

Transferring functions from headquarters to other organizations accounted for approximately 71 percent of the reductions, not including the Air Force. The positions identified for transfer as of January 31, 1978, are shown below by component.

### Number of Positions Affected

<u>Component</u>	<u>Total reductions</u>	<u>Transfer of functions</u>	<u>Percentage of total reduction</u>
OSD and OSD field activities	711	420	59.1
Army	1,294	1,081	83.5
Navy	<u>903</u>	<u>552</u>	61.1
Total	<u>2,908</u>	<u>2,053</u>	70.6

The Army had the largest percentage of transfers. Most were achieved by redesignating staff support agencies as field operating agencies, about 71 percent of the transfers. We could not determine whether any adverse effects were associated with these transfers, primarily because few changes of functions or physical relocations were involved.

Most transferred functions, positions, and personnel remained in the National Capital Region. As of January 31, 1978, the largest transfer outside the region was the Army's transfer of its Directorate of Finance and Accounting to the Army Finance and Accounting Center at Fort Benjamin Harrison, Indiana. (See p. 8.) Eleven military and 74 civilian authorized positions were officially transferred on November 27, 1977, although on October 1, 1977, only 10 military and 64 civilian positions were occupied.

To minimize the adverse effect on people, the Army's planned completion date for the relocation of employees was set for July 1, 1978. This not only allowed the employees time to adjust but also provided the Army time to recruit employees to fill positions vacated by employees who did not accept the offer to transfer. As of mid-June 1978 only 6 of the 64 civilian employees had elected to transfer to Indiana. The Army was attempting to place the remaining employees in other jobs.

#### Optional early retirement

The Civil Service Commission authorized optional early retirement for OSD between September 9, 1977, through January 6, 1978, and for the Air Force between December 19, 1977, through March 6, 1978. The following table compares the number of eligible persons who elected to retire with the number OSD and Air Force estimated would retire.

	<u>Actual retirements</u>	<u>Expected retirements</u>
OSD	15	70
Air Force	60	75 to 80

The early retirements permitted DOD to retain younger persons who were being trained for more responsibility and who would be able to provide organizational continuity.

Army and Navy reductions were made without using early retirement authority. The Army had requested OSD permission to seek Civil Service Commission authority for early retirements, but OSD felt the Army had not shown the need and would not endorse its request. Army officials said this had no significant effect on their reductions because Army plans called for achieving most of the reduction by transferring functions and because the planning process was well underway when it learned of OSD's decision. The Navy did not seek early retirement authority because officials felt it was unneeded.

### Separations

Few involuntary separations occurred during the reduction. As of January 31, 1978, only 15 employees of OSD, Army, and Navy had been separated involuntarily as a result of the Secretary of Defense's reduction initiative. A Defense-wide hiring freeze prohibited hiring personnel from outside the agency unless eligible DOD employees were unavailable.

### Assistance provided to displaced employees

Several types of assistance are provided to displaced employees, including use of the Reemployment Priority List, the DOD Priority Placement Program, the Civil Service Commission's Separated Career Employee Program, and Federal/State/local private employment contacts. Our report, "Implementation and Impact Of Reductions In Civilian Employment, Fiscal Year 1972" (B-180257, July 2, 1974), contains information on these types of assistance. The numbers of individuals using these services are unavailable.

Overall military and civilian ratio  
remained relatively stable

In carrying out the reduction, managers within OSD and the military services were to devise plans to show the positions to be consolidated, transferred, or eliminated. Reductions were to be balanced between military and civilian positions, as appropriate to the functions of the various offices. Overall, this ratio remained relatively stable. However, variations did occur within individual services.

EFFECTS ON OPERATIONS

Federal agencies constantly undergo operational and organizational changes, and some recent DOD changes have been the result of the Secretary of Defense's reduction announcement and its implementation. We discussed the impact of the reduction with selected officials in nine organizations within OSD and the military services to determine the real or perceived effects the reduction had on their operations.

Changes in functions,  
priorities, and workload

Reorganizing and realining functions occurred in the components reviewed but not necessarily because of the reduction. In some cases, the reduction announcement accelerated the changes. For example, realignment of several accounting functions in the Office of the Comptroller of the Navy had been proposed before the reduction announcement. Similarly, transfer of the Army's Computer Systems Selection and Acquisition Agency to a field operating agency had been considered before the reduction.

Changes in workload and mission occurred in several components during that period the reduction was being implemented. These changes did not directly result from the reduction. For example:

--OSD's International Security Affairs (ISA) acquired several functions during and after the reduction. An official said these new functions belong with ISA.

--In the Office of the Deputy Chief of Naval Operations (Plans, Policy, and Operations), new functions were added during the reduction.

--The Army's Concepts Analysis Agency, a staff support agency, was redesignated a field operating agency. It acquired new functions, broadened its mission, and increased its workload as a result of several factors. The broadened mission resulted in part from other OSD changes, not the reduction. The changes in workload and mission were, for the most part, made to adapt to changing responsibilities rather than to facilitate the reduction.

Carrying out the reduction required each DOD component affected to reevaluate its operations to determine which programs could best absorb the reduction. This process included identifying new functions and deleting old ones. Several components did not rearrange priorities, and one expressed dismay over the prioritization process. For example, OSD's Health Affairs Office did not rearrange priorities, and an ISA official expressed concern over "tyranny of the inbasket."

#### Ability to perform mission

Several DOD officials were concerned about the effectiveness of their operations as a result of the loss of functions and personnel. Other officials noticed no apparent disruption.

An official in the Office of the Deputy Chief of Naval Operations (Plans, Policy and Operations) said that the reduction has impaired the Office's ability to carry out its primary mission, long-range planning. With fewer persons carrying an increased workload its flexibility and responsiveness are reduced. This official said that the time spent on other functions of the component is not adequate and that additional personnel would significantly improve the quality of the products produced.

An ISA official said the reduction adversely affected his component's ability to perform. The smaller staff is less responsive to the issues it is addressing and is less able to take on new ones. Also, this official said the Washington Headquarters Service has not provided adequate support, compounding ISA's problems. He concluded that ISA's operations, planning, and morale have suffered. In an October 31, 1977, memorandum, the Director, Defense Security Assistance Agency, informed the Deputy Secretary of Defense that the proper management of the Security Assistance Program throughout DOD is being adversely affected by restrictions on personnel authorizations.

The reduction will inevitably disrupt some components' operations. At this time it cannot be determined whether the impact of the reduction will affect operations in the long run.

#### Work force composition

Displacement of professional employees, common during a reduction, can adversely affect an organization's operations; and this reduction had such an effect on some components.

In the Office of the Deputy Chief of Naval Operations (Plans, Policy and Operations), the reduction resulted in the loss of some high-grade civilian employees. Since military personnel also rotated or were not replaced, this office lost experienced and skilled professionals. A Navy official felt that the seriousness of these losses varied by function and would present only a short-term problem because the remaining professionals are of high caliber. He also felt that additional positions may be added to the component. Army Directorate of Finance and Accounting officials had similar views.

The Marine Corps also lost skilled and experienced personnel, both military and civilian. However, realigning vacant positions where they were most needed helped compensate for these losses.

In general, the DOD components we studied had some changes in work force composition but found ways to lessen the impact of the changes. Most components had no major changes since few employees were actually separated from DOD's payroll.

#### Sources of manpower

Components can use alternate manpower resources to compensate for personnel losses caused by a reduction. Of the officials interviewed, only those in OSD, ISA, and one Navy component said they had experienced significant changes in the way they used their resources.

Although statistics were not available, the reduction has resulted in major changes in manpower resources used. For instance:

--ISA is using Foreign Service officers, temporary overstrengths, and temporary duty personnel more

extensively. An ISA official said the reduction accelerated work force changes that would have occurred anyway. Also, military personnel now often work overtime without additional compensation. However, ISA is considering the feasibility of converting as many military positions as possible to civilian positions to permit payment of authorized overtime.

--The Office of the Deputy Chief of Naval Operations (Plans, Policy and Operations) is using Navy support agencies to perform various in-house analyses.

### Requests for additional manpower

Most DOD components studied have requested more personnel since the reduction was made. Personnel are needed to carry out new functions which have been added:

- After the Navy announced it had achieved the reduction goal, the Office of the Deputy Chief of Naval Operations (Plans, Policy and Operations) requested additional personnel. If approved, these persons (approximately 30 civilian and military) could be used for new functions such as foreign military sales and the Saudi Naval Expansion Program.
- The Marine Corps request for approximately five military and seven civilian positions for operations analysis was approved.
- The Army's Concepts Analysis Agency has not hired additional personnel but has requested 17 more positions for its increased workload. Agency officials feel they can get the positions since they are now a field operating agency and no longer part of departmental headquarters.



## CHAPTER 4

### CONCLUSIONS

In the Secretary of Defense's reduction, emphasis was placed on consolidating related functions, eliminating unnecessary or marginal functions, and transferring to lower echelons those functions which were primarily operational. Top-level departmental headquarters staffs were to limit their functions to policy development, resource management, and program evaluation. The Secretary said these changes will ultimately make possible significant savings for the taxpayer through improved use of the Nation's defense resources.

According to the information obtained from DOD and service officials, the reduction has not been completed. Although OSD, Army, and the Marine Corps have largely completed the reduction, the other services are still implementing their reductions.

Responding to a question asked by the Chairman, Subcommittee on Defense, Senate Committee on Appropriations, the Principal Deputy Assistant Secretary of Defense (Comptroller) said the Secretary had expected absolute reductions of personnel to occur. DOD attempted to minimize the adverse impact on employees through the planning, implementation, and execution of the reduction. According to statistics obtained during our study, most of the reductions were achieved by transferring functions, people, and positions to nonheadquarters activities. Although OSD, Army, and Navy had reduced authorized positions by about 2,900, only 62 employees had been removed from DOD's payroll through retirement, resignation, or involuntary separation.

Consistent with the proper management of DOD's resources is the need to know what these resources are, how they are used, and how they will be affected by future requirements. We noted that DOD officials had considerable difficulty compiling statistics regarding personnel on board.

Organizational change associated with personnel reductions is not uncommon. The impact of such changes cannot be fully and objectively evaluated when they carry over in the planning and execution of subsequent actions. This problem is illustrated by requests for additional personnel by some organizational components after the Secretary of Defense's announced reduction was achieved.

The task of organizing and managing resources and programs in the most economical, efficient, and effective way involves a comprehensive analysis of the current and future organizational framework within which the agency operates. DOD has demonstrated its desire to make organizational and management reform a matter of high priority but apparently has not fully considered the impact of the current reduction on the operations of the agency. According to the information furnished and comments made by several officials interviewed, some DOD components have been adversely affected in their ability to carry out their responsibilities. The reduction's impact on long-term operations cannot be determined at this time.

DEPARTMENT OF DEFENSE  
DEPARTMENTAL HEADQUARTERS REDUCTIONS  
AS OF JANUARY 31, 1978

DOD component (note a)	Personnel				Personnel no longer on DOD payroll				Transferred or attrited (note b)						
	1-31-77		1-31-78		Net reductions		Involuntary separations								
	Military	Civilian	Total	Military	Civilian	Total	Resignations	Other							
OSD	581	1,484	2,065	412	1,100	1,512	169	384	553	9	14	-	44	652	
OSD field activities	158	579	737	121	473	594	37	106	143	15	early out	-	-	-	
ARMY	2,106	3,271	5,377	1,732	2,334	4,066	374	937	1,311	4	optional	-	-	1,307	
Navy (note c)	1,992	1,783	3,775	d/1,728	1,409	d/3,137	264	374	638	11	optional	2	-	14	624
Air Force (note e)	f/2,457	f/2,153	f/4,610	-	-	-	-	-	-	f/60	early out	-	-	f/60	-
	4,837	7,117	11,954	3,993	5,316	9,309	844	1,801	2,645	36	11	15	0	62	2,583

a/Target dates for completion of cuts:  
OSD and field activities 2-1-78  
Army 2-1-78  
Navy 9-30-78  
Air Force 9-30-79

b/Figures were derived by subtracting the number of personnel no longer on DOD headquarters payrolls from the net reductions. GAO could not determine the number of persons transferred or the number separated through normal attrition.

c/40 authorized positions are to be transferred to the Department of Energy.

d/Navy count as of 2-13-78.

e/Air Force reduction implementation is in early stages.

f/Not included in schedule totals.

Note: Compiled from DOD reduction summary schedules and summary data on notices of personnel actions.

DEPARTMENTAL HEADQUARTERS REDUCTION  
OFFICE OF THE SECRETARY OF DEFENSE

Office	1-31-77		1-31-78		Reductions (note a)		Eliminated or added (-)		Total
	Authorized	Actual	Authorized	Actual	Reduction or increase (-)	Transferred	To Civilian	To Military	
Secretary's immediate office	49	32	39	32	10	-	-	2	8
Research and Engineering	227	202	228	202	-1	1	1	16	-18
Communications, Command, Control and Intelligence	117	74	76	74	39	12	15	22	2
Policy Review	-	17	18	17	-16	-	-	-4	-14
International Security Affairs	236	201	199	201	37	-	-	26	11
Comptroller	193	168	168	168	25	1	24	-1	1
Administration Security Policy	201	28	28	28	173	38	118	11	6
Manpower, Reserve Affairs and Logistics	57	43	43	43	14	-	11	1	2
Health Affairs	424	304	270	304	154	3	20	26	105
Program Analysis and Evaluation	107	121	122	121	-15	-	-	-1	-16
Public Affairs	135	117	113	117	22	-	6	12	4
General Counsel	46	41	42	41	4	-	-	3	1
NATO Affairs (Advisor)	-	6	10	6	-10	-	-	-3	-7
Legislative Affairs	37	31	32	31	5	-	-	4	1
Atomic Energy	32	23	24	23	8	2	3	1	2
Net Assessment	13	13	16	13	-3	-	-	-2	-1
Inspector General, Intelligence	6	6	6	6	-	-	-	-	-
NATO (Security)	49	55	50	55	-1	-	-	-1	-1
Miscellaneous	92	-	-	-	92	39	51	-	2
<b>2,008</b>	<b>2,065</b>	<b>1,512</b>	<b>1,519</b>	<b>1,512</b>	<b>546</b>	<b>86</b>	<b>251</b>	<b>116</b>	<b>93</b>
									<b>209</b>

a/Net reductions represent the difference between the Jan. 31, 1977, actual count and the revised Jan. 31, 1978, position ceilings.

b/The "transferred to" information was obtained from planning documents and may not agree with the actual transfers because of subsequent negotiations for positions within OSD.

Note: Compiled from OSD reduction summaries and individual component planning documents.

Abbreviations:

DCA	Defense Communications Agency
DIA	Defense Intelligence Agency
DLA	Defense Logistics Agency
DNA	Defense Nuclear Agency
OCHAMPUS	Office of Civilian Health and Medical Program of the Uniformed Service
PA&E	Program Analysis and Evaluation
WHS	Washington Headquarters Services

APPENDIX III

APPENDIX III

OSD FIELD ACTIVITIES INCLUDED IN THE REDUCTION

Office	1-31-77		1-31-78		Reduction or increase(-)	Transferred		Eliminated or added (-)		Total
	Authorized	Actual	Authorized	Actual		Military	Civilian	Military	Civilian	
OSD field activities:										
Defense Advanced Research Projects Agency Defense Security Assistance Agency	129	133	114	114	-4	-	-	-4	-	-4
Office of Information for the Armed Forces	122	75	105	105	47	-	29	AF	3	15
Civilian Health and Medical Program of Uniformed Services Tri-Service Medical Information System program office	245	183	202	202	62	13	16	Army, Navy, and AF	17	16
Handpower data center	159	141	135	135	18	-	-	-	2	16
	57	40	38	38	17	-	-	-	9	8
	25	-	-	-	25	-	25	DLA	-	-
	786	737	594	594	165	13	70	83	27	55
										82

a/See note a, app. II.

Note: Compiled from OSD Field Activities Summary Schedules and Planning Documents.

Abbreviations:

- AF Air Force
- DLA Defense Logistics Agency
- OSD Office of the Secretary of Defense

ARMY DEPARTMENTAL HEADQUARTERS REDUCTION

Organization	1-31-77		2-1-78		reduction or increase(-)	Transferred (note b)		Eliminated or added(-)	
	Authorized	Actual	Authorized	Actual		Military	Civilian	Military	Civilian
SECRETARIATS:									
Secretary of the Army Undersecretary of the Army Assistant Secretary (Civil Works)	14	14			-	-	-	-1	1
Assistant Secretary (Installations, Logistics and Financial mgt.)	23	26			-3	-	-	1	-4
Assistant Secretary (Manpower and Reserve Affairs)	16	16			-	-	-	-	-
Assistant Secretary (Research, Development, and Acquisition)	65	44			21	-	-	6	15
Chief of Legislative Liaison Affairs	33	28			5	4	4	-	1
Administrative assistant	18	35			-17	-	-	-3	-14
	20	20			-	-	-	-	-
	93	53			40	28	32	3	5
	70	48			22	9	11	4	7
	58	50			8	5	e/5	1	2
Total	410	334		332	76	46	52	11	13
									24

APPENDIX IV

APPENDIX IV

ARMY DEPARTMENTAL HEADQUARTERS REDUCTIONS

Organization	1-31-77		2-1-78		Reductions (note a)		Transferred (note b)		Eliminated or added (-)	
	Actual	Authorized	Actual	Authorized	Reduction or increase (-)	Will-Carry	Civilian	Will-Carry	Civilian	Total
Army Staff Offices:										
Chief of Staff	345	300			45	10	3	13	8	24
Deputy Chief of Staff for Operations and Plans	685	626			59	7	5	12	50	-3
Deputy Chief of Staff for Personnel	421	393			28	4	7	11	14	3
6 to MILPSCOM										
3 to ESO, POA										
2 to HMB										
Deputy Chief of Staff for Logistics	412	367			45	6	29	35	17	-7
Deputy Chief of Staff for Research, Development, and Acquisition	348	330			18	-	1	1	13	4
Army Audio Visual Agency, POA										
USAFAC										
Comptroller Assistant Chief of Staff for Intelligence and Intelligence System Support Agency (note g)	265	181			84	11	74	85	6	-9
Adjutant General	253	204			49	17	23	40	15	-6
Chief of Engineers	11	4			7	3	3	6	1	-
Surgeon General	200	189			11	-	-	-	4	7
	251	234			17	3	3	6	11	-
Tri-Service Medical Information System Agency, FOA										
Chief of Chaplains	38	35			3	-	-	-	2	1
Judge Advocate General	153	132			21	1	11	12	10	-1
Legal Services Agency, POA										
Inspector General	31	13			18	4	13	17	-	1
Inspector General Agency, FOA										



ARMY DEPARTMENTAL HEADQUARTERS REDUCTION

Organization	1-31-77		2-1-78		Reduction or increase(-)	Transferred (note b)		TO	Eliminated or added(-)		
	Authorized	Actual	Authorized	Actual		Military	Civilian		Military	Civilian	Total
National Guard Bureau	204	234	-	5	-30	-	5	National Guard Center USA Forces	-44	9	-35
Chief Army Reserve	66	83	-	-	-17	-	2	Command	-9	-10	-19
Director, Women's Army Corps	6	5	-	-	1	-	-		1	-	1
	<u>3,556</u>	<u>3,689</u>	<u>3,330</u>	<u>3,343</u>	<u>359</u>	<u>66</u>	<u>179</u>	<u>245</u>	<u>101</u>	<u>13</u>	<u>114</u>
Staff support agencies: Management System Support Agency	328	310	1	15	18	1	16	15 to DARCOM 1 to AAFA	-7	9	2
Command and Control Support Agency	91	91	-	-	-	-	-		7	-7	-
Computer System Selection and Acquisition Agency	134	-	-	-	134	15	93	FOA	9	17	26
Research, Development, and Acquisition Information System Agency	130	-	-	-	130	13	110	FOA	2	5	7
Logistics Evaluation Agency	144	-	-	-	144	29	100	FOA	9	6	15
Concept Analysis Agency	310	-	-	-	310	120	162	FOA	10	18	28
Engineer Study Group	51	-	-	-	51	9	44	FOA	-3	1	-2
National Guard Computer Center	73	-	-	-	73	-	73	FOA	-	-	-
Secretary of Army Staff Support Agency General Officers' Mess (note a)	17	18	-	-	-1	-	-		-1	-	-1
	<u>1,278</u>	<u>1,419</u>	<u>419</u>	<u>391</u>	<u>859</u>	<u>187</u>	<u>597</u>	<u>784</u>	<u>26</u>	<u>49</u>	<u>75</u>
Grand total	<u>5,174</u>	<u>5,377</u>	<u>4,083</u>	<u>4,066</u>	<u>1,294</u>	<u>259</u>	<u>822</u>	<u>1,081</u>	<u>138</u>	<u>75</u>	<u>h/213</u>

- a/See note a, app. II.
- b/Of the 1,081 positions transferred, 768 related to the redesignation of staff support agencies to be field operating agencies (FOAs).
- c/Increases in positions resulted from mixing people and spaces. The baseline count represented people; however, both people and positions were eliminated and/or transferred to arrive at the Feb. 1, 1978, authorized strength. In some cases, vacant positions were transferred. There was also the situation where, for some offices, the actual count was lower than the authorized strength. This accounts for the increase in positions for several offices. The grand total reflects the overall net effect.
- d/Less than half of the 213 positions eliminated were related to PBD 324. The Jan. 31, 1977, actual count exceeded the authorized strength partly because people were in positions eliminated by PBD 324, which was implemented in January 1976.
- e/We could not account for all positions transferred.
- f/The Army's Headquarters Services Agency is an FOA which was established in fiscal year 1960-61.
- g/For reduction purposes, figures for these two organizations were combined.
- h/The Feb. 1, 1978, actual count and the authorized strength differed because there were some vacant positions.
- i/There were 13 vacant intern positions which were eliminated. Although these were not added to the Jan. 31, 1977, actual count, the Army counted them toward the reduction. According to Army figures, there were 1,307 reductions and 226 positions eliminated. Because the 13 positions were not included in the Jan. 31, 1977, actual count, we have not shown them in our schedules.

Abbreviations

AAVA	Army Audio Visual Agency
DARCOM	Development and Readiness Command
EEO	Equal Employment Opportunity
FOA	Field Operating Agency
HSA	Headquarters Services Agency
INSCOM	Intelligence and Security Command
MILPERCEN	Military Personnel Center
MRR	Military Review Board
TAGCEN	The Adjutant General Center
USA	United States Army
USAFAC	United States Army Finance and Accounting Center

NAVY DEPARTMENTAL HEADQUARTERS REDUCTION

Office	1-31-77		9-30-78 Target date	Reductions (note a)			Eliminated (note d)	
	Authorized	Actual		Transferred (note b)		Total	To	Total
				Military	Civilian			
SECNAV:								
Secretary of the Navy Under Secretary of Navy	87		70	10	-	10	d/ N/A	1
ASN, Research, Engineering and Systems	370		322	-	51	51	SEC/CNO (field)	4
ASN, Installations and Logistics	54		52	-	-	-		-
ASN, Financial Management	115		-	83	2	2	d/ N/A	74
ASN, Manpower, Reserve Affairs and Logistics	272		190	70	1	67	SEC(field)	3
	<u>271</u>		<u>173</u>	<u>9</u>	<u>131</u>	<u>140</u>	DOE/DLA-40	<u>3</u>
Total	<u>1,061</u>		<u>807</u>	<u>22</u>	<u>248</u>	<u>270</u>		<u>83</u>
OPNAV:								
Chief of Naval Operations	44		36	10	-	10	Transferred, no support activity	-
Vice Chief of Naval Operations	22		20	3	-	-		3
Navy Administration	207		14	194	38	146	Navy hq. support activity	10
Manpower Submarine Warfare	157		155	8	-	-		8
Surface Warfare	65		62	3	-	-		2
	125		115	9	-	-		9



NAVY DEPARTMENTAL HEADQUARTERS REDUCTION

Office	1-31-77		9-30-78 Target date	Reductions (note a)			Total	Eliminated (note c)			
	Authorized			Transferred (note b)				Mili- tary			
	Actual			Mili- tary	Civil- ian	Total		Mili- tary	Civil- ian	Total	
Installations and Logistics Requirements and Programs Plans and Policies	102		73	-	-	29	-	-	26	3	29
Judge Advocate Division	32		30	-	-	2	-	-	2	-	2
Aviation	49		47	-	-	2	-	-	2	-	2
Research Development and Studies	38		34	-	-	4	-	-	3	1	4
Inspector General	28		22	-	-	6	-	-	4	2	6
Information	28		26	-	-	2	-	-	2	-	2
Fiscal	25		23	-	-	2	-	-	2	-	2
Command Control Communications and Computers	29		27	-	-	2	-	-	2	-	2
Headquarters Support Reserve Affairs Operations Training	49		45	-	-	4	-	-	4	-	4
Non-table-of-organization excess	30		26	-	-	4	-	-	4	-	4
Total	22		-	-	-	22	-	-	22	-	22
	518		518	-	-	134	-	-	125	9	134
Total SECNAV, OPNAV and MC	3,472		2,872	420	132	903	552	218	133	c/351	

- a/See note a, app. II.
- b/Navy planning documents did not identify and were not adequately descriptive of where or how many positions were actually transferred.
- c/Counted in the positions eliminated are reductions made as a result of a previous reduction effort PBD 324, Jan. 1976. SECNAV 10; OPNAV 125; Marine Corps 134, total 269. As of Feb. 13, 1978, SECNAV accomplished all position eliminations and still had 167 transfers to accomplish (M-14; C-153) OPNAV accomplished all position eliminations and still had 98 transfers to accomplish (M-72; C-26). The Marine Corps had completed the reduction.
- d/No specific information on "transfer to" contained in planning documents.

Note: Compiled from Navy Summary Schedules and Planning Documents.

Abbreviations

ASN	Assistant Secretary of Navy
DLA	Defense Logistics Agency
DOE	Department of Energy
NAVDAC	Naval Data Automation Center
NAVSECGRP	Naval Security Group
NAVTFJCOM	Naval Telecommunications Command
SEC/CNO	Ship Engineering Center/Chief of Naval Operations