

BUREAU OF THE BUDGET

WASHINGTON 25, D. C.

07/260-1480
Executive
60-2602

1460

by S/DCI
4/13/60

Dear Allen:

I have just learned the details of your plan to institute a system of separation benefits to facilitate the removal of certain surplus personnel currently on the Central Intelligence Agency payroll. The material supporting this proposal indicates the need for an effective program to rid the Agency of imbalances within its personnel structure. The problem itself is clear, but a solution which will be equitable and fair to surplus employees as well as reasonable to the Government is less evident. Whereas I would have preferred a more vigorous application of selection-out procedures to these surplus personnel, your proposed program also has merit. We do have certain reservations, however, which I want to convey in the hope that they may lead to an improved program. If these suggestions can be incorporated in your program, the plan would then be acceptable to the Bureau.

1. Application of a single, uniform criterion of entitlement. I can think of only one reason to justify payment of separation benefits, it being that Agency service has made it abnormally difficult for the surplus employee to find gainful employment. When this condition exists, all surplus employees in my opinion should be treated alike without regard for their location in the Agency; when the condition is lacking, separation benefits should not be granted. Once the separatee has found appropriate employment, moreover, the condition obviously no longer exists.

2. Monthly installments of benefit payments. I believe that benefits up to one full year, as Agency service warrants, should be paid in monthly installments, subject to termination whenever the separated employee (a) finds new employment commensurate with his previous Agency status or (b) is provided with an opportunity for such employment by CIA. To continue benefits beyond the period of unemployment would be in the nature of a gratuity and, in my opinion, entirely unwarranted.

3. Reduction of proposed benefits by approximately 50 percent. The purpose of the system is to provide aid while the separated employee is transitioning to another occupation. It is not a reward for past services. The personnel involved will normally be entitled to unemployment compensation. I feel that the separation benefit rates should be high enough to prevent hardship but low enough to induce a search for new employment. To achieve the

latter, the total of monthly separation benefits plus unemployment compensation should be less than the salary the employee would normally command.

4. An expedient rather than permanent program. It seems to me that the immediate problem can best be corrected on a one-shot basis. If the Agency's selection-out authority is used effectively I see no reason for a recurrence of this problem and therefore no need for continuing authorization. If separation benefits are permanently authorized, they might soon replace selection-out as the normal method of reducing personnel. To avoid this, even on a one-time basis, I suggest the inclusion of words in the regulation which state that its provisions do not apply to employees who would normally be selected out for cause.

5. Permanent personnel reductions. For the past two years you have been striving to reduce the total number of CIA employees. Because those reductions have not been as large as we had hoped for, I should think that this program would be an excellent way of achieving desired results. I realize that some of the surplus personnel will perhaps need to be replaced, but would nevertheless propose that the replacements be held to one-third of the total number separated under the program.

6. Absorption of program costs. The exact cost of this program is unknown to me, but I do not believe it will be of such a magnitude as to preclude absorption. What I am saying in effect is that I would oppose your requesting funds from the contingency reserve to pay for this program.

I hope you will find the above suggestions helpful. Before closing I should like to raise one final matter for your consideration. Because the proposed separation benefits are in the nature of an adjustment allowance payable while a man is seeking new employment, it seems hardly proper to pay benefits to employees eligible for retirement, albeit on a reduced annuity basis. To refuse to pay benefits, on the other hand, might exact an inequity against separetees over 50 as compared to those below that age. What is needed is a formula which will be fair to affected personnel and yet respect the basic purpose of the program. I hope you will be able to provide a remedy to this problem; we would be pleased to discuss it or any of the proposals above if you so desire.

Sincerely yours,

/s/ Maury

Honorable Allen W. Dulles
Director of Central Intelligence
Central Intelligence Agency
Washington 25, D. C.

MEMORANDUM FOR: THE DIRECTOR *DDCI*

For information only.

Attached are suggested replies by Bureau of the Budget to the questions raised by the Jackson Subcommittee Report No. 1026 which is also attached. Ralph Reid had sent this over as a matter of courtesy although it is still draft at this point.

SIGNED

JOHN S. WARNER
Legislative Counsel

*ER for
destruction*

7 April 1960

(DATE)

SECRET

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MEMORANDUM FOR: Mr. Dulles

The attached letter from Maury Stans gives his reaction to our plan to institute a system of separation benefits to facilitate the separation of surplus personnel. I do not think that any reply is necessary at this juncture.

Gordon Stewart, Ed Saunders, Larry Houston and I will continue to work with the Bureau in order to arrive at a mutually acceptable plan.

After you have noted the letter I would appreciate it if you would return it to me for action.

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L. K. White

12 April 1960

(DATE)

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cc: DDCI