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13 AUG 1971

MEMORANDUM FOR: Deputy Director for Intelligence  
Deputy Director for Plans  
Deputy Director for Science and Technology  
Deputy Director for Support  
General Counsel  
Inspector General  
Legislative Counsel  
Director of National Estimates

SUBJECT : Control of Grade Escalation

1. The President has directed a reduction in average grade in employment under the General Schedule. Instructions are contained in OMB Bulletin No. 72-4 attached at Tab A.

2. Attached are Agency instructions for compliance (Tab B). Your full cooperation in this matter is essential.

FOIA b3b



Richard Helms  
Director of Central Intelligence

Atts: As Stated

cc: D/PPB w/Atts  
~~D/Pers w/Atts~~

~~SECRET~~

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downgrading and  
declassification

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

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BULLETIN NO. 72-4

August 5, 1971

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Control of grade escalation in the General  
Schedule

1. Purpose. This Bulletin establishes a plan for controlling excessive grade escalation of employment under the General Schedule. These instructions supplement those in OMB Circular No. A-64, Revised, "Position Management Systems and Employment Ceilings," June 28, 1965.

2. Background. Over the years there has been continuing increase in the average grade of employees under the General Schedule, Government-wide. This upward trend has persisted in recent years so that the average grade level for classified employees has risen from 7.4 in 1968 to 7.9 in 1970. Between 1969 and 1970 the total number of employees declined by nearly 12,000, but the number in grades GS-11 through GS-15 increased by 14,600. Preliminary estimates indicate that the 1971 data will also show a significant increase over 1970 in the average grade.

At 1971 salary rates each one-tenth increase in the average grade of the General Schedule adds \$160 million to the basic payroll. It also results in increased costs of Federal Employees Group Life Insurance, as well as additional past service liability in the Civil Service Retirement System.

During the past three decades there has been a gradual increase in the proportion of professional, technical and managerial employees in the Nation's labor force. The same factors that produced this trend in the total labor force also have affected the grade distribution of the Federal workforce. It can be expected that technological change, for example, will result in some grade escalation in the Government; however, changes in the grade distribution of the General Schedule since 1968 have greatly exceeded normal trends.

There is considerable evidence that many Federal agencies have failed to exercise adequate controls over their staffing patterns for higher level positions. In many agencies the

number of employees in grades GS-7 and GS-9 has declined. In view of the ample supply of new college graduates with bachelor and masters degrees and the fact that Federal salary rates are now competitive with the private sector, increases in the population of these grades would have been expected.

3. Coverage. This Bulletin applies to all executive agencies having employees paid under the General Schedule or whose salary rates are set administratively in accord with the General Schedule.

4. Objective. The objective of this plan is to reduce, Government-wide, the average grade of the General Schedule by at least --

- ✓ 1/10 by the end of FY 1972
- ✓ 2/10 by the end of FY 1973.

5. Reduction plans. In order to achieve the overall objective stated above, each agency head is asked to prepare a plan to effect changes in the grade distribution of his employees as follows:

a. If the average grade of the agency has increased by 0.4 or more between June 30, 1968, and June 30, 1971, the agency plan should provide for a reduction from its June 30, 1971 average of 0.15 in FY 1972 and an additional 0.15 in FY 1973.

b. If the average grade of the agency has increased less than 0.4 between June 30, 1968, and June 30, 1971, the agency plan should provide for a reduction from its June 30, 1971 average of 0.1 in FY 1972 and an additional 0.1 in FY 1973.

c. If the average grade of the agency has remained level or decreased between June 30, 1968, and June 30, 1971, the agency plan should provide for a staffing pattern which will not exceed its June 30, 1971 average grade during the next two fiscal years.

Agency plans for achieving the required reduction in average grade will be submitted to the Director of the Office of Management and Budget on or before September 15, 1971, in the format shown in attachments A and B. Plans will be reviewed and either approved or revised in connection with the development of the budget for FY 1973.

6. Guidance. It is intended that each agency shall have wide flexibility in developing a plan which will achieve the stated objective. Responsibility for development and implementation of the plan should be assigned to an appropriate officer who will also serve as liaison with the Office of Management and Budget.

Since the plan requires a specified reduction in average grade by the end of the current fiscal year (i.e., June 30, 1972) it would be expedient to consider the immediate imposition of some restrictions on the filling of vacancies, especially those occurring in grades GS-11 through GS-15.

Specific measures which agencies may wish to consider, consistent with the provisions of chapter 51 of title 5 of U.S. Code, include:

- a. Careful review of all programs to determine which low priority activities can be reduced or eliminated.
- b. Review of the organizational structure of each unit to determine if existing staffing patterns are still appropriate in view of program changes.
- c. Review of supervisory levels, with particular attention to the extent of "layering" and the need for deputies or assistants.
- d. Evaluation of each position that becomes vacant to determine whether it could be eliminated or restructured at a lower grade.
- e. Planning of the staffing of new programs in a manner that will tend to lower the average grade.
- f. Exploration of feasibility of using technicians where professional staff is not being utilized at their full skill level.
- g. Consideration of the opportunity of eliminating certain positions through increases in productivity.
- h. Limiting of promotions above the journeyman level to those necessary to fill vacancies in positions of greater responsibility.
- i. Reorganization of work so that it can be accomplished with lower grade employees.

j. Strengthening of position management system as prescribed by OMB Circular A-64.

7. Reports. Agencies will prepare semi-annual reports showing the number of full-time employees in each grade of the General Schedule and the grade average (computed to four decimal places) for the agency as of June 30 and December 31 of each year. Grade averages will be computed by (a) multiplying each grade number by the number of full-time employees in the grade, (b) totaling the results so obtained, and (c) dividing the total by the number of positions involved.

Data reported should be identical with that reported to Civil Service Commission in the Annual Report of Salary and Wage Distribution of Federal Civilian Employees.

The first report for June 30, 1971, will be submitted to the Director, Office of Management and Budget by August 23, 1971. Subsequent reports will be submitted within 45 calendar days after the date of reference.

8. Budget Guidance. Later instructions will provide for the identification and use of savings resulting from the reductions in grade averages pursuant to this Bulletin in the absorption of pay raise costs in FY 1972.

9. Effective date. These instructions are effective upon issuance of this Bulletin.

10. Inquiries. Inquiries should be addressed to Office of Management and Budget, phone 395-3894 (Code 103 - Ext. 3894).

GEORGE P. SHULTZ  
DIRECTOR

Attachments