

THE SECRETARY OF STATE
WASHINGTON

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COPIES TO:

August 26, 1982

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Dear Dave:

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RF (RS)

I appreciate your letter of August 6 on the Department's employment ceilings, and share your concern with meeting the President's commitment to reduce civilian employment by 75,000 by 1984.

As you note in your letter, the Department has taken significant actions to hold down the level of employment, including extensive position reductions in FY 1982 and a reduction in the level of new hires considerably below the attrition level. At the same time, you noted some actions which you believe the Department might have taken to further reduce the level of employment. These included freezing or slowing down Foreign Service National intake, limiting part-time and summer employment of U.S. nationals, and allocating full-time equivalent workyears (FTE) to bureaus.

In examining the issues you raised, I believe that the Department's national security role must be borne clearly in mind. The reductions we have had to take, particularly overseas, not only have affected the Department's operations directly, but have had an indirect but real adverse effect on intelligence operations overseas. The Department of State's overseas operations must be kept in appropriate balance with those of other principal national security elements of our diplomatic missions. It is not possible to give a green light to resources for defense and intelligence operations out of proportion to this Department's resources without damaging our overall national security interests. Moreover, as you know, the ability of the Department of State to discharge its core functions, political and economic reporting and analysis, have been eroded by demands for additional support personnel generated by increases in other agency complements. Such increases require an ever-higher proportion of the Department's employees to be engaged in support functions.

The Honorable
David A. Stockman,
Director,
Office of Management and Budget.

State Dept. review completed.

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With these considerations in mind, I have reviewed the actions the Department has taken these past 18 months with respect to both position and employment controls, and I am satisfied these actions have been both reasonable and appropriate. I enclose a more detailed discussion of the Department's employment situation which I hope you will find useful.

I urge that you and your staff give serious and sympathetic consideration to our views and to the unique conditions under which this Department must operate.

Under Secretary Kennedy and his staff are always available to discuss any issues that our two agencies may need to resolve.

Sincerely yours,



George P. Shultz

Attachment:
Department of State's
Employment Situation.

Department of State's Employment Situation

As Director Stockman's letter noted, the Department expects to meet its end-FY 1982 goal of reducing our positions by 1,203. Reduction in hiring for FY 1982 to 451 in fact cuts by nearly 35 percent what this Department would hire annually to meet normal requirements.

A number of factors, however, have prevented the Department from obtaining the full reduction necessary to achieve its 1982 FTE ceiling. First, the ceilings set for the Department for this initial year under FTE were based on estimates of work-year consumption without a system to report real experience in FTE usage. We also believe that the 1982 ceiling was set too low.

Second, attrition in 1982 has been less than anticipated due to lifting the pay cap, the government-wide employment picture, and decreased hiring opportunities in the private sector. Indeed, attrition for the first nine months of FY 1982 was 396, or some 27 percent less than attrition for the first nine months of FY 1981 -- 545. The implications of this trend only became evident well into the year, thus making it impossible to reach the lowered ceiling solely by controlling intake, even at our substantially reduced level. Foreign Service intake, which occurs in most part in groups instead of by individual hires, could not be restricted further without having an adverse impact on meeting the workload requirements of our consular function, which junior Foreign Service Officers staff, and on the attainment of our affirmative action employment goals. Foreign National employment, which has been already reduced to lean proportions, could not be cut deeper without heavy costs for severance pay. To take such actions would have been neither sound management nor cost effective, but would have served only to disrupt seriously our overseas operations.

In view of the increased FTE ceiling which OMB has authorized for the Department for FY 1983, it would have been unsound management to force a further dramatic decrease in employment and positions in this fiscal year just to meet the end-FY 1982 employment ceiling, only then to promptly initiate a new accelerated hiring program to again raise employment to meet the higher FY 1983 ceiling.

Director Stockman suggested that, despite the fact of peak summer workload in the passport offices and at our Embassies abroad, the Department could reduce the need for part-time

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employment and summer hires by reviewing and lengthening overseas tours of duty. First, it should be noted that the unpredictability of the Department's need for part-time employment and summer hires was dramatically demonstrated this summer by the unforeseen surge in passport applications (up 15 percent over last year) here in the United States. Moreover, after careful study we do not believe the length of tours is a significant factor in the need for summer help. Longer tours may mean less transfer travel costs and time between assignments, but higher costs and time away from posts for home leave, medical purposes, and R&R. We have concluded that longer tours would probably not reduce time away from post during the summer to any significant degree.

The Department has in fact reviewed its policies regarding tours of duty frequently, and has made changes as circumstances warranted. In 1975, a major review led to lengthening of the tours of most mid and senior-level employees at non-hardship posts. A more recent study, conducted initially in 1978 and updated in 1980, concluded that while there would be a dollar savings from extending all mid-level and senior employee tours by one year, they would be at the expense of significant negative impacts on morale, strains on families at post and family ties at home, career development, and equitable sharing of service at hardship posts. Longer tours would also lead to a larger number of medical evacuations, increased curtailments, and underutilization of resources by employees who have "out-grown" their current jobs. In short, we do not believe longer tours of duty would add to the efficiency of U.S. Government operations abroad and might even lessen our effectiveness.

In 1983, the Department will continue its vigorous efforts to manage full-time, permanent employment within the new ceiling by reprogramming to meet new hire priority program initiatives. However, when this first year's FTE ceiling was established, there was no system in place that captured the number of hours part-time employees worked. FTE workyears were broadly estimated based on the number of part-time employees, rather than hours worked, which resulted in understating the requirement. We pointed this out to the OMB staff and requested an upward adjustment during last fall's review. This is the first year we have compiled actual paid work hours, and the record demonstrates a clear need considerably in excess of what the ceiling allows. The dramatic example of this problem was this summer's surge in passport applications. Passport offices have had to hire some 150 more temporary and part-time people than usual to meet an unanticipated 15 percent increase in passport workload. It would not be tolerable for Department operations to absorb this unforeseen part-time workload within an already understated overall FTE ceiling.

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The Department is currently considering the issue of apportioning FTE ceiling to its various offices and bureaus, and will be pleased to discuss with OMB such a system. We must note, however, that the solutions proposed in Mr. Stockman's letter call for central management actions and would not have been advanced by decentralized allocations during the current fiscal year.