



UNITED STATES  
OFFICE OF PERSONNEL MANAGEMENT  
WASHINGTON, D.C. 20415

Office of the Director

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MEMORANDUM FOR THE CABINET COUNCIL ON MANAGEMENT AND ADMINISTRATION

FROM: Donald J. Devine  
Director

SUBJECT: Federal Employee Occupational Classification System

## I. BACKGROUND

The overwhelming proportion of Federal Government occupations are organized under a classification system. In general, there is a 15 grade system, ranging from the least demanding jobs at GS-1 to the most demanding jobs at GS-15. Four major elements make up the full classification system: (1) Primary Occupational Standards are derived from statute into primary guidelines by the Office of Personnel Management (OPM), to set generic policies for establishing each occupational series, for setting qualifications for these occupations, and for assigning factor evaluations scores to broad skill levels; (2) Specific Occupational Standards are developed by OPM from the primary standards, and are evaluated against data gathered from a field study of how work actually is done in these occupations in the Government; (3) Job Classification is then performed by agencies to classify specific jobs under the occupational standards set by OPM; and (4) Classification Audits are done by OPM to assess how well agencies have classified under OPM standards, with compliance actions being ordered by OPM where misclassification is identified.

## II. CURRENT STATUS

OPM estimates that agency overclassification under present standards costs the government \$680 million per year. OMB estimates there is an additional poor position management expense, beyond the formal classification system, of \$8 billion per year. Historical data indicate that the major distortion of the classification system took place between 1950 and 1970, with only a gradual escalation since then. Average grade rose from 5.4 in 1950 to 7.8 in 1970, and then to 8.1 in 1980. OPM estimates that a maximum of 50 percent of this growth in grade can be attributed to technological change, suggesting that the remainder is solely due to poor classification; i.e. Federal employees are rated at least one and a half grades too high on the average. We estimate that 14 percent of occupations are overgraded governmentwide, 17 percent in civilian agencies and 9 percent in DoD, and 30 percent of all positions in the Washington, D.C. area.

The basic structure of the classification system has not changed since 1975. Since then, OPM has not questioned the primary standards, but simply has produced specific new occupational standards and has done audits of agency classifications. Every occupational standard issue which has had even the potential of downgrading an occupation has become very controversial. The controversy often becomes widespread because private occupational associations, as well as all levels of government, often follow OPM standards. In most cases, audits have revealed significant overgrading, with agencies reluctantly complying with the comparatively few audits OPM was able to perform nationwide.

### III. ACTION FORCING EVENT

Two particularly controversial occupational standards were ready for issue in late 1982, after substantial field analysis by OPM: the contract and procurement standard, and the librarian standard. The contract and procurement standard issue was brought to the CCMA on December 8, 1982. OPM was tasked to review the standards with an interagency committee. The committee has now met and resolved the issues that were outstanding. All the major agencies are now satisfied with the changes. OPM intends to proceed to issue the revised standard for the contract and procurement occupation.

### IV. ANALYSIS

As a result of the intensive analysis of the contract and procurement standard, as well as experience gained with other standards issued over the past two years, OPM has come to the following conclusions. First, all three primary standards need to be reviewed. It is almost a decade since they have received a comprehensive analysis. OPM intends to study each of these to be sure these essential elements of the system are sound. This is especially so for the qualification standards, since our preliminary analysis suggests that they mandate more credentials than are necessary, both under the law (5 U.S.C. 3308), and under the free market philosophy of reducing barriers to entry in occupations.

Second, OPM intends to institutionalize the review process initiated for the contract and procurement occupational study, whenever a significant controversy arises over an occupational standard. That is, an interagency committee recruited from the Governmentwide Personnel Policy Group will be recruited to review these standards and make recommendations to the Director of OPM.

Third, it is clear that classification has been over-delegated to agencies, resulting in significant overgrading and expense. As already noted in the Budget, OPM will be presenting a comprehensive plan to manage "grade creep", especially the "bulge" identified by the Grace Commission report for the GS-11 to GS-15 grade levels. This plan will be submitted to CCMA within the next month.

Fourth, it is clear that OPM audit evaluations study too small a sample of Federal occupations. This is a result of its desk audit and case study methodology. OPM intends to shift to a statistical, rather than a case, evaluation method. This will allow central government executives to more properly evaluate classification governmentwide, and to control overgrading in the future.

V. DECISION

Approve OPM Approach \_\_\_\_\_

Disapprove OPM Approach \_\_\_\_\_