

CHAPTER ONE

DRAFT

INTRODUCTION

With the passage of the National Security Act of 1947, Congress recognized the importance of timely and accurate intelligence information about the activities, capabilities, and intentions of foreign powers. Placement of the director of central intelligence (DCI) under the direction of the National Security Council emphasized the critical relationship of intelligence to national security.

National security concerns have expanded to cover more nations and international activities and this trend will likely continue. To meet this need it is vital that the organizations providing intelligence to U.S. policy makers be of the highest quality.

While major investments in technical tools have had a strong impact on collection, information assimilation, and analysis, the critical element of adaptation and response by intelligence organizations to their statutory missions has been through their people. The record reflects that the high quality of intelligence organizations and their products have primarily derived from heavy investment over time in human resources.

The Intelligence Community must continue to attract and retain high quality, dedicated personnel. This is of particular concern in light of the threat that the federal government will become increasingly less able to attract the country's best talent to its workforce.

This issue will continue to be a challenge to the executive branch, the Congress and the Intelligence Community. The changing techniques of intelligence dictate new technical skills and adaptive management.

The congressional intelligence oversight committees have directed increasing attention to human resource management (HRM). The Congress directed that NAPA perform a comprehensive review and comparative analysis of the civilian personnel management and compensation systems of the Intelligence Community (IC). In this study, the panel that the National Academy of Public Administration (NAPA) appointed:

- Examined the need for significant change in the existing IC personnel systems given the strategic trends in the intelligence function and the economic, social, and demographic trends in U.S. society.
- Examined these personnel systems to ascertain if they will be adequate to attract and retain the highest quality employees through the 1990s.
- Analyzed personnel issues facing the IC that may differ greatly from those facing the federal government in general.

DRAFT

- Compared the personnel needs and requirements facing the individual IC agencies, with due regard for the differing missions, risks, job requirements and environments of the organizations in the community.

The Congress directed the Academy panel to recommend changes, if warranted, in legislative, regulatory, or other areas in the personnel and/or compensation programs to improve the effectiveness of the IC agencies' personnel systems and to ensure they are able to accomplish their missions in the years ahead.

The seven member NAPA panel, assisted by its project staff, has reviewed issues which encompass:

- Impact of anticipated changes in the U.S. workforce on intelligence agencies.
- Recruitment and retention , especially as they relate to critical skill occupations, and whether personnel security requirements adversely affect agencies' ability to get quality personnel.
- Extent to which the agency career development and training programs support current and future mission accomplishment.
- Efforts the agencies have undertaken to make their workforces more representative of all groups within the U.S. population, and the extent to which current levels of effort will enable the agencies to continue to diversify their workforces.
- Different levels of compensation within the intelligence agencies and how they compare to the rest of the federal government and the private sector.
- The impact of future intelligence requirements on HRM systems, and ways these systems might be organized to meet changing needs.

In addition, the Senate Select Committee on Intelligence requested that NAPA review IC personnel costs and make appropriate recommendations on ways to constrain these costs without adversely affecting intelligence missions. This report addresses these issues in the context of overall workforce efficiency.

Principal findings are presented in Volume I of this report. Supplemental information, including a great deal of comparative information on each subject, is in Volume II, as is a detailed discussion of scope and methodology. This introductory chapter describes the agencies' breadth of missions and the history of special treatment Congress has considered necessary for these agencies.

DRAFT

I. Changing Functions Reflect Breadth of Missions

While enabling statutes are essentially unchanged, the activities the intelligence agencies perform and the priorities they address to fulfill their missions are continually adapted to changing national security requirements. As recently as five years ago, few experts outside the Intelligence Community would have predicted the extent of the roles many of the agencies now play in monitoring arms control agreements or tracking international financial dealings -- especially those related to drugs.

"Glasnost" and "perestroika" were not in most Americans' vocabularies, and their impact on agency missions can still not be fully predicted. The changes evolving in the Soviet Union are of such a magnitude that the intelligence agencies must adapt their efforts to very new circumstances within that country and among its allies. Certainly, the greater flow of information from what are now overt sources creates new challenges; now the issue is less one of finding clues than making sorts.

The need for breadth and depth in coverage of global issues drove growth during the years 1947 - 1963. This was followed by a build-up and a diversion of assets to provide tactical coverage of Vietnam. After Vietnam, staffing levels were reduced. The post-Vietnam period of 1969 - 1979 saw a major re-emphasis in the scope and focus of U.S. intelligence activities. Massive rebuilding in the 1980s occurred as the agencies also faced shifts in employee skill requirements needed because of increasing reliance on technical collection systems, broadened scope of analysis required by policy coverage and a range of covert action initiatives.

The panel sees no diminution in the growth of global issues with important national security implications. Among the topics which will require continuing attention are terrorism, narcotics (and their impact on capital flows), nuclear proliferation, unsanctioned technology transfer, arms control verification, and trade and business practices of U.S. allies and of third-world countries. While the agencies have different roles vis a vis these issues, they must all adapt to these added complexities.

Although the intelligence agencies are not expecting major shifts in skills requirements over the next decade, they do anticipate an increased need for people with a variety of skills. They expect to have to develop strategies to meet unexpected requirements, some of which may entail different expertise than now available. The agencies will continue to have workload surges as unpredicted world events transpire.

DRAFT

II. History of Different Treatment of Intelligence Agencies

The intelligence agencies differ from other federal agencies in many ways. Their personnel are subject to detailed security investigations, fewer employee appeal rights, constant awareness of their "cover" status, little choice regarding geographic work locations, limits on personal travel, restrictions in describing their work experience, and in some cases threats to personal safety.

One of the most obvious differences is the need for secrecy. In designating that the director of central intelligence protect intelligence sources and methods from unauthorized disclosure, Congress emphasized the importance of secrecy in intelligence activities. The panel believes that President Eisenhower stated it best when he said of intelligence:

Success cannot be advertised: failure cannot be explained. In the work of intelligence, heroes are undecorated and unsung, often even among their own fraternity... -- their reward can be little except the conviction that they are performing a unique and indispensable service for their country, and the knowledge that America needs and appreciates their efforts.

Congress further emphasized the vital need to maintain the secrecy of intelligence activities and personnel when it passed the Intelligence Identities Protection Act of 1982 (50 U.S.C., 421 - 426). This law makes it a crime for people who have or previously had access to classified information to intentionally disclose to unauthorized recipients any information identifying a covert intelligence agency employee who is serving outside the U.S. or did so in the past five years. The Act was intended to halt efforts to identify covert agents, recognizing that such actions jeopardize their lives and safety and damage the ability of the U.S. to safeguard national defense and conduct effective foreign policy.

The nature of the uniqueness of the Intelligence Community is further demonstrated through the special handling processes for intelligence program and budget review within the executive branch and in Congress. Security requirements dictate that the intelligence agencies also be exempt from the Federal Labor Management Relations Program, from portions of the Freedom of Information Act, and from various provisions of law of government-wide applicability.

The courts have consistently recognized the special nature of intelligence work. In one case in which an employee was prosecuted for disclosing classified intelligence information to a news publication (U.S. v. Samuel Loring Morison), the U.S. Court of Appeals for the Fourth Circuit noted in its decision, which was left intact by the U.S. Supreme Court, that:

DRAFT

Intelligence gathering is critical to the formation of sound policy, and becomes more so every year with the refinement of technology and the growing threat of terrorism. Electronic surveillance prevents surprise attacks by hostile forces and facilitates international peacekeeping and arms control efforts. Confidential diplomatic exchanges are the essence of international relations. None of these activities can go forward without secrecy.

The U.S. Supreme Court also ruled that the Merit Systems Protection Board (MSPB) did not have the authority to review either the substance of an underlying security-clearance determination or the due process procedures associated with it in the course of reviewing an adverse action. The Court noted that placing the burden of proof upon the government "would involve the Board in second-guessing the agency's national security determinations. We consider it extremely unlikely that Congress intended such a result when it passed the Act and created the Board." (Dept. of the Navy v. Thomas E. Egan)

A further marked difference between intelligence agencies and their federal counterparts lies in their personnel systems. Over the years, Congress has given IC agencies varying levels of authority to appoint staff, determine occupational requirements, set pay rates, evaluate employee performance and terminate staff without regard to the normal Civil Service rules. The majority of CIA's authorities were granted in its enabling legislation. The NSA's independent personnel system was authorized by the National Security Agency Act of 1959, in the wake of severe security problems, because the need for secrecy in its job structure made it impractical to be subject to Civil Service Commission oversight.

The DIA and military intelligence authorities were granted more recently (1984 and 1987), and were largely based on the agencies' inability to attract and retain top staff, given their inability to compete with the more flexible systems of NSA and CIA. The FBI's excepted authorities were extended to all staff by an Executive Order in 1941, but FBI operates within Title 5 U.S.C. for pay schedules and rates. Congress has not granted special personnel authorities for the intelligence components within the Department of State's Bureau of Intelligence and Research.

When it created the CIA Retirement and Disability System (CIARDS) and the Federal Employees Retirement System (FERS) Special Category, Congress recognized the special needs of those CIA employees whose duties are especially hazardous or entail special security requirements. While these kinds of demands may

DRAFT

not be equally placed on all IC personnel, it is important to recognize that they do exist for some. The human resource management (HRM) systems of the IC agencies must be able to effectively meet the special needs of those employees who work under these unique requirements, as well as those less exposed to personal danger or cover demands.

III. Observations on Counterintelligence

The secrecy endemic to intelligence work has generated a wide range of personnel security processes in all IC agencies. These practices make up a critical part of the larger charge of protecting intelligence sources and methods from foreign espionage -- a charge levied by law on the cryptologic services, the DCI and all intelligence agencies.

While the agencies operate under similar statutes and together prepared and adopted a DCI directive (1/14) on security procedures, practices vary greatly, as does the extent to which counterintelligence issues are woven into agency training and career development programs.

Ultimately, the panel decided to limit its review of personnel security issues to those that could affect recruiting. Nonetheless, its members were well aware of increased incidences of espionage cases in recent years (Walkers, Howard, Pelton, etc.), and this gave rise to concerns on the level of emphasis on personnel security in the Community.

The panel would thus like to go on record in strong support of the IC's efforts to upgrade personnel security and more fully integrate it into all HRM aspects. The sensitivity of supervisors to changes in an employee's attitude, lifestyle or behavior must become an increasing part of an agency's counterintelligence program. The panel believes all intelligence agencies have adequate authority to aggressively pursue this, while respecting employee rights as U.S. citizens.

IV. Value of Flexible Human Resource Management Approach

The intelligence agencies expect budgets and staffing levels to stabilize, and the NAPA panel generally concurs in this view. However, solutions to the deficit problem could produce another cycle of personnel reductions. At the same time, collection capabilities acquired when resources were increasing -- and the changing climate in the Soviet Union -- have led to an information explosion, causing the agencies to need more analytical capability, either human or artificial.

DRAFT

To meet changing requirements and enhanced data availability, the intelligence agencies will need to attract, retain, train and retrain a workforce with the skill mix that will meet national security needs. These efforts will have to be accomplished in a climate of constant or declining staffing levels within a labor market undergoing major changes. Yet, there are limits to the intelligence agencies' abilities, and to that of the IC as a whole, to do realistic long-range HRM planning. Perhaps because they have concentrated on reacting quickly to international issues or crises, the agencies do not have well-developed HRM planning strategies. The issue is whether their personnel systems are flexible enough to function effectively in a dynamic job market, and meet the needs of their changing workforce.

The CIA and the NSA have the greatest legal authority to respond to these challenges. Under its 1984 legislation, the DIA has made major changes in its personnel systems and now has the tools to more readily meet these challenges. The military department intelligence components have had considerable difficulty in recent years. The Civilian Intelligence Personnel Management System (CIPMS), scheduled to begin phased implementation in January 1989, is expected to provide the tools needed to bring about many of the improvements those organizations need.

V. Organization of this Report

This report addressed a range of HRM issues, but its key focus in all of them was to examine whether additional, specific flexibilities would help the intelligence agencies accommodate periods of stability and growth, especially given the imminent changes to the U.S. labor force.

Chapter two examines changing workforce demographics and values, and is designed to set the stage for the following chapters. Chapter three focuses on the intelligence agencies' staffing levels over time, their efforts to recruit and retain top quality employees, and the extent to which personnel security requirements affect those efforts. Chapter four discusses training and career development programs and examines each agency's removal authorities and programs available to outplace employees, should that be necessary.

Chapter five reviews the intelligence agencies' efforts to recruit and promote women and members of minority groups, and the extent to which the agencies took advantage of their growth environments to make their workforces more diverse ones. Chapter six describes the key differences between the federal Civil Service pay system and those of the intelligence agencies, and examines some other government and private sector compensation and benefits practices. It also offers panel recommendations on specific proposals by two IC agencies.

DRAFT

Chapter seven provides background information on congressional concern about past lack of coordination on HRM change within the IC, and describes three alternatives for coordinating human resource policies among the intelligence agencies. Finally, chapter eight offers the panel's perspectives on several areas which transcend individual HRM issues. They deal with heightened HRM flexibility, the relation of strategic and HRM planning, the link between enhanced flexibility and improved productivity, and the value of enhanced accountability when more flexible management systems are in place.

390 December 2, 1988