



AIR FORCE CIVIL ENGINEER SUPPORT AGENCY

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**GENERAL ACCOUNTING OFFICE (GAO) REPORT ON DOD COMPETITIVE SOURCING  
Effects of A-76 studies on federal employees' employment, pay, and benefits**

**SYNOPSIS:**

The Senate tasked the GAO to investigate the impact of the Office of Management and Budget (OMB) Circular A-76 competitions on employment, pay, and benefits of federal employees who formerly performed the contracted work. Senators expressed concern about the adverse effect of competitions on the pay and benefits of former federal employees and the results of shifting government jobs to the private sector at lower pay and benefits. The report (Report GAO 01-388) can be found at [www.gao.gov](http://www.gao.gov).

**INFORMATION:**

GAO analyzed three recently completed and implemented A-76 competitions, two at Wright-Patterson AFB (Base Operating Support and Civil Engineering) and one at Tyndall AFB (Civil Engineering). Wright-Patterson AFB had one study that resulted in a contracted organization and one that remained in-house under the most efficient organization (MEO) structure. The Tyndall AFB competition resulted in a contracted organization. The analysis showed that about 50% of the civilian employees remained in federal service. The remaining employees received cash incentives of up to \$25,000 to retire or separate. There were few involuntary separations.

When a contractor wins the competition, the in-house positions are normally eliminated through a RIF process. This means the employees must find another government position, retire or separate. Employees whose positions were eliminated in the new organization have priority placement in other DoD jobs for which they are qualified. Employees who

retire or separate have the option of working for the contractor.

The report researched the possibility of adverse effects on federal employee employment, pay, and benefits. The new in-house organization restructured work and reduced the number of employees required to do the work. Some positions were downgraded or eliminated. However, the impact on those employees whose positions were downgraded was minimal due to the use of the "save pay" provision of the RIF procedure. Under save pay, the government employee accepts a lower grade position but retains the former grade and pay for two years. After two years, the step of the lower grade is adjusted so that the pay remains unaffected; however, pay raises are limited.

In one organization where the in-house organization won the competition, the number of positions was reduced from 623 (428 civilian and 196 military) to 345 civilian positions. The military were reassigned to other duties and 83 civilian positions were eliminated. Of the employees in eliminated positions, 29 were given other government positions, 53 chose to retire, and 2 were involuntarily separated. Of those remaining in the new organization 52% received a reduction in grade, 31% had the grade unchanged, 1% obtained a higher grade, and 15% changed wage system (WG to GS or vice versa).

Nearly 65% of the affected civilian employees accepted a cash incentive to voluntarily retire or separate. Twenty-five percent found other government

positions and retained the same pay and benefits. The remaining 10% were involuntarily separated. Of the retired workers who applied for a job with the contractor, all were hired. Contractors actively recruit displaced and retired workers because the contractor normally does not have a work force readily available and former government employees are experienced. Employees who go to work for the contractor have a different salary (higher or lower) than when working in the government.

**CONCLUSION:**

Although there is a perception that A-76 competitions adversely affect employees whether won in-house or contracted, the report clearly shows that less than 1% of government workers are without a job. Pay and benefits in the federal system are comparable to those required by the Service Contract Act governing minimum wages and benefits. In many cases where the organization is contracted, the former government employees are better off financially because they receive a civil service retirement or the \$25,000 incentive pay to voluntarily separate.

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