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TAKING CHARGE OF FEDERAL PERSONNEL

GEORGE NESTERCZUK, WITH DONALD J. DEVINE AND ROBERT E. MOFFIT[1]

All too often, people who come to Washington with the goal of reforming government have little appreciation for the immense power and political sophistication of the federal employee network and its allies and the intensity of its resistance to serious change. They also lack a clear conception of federal management approaches and the best model of government administration that would make the federal government work better. For all of the Clinton Administration's rhetoric about "reinventing government," the federal establishment and its powerful allies on Capitol Hill—both Republicans and Democrats—continue to resist serious reforms that connect employment or pay to performance. As the Clinton Administration conclusively proved, the federal establishment will find the rhetoric of reform tolerable, even as the workforce shrinks, only if there are no real consequences involved for managers or employees based on job performance and only as long as federal benefits remain generous and untouched.

THE POWER OF THE WASHINGTON NETWORK

Washington's notorious Iron Triangle—the alliance of the federal bureaucracy, congressional staff, and interest groups based inside the Beltway—is perhaps at its strongest in resisting civil service reform. Members of Congress and their staffs are self-interested judges in their own cause; public employee associations are generally staffed with former big-government liberals from Capitol Hill who took their generous benefits with them when they left; and federal unions are committed to strengthening their political clout. Although business groups may identify with improved government management, most are concerned with buying access to Capitol Hill and often hire well-connected, senior-level liberal congressional staffers to represent them. And conservative advocacy organizations, which often talk about the need to get "government off our backs," find the social and economic issues far more attractive than mastering the bor-

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1. This paper is a revised and updated version of an earlier essay by Donald J. Devine and Robert E. Moffit, "Downsizing and Improving the Federal Civil Service," in Stuart M. Butler and Kim R. Holmes, eds., *Mandate for Leadership IV: Turning Ideas Into Actions* (Washington, D.C.: The Heritage Foundation, 1997).

ing details of civil service laws and regulations governing the functioning of the bureaucratic system they dislike.

In terms of federal personnel management, challenging the bureaucratic culture will mean taking on powerful congressional interests, regardless of party or ideological inclinations. It makes no difference whether Congress for the most part is friendly to an Administration. The levers of legislative power on federal personnel issues too often rest in the hands of Members who give more weight to political support from the "permanent government"[2] than to the philosophical importance of serious civil service reform. This is, of course, the greatest single psychological advantage enjoyed by the permanent government.

The federal civil service is overwhelmingly comprised of fine, capable, and competent individuals. They also are financially well-off: The average annual salary for a full-time federal employee in Washington, D.C., is over $60,000. They are generally opposed to making changes in federal pay and benefits to bring the civil service more in line with the private sector in terms of competitive job rates and management practices.[3] Such an establishment understandably favors the perpetuation of its own bureaucratic power.[4] Jealously guarding paychecks, pocketbooks, and power, the permanent government has too much at stake to offer anything less than stout resistance to change. Those who hope to change the way Washington works will be educated quickly to the influence, power, and resourcefulness of this sophisticated network.

To overcome the permanent government's resistance to change, serious reformers must be prepared—as President Jimmy Carter was during his campaign for passage of his historic Civil Service Reform Act of 1978—to expend serious political capital, to sweat the details of personnel policy, and to demonstrate political resourcefulness. Only with a clear agenda and the willingness to pursue reform can the new Administration and the 107th Congress accomplish major changes in the way government is run.

Every recent Administration from President Carter's through President Clinton's, in fact, can offer the new Administration key lessons for reform. In order to succeed at his agenda, the new President must base his management approach on clear policy objectives and sound management principles, reinforcing political leadership and accountability from the White House and Cabinet. He must be willing to call public attention to the weaknesses of the current system and to the importance of basing personnel management decisions on performance in carrying out the mission of the President. He must demonstrate a desire to eliminate duplicative programs and functions across the federal bureaucracy and to create a smaller, leaner federal workforce to manage the remaining functions. He will need to gain public support for transferring functions to the states, communities, and the private sector. And to make significant but necessary changes in federal pay

2. The authors use this term to include long-term congressional staff as well as the career civil service that comprises the bureaucracy. The term was used by Morris Fiorina in *Congress: Keystone of the Washington Establishment* (New Haven: Yale University Press, 1977).

3. At the ground level of agency management, private-sector managers would find the paralysis that can strike the civil service system to be absurd. For example, Dr. James Felsen, a physician with the Public Health Service, did "virtually nothing" for three years after an internal dispute with his superiors and still collected an annual salary of $117,000 and an annual bonus of $15,000 for those three years. Department of Health and Human Services officials decided that there was "insufficient evidence" for firing Felsen. See Stephen Barr, "HHS Reassigns Physician It Can't Fire," *The Washington Post*, September 30, 1996, p. A21.

4. In 1988, the National Commission on Public Service, for example, including such prominent Washington insiders as Robert S. McNamara and Donna Shalala, argued that the President should reduce the number of political appointees because putting them in positions of authority over "talented" young career civil servants discourages the civil servants and blocks them from career advancement. More recently, a task force of the Twentieth Century Fund, a New York-based public policy organization, has called for sharp cutbacks in the number of political appointees.

and benefits, including more portable private-sector–style benefits, the President will need to gain the support of federal employees as well.

TAKING CHARGE

Because of the closeness of the 2000 election and subsequent legal challenges, President Bush has lost precious time in making the transition into the Oval Office and faces unprecedented pressure in getting his team quickly into place to do the necessary spade work for new policies in federal agencies and departments. Under the intensity of these historically unique pressures, the President and his advisers may be tempted to name fewer political appointees to various positions within the agencies and departments and rely instead on senior career civil servants to carry out the responsibilities that would otherwise belong to his appointees. Because this is not the responsibility of the career civil service, it is unfair to impose this burden of political accountability on them. Meanwhile, of course, political appointees of the previous Administration can be expected to use every loophole available in civil service law to burrow into the career bureaucracy and secure permanent civil service protection.

For the new President, succumbing to temptations to rely on the career civil service to begin implementing his political and policy agenda would be a profound mistake. Career civil servants should not be tasked with formulating and executing the details of an agenda for major policy change. Political appointees, personally loyal to the President and fully committed to his policy agenda, are essential to his success, especially in the crucial early months of his Presidency. No President can or will advance his agenda alone or with a small handful of staffers in the White House or the federal departments. The President needs a full cadre of personnel committed to him and his agenda in the federal agencies that execute the details of national policy.

Lessons from the Past. The task of improving the way the federal bureaucracy operates, however complex, will require that the new President has vision and the willingness to fight the status quo. Presidents Jimmy Carter and Ronald Reagan demonstrated those qualities; their experiences and those of other Presidents who established strong cabinet governments provide ample lessons for reformers in the new Administration. Among them:

- **The new President must make liberal use of his power of appointment,** get a loyal team in place to carry out his agenda, and insist on accountability while maintaining a clear distinction between career and non-career employees.
- **Political appointments to key policymaking positions** must be made in a timely fashion.
- **Political appointees must be in charge of implementing the President's policies** and readily available to speak for the Administration.
- **Political appointees should make key management decisions;** such decisions should not be delegated to the career bureaucracy.
- **The new Administration should provide a clear rationale for continued reductions in the size of the federal workforce and for management changes;** workforce reductions should be well planned and systematically implemented.
- **The new Administration should use the Civil Service Reform Act** to improve accountability to the public and improve management of the workforce.
- **The new Administration should use good management and contracting-out of government services** to save the taxpayers billions of dollars.
- **The new Administration can reform federal employee benefit programs** by making fundamental changes through the congressional budget process.

Strategies for the New Administration. President Clinton's effort to "reinvent government" resulted in significant changes. Their net effect, however, has been to undermine strong political management and cabinet government. In order to make the sizable reductions in staffing levels he promised, he formed an alliance with federal unions. He issued an executive order (E.O. 12871) that established "labor–management partnerships"—federal councils which were new entities that elevated the status of federal unions to a level of equality with agency management. Federal unions, as political entities accountable only to their members, had thus become a counterweight to the political management appointed by the President.

The new President will need to revoke President Clinton's executive order and demonstrate from the outset that his approach to reforming the federal bureaucracy will emphasize political responsibility and accountability to the taxpayers. To be successful, the new Administration should:

- **Eliminate** duplicative federal programs and functions;
- **Build** public support for a more flexible and modern federal personnel system;
- **Advance** a core–spoke–rim model as the ideal federal workforce structure;
- **Move** to merit-based pay and benefit systems;
- **Reform** federal retirement benefits to make them fully portable and fully funded;
- **Restore** merit principles to federal hiring procedures;
- **Reassert** managerial control of government; and
- **Consolidate** the central management agencies of government.

This straightforward strategy to redefine the role and functions of the federal government will build on successes and failures of past Administrations. The result will be a far more effective and efficient federal workforce and greatly improved accountability to the American taxpayer.

COMPETING THEORIES OF MANAGEMENT

It would be a profound mistake to view the recurring struggle between reformers and the permanent government as merely a contest over pay or power. Like most political struggles, this conflict exists on a higher level. It is a battle between proponents of very different theories of public administration and styles of management.

The Public Administration Model. Apologists for the permanent government, regardless of their partisan affiliation, are animated by a well-established theory of government administration known as the public administration or scientific management model. This model is identified most closely with Presidents Woodrow Wilson and Herbert Hoover. It emphasizes the Progressive ideal—a value-free "scientific" program of government administration, based on objective management and policy principles, which is technically administered by neutral career public officials. In such a system, the career officials lead the political appointees, including the President, teaching them the "scientific" solutions residing within the wisdom of the expert civil service and then engineering the solution into a program of action. In other words, theory determines practice. In spite of America's democratic political tradition, many senior career officials in government and their allies in academia believe this ideal is appropriate.

The public administration model has dominated discussions of government reform since the rise of the modern administrative state. Professor Woodrow Wilson brought the new administrative theory, learned from studies in Germany and Great Britain, to Princeton University, where it provided a vision for how the new welfare state could be managed. Wilson believed the separation of powers was "manifestly a radical defect in our federal system that it parcels out power and confuses responsibility." He sought instead a system that centralized power in the national government, particularly in the hands of the President, with an Administration staffed by the nation's top experts who would determine the proper "scientific" answer to the nation's problems. With the exception of a hiatus under President Dwight D. Eisenhower, the public administration model remained largely unchallenged until the presidencies of Jimmy Carter and Ronald Reagan.

The Political Administration Model. Policymakers today should be guided in their efforts to downsize the government and improve management practices by an alternative model of government management: the cabinet government or political administration model. Advocated in recent years by Presidents Dwight Eisenhower, Jimmy Carter, and Ronald Reagan, this model was the norm for presidential government throughout most of American history. It emphasizes political responsibility—providing presidential leadership to committed top political officials and then holding them and their subordinates personally accountable for achievement of the President's election-endorsed and value-defined program. These Cabinet and sub-Cabinet officials then suffuse this program throughout the labyrinth of a bureaucracy that is often resistant to change.

The Pitfalls of the Clinton Approach. President Clinton followed neither approach, opting for what appears to have been a model based on power sharing among constituent interests. As a result, his Administration has at times lurched from a "high-spoils" approach (a crude version of the political management model epitomized by the firing of long-time employees in the White House Travel Office, the use of a political trickster to head the Office of Personnel Security, and the planting of political operatives into senior-level career civil service positions) to turning the Administration over to federal labor unions, as in the President's October 1993 executive order creating "partnership councils" (a bizarre distortion of "public administration" giving de facto daily management and policymaking authority in federal agencies to labor–management councils).

Although the size of the federal workforce was reduced substantially during Clinton's tenure, nearly three-fourths of that number is attributable to downsizing the Department of Defense, reflecting the end of the Cold War rather than a government "reinvention" initiative.[5] The vaunted Clinton management reforms did little, meanwhile, to downsize the bite on the taxpayer. In that crucial respect, government has grown. Total federal spending is $425 billion *more* in 2000 than it was in 1993—a 30 percent increase. More important, since 1993 the number of civilian Full Time Equivalent positions (FTEs) has declined by 19 percent, while the total cost of the civilian workforce has increased by 14 percent, from $111 billion to $127 billion.[6]

The new President will need to implement a careful strategy to carry out a serious agenda for change. A serious agenda of managerial change, changing the way government works, will necessitate the President's adoption of the cabinet government model, the model of political administration championed by Eisenhower and Reagan, rather than the public administration model promoted by Wilson.

LESSONS LEARNED

The new Administration can draw on an ample supply of historical experience for why reform of the federal bureaucracy is necessary and how best to achieve it. Since the Hoover Commission of 1947 and World War II, numerous blue-ribbon panels have been assembled to propose ways to streamline or downsize the federal government, but their impact has been disappointing. As Joseph A. Califano, Secretary of the Department of Health, Education and Welfare (HEW) under President Carter, observed in *Governing America: An Insider's Report from the White House and the Cabinet*:

> The key commissions of the 1960s and the 1970s that had studied government organization—groups chaired by Ben Heineman, Sr., for Lyndon Johnson and Roy Ash and John Connally for Richard Nixon—had recommended essentially the same structure: consolidation, fewer departments and no Department of Education.[7]

Yet the initiatives embodied in these commissions, the Civil Service Reform Act of 1978 and the experience of the Reagan Administration in attempting to implement it, and the successes and failures, mistakes, and missed opportunities under

5. Robert J. Samuelson, "Bumper Sticker Politics," *The Washington Post*, September 25, 1996.
6. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2001*, Tables S–13 and 10–4.
7. Joseph A. Califano, Jr., *Governing America: An Insider's Report from the White House and the Cabinet* (New York: Simon & Schuster, 1981), p. 278.

Presidents Reagan, Bush, and Clinton provide clear lessons for reformers. Among them: When contemplating administrative changes, if existing law allows it, "just do it." Delay is the enemy of change. If doing it requires a change in law, make proposals for legislative changes early. And make sure that legislative decisions advance the cause of smaller and limited government, not merely reshuffle, reorganize, or "reinvent" agencies and programs. Reformers must be prepared to fight the resistance of the permanent government, because the benefits of achieving real reform will be well worth the effort.

Lesson #1: To reform the civil service bureaucracy, the new Administration must demand accountability and enforce the crucial distinction between career and non-career employees and functions.

The failure to understand or appreciate the distinct functions of career and political appointees is a recurrent source of pain and embarrassment for executive branch officials. The so-called Travelgate affair surrounding the abrupt firing of seven long-established employees in the White House Travel Office under the newly elected President Clinton provides an example. Evidence has shown that the White House misused the Federal Bureau of Investigation to investigate and the Department of Justice to indict these employees.

Commenting on an early internal Administration report on Travelgate, veteran political columnist David Broder wrote in *The Washington Post*:[8]

> The report can be commended for candor. But what it revealed was a saga so shoddy, so saturated with petty manipulations, snooping and spying, rampant cronyism and tacky deceits that it made you cringe. It also confirmed an abuse of the FBI's role—in summoning agents into a situation without even so much as a by-your-leave to the attorney general, and then pressuring them for action—that it made you wonder if anyone on that young staff had learned the hard-earned lesson of Watergate.

While the motives behind the firings are not known, it is known that politically important friends of the President and his wife had asked for changes and that an innocent, long-serving federal manager was falsely accused of engaging in criminal acts. Travel Office chief Billy R. Dale, who was later exonerated by the court, had been fired for what appeared to be purely political and unnecessary reasons. No one has a right to hold on to job in the White House; and since the Travel Office is within the White House, its occupants are not formally subject to civil service hiring or protection procedures. But from the outset, the Clinton White House team did not openly assert the right to appoint its own people to this office. Contrast this with the Reagan team, which early in the President's first term made clear that it would use its right to do so even to fill far more sensitive inspector general positions charged with investigating waste, fraud, and abuse in federal agencies.

The Clinton team actually encouraged the remarkable view that the only legitimate reason for decisive action regarding personnel in a White House office is corruption. Thus, the long-time occupants of the White House Travel Office were not removed according to the assumed—and legitimate—right of a new Administration to bring in its own people. That apparently sounded too *Reaganesque*, and charges were soon circulated that widespread corruption existed in the financial affairs of the Travel Office, and personnel who were not involved in financial matters were dismissed along with those who were. The underlying problem is that there was no personnel theory—unless it was simple spoils—guiding any of these personnel decisions.

Another Egregious Example. Another garish example was the appointment of a personal friend, Craig Livingstone, as head of personnel security at the White House. This position, too, can be filled properly by a political appointee, yet it does not appear that any previous Administration had filled such a sensitive position with so partisan a person.

8. David Broder, "Talk Is Not Enough," *The Washington Post*, July 14, 1993.

Livingstone was a low-level political operative who dressed in costumes to ridicule opponents and who has been accused of "dirty tricks" in a Democratic nomination contest. Was it prudent to appoint such a person to a job that included reading sensitive FBI personnel files? Livingstone secured at least 900 FBI files on Republican White House appointees, an act that generated great outcries of invaded privacy and possible political abuse and caused major political damage to the President. Hearings in the U.S. House of Representatives on June 26, 1996, forced Livingstone to resign. The lesson: This position is best filled by a career functionary who is able to handle sensitive information in a professional manner.

One of the principles of President Reagan's management that agency heads found to be the most difficult to follow was the President's insistence on a clear dividing line between political and career functions so that each was respected. This policy was neither brazenly political nor mindlessly bureaucratic, but a balance of both political and bureaucratic missions. At least during his first term, Reagan's team was comfortable justifying the role of political appointees as leaders and protecting the Chief Executive's appointment authority against congressional attempts to usurp or subvert it. As a result, the Administration was comfortable in limiting job shifts to the career service by political appointees.

Nonetheless, Reagan's Office of Personnel Management (OPM), the agency tasked with establishing hiring policies based on merit principles, periodically came under great pressure from various quarters to politicize the career service by allowing political appointees to convert to career civil service status. This happens in every Administration, Democrat or Republican. The Reagan OPM generally was successful in limiting this in the first term, arguing that it was proper to create more political positions and respect the professional autonomy of the career service. The prevailing view within the OPM at that time was that once a political appointee received career protection, he or she often became a careerist in outlook, with new institutional loyalties to the permanent government and less interest in achieving presidential objectives. This management philosophy proved key to enabling the Reagan Administration to promote its policy agenda while reinforcing sound administrative principles.

This, unfortunately, was not the policy of the Clinton Administration. So-called careering-in abuses at the Consumer Product Safety Commission (CPSC) and the Pension Benefit Guarantee Corporation (PBGC) led House Civil Service Subcommittee Chairman John Mica to request in July 1996 that the General Accounting Office (GAO) probe 50 agencies. Instances included a former law school classmate of First Lady Hillary Rodham Clinton who transferred from a career position to a political one at the PBGC but remained a career official. At the CPSC, the sister of President Clinton's former campaign manager apparently tailored a career job for a politically connected former assistant to a Democratic Congresswoman. And at OPM, the political chief of staff of the director was "competitively" selected from a list of career applicants to fill a newly created and arguably redundant Senior Executive position in charge of labor–management councils. A clearly political policy position was filled by a newly minted "career" employee chosen from the highest political ranks in the agency.

In addition to fostering such abuses, the Clinton Administration agreed to federal union demands to weaken the Hatch Act prohibition on political activity by career employees, creating a major breach in the division between career and noncareer status by politicizing careerists, permitting them to become more politically involved in partisan political campaigns. This allows them to be subjected to increased political pressure from unions and politically active supervisors.[9] It increases the likelihood that political careerists will be tempted to use government power to threaten clients. (For regulators of business, such pressure could be very threatening indeed.) Political

9. Not surprisingly, career associations like the National Academy of Public Administration recognized these inherent problems and opposed such changes in the law.

appointees will be more attracted to "careering-in" for their own protection, since they will not lose the ability to act politically.

Lesson #2: Political appointments should be made in a timely fashion.

While the Clinton White House was expending enormous energy and political capital on filling minor positions in the small Travel Office, peering into hundreds of FBI files, and politicizing career positions and laws, it was, incredibly, leaving the management of the most important government agencies in the hands of permanent career officers. *New Yorker* columnist Sidney Blumenthal noted in June 1993 that "Bruce Lindsey, Clinton's close friend and constant companion, has been sentenced to the personnel office, where piles of resumes literally towered to the ceiling and sometimes fell over. Lindsey would slowly send appointments up to Clinton who would roll many of them back down." The result of this process was extended vacancies in key policymaking political jobs.

Because vacancies in appointments give more power to career officials, this approach might be adequate in the parliamentary systems of Europe. There, the career-dominated model of government permits very few political positions below the cabinet ministers. One could square it within the framework of the American political tradition were President Clinton consciously following Presidents Wilson or Hoover and attempting to restructure the government along those lines. But in not following a model consistently, the Administration was set adrift, stumbling on policy, maladroit on the selection of key individuals, frequently crossing the line between political and career officialdom, and confusing the basic function of hiring and dismissing career personnel.[10]

The first step for a new Administration is to avoid the Clinton Administration's mistaken approach and take steps early to implement one of the two standard Administration models. As noted, the political administration, or cabinet government, model is the preferred model for a President seriously seeking to transform the way the federal government operates.

Lesson #3: Political appointees must be in charge of policy.

Political appointees are an integral part of an effective Administration. The temporary absence of political appointees who could speak authoritatively for the Administration, for example, can be a source of frustration for Members of Congress, who may be trying to hammer out the details of legislation without clear communication from the Administration on sensitive matters of public policy.

Examples are numerous. Many are graphic. During the spring of 1982, Reagan's team at OPM had been locked in tough and tedious negotiations with Democratic House and Republican Senate staff on legislation to establish permanent flexible working hours ("alternative work schedules") for federal employees. Although the Administration and federal employee unions both favored extension of "flextime" to the entire federal workforce, the Administration insisted on management's rights to direct the program. The legal authority for the temporary flextime program was likely to expire during the negotiations, and congressional leaders sought a temporary extension to continue the program while a final compromise bill was being hammered out. Senior career staff at the Office of Management and Budget (OMB), insulated from the negotiations on the Hill and therefore ignorant of the political dynamics, flatly opposed the extension and declared that a "hang

10. The consequences of policy without political appointee oversight were painfully evident at the Department of Justice during Clinton White House delays in filling the Attorney General position. In response to inquiries into the department's 1993 budgetary and legislative agenda, Justice "issued a sparse one page statement that listed three initiatives, all of which had already been proposed. There was little indication of any change in priorities. Meanwhile, other agencies held news briefings to discuss their spending plans." Joe Davidson, "With Its Highest Positions Yet Unfilled, Justice Department Remains in Disarray," *The Wall Street Journal*, February 24, 1993.

tough" posture would force Congress to capitulate at the conference table.

Having soundly beaten House Democrats in a previous floor vote, the Reagan team at OPM knew very well that this threat was politically silly. When notified of OMB's instructions, House Republicans, including some of President Reagan's strongest allies, angrily told Reagan's team at OPM that there would be no Republican leadership support on the floor for such an inflexible position, which would be a political embarrassment for the White House. At the very last minute, as the temporary extension provision was literally heading for full debate on the floor of the House, OPM's political leadership was able to override OMB career staff and reverse what was an "official position" of the Administration. This gave both the Reagan Administration and Congress breathing space to complete negotiations on a permanent authorization for the flextime program. The final compromise bill embodied the Administration's management rights provisions. Only the American Federation of Government Employees (AFGE) opposed the final flextime bill because of those provisions.

For the Reagan Administration, it was a good outcome, but it clearly could have been consummated earlier without an unnecessary loss of congressional goodwill if the process had been left entirely in the hands of the political leadership responsible for the decision.

While Congress should always give consideration to the views of senior career officials on technical matters of administration and take advantage of their impressive institutional memory, it should not do so on matters of Administration policy in which the most politically sensitive questions are sure to arise. For example, following the terrorist bombing of the World Trade Center in New York in 1993, members of the House Judiciary Committee trying to refashion federal immigration policy were frustrated because the White House kept sending career staff from the Immigration and Naturalization Service (INS) who could not speak authoritatively for the Administration. Seeking commitments from senior career officials who cannot or will not speak on behalf of the Administration's policy agenda wastes valuable legislative time.

Lesson #4: Key management decisions must not be delegated to the career bureaucracy.

Government management does not have the private-sector luxury of using bottom-line profit-and-loss statements to measure success. Government budget figures tell only what was spent last year, not whether the program or its staff were successful (e.g., made a "profit"). In government, the only real replacement for a private-sector–financial-statement form of management is personnel management, which inevitably becomes *political* personnel management. An effective career force is essential, but it cannot be led without strong political managers. Indeed, political appointees in the top positions can make or break any Administration.

Managing and leading people is what efficient government is all about, even more so in the sprawling national bureaucracy. Although President Carter was successful in passing the Civil Service Reform Act of 1978, which embodied this principle, he tended to rely too much on the Executive Office of the President, viewing management much as he would from the governor's mansion of a small state or as an engineering problem to be solved with tools he used in an earlier occupation. Although the White House Office must play a central role in planning, it would be more effective if it delegated the effort to a leaner Executive Office staff and if "line-function" Cabinet and major agency heads were included more in the top management team. Placing trusted political appointees who are dedicated to the President, rather than to their own personal or narrow agency agendas, throughout the bureaus of government is the secret to controlling both the management and policy processes.

This in turn means that the Office of Presidential Personnel (OPP) must make appointment decisions based on loyalty first and expertise second, and that the whole governmental apparatus must be managed from this perspective. Picking appointees who are "best for the job" merely in terms of expert qualifications can be disastrous for an Administration genuinely committed to change, because the best qualified are already in the career positions and part of the status quo—the permanent government. Yet sound cabinet government is not simply a spoils system either, so expertise cannot be ignored. If the Reagan Administration failed on a few early appointments based on the loyalty criteria, the Clinton Administration tended to fail on expertise.

OPM is the central federal agency that manages the federal workforce, and it must play a critical part in developing a team, managing the Senior Executive Service, and overseeing Schedule C positions. Because political appointees are so critical to an Administration's success, they should receive special attention—access to the President, limited of course by rank and importance; special training in political responsibility for the tasks and agencies they are to manage; and exemption from actions otherwise affecting the personnel process, such as hiring freezes. In return for this special treatment, they will be better able to manage the agency morass that lies beneath them.

Presidents Carter and Reagan fought to give their political executives the tools they would need to manage the bureaucracy. For a few short years, it worked. More was accomplished with less, and measures of productivity increased as personnel were cut. Presidents Bush and Clinton, however, made decisions that removed essential management tools from the very political executives that had been the focus of Carter's reforms and, in Clinton's case, actually sought to transfer management authority to a new entity called labor–management councils. Clinton's decision to use collective-like councils (even if they were not union-dominated) could only strengthen the permanent government and weaken the direct management link between political appointments and career staff so essential to the success of the political administration model of government.

Incredibly, congressional conservatives, perhaps motivated more by political hostility to President Clinton than by a commitment to increase the power of career staff, in the last three Congresses proposed cutting the already tiny number of executive branch political appointees—a step that would weaken not only the President's control over the execution of his policy agenda, but also his overall management of the government. Advocates of reform in the new Administration and the 107th Congress should realize that reducing the number of political appointees to weaken political control is a long-sought goal of unions as well as the career manager–dominated American Society of Public Administration.

It is the political appointees, in the end, who can and must be held accountable for how the bureaucracy functions. It is expecting too much of subordinate career executives and union officials to make difficult and politically sensitive decisions about such issues as pay, hiring, firing, and performance ratings. The strategy developed by the labor–management councils during the Clinton Administration illustrates this point perfectly. Performance management systems in several agencies were changed to evaluation performance on a simple pass-or-fail system. Funds earmarked for individual performance and recognition awards were redirected to group performance awards. Individual accountability for performance was effectively severed from evaluations. This trend of reduced accountability continued through Clinton's second term, supported by federal managers and federal unions alike. Under this system, only political appointees, whose rewards come directly from the President, would have incentive to resist the dominant cultural pressures and make tough decisions. But when there is a lack of political leadership on tough issues within an agency, there is no reason to assume that anything will happen down the line in the bureaucracy when the President gives an order. For this reason, all of the responsibility must rest with the political agency head.

Turning control of management decisions over to unions makes even less sense. Unions exist entirely to get more for their members in an environment within which the public demands less. To the extent that President Clinton's plan shifted power to the labor-dominated councils, "reinventing government" proved simply to be a political gift to federal unions. In a perverse way, however, the Clinton Administration plan acknowledged that responsibility should lie with the agency head.

Its plan gave decision-making power to the labor–management councils but also recommended that recourse for abuses committed on employees should be taken against the political agency head. There is no ignoring the fact that democratic government, at some level, must place responsibility in the hands of political appointees who represent the elected executive.

President Carter's management reforms recognized this principle and moved responsibility down the management chain to successively lower-level political executives, then to career executives and managers, and finally down to the level where the work was performed. All were bound together by a performance appraisal and performance reward system that rewarded those who successfully enacted the policies set by the President within the limits imposed by laws of Congress. His system demonstrated that, although employee work groups and organizations can be useful in some situations, and although employee input and needs must be considered by management, effective government management requires strong agency leadership communicated through successive subordinate officials. To the degree a mission is simplified, the easier leadership becomes. Under the Reagan Administration, reforms were based on management principles appropriate to the organizational reality of government: leadership, simplicity of mission and work, and political responsibility.

The new Administration should return to the principles embodied in the Carter–Reagan reforms and implement changes based on intelligent, dedicated leadership and sound management principles.

Lesson #5: A clear rationale must be put forth for reducing the size of the federal workforce and making management changes.

Reforming and streamlining the federal government has been a stated goal of every recent Administration. Yet, in the case of the non-defense sector, only two—those of Eisenhower and Reagan—actually managed to achieve any significant reductions in numbers *and* impose managerial leadership on the federal bureaucracy. These Administrations were successful because they used such broad-scale management tools as eliminating personnel along with entire functions of government, setting reduction targets and monitoring progress, and focusing on political responsibility for results.

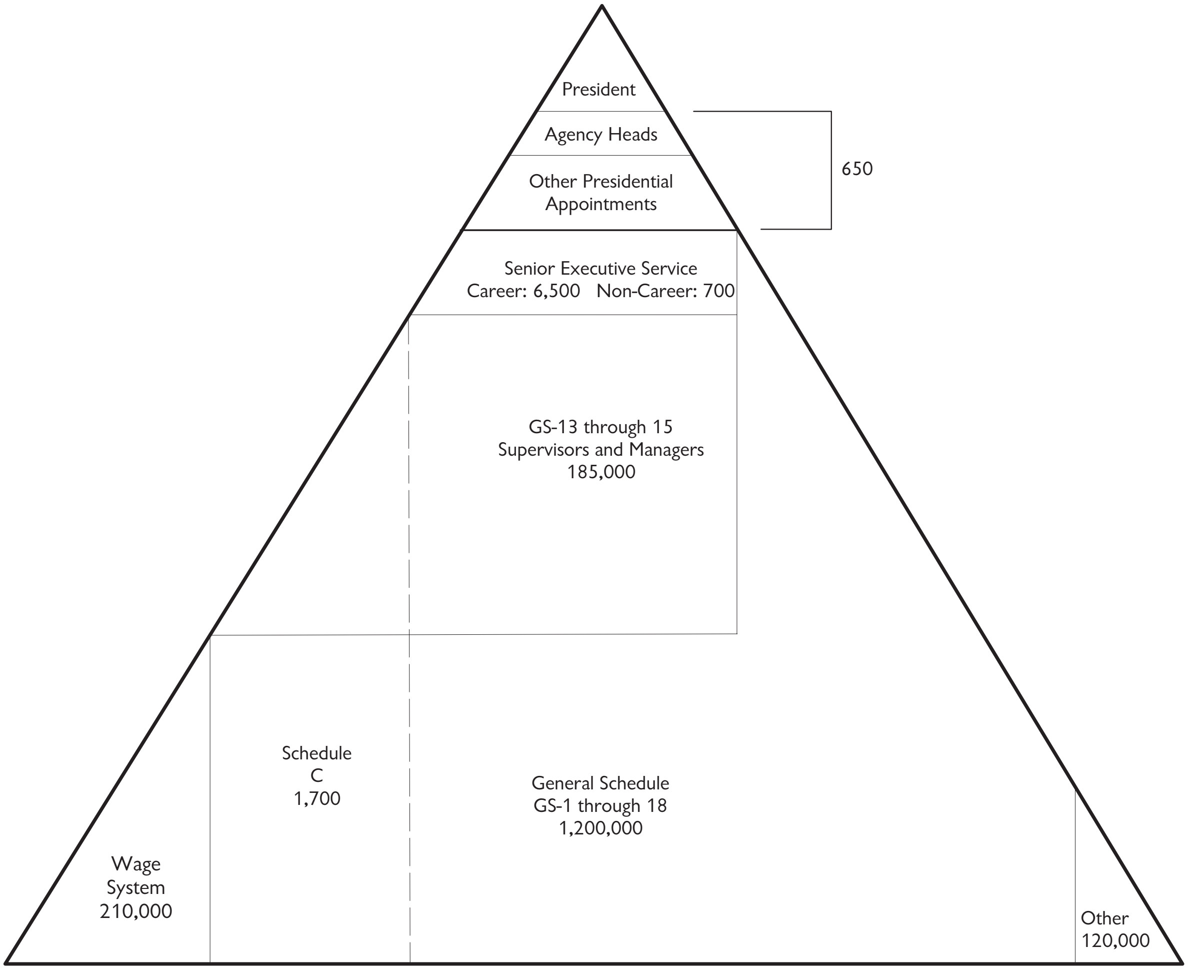
The rationale used by the Reagan Administration in creating management efficiencies and reducing the size of the federal workforce was based on its clear understanding of cabinet government and the model of political administration based on responsibility. The President sets the policy, and politically appointed Cabinet members and their subordinate officers implement it, all in accord with the President's election mandate. The government is managed at the top by the President and his political officials, who in turn work through career senior executives to direct their career civil service staff. The focus is on people and managing personnel.

Before reducing the civil service workforce is even discussed, the Administration, policymakers, politicians, and the media must differentiate among several key groups within the federal bureaucracy. When reporting federal civilian employment figures, for example, the media routinely include the independent Postal Service, which is not directly managed by the President. Journalists also do not typically distinguish between defense civilian employees (which, for example, President Reagan wanted to expand to win the Cold War) and domestic non-defense civilian personnel (which he planned to cut). Rarely are political and career officials separately identified. Such clarity, however, is essential because the civilian personnel system is immensely complex. As pictured in the accompanying chart, it has many discrete elements.

The Reagan Administration began by focusing on the appointment of the top presidential and non-career appointees, because Reagan understood how critical they were for its success. It focused on training and support for senior political appointees to give them the management tools they would need to perform. In a major series of reports on the federal bureaucracy at the time,

Chart 1 B1404

Federal Civil Service Structure



1,750,000 Full-Time Permanent Employees

Presidential Appointees: about 650 who serve at the pleasure of the chief executive.

Non-career Senior Executives: approximately 700 who are political appointees serving at the pleasure of the agency head.

Career Senior Executives: about 6,500 who are protected by Senior Executive Service (SES) rules.

Schedule C Non-career Managers and Policy Advisors: about 1,700 who are lower-level political appointees and also serve at the pleasure of the agency head.

Career Managers: about 185,000 who are protected by Civil Service rules.

General Schedule professional, administrative, technical, and clerical white collar workers: totaling 1.2 million who are protected by the Civil Service rules.

Wage Grade blue collar employees: about 210,000 who also are protected by these rules.
administrative judges, public health service, and medical personnel.

Note: Estimated totals for 2001.
Source: The Budget of the United States, U.S. Office of Personnel Management.

Washington Post reporter Paul Taylor noted that "The Reagan Administration has moved more aggressively, more systematically, and more successfully than any in modern times to assert its policy control over the top levels of the bureaucracy."

The experience of the Clinton Administration offers a dramatic contrast. President Clinton frittered away critical months by focusing on ethnic and gender diversity in his appointments, which delayed them and contributed to the lack of strong agency management during his first two years. The criticism of Clinton's management of the executive branch during those two years was nearly universal because he had not consistently followed one of the models of personnel management.

These two Administrations also took different paths in reducing the size of the career government. The Reagan Administration set the goal of reducing domestic government employment by 75,000 FTEs, and it set targets for each operating agency. It monitored the progress of agencies through a new monthly personnel accounting process. By the end of Reagan's first term, the Administration had achieved its goal because the President had rallied support from his own top political management, his Cabinet officers, and his sub-Cabinet management team.

By the time the Clinton Administration took office, however, this monthly accounting system no longer existed, and personnel reductions were driven largely by the budget. Congress legislated personnel reductions of 270,000 FTEs from fiscal year 1993 baseline levels, to be achieved by FY 1997. Initially, little was done to achieve these reductions, but conveniently for the Administration, the Department of Defense was already well into post–Cold War restructuring and downsizing begun under President Bush. During the Clinton Administration's first two years, 97 percent of the workforce reductions came from Defense as a direct result of those policies. During the succeeding two years, most reductions in non-defense personnel were driven by decisions of the Republican-led Congress on federal spending. Indeed, pressure exerted by the 104th Congress reduced the number of federal employees at 29 of 39 major government agencies.

Clinton's initial difficulty in driving the personnel reductions stemmed from his alliance with federal labor unions. The unions politically would not support policies that decimated their ranks, and Clinton promised them that reductions would come from management. His strategy was to flatten the management hierarchy and increase the supervisor-to-employee ratio from 1:7 to 1:15. This goal, however, proved to be unrealistic; the federal workforce simply did not have enough managers to meet the congressionally mandated reduction targets. The Clinton Administration then targeted management-related overhead positions: the administrative occupations of personnel, budgeting, accounting, procurement, and auditing. These occupations were seen as excess overhead in need of streamlining and, together with managers and supervisors, were targeted for reductions of up to 50 percent. Four years of reducing the numbers in these targeted occupations made federal workforce "reinvention" a boon to private-sector employers, as federal agencies turned to contractors to fill the administrative vacuum. Although the workforce has indeed been reduced in sheer numbers, the new Administration will find that the workload has remained largely intact.

Lesson #6: The Civil Service Reform Act should be used to improve management and accountability.

As noted above, the Civil Service Reform Act of 1978 (CSRA) applied sound principles of performance management to the daily workings of the federal government. Central to this law is Title 5, U.S. Code 2301(b), which requires that "recruitment, selection, and promotion" are to be determined "solely" on the basis of "relative ability, knowledge and skills"; that "appropriate incentives" are to be provided to encourage "excellence in performance"; and that "employees should be retained on the basis of their performance."

Backed by this statute, the Reagan Administration created a comprehensive and standardized employee performance appraisal system, tightened employee discipline systems, implemented a merit pay system for managers and executives, and increased flexibility in assignments of the Senior Executive Service. The Reagan Administration wanted to expand these reforms from the executive ranks to establish a direct link between pay and all monetary awards and performance and to eliminate the automatic nature of within-grade pay increases for all General Schedule employees. It attempted to increase the role of performance as the basis of employee retention in reduction-in-force efforts in federal agencies as well in order to extend the performance principle throughout the entire work force.

President Carter had prepared the way. He was elected on a platform promising to reform the bureaucracy, and he acted on that promise. Carter did not tell the American people that he had fulfilled his promise to reform the bureaucracy and explain clearly what this success meant. He did not highlight this accomplishment even to his own managers. As a result, he received only negative media coverage on the subject, largely generated by the unions and others who opposed his efforts. In the end, therefore, the CSRA yielded few tangible results under Carter; to a great degree, time simply ran out on his term. But from day one, President Reagan and his team used the tools of the CSRA to reform the bureaucracy and kept the issue of reducing the size of government while increasing efficiency firmly before Americans in the daily news, thereby generating countervailing support from a public that praised the Administration's efforts.

While President Clinton's National Performance Review (NPR) supported performance in principle, it devolved control over government systems to the agencies and the unions, and therefore to the very entities that historically have resisted a direct link between performance and accountability. More important, his Administration chose to go in a different direction, which is easily discernible in three areas: the Federal Employee Performance Appraisal System, reduction-in-force (RIF) procedures, and merit pay.

Clinton's Approach to Performance Appraisal. Performance appraisal means nothing if it is not, in the words of David Osborne in *Reinventing Government*, tied directly to "real consequences" for success or failure. Before the enactment of the CSRA, performance appraisal in the federal system used a three-tiered rating system in which 99 percent of federal employees received a "satisfactory" rating at the middle range of performance. The Carter Administration realized this was meaningless and created a five-step performance appraisal system, which rated job performance as "outstanding," "exceeds fully successful," "successful," "below successful" (needs improvement), and "unsuccessful." The Reagan Administration enforced this new system, spreading the ratings over at least four of these categories so that performance levels could be distinguished more clearly and rewards distributed accordingly, even if relatively few were actually rated unsuccessful and fired for poor performance.

Instead of strengthening this performance appraisal system, the Clinton Administration OPM aggressively encouraged agencies to adopt a two-level pass–fail system. This was even more primitive than the federal employee appraisal system scrapped by President Carter, and it effectively ended any serious appraisal of job performance in the federal workforce. If work is not even appraised, it is not possible to reward those who perform it best (which could not be considered a victory for anyone except, perhaps, the permanent government).

Reduction-in-Force Procedures. Reduction-in-force procedures are rules for laying off federal employees. Historically, one of the biggest federal management problems has been the policy of laying off federal workers with little consideration for how well they perform.

Four factors govern the decision to lay off federal workers: tenure, veterans preference, seniority, and performance. The main goal of the Reagan Administration, against strong opposition from federal employee unions and their allies in Congress, was to upgrade the role of performance relative to seniority, enforcing the legal principle that employees should be retained on the basis of performance. After months of negotiation with interested parties, regulations were issued only to be blocked by an appropriations rider added in the Democratic House which would block reform in the following years. An unfortunate byproduct of the Clinton OPM guidance supporting a pass–fail system was further diminution of the role of performance relative to seniority in RIF procedures. As a result, it is now easier for top performers to be laid off during agency consolidations or reductions in force—an outcome that is hardly consistent with improving efficiency or providing positive consequences for good performance in the federal workforce.

Despite several attempts by conservatives in the House of Representatives in recent Congresses to enact legislation that would modestly increase the weight given to performance, the predictable unity of federal managers and federal unions against the principle of rating employee performance and the Clinton Administration's opposition to such measures should make it no surprise that the bills failed to advance.

Merit Pay. According to a 1994 survey of major U.S. companies, 90 percent use a system of merit pay for performance.[11] This is not the case in the federal government. While the Clinton Administration lobbied furiously to get its huge tax and budget package through the 103rd Congress, Democrat Delegate Eleanor Holmes Norton of the District of Columbia sponsored a provision in the legislation that would have eliminated all bonuses and cash awards for good performance among federal employees—generating stunned reaction from (among others) Vice President Al Gore, who told reporters, "That's not going to happen." Although it did not happen in that budget bill, the entire CSRA pay-for-performance system created by President Carter in 1978 and implemented by President Reagan in 1981 for the managerial corps has been effectively eliminated nonetheless.

After implementing merit pay for executives and managers, beginning in the summer of 1982, the Reagan OPM team entered 18 months of negotiations with House and Senate staff on extending merit pay to the entire workforce. Long and detailed talks between OPM and both Democrats and Republicans in Congress ensued, and a final agreement was reached in 1983 that supposedly assured the passage of legislation creating a new Performance Management and Recognition System (PMRS) for all GS-13 through GS-15 employees. Meanwhile, OPM issued regulations to expand the role of performance throughout the entire workforce. But congressional allies of the permanent government, led by Representative Steny Hoyer of Maryland, stoutly resisted this extension of pay-for-performance and, with strong union support, blocked OPM administrative pay reforms through the congressional appropriations process.

It got worse. The original merit pay system for federal managers (GM 13–15 grade levels) expired on September 30, 1993. The Bush Administration did nothing. And, to date, nothing has been done by the Clinton Administration either to reinstate the federal merit pay program for managers or to extend one to the remainder of the workforce. This must be considered a resounding victory for the permanent government.

President Clinton proposed to decentralize decisions like performance management, merit pay, pay classification, merit hiring, and management rights and give authority for those decisions to the permanent bureaucracy at each agency. The new President should instead stoutly champion his right to manage the executive branch, to make performance appraisal meaningful, to protect better performers during reductions in force, and to reward better performers with higher pay. These are the essential tools that hold people accountable for performing the work that is assigned to them.

Lesson #7: Good management and contracting out can save taxpayers billions of dollars.

Even with recent declines in personnel, the federal bureaucracy with its duplicated functions and programs is still a hefty target for management and budgetary reform. Personnel costs (wages and benefits for the year 2000) equal 21 percent of

11. Robert J. Samuelson, *The Good Life and Its Discontents: The American Dream in the Age of Entitlement, 1945–1995* (New York: Random House, 1995), p. 120.

total discretionary spending. Other administrative overhead adds another roughly 5 percent. With expenditures for management so large, even minor gains in efficiency would translate into big savings.

Management theory holds that performance-based management yields more efficient work of higher quality and with fewer staff, that pay based on performance results in greater productivity, and that central oversight of agency operations with decentralized decision-making by line managers uses resources more efficiently. If that is true, even a 1 percent efficiency gain in payroll cost would generate more than $1 billion a year in savings. Contracting out federal functions to the private sector will have an even greater effect.

Virtually no one outside of the permanent government thinks the comparability measurements between federal and private-sector pay scales are accurate. The permanent government supports existing comparability measurements because they suggest, against all common sense, that federal workers are grossly underpaid. The OPM, in fact, conducted an independent study in the 1980s and found that federal pay was about 11 percent above that for comparable jobs in the private sector. If one uses that estimate today, contracting out the work conducted by only half of the existing federal workforce could reduce expenditures by $7 billion per year. The OPM also estimated pension benefit costs, and its most conservative estimate found that pension benefits in federal employment were 4.3 percent of payroll more than in the private sector. Using that estimate, if contractors were paid the private pension rate, the government could save an additional $2.7 billion per year.

In adopting the policy of contracting out as a management strategy, congressional reformers will need to address practical questions regarding separation costs. This would argue for a more gradual implementation of outsourcing and that contracting savings would be slightly offset by higher pay for the higher-skilled contract managers who would remain in the federal government. Nonetheless, the OPM studies conducted in the 1980s give some idea of the sizable permanent savings to the taxpayers that are available from federal personnel reductions. As the size of the workforce is reduced, other reductions in overhead are produced. For example, the reduction of space used in overpriced federal buildings and facilities alone would result in billions of additional dollars in savings to the taxpayer.

If one goes beyond personnel into the programs and functions performed, still greater savings are possible. For example, after taking out the effects of interest payments and savings and loan bailout costs, domestic spending targeted by Reagan initiatives declined from 14.8 percent of gross domestic product to 12.2 percent. When the 1996 budget process came to a close, the Republican-controlled 104th Congress had made real cuts in discretionary spending by eliminating 270 federal programs, agencies, offices, and projects, helping to reduce the deficit to its lowest levels since 1982. Still more would have been accomplished had President Clinton not vetoed the congressional budgets.

Lesson #8: Federal workforce reduction should be planned and implemented in a systematic fashion.

Cutting the federal workforce is difficult but probably inevitable. It must be done rationally. To cut the workforce and leave the workload intact is unfair to the remaining workers and to the public whose expectations for service remain high. Some workforce reductions can be achieved through performance or productivity enhancements, but significant cuts must be tied to programmatic reforms. Ineffective programs should be abolished, duplicative functions consolidated, fragmented jurisdictions rationalized. Some functions should be devolved to state or local jurisdictions, while others should be outsourced or privatized. These are the real reforms that will lead to a more efficient government.

The reorganizations of the Department of Defense since the end of the Cold War provide numerous lessons in systematic downsizing. Over the past 12 years, the Defense Department was cut nearly by half. Such a momentous task required bipartisan political cooperation and support to a degree that may be difficult to attain for many non-defense programs and agencies. Nevertheless, a serious review of the viability of many old-line federal programs is long overdue.

Lesson #9: In reforming the Federal Retirement System and other federal employee benefit programs, getting serious changes enacted into law will require careful monitoring and managing of the congressional budget process.

Washington Post cartoonist Herblock once called federal retirement the government's sacred cow of entitlement programs. This means that a meat-ax occasionally will prove more useful than a scalpel. Because Members who serve on the committees with jurisdiction over federal personnel programs will present obstacles to serious change, advocates of reform must be prepared to pursue fundamental changes rather than simple business-as-usual decisions that chip away at the margins.

The political opposition to such changes, from across the political spectrum and knowing no partisan distinction, will be ferocious. Any Member who has a large federal employee constituency would find it hard to ignore its pressure to maintain the status quo. In 1994, former Representative Tim Penny, then a Democrat from Minnesota, sharply criticized the generosity and burdensome cost of federal pensions, citing an unfunded liability that topped $1.1 trillion at the end of FY 1992. The Federal Government Service Task Force, a bipartisan caucus of 56 Members of Congress, responded by commissioning the Congressional Research Service (CRS) to refute his charges. Benefiting from the very same federal pension system, CRS staff were very happy to do so. They argued that the issue of the unfunded liabilities in the federal retirement system was basically irrelevant since the federal government is not about to disappear and that payments on the liabilities would never be due all at once. Translation: This is not a problem because the federal government has the inherent power to tax, and taxpayers will have no choice but to foot the extra bills when they come due.

Of course, federal pensions are still far more generous than typical private-sector pension plans. Compared with their private-sector counterparts, federal employees retire earlier and enjoy automatic cost-of-living adjustments (COLAs) and a richer pension annuity. A federal employee with a pre-retirement income of $25,000 under the older of the two federal retirement plans would receive at least $200,000 more over a 20-year period than will private-sector workers with the same pre-retirement salary. The Reagan Administration tried both an incremental reform strategy and the strategy of creating a whole new retirement system to emulate private-sector plans more fairly. On the whole, the blunt meat-ax approach was more successful.

During the Reagan years, many specific provisions of the federal pension program were reformed, and this generated considerable savings. Federal pensions are fully indexed for inflation, a practice that is extremely rare in the private sector. In the 1970s, the COLAs were paid twice each year, compounding their cost. A specific provision called "look back" allowed a retiring employee to receive the previous year's COLA in addition to his immediate pension, and a 1 percent "kicker" on top of that. The twice-a-year COLA, the look-back COLA, and the kicker were all removed in 1981 as part of the Reagan budget package. The Reagan Administration also reduced an excessive 32 percent rate of disability retirement by 58 percent without significant complaint, for a savings of $1.2 billion. An additional $2 billion was saved through a large number of small changes in the formula used to compute the benefit.

Many of the Reagan changes generated strong reactions from retirees, the career workforce, Members of Congress and their staffs, and their allies. Significant, although limited, savings were made, but the political costs were steep. To this day, employee advocates characterize these reforms of clear pay excesses as pay and benefit "reductions," and bill their annually updated tally of these "lost benefits" as a litany of workforce sacrifices on the altar of balanced budgets.

The most significant change in the federal civil service retirement system came as a byproduct of the 1984 fundamental revision of Social Security laws. When federal employees were brought into the Social Security system, a brand-new federal retirement system became necessary, and this fostered real reform.

The old Civil Service Retirement System (CSRS) cost of 51.3 percent of payroll (counting disbursements for the unfunded liability) was reduced to 28.5 percent of payroll (including contributions to Social Security and the employer match to the Thrift Savings Plan) under the new Federal Employees Retirement System (FERS). More of the pension cost was shifted to the employee, but the system was made more portable, allowing participating employees to keep a greater share of the benefit even if they do not stay in government until they retire. This retirement policy would have been far more equitable for the 40 percent of employees who received few or no benefits under the old system as a consequence of leaving federal employment before they qualified for an annuity. By 1999, over half the federal workforce was covered by the new system; today, the government's per capita share of the cost (as the employer) is less than half the cost of the old system—20.2 percent of FERS payroll vs. 44.3 percent of CSRS payroll. Over the long run, the change to the new system will save billions of dollars.

NEW STRATEGIES FOR MANAGING THE CIVIL SERVICE

Many federal workers today prefer to think of themselves as employees rather than civil "servants." As servants of the people, they had merited special protection against unwarranted abuse from powerful political bosses. Over time, however, the environment in the federal workplace changed dramatically. The civil servant, now "employee," has been empowered to police his environment, blow the whistle on his employer, lobby to effect changes in his employment contract, dispute a host of management actions, and even initiate retaliatory complaints against a hated manager or supervisor. The secure protective environment of the past has morphed into a workplace culture of entitlement and adversarial employee relations in which longevity rules.

However, vestiges of the past remain. While private-sector employers compete with human resource innovations to attract and retain a competent workforce, the federal government is stuck with a personnel system more attuned to expectations from the early 20th century. It suffers from a rigid, one-size-fits-all national pay scheme that undercompensates some and overpays many. It offers a benefit package that is overly generous in some areas and inadequate or miserly in others. The Federal Employees Retirement System, though more portable in its Social Security and 401(k) portion than its predecessor, is still running up debt that must be redeemed by future generations of taxpayers. The old Civil Service Retirement System was seen as a "golden handcuff" because of its generous vesting and early retirement options; the defined benefit portion of the FERS system is still a handcuff, though perhaps a "silver" one. Some components of the benefit package offer choice and flexibility, as in health care; others require congressional intervention to effect even minor changes or improvements. Others, such as medical savings accounts and cafeteria-style plans that enhance employee choices, cannot even be offered because of intense political opposition from special-interest groups.

In developing strategies for managing federal personnel, the new Administration must also be more mindful of the trends that will shape the future. The workforce of today is much more mobile than the workforce of even two decades ago. People change jobs frequently and are no longer worried about lifetime security as they were even a generation ago. Their mobility is reflected in the highly competitive labor market, a dynamic that is likely to endure as long as the country grows and the economy continues to expand. Technological advances enhance productivity and challenge the way Americans work and conduct business.

Whether reformers in the new Administration opt to "reinvent" the government or to "re-engineer" the process or brighten the government's disposition with a "customer relations" campaign, they must take care not to make matters worse, however inadvertently. When the Clinton Administration was forced to deliver on the personnel reductions it had promised, it sought the authority to foster early retirements with cash rewards of up to $25,000. When word of the "buyout" program spilled out during the summer of 1993, the normal retirement levels plummeted from 42,000 per year to 28,000 that year. Over fiscal years 1994 to 1995, 110,000 buyouts at an average cost of $24,500 each were processed. The total cost to the Treasury was $2.8 billion, and 92 percent of these buyouts went to employees already eligible for voluntary or early retirement.

This approach embodied such poor personnel policy, and was so costly to the Treasury and the retirement system, that it can only be explained as a political payment to federal unions to mute their opposition to downsizing. Now that reduction goals have been met, many agencies have turned from reduction planning to accession planning. Nevertheless, the clamor for buyouts remains. Congress granted buyout authority to a number of agencies with little justification. The practice is so ingrained, and buyout expectations are so high, that some employees have come to view a buyout as an entitlement. As a measure of how far this has gone, in 1999, OPM submitted a request to Congress for permanent government-wide buyout authority. A strategy developed by the private sector to be used on a one-time basis by an organization facing large-scale downsizing has been elevated in just six short years to routine practice in the management of federal personnel.

Reforming the system will require the following strategic steps.

STRATEGY #1: Eliminate duplicative federal programs and functions.

Government reform, like tax reform, is a perennial feature of the political scene. It is also a perennial failure of American politics. Taxpayers are understandably bewildered by the size and cost of government. So are many Members of Congress. But for Congress, there is no excuse. Congress has created an abundance of agencies and programs to deal with every imaginable societal problem, both serious and inconsequential. Not surprisingly, over time functions have accreted into the many nooks and crannies of government as committee after committee tackles one problem after another. The House Committee on Government Reform and Oversight identified over 119 federally mandated job training programs. Other assessments found international trade responsibilities scattered across 19 federal agencies.

A logical place to begin the task of paring down excess and excessive government is to identify and eliminate functions and programs that are duplicated across government agencies or spread across multiple jurisdictions. But the compilation of an inventory of such programs and functions is a daunting task. Congress hoped to provide a tool to help in this effort by passing the Government Performance and Results Act of 1993. The Results Act requires all federal agencies to define their mission, establish goals and objectives, and measure and report their performance. Clearly, the mission and goals must be consistent with the authorities granted by Congress, and the annual reports required by the Results Act will help Congress conduct its constitutional oversight of the executive branch, evaluate the success or failure of agency programs in meeting their objectives, and provide a basis for continuing or terminating these programs.

Reformers should use the Results Act reports to make systematic determinations of what functions the federal government ought to perform, and which ones should be turned over to states or local jurisdictions, privatized, or terminated altogether.

STRATEGY #2: Build public support for a more flexible and modern personnel system.

Civil service reform is not a "sexy" issue. The writing of personnel rules will never win a Pulitzer or Nobel Prize. Generating broad public support for "good government" initiatives will be difficult, considering the public's short attention span and the media's preference for reporting conflicts and scandals rather than the substance of policy. Nonetheless, it can be done. President Reagan seized the public relations initiative by firing federal air traffic controllers who, he emphasized, had broken their oath and gone on strike in disregard of the public interest. President Reagan defined the issue, and the public clearly supported him. President Clinton likewise staged events in which huge volumes of rules and regulations were wheeled out onto the south lawn of the White House to demonstrate the need to "reinvent government." He also instituted a series of awards to focus on the reinvention initiatives he wanted to highlight.

Reformers today should follow these examples and call attention to federal personnel and management rules and practices that defy common sense. At the same time, they must pursue a "high road" campaign for government reform that focuses on the need to spend tax dollars wisely and to improve the efficiency and effectiveness of government's service. Showcasing successes will validate this pursuit and keep the initiative in the public's attention.

STRATEGY #3: Advance a core–spoke–rim model for the ideal federal workforce structure.

Rather than a pyramid, the new organizational approach to government management should look like a core–spoke–rim model. The "core" federal workforce would include expert, highly compensated individuals who serve as executives and managers. The "spokes" of the new system would be a new class of temporary employees to deal with increased workloads or changing priorities of government and professional experts to do specific jobs or projects in-house. The "rim" would be contractors performing the great majority of the work on the "rim" of government. This model would provide greater flexibility to federal executives to staff up or size down the workforce to meet changing workloads and policy initiatives.

Contractors already perform a large share of the work generated by the federal government. Many more millions of contract employees dwarf the nearly 2 million civilian employees already on the federal payroll. Millions of state government employees work under federal grants to administer federal programs and implement numerous federal rules.[12] No one knows with absolute certainty the total number of employees involved in performing federally generated work.

Connecting the core federal civil service and the rim of the expanded contractor workforce would be temporary employees, the "spokes" in such a model, that would take up increases in workload demand whenever more work is generated at the core than the basic workforce could fulfill.

Such a model would place a premium on flexibility, just as is done in the private sector, giving federal agencies and programs the ability to change staffing requirements as needs change. This is where the recent "reinventing government" reforms went most astray. Rather than increase flexibility, these "reforms" further bureaucratized the existing system through the "partnership councils," a cumbersome new level of labor–management involvement. In creating these councils, the Clinton Administration sought to decentralize functions further down the management chain, making them less accountable, and to enhance protections for formerly temporary employees. They also proposed to divide central management authorities, thereby duplicating work in each agency.

For the new core workforce, OPM should be instructed by the President to transmit to Congress a compensation system based on the market principles of supply and demand and structured on performance, which rewards program savings and timely accomplishment of missions. The new federal pay and classification system should be broadbanded to allow agency flexibility in paying employees, but under tight OPM supervision to counteract the inevitable tendency of agencies (as demonstration studies have shown) to inflate compensation schedules. Although input from employees and even unions is helpful, final decision-making on mission accomplishment must be made within the overall framework of the President's priorities.

12. According to analyst Paul Light of the Brookings Institution, beyond the federal workforce, there are 12.7 million employees who do work for the federal government to fulfill contracts, grants, and mandates. See Paul Light, *The True Size of Government* (Washington, D.C.: Brookings Institution, 1999), p. 1.

STRATEGY #4: Move to market-based pay and benefit systems.

Salaries and wages of most taxpayers are determined by the market, which relies on the normal interaction of supply and demand. Although the official government pay comparability surveys claim that federal employees are underpaid by roughly 22 percent relative to workers in the private sector, there are solid indicators that the federal government actually overpays federal employees relative to the private sector. In the first place, federal "quit rates" are much lower than such rates in the private sector. Where private-sector rates average around 10 percent to 12 percent (higher in some industries), average federal turnover hovers around 3 percent. During the first two years of employment, turnover is much higher; but after employees vest in the retirement system, virtually no one leaves.

Second, whenever federal vacancies are announced widely, the stack of resumes of applicants seeking federal government work is still very high. Even jobs announced with limited publicity generate ratios of 10 applicants for every vacancy. Although OPM's independent study conducted in the 1980s found that the federal government paid 11 percent more than the private sector, attempts to reform the pay system and to change the comparability surveys have failed. Political pressure from employees and unions, and from Members of Congress who defend their interests, prevails.

A third indicator comes from the contracting sector. As federal functions have been contracted out with greater frequency during the past few years, there have been many head-to-head competitions between contractors and the government employees who structure a competing bid to keep the work in-house. The U.S. Air Force maintains a database of over 10 years of contracting-out efforts. Rarely do government teams win competitions (governed by OMB Circular A–76 Contracting Out Rules) to keep the work in-house, despite the bias that the contractor must underbid the government team by at least 10 percent. On average, the contractors beat the government competition by 20 percent to 30 percent, even while the government number underestimates the true cost of federal pensions. This would be impossible if the comparable private-sector salaries were 30 percent higher. Further, when a government function is contracted out, the government employees frequently get a right of first refusal to be hired by the winning contractor, thereby remaining employed. Invariably, rather than taking the obviously lower-paid contractor jobs, federal employees prefer to be separated and seek other government employment through priority placement hiring.

The obvious solution is to move closer to a market model for federal pay. A smaller, more professional core workforce is the start of a reformed pay system. With more work contracted out to the private sector, the market will set at least those wages directly. With fewer remaining positions, a rational pay system would be easier to implement and administer. A rationalized pension plan would further limit compensation distortions. But the need for a neutral agency to oversee pay decisions becomes even greater. The central Office of Personnel Management has the knowledge of agency operations that is needed to assess true requirements in the federal workplace. For many years, through its Special Pay Rates program, the OPM has determined when existing pay was inadequate to meet agency requirements and has used its authority sparingly to set pay rates when warranted.

The OPM should establish an initial pay rate for each occupation and region of the country and adjust it up or down based on quit rates and applicant-to-position ratios necessary to attract the right people. Agencies should set job qualification requirements, subject to OPM review, to assure a quality workforce. Knowledge, skills, and ability (KSA) standards should be used to hire the best candidates from the applicant pool. Although the process should be well advertised and open to all, selection must be based on the qualifications of the applicants.

For the system to operate at all, Congress must resist the temptation to micromanage the process. Every year, some portion of the federal workforce organizes a special lobbying effort to legislate pay or benefit increases over the objections of OPM. During the past three Congresses, legislative interventions have sought to increase pay or enhance retirement benefits (in some cases *retroactively*) for nuclear truck drivers, building guards, federal firefighters, diplomatic security agents, deputy assistant U.S. attorneys, Public Health Service physicians, administrative law judges, and accident investigators, to name a few. Proponents of the benefit enhancements always stress the uniqueness of their case and the narrowness of the impact of their clients' special treatment on the rest of the pay schedule. Invariably, the interventions serve as the basis for the next group to come in and stress the similarities of their situation to the last case. OPM must be given the flexibility to set real pay rates based on the market realities of supply and demand. If Congress cannot resist getting involved, the only other solution is to fully privatize every federal function or devolve these functions to the states and live with the current irrational system for the remaining employees.

It is paradoxical that the component of the federal compensation package that works best and is most popular among federal workers is the one driven largely by the market forces of consumer choice and competition rather than by bureaucratic micromanagement. In the Federal Employees Health Benefits Program (FEHBP), for example, federal workers and their families choose from almost 300 private plans nationwide that offer a wide variety of benefits at competitive premiums. The recent tendency to micromanage, however, can have a very negative impact on the program. In particular, mandated coverage and benefits can easily drive up premium costs. Some of the changes required by the Clinton Administration have the potential of ballooning the future cost of FEHBP premiums. Mental health parity stands out as one such Clinton legacy. Already, after years of small and relatively reasonable premium growth, FEHBP premiums are beginning to escalate. Since 1997, they have gone up from 8 percent to 12 percent every year, for a net increase of nearly 50 percent in just four years.[13]

The quality and content of the federal benefit package needs considerable scrutiny. The benefit package offered in conjunction with pay can be more important for some employees than an offer of higher pay. The federal package is quite generous in some instances but very meager or lacking in others. Because benefits for federal employees frequently require congressional approval, much of what is offered lags behind the plans in the private-sector employment market. The recently passed long-term care insurance benefit for federal employees took three years to enact even though the employer contribution will be nil. Until 1998, the life insurance benefit had not been revised significantly in 40 years. As a consequence, family coverage was limited to $5,000 per spouse and $2,500 per child, and coverage upon retirement was reduced gradually to 25 percent of basic coverage (basic = one year's salary) with no opportunity to buy additional coverage. It took three years of congressional persistence to change even these simple benefits.

Rather than tackle the vested interests attendant on every conceivable employee benefit offering, it is time to consider a cafeteria-style offering for the federal workforce. This approach is consistent with the popular FEHBP in that the employee would choose from an extensive list the particular benefits that fit his or her needs. The federal government would contribute a tax-free fixed dollar amount, adjusted annually for inflation, to which the employee could add additional after-tax funds to fashion a benefits package that suited his particular circumstance. Some or all of the cash value of annual leave and sick leave accruals could be included in the calculation of the government's contribution.

STRATEGY #5: Make federal retirement benefits fully portable and fully funded.

Although incremental reform of the CSRS need not be abandoned, pursuing a more fundamental reform of the federal retirement system should

13. The cumulative effect of these Clinton Administration policy decisions is not yet manifest, but the result will be to ratchet up premium costs in the traditionally successful program and undermine the effectiveness of the Federal Employees Health Benefits Program as a model of consumer choice and competition.

prove more fruitful. For the future, the more promising and necessary alternative would be to create a third, fully portable and fully funded system based on 401(k) benefit plans, much like those found in the private sector. A fully portable plan would remove the major impediment to employee mobility and facilitate future workforce restructuring.

Such a plan, consisting of government contributions comparable to the government's FERS contributions supplemented by voluntary employee contributions, would attract new people to government employment and be significantly less costly to the taxpayer. Contributions would be invested much as they are now in the federal Thrift Savings Plan (TSP) of the FERS. Employees would have a choice of Treasury certificates, a bond index, or several common stock funds invested in a variety of indices. The goal would be to provide federal employees the option to invest in a variety of holdings that generate higher rates of return than do Treasury bonds. Current retirement benefits in the CSRS and FERS are limited to Treasury bond rates of return.

For comparison, one could examine the rates of return in the C, F, and G Funds of the TSP, comprising, respectively, a common stock fund tracking the S&P 500 Index, a fixed-income fund tracking the Lehman Brothers Aggregate Bond Index, and a government securities fund invested entirely in short-term Treasury bonds. Since 1990, the 10-year compound annual rates of return for the C, F, and G Funds were 18.18 percent, 7.51 percent, and 6.99 percent, respectively.[14] Employees would be free to invest entirely in the lowest-risk option represented by the G Fund or mix their funds across a variety of holdings. All new federal employees could be given a choice of participating either in the FERS system or in this more flexible and likely more lucrative new system. The new system would certainly appeal more to employees who plan to spend only a few years in government (such as congressional staff, political appointees, and temporary or term-limited employees) or who enter government in mid-career from an employer that had a 401(k) plan of his own.

STRATEGY #6: Restore merit principles to federal hiring procedures.

Because of the growing technological demands and increasing complexity of government work, a higher quality workforce is required in the federal government as well as in the private sector. Whether or not government moves to the core-and-rim staffing system discussed above, it is important that personnel be selected based on knowledge, skills, and abilities. The OPM should seek to end the "sweetheart consent" decree, entered into during the last days of the Carter Administration, which abolished the Professional and Administrative Career Examination (PACE) and was used to select superior college graduates for government employment. This decree, which was to last only five years, has allowed the federal courts to control hiring for 20 years.

There is a sound reason to centralize hiring for certain occupations. General ability tests such as the PACE are better in identifying qualified individuals than are separate tests for particular occupations, and they are more cost-effective as well. The reason courts have ruled otherwise is that some minorities, on average, achieve lower scores on generalized exams (the so-called disparate impact) than do non-minorities. Certainly, an argument could be made for some temporary remedial affirmative action, but to be denied the use of an entry examination for two decades deserves some notice and redress. The courts have agreed to review the decree if the Uniform Guidelines on Selection Procedures are reformed. Advocates of reform should accept this challenge and return federal hiring to merit selection based on the knowledge, skills, and abilities of the applicants.

Just as the law requires that hiring be based on skills, it also calls for retention and reward based on good performance. Federal unions oppose performance-based retention and favor seniority. On

14. Historical monthly and annual returns for the three funds in the TSP are available on the Federal Retirement Thrift Investment Board's Web site at *http://www.tsp.gov.*

September 25, 1996, the House of Representatives voted on H.R. 3841, the Omnibus Civil Service Reform Act of 1996. Although the bill received 228 votes, however, it failed to reach the two-thirds support needed for passage under suspension of the House rules. The bill failed to gain enough support because of union opposition to a section specifically increasing the weight given to employee performance when conducting reductions in force. A statement of opposition circulated on the floor of the House spelled it out succinctly: "The American Federation of Government Employees, the National Treasury Employees Union, and the National Federation of Federal Employees all oppose the bill because of the section giving greater weight to subjective performance ratings and less weight to seniority in deciding which Federal workers are laid-off when an agency shrinks."

The Federal Managers Association also opposed the bill, and the Senior Executives Association failed to endorse it. The Clinton Administration's promotion of pass–fail performance had effectively achieved the union leaders' goals. In fact, the apparent purpose of much of the Clinton personnel reforms was to move toward labor–management control and away from political oversight. The likelihood that such a system will lead to higher standards of performance and more action against poor performers is extremely small. Unions just do not thrive by being tough when it comes to employee performance or discipline. True labor reform would mean eliminating the expensive and duplicative labor grievance apparatus and reestablishing a real merit system. Indeed, creating an expert core workforce will depend on, and therefore demand, strong merit-based hiring that is open to all and stresses the skills of applicants.

STRATEGY #7: Reassert managerial control of government.

President Clinton promised to "reinvent" government to make it efficient and responsive. His promises included sizable reductions in staffing levels. In order to achieve these goals, the Administration determined that it needed the support of its political allies, the federal unions. As part of the bargain, President Clinton in October 1993 issued Executive Order 12871 creating a National Partnership Council, which he tasked with advising the Administration on a wide range of federal personnel management issues. The executive order promoted the creation of "labor–management partnerships" in every federal agency to enable the federal unions to act as "full partners with management." The order encouraged agencies to bargain voluntarily with the unions over previously non-bargainable issues reserved under statute as management rights.

In fact, Clinton's personnel policies, taken as a whole, represented a significant shift away from the personnel management philosophy of the Carter Administration's Civil Service Reform Act and its implementation under President Reagan. President Carter stoutly resisted union involvement in management decisions, despite threats by labor allies in Congress to derail his reform, and both the Carter and Reagan Administrations consistently and vigorously defended management rights before the Federal Labor Relations Authority (FLRA).

The Clinton Administration's agenda of "empowerment of federal employees" through wholesale decentralization has had a significant downside. Decentralizing management and personnel policy works in the private sector because there is a financial bottom line against which to measure the success or failure of the efforts. But that is not the case in government. Moreover, decentralizing an Administration from the center to the agencies reduces the leverage any President can exert to ensure that his policy agenda is accepted and faithfully implemented by the agencies. Without the central management tools to encourage and reward constructive behavior, the President's agenda will be subordinated to internal organizational priorities.

The inevitable result of such a course is to make government itself unaccountable. Unions are, at best, responsible to their members. At worst, they represent the permanent government acting on its own self-interest rather than on the desires of the electorate.

A case in point arose in the Federal Aviation Administration (FAA) in 1998. The FAA had been given independent personnel authority with expanded bargaining rights for the air traffic controllers' union in 1995. In 1997, the union entered into protracted negotiations with management over a wide range of issues, including pay. "Management" finally agreed to the demands when the FAA Administrator, a Clinton political appointee, intervened on the side of the union. The agreement resulted in pay increases of up to 30 percent over three years. The budget approved by Congress could not sustain such a large increase in payroll, so the union negotiated job protections for its members. In the bargain, personnel reductions were directed to the FAA's supervisory and management levels. In other words, the union used its bargaining power to force cuts in management personnel that amounted to a 50 percent reduction among the 700 air traffic control supervisors then on board. The union proposed to move to a "team" concept of collective supervision. The Federal Managers Association lobbied Congress for months to save the jobs of its members, arguing successfully that the impact on air travel safety would be severe. Congressional intervention resulted in increased appropriations to cover the budget shortfall from the pay agreement. It was either more money for more pay or compromise aviation passenger safety—a political "no brainer." The unions were happy with more pay. The managers were happy in saving their jobs. The agency was happy in having obtained more money from Congress. And the taxpayer got the bill.

The lesson here was not lost on the FAA's other employees. The lawyers at the FAA's Office of General Counsel and the employees of the Office of Administration saw the handwriting on the wall in the midst of all this and very quickly unionized to negotiate similar job protections for themselves.

The entire "partnership" issue threatened to get totally out of control when federal employee organizations turned to the courts for enforcement of the bargaining provisions in Executive Order 12871. This was a veiled attempt at piercing management's statutorily protected rights. The D.C. Circuit Court found that the basic statutory language of section 7106, Title 5 U.S.C. (so-called (b)(1) permissive bargaining) was not superseded by the language of E.O. 12871. The court left it to the President to force his agency heads to give up their statutory discretion. The FLRA cited this decision in its finding, in a subsequent case, that Sect. 2d of E.O. 12871 could not serve as a basis for filing an unfair labor practice. These losses, together with continued agency resistance, infuriated the Administration's labor allies and prompted President Clinton in 1999 to issue an Executive Memorandum strongly recommending that his Cabinet officers be more cooperative in bargaining with their "partners."

Placing decision-making in the hands of self-interested "partners" puts the interests of the permanent government first. Democratic government is supposed to put the interests of the people first, as those interests are expressed through the electoral process. The people direct the government and its bureaucracy through the Congress and the President. The President especially is expected to press his program through the lowest levels of the executive branch to enact his popular mandate. His subordinates should be tasked with enacting his program, not bargaining with labor unions over what should be done. It is, after all, the President who will be held accountable for the actions or inaction of his Administration—not the unions.

In the area of management of government, as noted, the new President's first act should be to revoke Executive Order 12871.

STRATEGY #8: Consolidate the central management agencies of government.

An important step in consolidating the President's authority over the executive branch is the creation of an **Executive Management Agency** (EMA) that combines the resources and authorities of the Office of Management and Budget, the Office of Personnel Management, and the General Services Administration. Over the past two to three decades, past Administrations have had to resort to presidential commissions and other ad hoc bodies to implement various White House management initiatives. Whether the task was to improve cash management, cull out federal loan portfolios, or initiate procurement reform, OMB, OPM, and GSA were called on to coordinate the same assistant secretaries for management or administration to see the initiatives through.

The ultimate means of enforcing presidential priorities is through control of appropriations. By integrating the central management agencies with the White House budget agency, the President would achieve maximum leverage with which to effect management changes. Too often, agencies engage in forum shopping to get concessions on management issues only to wind up later playing one central agency against another. The Director of EMA should have Cabinet rank, just as the Director of OMB currently has. Two federal agencies would be eliminated with the attendant administrative overhead. Some additional service component of both OPM and GSA could be contracted out, and the combined agency would be focused entirely on management policy and oversight, using the budget to effect enforcement.

A second consolidation would combine the Merit Systems Protection Board, the Federal Labor Relations Board, and the federal division of the Equal Employment Opportunity Commission into the **Federal Personnel Appeals Board**. This agency would be charged with handling all administrative appeals of employee grievances and complaints. Such a merger would have the immediate benefit of streamlining the cumbersome multi-channel appeals process that is too prone to abuse. Forum shopping is common practice, but frequent filers face no consequences for filing frivolous complaints. As a result, more meritorious cases are frequently delayed, denying equity to truly aggrieved individuals. This merger would reduce common overhead and generate savings, which could be used to expedite cases. Alternative dispute resolution should be promoted within the agencies to provide a more effective means of resolving disputes before the positions of opposing sides become firmly entrenched. Each agency would provide a level of administrative review, or a negotiated grievance procedure, before an employee could take a case to the Appeals Board. A subsequent judicial review would be permitted.

This streamlining of the appeals process would remove a source of major discontent among federal employees. A reimbursable fee system should be implemented to discourage the filing of frivolous complaints. To strengthen accountability, certain matters should not be subject to appeal. Pay setting, promotions, and ratings of performance could be reviewable within each agency but not appealable outside the agency. Disciplinary actions, separations, and removals and other serious adverse actions, on the other hand, would be fully appealable.

The Office of Special Counsel responsible for enforcing the Whistleblower Protection Act and prosecuting violations of prohibited personnel practices would be left to prosecute cases before the Appeals Board. The GAO and Congress would use a single entity to adjudicate the grievance cases that arise within their domains. In fact, it can be argued that a single forum is simpler for employees to understand and eliminates the complexities that result from cross-filing complaints across several agencies.

Some opposition to these consolidation proposals can be anticipated from special interests in the federal establishment, but the benefits to improved management that would accrue from proceeding with the consolidations would be well worth the effort.

CONCLUSION

Politicians running for office often promise constituents that they are going to change the way Washington works. Delivering on that promise when the subject is federal personnel management turns out to be a much tougher task than they expected. But even if the new Administration pursues only modest reforms or simply backs away from the task altogether, it should not assume that nothing will happen. In the absence of planned and determined action, powerful congressional and bureaucratic interests will step in to define the civil service agenda.

Advocates of reform must base their reforms on the twin foundations of political responsibility and performance management—emphasizing managerial accountability and making sure that job performance has consequences. At the same time, they must maintain the bright line between career and non-career positions and functions and avoid blurring the distinctions or confusing their roles. Because further federal workforce reductions are almost inevitable, they should be managed carefully by the Administration and its Office of Personnel Management. Finally, as has been done with other entitlement programs, reformers should not hesitate to use both legislation and the congressional budget process to obtain significant changes in the federal benefits program. It has been done before; it can be done again.

In creating a smaller but more effective federal government for the 21st century, the new Administration must take the lead in building broad public support for comprehensive reform. This includes redefining the roles and functions of the federal government, ending duplication of its functions and programs, and introducing more efficiency into its organization, staffing, and pay and benefits structure. Advocates of reform should argue the case not only to the general public, but to new federal employees as well. It is these new civil servants who will form the core workforce of a reformed federal government, serving in well-compensated jobs with portable benefits comparable to those available in the best private enterprises. Such a workforce will appreciate the premium put on performance and accountability and applaud the restoration of merit in hiring and retention. With a more efficient and effective federal government, America's taxpayers will be better served.

—George Nesterczuk is Vice President of Global USA Inc., a Washington, D.C., government relations firm, and a former Staff Director for the Civil Service Subcommittee of the House Committee on Government Reform. Donald J. Devine is an Adjunct Scholar at The Heritage Foundation and served President Ronald Reagan as Director of the U.S. Office of Personnel Management from 1981 to 1985. Robert E. Moffit is Director of Domestic Policy Studies at The Heritage Foundation and a former senior official at the U. S. Department of Health and Human Services and the U.S. Office of Personnel Management during the Reagan Administration.