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WHY PRESIDENT CLINTON'S REINVENTION OF GOVERNMENT IS NOT WORKING

We intend to redesign, to reinvent, to reinvigorate the entire national government¹

—President Bill Clinton

INTRODUCTION

While President Clinton has promised an aggressive overhaul of the management of federal programs, and a substantial reduction in the size of the bureaucracy, the actual performance of his Administration on management issues thus far contradicts the promises. No comprehensive plan for employee reduction has been devised. And while David Osborne—the author of *Reinventing Government* and a principal advisor to Vice President Al Gore—calls for the creation of “real consequences for success and failure” in the federal work place, the Clinton Administration is busily weakening presidential oversight, dismantling the federal employee performance appraisal system, ending merit pay, and even reducing the modest role of performance as a criterion for retaining jobs during layoffs.

The Clinton Administration seems to lack a coherent vision of government management. The Administration meanders between the old-fashioned spoils system, showcasing Osborne’s performance-based management, and devolving responsibilities to the bureaucracy. This confused attitude to managing personnel was the root cause of the “Travelgate” patronage fiasco. It is also seen in the Administration’s failure to appoint key political officials within agencies in a timely fashion—effectively forcing the real work of government to the career staff. At the same time, the Vice President Gore’s National Performance Review (NPR) seems to suggest that the government should eliminate centralized civil service oversight and decentralize management responsibilities to lower levels of the bureaucracy and to labor-management committees.²

¹ Quoted by Stephen Barr, *The Washington Post*, March 3, 1993.

² For an analysis of the National Performance Review, see Scott Hodge, “The National Performance Review: Falling Short of Real Government Reform,” Heritage Foundation *Backgrounder* No. 962, October 7, 1993.

While trotting out Osborne's views on incentives, the Clinton Administration has demonstrated little interest in strengthening incentives to improve individual employee performance. In fact, it is going in exactly the opposite direction by doing nothing to retain the merit pay system for federal managers, to prevent the weakening of the federal employees' performance appraisal system, or to stop efforts to reduce the role of job performance in the retention of federal employees.

The Administration's personnel management philosophy presumably is contained in the report of its National Performance Review. The NPR's major recommendations on personnel policy are:

- 1) **Reduce federal employment by 252,000**, by increasing efficiency through "re-engineering" technology, streamlining procedures, and reducing paperwork—all without cutting major functions or instituting a comprehensive program of privatization;
- 2) **Create a National Partnership Council**, composed of cabinet and federal-sector union leaders, and rewrite the federal government's labor law by requiring widespread participation by the government's labor unions in management decisions, rather than resting this responsibility clearly and exclusively in the hands of top political appointees and subordinate managers;
- 3) **Further decentralize the hiring process from the Office of Personnel Management (OPM)** to the agencies themselves, and eliminate OPM's Federal Personnel Manual, in effect eliminating the civil service oversight system;
- 4) **Shift performance rewards to governmental bureaucratic units**, rather than providing incentives directly for individuals;
- 5) **Simplify the job classification system**—which, ultimately, sets wages—and devolve to agencies the design of their own pay and reward systems; and
- 6) **Reorganize various agency operations** to eliminate duplication and inefficiency, and create a major new public authority for the air traffic control system, modelled on the postal service, rather than privatizing the system.

Reducing bureaucracy has been a major stated goal of every recent Administration. Yet only two, those of Dwight Eisenhower and Ronald Reagan (in the case of the non-defense sector), actually achieved any significant reductions in its numbers. These Administrations were successful by using broad-scale management tools such as eliminating personnel along with entire functions of government, or by setting reduction targets enforced by freezes on employment—not by "engineering" efficiencies at the margin. History suggests that President Clinton will be no more successful than the other unsuccessful Presidents if he continues with a micro-planning approach rather than the blunt-instrument methods of Eisenhower and Reagan.

The problem facing Clinton is that sweeping plans to cut personnel come in conflict with his promise to the government unions to involve them in every level of decision-making. President Clinton has made labor support of reform a high priority and it is unnatural to expect unions to support personnel reductions. Still, Vice President Gore insisted that

employee involvement was what “has made all the difference” between the Clinton Administration’s efforts and all previous efforts at reform.³

In fact, the NPR’s recommendations taken as a whole are a significant shift away from the personnel management philosophy of Jimmy Carter’s Civil Service Reform Act of 1978, and its 1981 implementation under Ronald Reagan. President Carter resisted union involvement in management decisions, despite threats by labor allies in Congress to derail his reform legislation. And both the Carter and Reagan Administrations consistently and vigorously defended management rights before the Federal Labor Relations Authority (FLRA). President Clinton bragged to the AFL-CIO leadership that his federal sector reforms were “unprecedented.”⁴

Besides resisting union encroachment in management decisions, Presidents Carter and Reagan also gave great support to building incentives to reward individual civil servants for good work. To be sure, they did support allowing bureaus to retain the money saved from management improvements—so-called innovation funds—as a reward for unit efficiencies, but not to the exclusion of supporting more fundamental individual rewards for productivity gains. Under Clinton, both programs are to be decentralized to the agencies—which historically have opposed them, especially merit pay—and they will wither.

The NPR’s recommendation to further devolve personnel hiring to the agencies is strange because most hiring was already decentralized under the Carter and Reagan reforms. Simplification of how work is classified in the government has been a goal of all recent Administrations. But to give unsupervised power to the agencies over such classification—which ultimately determines pay—is not only novel but an invitation to abuse, especially when combined with a policy of more union involvement.

Decentralizing management and personnel policy can work in the private sector because there is a financial bottom line against which to measure the success or failure of decentralization. But that is not the case in government. Moreover, decentralizing administration from the center to the agencies takes management and political leadership from the top political executives, especially the President, and transfers it to the career bureau managers and, in the case of the Clinton Administration, also to the unions. That makes it extremely difficult for an Administration to assure that agencies carry out broad policy or operate efficiently.

The most far-reaching proposal may be to phase out the Federal Personnel Manual. The Manual is the repository of the rules that constitute the framework for the civil service. To eliminate the Manual is in a real sense to eliminate the civil service. While this could conceivably have some benefits if the current rules were replaced with a more responsive personnel system, the related proposal for closer collaboration with the unions suggests the goal is to replace the merit system with the union-grievance system. President Carter was forced to accept a union-grievance personnel system in tandem with the civil service system to get his reforms passed by Congress; but this dual system has always been irrational. Replacing the Merit Systems Protection Board civil service system with the FLRA grievance system admittedly would simplify the current dual system. But the latter is al-

3 Stephen Barr, "Reorganization Report Goes to Clinton Today," *The Washington Post*, September 7, 1993, p. A5.

4 Stephen Barr, "Organizing for Empowerment," *The Washington Post*, October 13, 1993, p. A19.

ready less efficient in today's 10,000 bargaining units. Making it the exclusive system throughout the government will lead to unions constantly second-guessing management decisions, filing even more and more, often frivolous, Unfair Labor Practice charges—which will tie the government in knots.

The NPR recommendations certainly would “reinvent” government. But there is no reason to believe that this radical reinvention would actually achieve a more efficient government. To reach that goal, the Administration should take actions that are more traditional and more direct: cut the 252,000 positions in the only way that has proved successful and cost-effective, through attrition and a centrally managed freeze on hiring; follow the Carter/Reagan philosophy of presidential leadership rather than devolving responsibility to the bureaucracy and unions; also follow Presidents Carter and Reagan in managing the civil service primarily through the use by political appointees of individual incentives for career employees to perform work better; and show leadership by simply ordering the Cabinet to enact the presidential plan to cut unnecessary and duplicating bureaus, refusing to let Congress frustrate these re-organization initiatives.

CLINTON'S CONFUSED APPROACH

When President Clinton promised to reinvent government, it hardly seemed possible he meant to do so by disregarding all previous models of governmental administration—and putting nothing coherent in their place.

There are basically two modern presidential models of government administration. The first is the “political administration” or cabinet government model. Advocated in recent years by Presidents Jimmy Carter and Ronald Reagan, this emphasizes political responsibility—providing leadership to committed top political officials and then holding them and their subordinates personally accountable for achievement of the President's issue-based program.

The second is the “public administration” or scientific management model. This is most closely identified with Presidents Woodrow Wilson and Herbert Hoover. It emphasizes the Progressive ideal of following a value-free, “scientific” program which can be technically derived by “neutral” career public officials adhering to supposedly objective management and policy principles.

The Clinton White House has followed neither approach. Evidently lacking any clear conception of government administration, the Clinton Administration seems to be lurching from a “high-spoils” approach, which is a crude version of the first model (epitomized by firing of longtime employees in the White House travel office), to what amounts to an “extreme-careerism,” which is a severe distortion of the second model. This is seen in the Administration's propensity to turn over the *de facto* daily management and policy-making of federal agencies to career civil servants by failing to install critical second- and third-level political appointees, and to decentralize critical decisions down into the lower levels of the bureaucracy.

EXAMPLE: Travelgate. Consider the continuing controversy over the so-called Travelgate affair, the circumstances surrounding the abrupt firing of seven long-established employees in the White House travel office, and the proposed hiring of the President's cousin to run the operation.

Imagine if Reagan Administration staffers had used a relatively senior White House official to confront and personally pressure a Federal Bureau of Investigation agent to rewrite a press release about the travel office affair. Or imagine, in another example from the early days of the Administration, that 25 political employees of the Executive Office of the President received duplicate pay, 230 of the 611 early appointments received retroactive appointments and wages, and 22 received salary increases retroactively. The reaction in Congress would have been explosive.

Commenting on an internal Administration report on Travelgate, David Broder, the veteran political columnist for *The Washington Post*, noted:

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.⁵

Fortunately for President Clinton, perhaps because Travelgate happened early enough in a congressional environment controlled by friendly partisans, it is counted as just a political misstep. Yet, it indicates a remarkable example of managerial failure. But that failure is continuing, including embarrassing appointments, confusion in the White House Office of Communications (necessitating hiring Republican David Gergen), a late start in the campaign for the North American Free Trade Agreement, and a seemingly endless series of missteps and inter-agency confusion and delays in beginning the Administration's campaign for its health plan.

If President Clinton is to deliver on his promises, perhaps even survive, he must learn quickly from his mistakes in personnel management.

Reconsider the travel office controversy from a strictly managerial perspective. No one has a right to hold a job in the White House. Since the travel office is within the White House, its occupants are not formally subject to civil service hiring or protection. But from the very beginning, the Clinton White House team did not openly claim the right to choose their own people in making appointments to this office. Contrast this with the Reagan Administration, which early in the President's first term, made it clear that it would use its rights even in the far more sensitive inspector general positions, the federal agents charged with investigating waste, fraud, and abuse in federal agencies. Instead, the Clinton team actually encouraged the 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 so the claim was that "widespread corruption" existed in the financial affairs of the travel office. Never mind that those not involved in financial matters were dismissed with the rest, nor that politically im-

5 David Broder, "Talk is Not Enough," *The Washington Post*, July 14, 1993.

portant friends of the President and his wife had previously asked for changes, nor that several employees subsequently were returned to duty. The real problem was that there was no personnel theory at all—unless it was simple spoils—guiding these personnel decisions.

NOT PUTTING PEOPLE FIRST: CAREER GRIDLOCK BY DEFAULT

While the Clinton White House was expending enormous energy and political capital on filling minor positions in the small travel office, the Administration was leaving the management of the most important government agencies in the hands of its permanent career officers. As *New Yorker* columnist Sidney Blumenthal recorded this summer, "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."⁶ The result: vacancies in key policy jobs.

This approach to political personnel might be adequate in the parliamentary systems of Europe, which are modeled upon the theory of responsible career administration with few political positions below the cabinet ministers, as in Great Britain. Likewise, one could square it within the framework of the American political tradition if Clinton were consciously following Wilson or Hoover and trying to restructure American government along similar lines. But with no consistent model at all, this simply adds to Washington's policy gridlock. Worse, the gridlock is now inside the executive branch itself.⁷

This confused and error-prone approach to personnel was compounded by a self-imposed deadline that the Clinton team could not meet. By January 20, 1993, Inauguration Day, the Clinton team claimed the incoming President would have 100 to 200 appointments "ready to go." Instead, on Inauguration Day, the President released just thirteen names for senior positions in the federal government, the most prominent being Madeleine Kunin, the former Governor of Vermont, as Deputy Secretary of the Department of Education.⁸ The pattern continued to the point that after six months in office, the President filled only 60 percent of the 403 most senior positions in the federal government.⁹

⁶ Sidney Blumenthal, "Dave," *The New Yorker*, June 28, 1993, p. 38.

⁷ The consequences for policy without political appointees should be obvious to anyone. But at the Department of Justice it was painfully evident during the series of White House delays in filling the Attorney General's office. In response to inquiries on the Department's 1993 budgetary and legislative agenda, the Department, according to a *Wall Street Journal* reporter, "...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.

⁸ Ann Devroy, "Late For Appointments," *The Washington Post*, March 2, 1993. That situation did not improve over the next few weeks: "According to a *Washington Post* survey, Clinton, five weeks into his presidency, has selected 60 people for senior posts outside of his cabinet, but only nine of them have been nominated and six confirmed. That record is in sharp contrast with the statements by Clinton officials Inaugural week that 100 nominees or even 200 nominees were ready."

⁹ See Al Kamen, "About 60 Percent of Top Posts in Government Are Filled," *The Washington Post*, July 21, 1993.

This personnel management problem has had profound policy consequences in the various federal agencies. As Senator John Breaux, the Louisiana Democrat, explained to *Congressional Quarterly*, "Senior civil servants can provide all the numbers and statistics but they cannot answer a question like, 'What should we do.'"¹⁰ So the few cabinet secretaries who are appointed must make all of the decisions and they become overwhelmed and make mistakes, or the civil servants either swirl in confusion or take over the programs and run them for their own bureaucratic purposes.

It is not hard to find examples of careerist encroachment on the policy-making process that undermined the policy agenda of the incoming Administration. And it can cut both ways. In domestic agencies, the bureaucratic resistance to a new policy initiative may have a decidedly liberal bias. In the defense and national security agencies, on the other hand, it tends to be conservative. At the Department of Defense, while the Clinton Administration is favorable to the idea of expanding the combat role of women in the military, that proposal has run into fierce and well-organized resistance at the lower levels of the military bureaucracy: "Sources familiar with the internal debate," commented a *Washington Post* reporter in the summer, "said the military's resistance to the Administration's policy change reflects the current dearth of civilian oversight at the Pentagon because of a shortage of confirmed political appointees. Sources said the administration's initiative is suffering, in particular, from the lack of an assistant secretary for force management as well as an Army secretary, both of whom would normally be handling its implementation."¹¹ The effort to remove restrictions on homosexuals serving in the military has similarly resulted in determined careerists blocking overstretched political appointees.

The slow pace of political appointments has continued apparently without much improvement. Observes Al Kamen, a *Washington Post* reporter who covers governmental affairs: "In 1993, the Clinton Administration managed to nominate 618 candidates for the top 957 jobs requiring Senate confirmation but was able to get no more than 465 confirmed. Presidents Jimmy Carter and Ronald Reagan did far better, with Reagan getting nearly 600

Status of Clinton Major Political Appointments			
Agency	Political Positions	Senate Confirmed	
		4/29	8/8
Agriculture	17	1	9
Commerce	21	1	9
Defense	44	3	18
Education	16	2	11
Energy	19	1	8
Health/ Human Services	20	2	10
Housing/ Urban Develop.	14	3	13
Interior	17	1	10
Justice	34	1	9
Labor	16	1	9
State	31	15	28
Transportation	17	1	9
Treasury	31	6	15
Veterans	14	2	7

Source: *Congressional Quarterly Weekly Report*, May 1, 1993, p. 1060, for department positions requiring presidential appointment with the advice and consent of the Senate, as of April 29, 1993; also *Weekly Report*, September 4, 1993, p. 2310.

10 "Presidential Appointments," *Congressional Quarterly Weekly Report*, May 1, 1993, pp. 1059-1060.

11 John Lancaster, "Army, Marines Resisting Combat Role for Women; Policy Paper Severely Limits Females," *The Washington Post*, June 18, 1993.

confirmed and Carter putting 569 in top jobs.”¹² While this problem has been acute at the Departments of Defense, Justice, and Commerce, it has been a festering sore in Clinton’s personnel management generally since the early days of his Administration.

The table on the previous page makes the point. Except for the State Department, which was not candidate Clinton’s priority, only a handful of the major appointees requiring Senate confirmation were on the job by the end of Clinton’s fourth month in office. Most agencies had only the secretary, and most others only one or two assistants. The unfilled positions included the heads of the major agencies in the government—the Army, Social Security, Medicare, National Park Service, Immigration and Naturalization Service, Federal Highway Administration. After seven months, most of the positions were still vacant or filled with Bush Administration holdovers. Even today, the Clinton Administration remains behind the appointment levels of most recent Administrations.

CONSEQUENCES OF THE SLOW APPOINTMENT PROCESS

The consequence of this lack of personnel and policy control have been quite evident. Whether the next Administration is Republican or Democrat, liberal or conservative, the pace and the process of Clinton’s political appointments should prove a valuable lesson on how not to run political personnel operations.

The legislative branch is constitutionally entitled to ask for and receive information from agencies in order to make the laws. Needless to say, the absence of accountable political appointees in federal agencies and departments who can speak authoritatively on behalf of the President frustrates Congress and undermines the quality of congressional decision-making. Representative Romano Mazzoli, the Kentucky Democrat, expressed this frustration to the career acting director of the Immigration and Naturalization Service (INS) before the official said a word at a hearing on aliens that followed the terrorist bombing of the World Trade Center in New York City. Unable to obtain an Administration position on a policy question concerning the admission of aliens, an exasperated Mazzoli complained, “We simply cannot function like this,” without a permanent INS Commissioner who can make policy decisions. One unnamed congressional staffer told *Congressional Quarterly* that dealing with the Clinton Administration is like “dancing with mannequins.”¹³

The personnel management problem is not only frustrating for Members of Congress, it also undermines planning in the private sector. According to a *Wall Street Journal* survey of top business executives, the Clinton Administration’s failure to act decisively in the appointments process has hampered business decision-making. “A particular problem cited by many executives,” comments the *Journal* article, “is the President’s failure to make some key appointments, leaving companies unable to get responses to their questions or unsure of the direction regulatory policy will take.”¹⁴ Beyond any disagreements that corporate executives might have over the President’s economic policy, the handling of appointments and the management of the agencies has contributed to broader concerns over

12 Al Kamen, “Help Wanted, Call Clinton (EOE),” *The Washington Post*, December 10, 1993, p. A29.

13 *Congressional Quarterly*, *op. cit.*

14 “Clinton’s Bumpy Start Slows Business,” *The Wall Street Journal*, June 18, 1993.

the quality of White House management itself. Says Jerry Jasinowski, President of the National Association of Manufacturers (NAM), "It's the disarray....[Business leaders] can stand a lot of stuff, but they can't stand confusion and chaos...."¹⁵

WHAT WENT WRONG WITH APPOINTMENTS?

The slowness of appointments at the beginning of the Clinton Administration took most people—apparently including the Clinton team itself—by surprise. Rather than the President's people moving swiftly to take over the reins of government, the process has been confused and in some cases disastrous.

There are three major reasons for the disarray.

The first, as noted, is the President's apparent failure to incorporate personnel decisions into any overall governing rationale. If his choice of Lani Guinier for Assistant Attorney General for Civil Rights, for example, was meant to be ideological, it conflicted with his carefully honed "New Democrat" image. If meant to be for her neutral competence skills, it showed presidential and (apparently) staff blindness to the ideological implications of the selection. Observes Michael Kelly of *The New York Times*, "For months, as Mr. Clinton appointed many administration officials whose records and philosophies seemed out of keeping with the centrist promise of the Administration of a 'New Democrat', White House aides had argued that such things did not matter, that the only ideas that counted were those of Mr. Clinton."¹⁶

The second reason is an apparent undervaluing of the importance of personnel to governing. That the President does not put people first in staffing is perhaps shown most dramatically by the number of missteps in the process of appointing major officials. His first two Attorney General candidates came to ruin largely because the White House staff did not give the appointments sufficient importance. But this is largely attributable to the personnel management style of the President himself, who did not even name his own White House staff until just one week before his Inauguration.¹⁷ Some of the President's strongest supporters saw the problem early. Martin Schram, one the most prominent of the "New Democrats", recalls his January 1993 "Memo to Clinton:" "Your White House has a flaw—and it's sure to cause more problems if it isn't remedied...The senior staff is woefully short on experience....Seemingly innocuous occurrences can explode without warning."¹⁸

The need for managerial strength in the White House is greater now than ever before, largely because of the tougher Washington environment. Today, there are stiffer ethical and financial disclosure standards than ever before for presidential and political appointees to meet. Background checks are more extensive, and the unexpected surfacing of volatile issues, such as the failure of potential Clinton appointees to make Social Security payments for household help, can destroy nominations.

15 Sylvia Nasar, "Confidence in Clinton is Slipping Among Many Business Leaders," *The New York Times*, May 9, 1993.

16 See Michael Kelly, "Clinton Myth of Nonideological Politics Stumbles," *The New York Times*, June 6, 1993.

17 See Dan Balz and Anne Devroy, "Powerful Lessons," *The Washington Post*, January 31, 1993.

18 Martin Schram, "Misstep Miseries," *The Washington Times*, May 28, 1993.

While all of these factors make high-level appointment and staffing more difficult, the Clinton White House has compounded the problem by requiring that potential political appointees meet quota standards based on such characteristics as race, ethnicity, or gender. Secretary of Defense Les Aspin, for example, when trying to fill top policy positions at the United States Department of Defense, was told that "his first choices to top Pentagon jobs included too few women."¹⁹ Likewise, in the search to fill the position of Attorney General, White House Counsel Bernard Nussbaum and Peter Edelman, a prominent Washington lawyer assisting the White House, were "absolutely fixated with finding a woman," according to an unnamed Democratic Senator.²⁰ The fixation of finding a woman for the job was such, according to R.W. Apple of *The New York Times*, that when Zoë Baird had to step down, there were no other "qualified candidates" on the White House short list, indicating, wrote Apple, "a perilous lack of contingency planning."²¹ As Professor Charles Fried of Harvard University Law School, and President Ronald Reagan's Solicitor General, observes, "If you artificially remove from consideration a large segment of the most qualified people by a bean counter mentality, you make things hard on yourself....The nonminority male half of the population includes a lot of experienced and able people."²²

The President made a pledge to appoint a government that "looks like America." It does not, unless America consists almost entirely of rich lobbyists, politicians, and lawyers. Instead, as *The Wall Street Journal* observes, "The Clintonites seem determined to prove themselves the most politically correct hiring hall in history."²³ The main effect of this exercise has been to slow down the appointment process. "Despite grumblings from the agencies—and from people in the running for jobs—that the White House stewes endlessly over their candidates," commented a *Washington Post* journalist this summer, "White House officials said they are satisfied with their efforts, especially given the obstacles, both inherent and self-imposed, they have confronted."²⁴

CUTTING THE BUREAUCRACY AND THE WHITE HOUSE STAFF

That the Clinton Administration did not give sufficient priority to personnel matters was most apparent in its attempt to meet the President's major goals of cutting civilian personnel by 252,000, and to reducing the White House staff by one-quarter.

Clinton's promise to cut the White House staff has already gone astray. The base number from which personnel were to be reduced was set artificially at the high point of the Bush years and it excluded the largest and most important unit, the Office of Management and Budget. So it was not reduced by anywhere near one-quarter.²⁵

19 Douglas Jehl, "High Level Grumbling Over Pace of Appointments," *The New York Times*, February 25, 1993.

20 R.W. Apple, Jr., "Case of Double Jeopardy," *The New York Times*, February 6, 1993.

21 *Ibid.*

22 Quoted by Max Boot, "Attorney General Miscues Shake Clinton Bid to Regain Momentum," *The Christian Science Monitor*, February 8, 1993.

23 "Form A Government," Editorial, *The Wall Street Journal*, May 17, 1993.

24 Al Kamen, "About 60 Percent of Top Posts in Government Are Filled," *The Washington Post*, July 21, 1993.

25 While the well-known personnel problem with the White House staff is that it is bloated at the senior levels, curiously enough, the first target of the Clinton attempt to cut staff was the White House correspondence unit, firing two dozen longtime, low-ranking employees who served in a "non-political" support staff for the President. See Ann Devroy, "Clinton Fires White House Worker Bees," *The Washington Post*, February 7, 1993.

It is too early to assess progress toward reducing the main bureaucracy by 252,000. But, once again, the base has been "adjusted" up to make the paper reductions easier to achieve. The base full-time equivalent personnel estimate total for 1993 in Clinton's 1994 budget is 10,900 higher than it was in Bush's budget. And the critical non-defense base is almost 20,000 positions higher than the actual levels for 1992. These numbers become significant when one considers that only 40,000 reductions are planned from the 1993 estimate (reported in Clinton's budget as 50,000 from the "base") in the first year.

The lack of serious attention to personnel matters was most evident when the General Accounting Office calculated that the total savings from the National Performance Review were only \$305 million, not the \$5.9 billion estimated by the Administration for the five years of the plan. The Clinton-Gore review had neglected \$519 million in costs to the federal personnel retirement system and \$2 billion in costs to the agencies for early retirements, among other underestimated expenses.

The response of an anonymous White House staffer was revealing: "It doesn't make sense that reducing the number of federal employees costs money. In the long run, it saves money."²⁶ Of course, it does; but personnel reductions can cost dearly in the short run if they are not done properly. And massive use of "buyouts," for employees to retire early, and reductions in force are precisely the way to drive costs upward. That is why the Reagan Administration relied primarily upon attrition and furloughs, which save money in the long run and the short run. Unfortunately, the Clinton Administration proceeded rashly without a plan.

BLURRING THE LINE BETWEEN POLITICAL AND CAREER EMPLOYEES

The Clinton Administration also has not decided what is the proper relationship between political and career officials.

One of the most difficult of Ronald Reagan's management principles for agency heads to follow was the insistence on a clear dividing line between political and career functions, so that each was respected. At least during the first term, the Reagan Administration was comfortable justifying the leading role for political appointees and protecting the President's appointment role against congressional attempts to usurp or subvert that Executive right, so it was comfortable also in limiting job shifts to the career service by political appointees.

Nonetheless, Reagan's Office of Personnel Management periodically came under great pressure from various quarters to politicize the career service by allowing political appointees to convert to career status. This happens in every Administration, Democrat or Republican. But OPM was generally successful in limiting this in the first term, arguing that it was more proper to create more political positions and respect the professional autonomy of the career service. The prevailing view in the Reagan Administration's OPM was that once a political appointee received career protection, he or she became more often a careerist in outlook, with new institutional loyalties to the federal bureaucracy and

²⁶ Stephen Barr, "On Capitol Hill 'Reinventing Government' Is Off to a Crawling Start," *The Washington Post*, November 24, 1993.

less interest in presidential objectives. This Reagan management philosophy promoted the Administration's policy agenda while reinforcing sound administrative principles.

By agreeing to amend the Hatch Act prohibiting political activity by career employees, the Clinton Administration breached the division between career and non-career status, not by allowing "careering-in" of politicals, but in politicizing careerists.²⁷ With career civil servants permitted to become more politically involved, such as actively participating in partisan political campaigns, they will become more subject to political pressure from unions and politically active supervisors. Careerists will be tempted to use government power to threaten clients. Some, such as regulators of business, could be very threatening indeed. These activities will encourage political appointees to "career-in" for self protection. This is why career associations like the National Academy of Public Administration have opposed major changes. Yet, the Clinton Administration, having no contrary management philosophy, deferred to union pressure and changed the half-century-old Hatch Act to allow politicization of the career service.

REVERSING THE ROLE OF PERFORMANCE

The Clinton Administration appears equally confused about how to improve the efficiency of the career civil service.

President Carter's Civil Service Reform Act of 1978 was designed to apply sound principles of performance management to the federal government. Central to the 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 the Carter statute, the Reagan Administration worked diligently to put into place a comprehensive and standardized employee performance appraisal system, tightening employee discipline and increasing the flexibility in the assignments of the senior executive service. That Administration wanted to establish a clear linkage between pay and performance, link all monetary awards and performance, and to eliminate the automatic nature of pay increases within grade levels for general schedule employees. Reagan attempted to increase the role of performance as the basis of employee retention in reduction-in-force efforts in federal agencies, create a merit pay system for federal managers, and to extend the pay-for-performance principle throughout the general work force.

27 For an excellent discussion of the issues surrounding recent changes in the Hatch Act, see Robert E. Moffit, "Cutting the Hatch Act: Congress's Plan to Re-Politicize The Civil Service," Heritage Foundation *Issue Bulletin* No. 180, July 6, 1993. Incidentally, Moffit notes that the most widely reported prohibited personnel practice in the federal government is the hiring of family and friends by federal supervisors: the operation of the "buddy system." While ignoring the need to combat the unfair "buddy system," the National Performance Review draft is critical of existing rules requiring supervisors to choose from the top three candidates, because the rules prevent them "... from considering other candidates who may in fact be more qualified." Stephen Barr, "Administration Drafts Plan to Remake Personnel System," *The Washington Post*, December 16, 1993, p. A23. Naturally, any new rules broadening the pool of available candidates are also likely to generate even more incidents of favoritism at the expense of the competitive civil service.

While the National Performance Review does support the principle of performance, it devolves control over its systems to the agencies and unions that have historically resisted the idea. More important, the Administration responsible for issuing it is itself going in a different direction. This is discernible in three areas:

- 1) **Reduction-in-Force Procedures.** These are the 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 given to how well they perform. This has been accompanied by elaborate and absurd "bump and retreat" rights, in which highly paid middle managers without even typing skills can end up working as secretaries during a reduction in force.

There are four factors which govern the decision to lay off federal workers: tenure, veterans preference, seniority, and performance. The main goal of the Reagan Administration, amid strong opposition from federal employee unions and their allies in Congress, was to upgrade the role of performance relative to seniority, thus enforcing the legal principle that employees should be retained on the basis of performance.

Unfortunately, Clinton's Office of Personnel Management is issuing regulations that actually lessen the role of performance relative to seniority for nonveterans in reduction-in-force procedures. This makes it easier for top performers to be laid off during agency consolidations or reductions in force. This result is hardly consistent with improving efficiency, or providing positive consequences for good performance.

- 2) **The Federal Employee Performance Appraisal System.** Performance appraisal means nothing if it is not, in the words of David Osborne, tied directly to "real consequences" for success or failure. Before the enactment of the Civil Service Reform Act of 1978, performance appraisal in the federal system was 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, realizing that this was meaningless, created a five-step performance appraisal system, rating job performance as "outstanding," "exceeds fully successful," "successful," "below successful" (needing improvement), and "unsuccessful." As it implemented the Carter reform, the Reagan Administration enforced the new system, spreading the ratings over at least four of these categories so that performance levels could be more clearly distinguished, even if relatively few were actually rated "unsuccessful" and fired because of poor performance.

Instead of strengthening performance appraisal, the Clinton Administration's OPM initially said it would allow agencies to adopt a two-level pass/fail system. This is even more primitive than the federal employee appraisal system that was dumped by President Carter, and would effectively end any serious performance appraisal in the federal work force. Fortunately, James King, the Director of OPM, backed down from the proposal after public pressure. But it is still not clear that OPM will forbid agencies from adopting such a system.

3) **Merit pay for federal managers.** While the Administration was lobbying furiously to get its huge tax and budget package through the Congress, Eleanor Holmes Norton, the Democratic House delegate from the District of Columbia, successfully sponsored a provision in the legislation eliminating all bonuses and cash awards for good performance among federal employees. "As soon as I heard that [incentive bonuses] were gone," said a bewildered and shocked Vice President Gore, "I said 'that's ridiculous. That's not going to happen.'"

It did not happen in the budget, but the entire pay-for-performance system created by President Carter for the managerial corps has been eliminated in any event. Actually, this happened during the later Bush Administration, when it allowed Congress to revoke the underlying law. So, the merit pay system for federal managers (GS 13-15 grade levels), expired September 30, 1993. To date, nothing has been done by the Clinton Administration to reinstitute the merit pay program.

GETTING SERIOUS ABOUT REFORM: CREATING A LEANER AND MORE EFFICIENT GOVERNMENT

Given this record on personnel management, President Clinton and his team will have to reverse course quickly if the President is to show he means business when it comes to making government work. The Administration needs to take several actions to do this if he wishes to forward his own general policy agenda.

Action #1: Get serious about cutting the bureaucracy; freeze federal hiring.

The President will not cut the bureaucracy by his promised 252,000 positions, in real, full-time equivalent terms, and achieve cost reductions, if he does not get serious about it. Instead of vague promises and the hope of "buying out" as many employees as possible, he must go back to the Reagan Administration policy of relying primarily upon attrition, then furloughs, and only as a last resort reductions in force or early retirements. To achieve the attrition, he must impose a managed freeze, administered by OPM. Otherwise, nothing will happen, or Congress will mandate the cuts, and the reductions will end up costing as much as they "save." It is still not too late to make a decision that will assure the cuts do not go the way of the promises to cut the White House staff.

Action #2: Reorganize by simply doing it, not talking about it.

The National Performance Review proposes office consolidations at various federal agencies that almost any objective observer would support. The problem is, Washington is betting nothing will happen, assuming Congress—acting for the special interests—will block the reforms. President Clinton should simply order his agency heads to make the changes and force Congress to play catch-up. Then the President should initiate a program of privatization, decentralization, and other strategies to perform the work remaining after the freeze and reorganization, and order his political appointees to carry it out.

Action #3: Develop a management philosophy; preferably follow Carter principles and set Reagan priorities.

President Clinton has been urged to follow the political principles of administration set in President Carter's historic Civil Service Reform Act, and the manner in which Presi-

dent Reagan implemented it beginning in 1981—but at least to adopt some sound principle of government administration.²⁸ Thus far, the Administration is clearly not following either of these recommendations.

If President Clinton were consciously and consistently siding with the other major management philosophy, embodied by Woodrow Wilson and Herbert Hoover, it would at least be a rational and understandable approach. Instead, he is bereft of a governing rationale or philosophy of government management—unless it is a self-defeating intention to turn management over to labor-management councils. If this is his plan (and his Executive Order of October 1, 1993 suggests it well may be), the President should at least explain and defend this radical course of action.

As it is, President Clinton has been pushed to and fro and shows little vision or consistency. As Sidney Blumenthal observes, “Clinton arrived calling for the overthrow of the status quo, yet seemed surprised to find that the entrenched castes of the Capital act to protect their positions. Thrown off balance, he has become reactive.”²⁹ To lead, he must develop a management philosophy, be able to explain it, and to execute it consistently.

Action #4: Manage the bureaucracy rather than abrogate presidential powers and responsibility.

President Clinton’s National Performance Review, apparently with the concurrence of his central personnel management agency, OPM, proposes to decentralize decisions like performance management, merit pay, pay classification, merit hiring, and management leadership rights to the agency bureaucracies that are the heart of the problem. The President should be stoutly championing his right to make political appointments, fill these positions, and uphold their proper roles as policy makers. Rather than eliminating its central role, President Clinton should make OPM implement presidential initiatives, monitor the personnel reduction program, increase performance incentives, teach political responsibility and the need for entrepreneurial attitudes, and execute the other management reform policies of his Administration.

CONCLUSION

With the issuance of the National Performance Review, the Clinton Administration is promising to reinvent government. Taxpayers remain properly skeptical, based on the Administration’s record thus far, especially in the area of personnel management. The Travelgate fiasco reveals shoddiness and abuse in making personnel decisions. And delays in making appointments, back-dating personnel actions, reversing the historic reforms of the Carter era, and making unkept or ill-considered promises on reducing personnel—all apparently without any systematic plan—demonstrates a disturbing lack of seriousness on management matters by the Clinton Administration.

²⁸ See Donald J. Devine, “How to Cut the Federal Bureaucracy,” *Heritage Foundation Memo to President-Elect Clinton* No. 2, December 14, 1992.

²⁹ Blumenthal, *op. cit.* p. 36.

If the President is serious about cutting federal jobs, he needs to start with a hiring freeze. If he is to lead, he must pick appointees who are compatible with his agenda and allow them to manage and organize the civil service with the tools made available to him through President Carter's reforms, not decline responsibility by delegating to the bowels of the bureaucracy, much less to its unions.

Most critical of all, President Clinton must decide what the primary goals of his Administration really are, and adopt a management philosophy of how to achieve them. Otherwise, his Administration will continue to be adrift and rife with confusion and abuse.

Prepared for The Heritage Foundation by
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CONCLUSION

Mr. Devine directed the Office of Personnel Management from 1981-1985.

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