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A Study of the Long-Term Effects of Federal Workforce Reduction in the 1990s

by the Coalition for Effective Change

Introduction

During the Clinton administration, the Vice President oversaw the National Performance Review (NPR) – a broad program with a main goal of “reinventing” government through cost reduction, increased customer service, and streamlining government. While the entire plan touched on many areas of the federal government, a major component was downsizing the federal workforce, specifically mid-level managers.

The NPR followed a series of attempts to reform the government and proposals to cut the number of federal employees, especially in times of tight budgets. The Coalition for Effective Change (CEC) believes an examination of the impact of shrinking resources (both personnel and budgets), the effects on federal agencies, and lessons from this initiative should be examined by Congress as it considers similar proposals.

History of the National Performance Review

President Clinton began the NPR in 1993 as a six-month review of the federal government and to identify problems and offer ideas for savings. The program was later expanded and continued until the end of Clinton’s second term.

Specific to the federal workforce, the NPR called for a reinvention of government and an increase in performance through a reduction in the “command-and-control” structure, or mid-level management. This also meant an increase in the span of control from approximately 1 manager to every 7 employees to 1:15.

In February 1993, President Clinton issued Executive Order 12839 that required agencies with more than 100 employees to eliminate at least four percent of their workforce over the next three years through attrition and allowing certain employees the option of early retirement (“early-outs”). This later shifted to a goal of a 12 percent reduction over five years. The Clinton administration asked Congress to approve the use of buy-outs to reach a goal of 272,900 cuts to the civil service, exceeding the initial campaign promise of 100,000.

Due to the NPR, between 1993 and 1998, the federal workforce shrank 15.4 percent and many functions were outsourced to contractors. The areas that the NPR sought to reduce were management, procurement, auditing, accounting and budget departments. During the NPR, the Administration tried to track accomplishments, but effects were not always readily apparent.

The NPR was not the first attempt at government reform. Over the course of the 20th century there were eleven major reform initiatives, many proposing cuts to budget and workforce. Under the Reagan administration, reductions led to a 7.2 percent cut to non-

defense personnel. As with the NPR, the cuts in the 1980s were accompanied by the message that government was broken and needed to be fixed.

Effects of the NPR

In the years during and following the NPR, scholars of good government tracked the effects of the NPR and whether it achieved stated goals. Although the NPR initiative shrunk the federal workforce, it is less clear if it was successful in other areas or if the actual effect of various proposals was the expected one. For instance, in terms of savings, the Government Accountability Office (GAO) found that the Administration's claimed savings were overstated.

Another goal that was not met in the way anticipated was where the workforce reductions actually occurred. Although the workforce shrank, it was not always mid-level managers who left the civil service. Actual cuts came from front-line employees who accepted the buy-out and early-out offers. In an attempt to meet budget reduction goals in a short amount of time, agencies forewent any strategic personnel planning and instead looked for the quickest, easiest cuts to personnel, not targeted workforce cuts as envisioned by the NPR. The effect that this had on agencies was threefold.

1. The loss of front-line employees led to a backlog of services at customer-focused agencies, such as the Internal Revenue Service, Social Security Administration, and the Department of Veterans' Affairs. Not only did these negatively impact the citizens who relied on these services, it cost the government more money in the long run as those agencies had to hire more employees to work through the resulting backlogs.
2. The size of the contract workforce increased dramatically. The workload at federal agencies did not decrease with the personnel cuts. Although the size of the contractor workforce is unknown, scholar Paul Light believes there are at least four contract employees for every one federal employee. Office of Management and Budget (OMB) Director Jeff Zients confirmed that in FY2010 the federal government spent \$535 billion on contracts (compared to \$167 billion on the federal civilian payroll).

What got lost in the push for workforce cuts was the discussion of cost-benefit analysis and which jobs are inherently governmental. It is also unclear that savings were actually achieved, and it certainly appears that oversight was decreased as the government has fewer mechanisms to hold contractors accountable than it does for federal employees.

3. Agencies had a tough time meeting their mission. The severe cuts in budget and personnel compromised the ability of agencies to get their work done. Unlike private businesses, federal agencies cannot change goals, missions, and programs without the approval of Congress. The NPR did not seem to consider that federal employees carry out the laws enacted by Congress and that federal employees and agencies do not determine what jobs must be done. According to Mark Goldstein, author of *America's Hollow Government*, Congress cannot reduce resources (people and money) but still keep the same programs and expect them to be carried out effectively.

Furthermore, when cuts are made without a strategy for managing the work, remaining employees are shifted into new jobs or have their workloads increased with new duties without the training and assistance necessary to help them perform. Cuts in personnel and budgets that allow experienced employees closer to retirement to leave meant that there was no one left to help with the transition to new jobs and duties. In a 1997 OPM/MSPB study on the effects of downsizing, 27 percent of managers and supervisors and 31 percent of employees felt there were not enough workers to get the job done.

Aside from these main side effects, there were several other effects that directly resulted from the policies established under the NPR.

- It is unclear if the NPR achieved its goal of increased customer service. Aside from backlogs that the cuts created, it does not appear that downsizing had any improved effect on government performance.
- Continued negative talk about needing to fix a broken government further eroded public confidence in federal institutions. Therefore cuts to budget and personnel that make it hard for agencies to serve the American people or meet their missions become a self-fulfilling prophecy of broken government.
- Along with the reduction of civil service personnel, there was no accompanying discussion of a reduction in political appointees. Over the past 20 years, political appointees have been placed at increasingly lower levels of agency positions. For a full discussion of size, performance and budgets, all aspects of federal personnel must be part of the conversation.

Conclusion and Recommendations

While the National Performance Review had different goals and methods than those being used by Congress today, there are many similarities. Tough economic times led to budget cuts, which in turn led agencies to cut federal employees. The rhetoric surrounding the NPR, as today, is that government is not working and cuts need to be made to the federal workforce and agency budgets. However, much as in the 1990s, the quick, surface or across-the-board cuts will likely cause more problems than they solve and they do not take into account long-term effects or have any strategy to them.

The Coalition for Effective Change encourages Congress to examine the lessons from the 1990s in order to make appropriate policies today.

- Cutting budgets and staff does not mean that programs automatically end or the work agencies engage in stops. Many programs, functions and missions are congressionally appropriated or mandated. Unlike private sector companies, federal agencies often do not have the flexibility to rearrange resources without Congressional action.
- Congress must engage in the discussion of the fundamental role of the federal government. This includes determining what the mission of each agency is, and what programs are valuable and necessary for the American people. Once these tough decisions are made, Congress must then fund and staff agencies appropriately to carry out their missions. If financial conditions require a reduction of an agency's workforce, the Congress should determine its impact on carrying out the mandates of law, and, if the agency's capacity to do so would be affected, to reduce the mandates concurrently with the workforce.
- Congress must look at the entire picture of the federal workforce, including political appointees and contractors, in order to determine the proper mix and decide whether workforce cuts are truly necessary. Should cuts be made, Congress needs to ensure agencies have the resources necessary to train employees for new duties and have the appropriate number of people for each program and job. Across-the-board cuts do not allow for such strategic succession planning.
- Agency performance goals are important to showing the necessity and effectiveness of programs toward overall agency mission. This performance must also be tied with employee performance to allow agencies to gather the data necessary to identify what is working and what is needed in order for an agency to meet its mission. This will allow agencies to identify areas where resources are critical during times of cutbacks in personnel and budgets.

Resources

The following resources were helpful to this report in identifying the history of government reinvention and reform and the effects of the National Performance Review.

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- “A Brief History of the National Performance Review.” <http://govinfo.library.unt.edu/npr/library/papers/bkgrd/brief.html>
- “Appendix F: History of the National Partnership for Reinventing Government: Accomplishments, 1993-2000, A Summary.” <http://govinfo.library.unt.edu/npr/whoweare/appendixf.html>.
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