“Federal Government Bureaucracy Reform in Historical Context”

Testimony of The Honorable Donald J. Devine

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Federal Government Bureaucracy Reform in Historical Context

Bureaucracy reform may be the original oxymoron, trying to make an institution efficient that by definition is ordered by rules and regulations aimed at stability, resistance to change, and isolated from political influence, good and bad, with lifetime employment and guaranteed raises to assure that independence.

Directing the bureaucracy to follow their popular mandate has been a major goal of every president and Congress since the beginning; but it has become critical only recently. Worried that the plethora of new programs instituted to create a Great Society by Democrat Lyndon Johnson and grandly expanded by Republican Richard Nixon were not actually reducing poverty or increasing work, outsider Jimmy Carter ran for president as a proponent of the programs but against the way they were administered. Noting that ninety percent of civil servants were rated at the same "satisfactory" level, he promised to build performance into government bureaucracy, risking public sector labor anger but attracting centrist voters who rewarded him as their nominee and then as president.

President Carter fulfilled his promise with the Civil Service Reform Act of 1978. His administration set the basic structure for reform but time ran out before it could be fully implemented. It became his great gift to the country and to the Ronald Reagan Administration. Carter's plan was well-conceived and it was my good fortune to be able to implement it as Reagan's first director of the U.S. Office of Personnel Management. We instituted a new performance appraisal system with five rather than three rating categories and specified individual goals related to agency missions that were to be used for promotion and other rewards. Appraisal was even more related to reward for mid-level managers and senior executives whose involvement was essential and whose whole income was to be based upon performance, including sizeable bonuses and merit pay.

The normal opposition to change in a bureaucracy the size of the Federal Government made these changes controversial, to say the least. Aggressive public sector union job-actions, slowdowns, and finally a strike by the air controller union raised tensions enormously. But Reagan's firing the controllers turned the issue and consolidated public support for reform. Still, after great union pressure, our efforts to expand merit pay to ordinary Fed workers were blocked by Congress. Our best metrics suggested these reforms worked—for a short while, four years or so. Tiring of confronting the unions, by the end of the George H.W. Bush Administration, appraisals returned to universal higher rated categories, manager merit pay was eliminated, and bonuses in many agencies were being divided between all executives rather than being paid to the best performers. The Carter-Reagan reforms were dissipated in a decade.

The 9/11 attacks revived the idea that better government management might have avoided the worst blunders. George W. Bush introduced pay for performance systems for the new Department of Homeland Security and for the Department of Defense, half of total Federal civil service employment. Unions rushed to court and to Congress to delay implementation, which reforms finally died a silent death during the Barack Obama

Administration. The abuses at the Veterans Administration and the Internal Revenue Service stoked public anger once again resulting in your current hearings.

Today, much of General Schedule government employee appraisal is "pass-fail" with 90+ percent passing. The Senior Executive Service retains an "outstanding" rating to justify bonuses but VA data suggest a large number of those involved in encouraging false reporting of veterans waiting times were rated outstanding which the Senior Executive Association justified to Congress as acceptable, to be expected even, since only outstanding people would be promoted to the SES in the first place. Outstanding SES executives at IRS supervised destruction of the emails of the executive who managed the harassment of conservative groups seeking exempt status, the one who even threatened to investigate Republican Senator Charles Grassley. Jimmy Carter was distressed that ninety percent were rated satisfactory. What would he think of 100 percent outstanding?

Federal pay raises and locality pay are automatic, not based on performance at all. Within-grade, quality steps and awards are supposed to be based on performance but since most employees are rated at the same appraisal level the effect there is minimal too. In 2013, the most generous estimate is that only 9,513 of 2,054,175 or 0.46 percent were dismissed from the Federal Government, compared to 3.2 percent in the private sector, six times fewer firings. GAO says the Fed rate is only 0.15 percent. The highest rate of Federal separations are of transportation security personnel but even Department of Homeland Security removals are only one-third of the private sector separation rate. Most government separations are of low-level probationary personnel below grade 6. Separations for performance alone are much lower since statistics include abusive and even criminal separations. Not only do managers who try to remove poor performers have to face the administrative procedures in their own large agencies, even department decisions can be appealed to several different boards and many even reach the Court of Appeals. The Merit System Protection Board alone heard 155 performance appeals in 2012, up 41 percent from the preceding year. Appeals can also be made through agency grievance procedures to the Federal Labor Relations Authority or to the EEOC. Understandably, few managers are willing to fight this Byzantine system.

As progressive public administration expert Paul Light of New York University concedes, the Federal Government is so poorly structured with layers of review and overlapping functions it can no longer faithfully execute its laws. Only major reform can fix this but the unions and agency associations resist it. The VA for example was queuing veterans when I was OPM director thirty years ago. VA offers a free service to millions of veterans, only a fifth of whom use its services. The more attractive the services and the lower cost, the more will apply. The problem is--as admirer *New York Times* columnist Paul Krugman bragged in comparing it to Obamacare--that the VA worked better because it is "socialist." That was before the VA scandal, of course. With a set budget, no matter how large it grows (the VA budget has increased one hundred percent in recent years), demand for free services will always exceed supply—and the only answer for any such program is for managers to create waiting lists.

The only real solution for VA is privatization of its medical facilities with vouchers redeemable either there or at private institutions. Congress has acted to move in that direction but in a very limited sense—and only temporarily. And $30 billion more doing the same thing will not help. 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 at VA or in any agency managed merely by budgets and appraisals. Moreover, decentralizing administration deep into agencies takes management and leadership away from the top political executives, especially the President, and transfers it to the career bureau managers and unions. That makes it extremely difficult for an administration to assure that agencies carry out policy or operate efficiently. Only a permanent system of vouchers or privatization at VA or elsewhere in the government can solve the underlying problem.

Only two modern administrations have made any real change in how domestic government is organized. Dwight Eisenhower and Ronald Reagan changed by reducing its numbers and tightening its management. These administrations were successful in using broad-scale management tools such as eliminating entire functions and their personnel or more often by setting reduction targets enforced by freezes on employment--not by "engineering" efficiencies at the margin. Only the blunt-instrument methods of Eisenhower and Reagan work. Most reductions can be attained through attrition. Once the major changes are made, then the performance management tools adopted by Presidents Carter and Reagan would need to be revitalized to allow top career and especially political appointees to manage their subordinates by rewarding good performance and punishing bad with few and simple rules for appeals.

The present system does not work even for its presumed beneficiaries, the employees. Most are good people trying to do a day's work. John Kennedy did not introduce collective bargaining until 1963 after many years of Democratic opposition starting with Franklin Roosevelt and extending to most civil service managers. Today, every employee and decision-maker knows the present organizational morass, program irrationalities and slow and costly personnel procedures make no sense. So, as much as possible in both Democratic and Republican administrations, functions are outsourced to private contractors. Today there are about two million employees and 17 million contractors. Direct privatization or de-federalization of functions is more efficient but politically difficult and contracting at least allows some degree of rationality and cost considerations. Perhaps it is time think about a new civil service reform act that attacks the whole basic structure of government. What we have clearly does not work.

Even under the present political impasse, progressives and Democrats should have a greater reason to prove big government works than conservatives. It was a Democrat Carter who initiated the last reform to increase efficiency by basing rewards on performance, which was adopted by an overwhelmingly Democratic Senate and House, but also with support from key Republicans such as Rep. Ed Derwinski then of this committee. As far as concern for employees, pay for performance is not only the efficient way, it is the only fair way to pay them. Those who do the best work and contribute most

to the public good are cheated if they are not rewarded better. Practically, if the best workers are not paid more, they will leave.

The deeper problem is a common one in Washington. The special interests like the employee unions and service organizations grouse loudly but average citizens are silent. My predecessor at OPM told me that President Carter spent hours reading it before signing the CSRA and was pleased, but even he felt it was necessary to add “it’s pretty boring stuff isn’t it”? If one day the public let their representatives know they really want their government, especially its critical functions, to work effectively perhaps something might change. Otherwise, we might as well learn to live with the present irrationality.