

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

3 Month Level
2 FTE Level

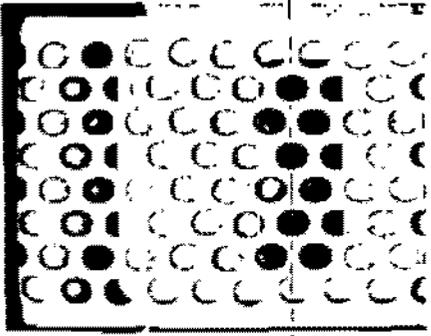
DATE:

TO:

FROM: ASSISTANT DIRECTOR FOR BUDGET REVIEW

2 in 5

117, DOD Personnel	94	95	96	97	98
FTE	.2	.7	1.3	1.5	1.6
Admin	.4	.9	1.4	2.4	2.5
Total	.6	1.6	2.7	3.9	4.1



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Table 4-1. FEDERAL EMPLOYMENT IN THE EXECUTIVE BRANCH¹
(Full-Time Equivalent Employment)

Agency	Fiscal Year			
	1991 actual	1992 estimate	1990 estimate	Change 1992 to 1990
Civilian Cabinet Agencies:				
Agriculture	110,318	111,882	111,021	-861
Commerce	38,988	35,594	35,682	88
Education	4,830	4,927	5,032	105
Energy	17,790	19,950	19,950
Health and Human Services	121,121	125,784	125,704	-80
Housing and Urban Development	13,601	14,331	13,837	-494
Interior	72,348	74,900	74,000	-900
Justice	84,073	94,288	97,958	3,672
Labor	17,720	18,241	18,265	24
State	25,409	25,895	26,012	117
Transportation	56,010	70,134	70,212	78
Treasury	160,192	162,949	161,984	-965
Veterans Affairs	217,665	220,641	221,818	1,177
Other agencies (excluding FDIC and Postal Service):				
Agency For International Development	4,347	4,562	4,454	-108
Corps of Engineers	27,241	27,725	27,444	-281
Environmental Protection Agency	16,323	17,622	17,917	295
General Services Administration	19,704	20,013	19,858	-155
National Aeronautics and Space Administration	24,149	24,737	24,947	210
Nuclear Regulatory Commission	3,300	3,335	3,377	42
Office of Personnel Management	5,762	6,156	6,156
Panama Canal Commission	8,554	8,603	8,603
Small Business Administration	4,887	4,697	4,637	-60
Tennessee Valley Authority	22,273	25,000	23,000	-2,000
United States Information Agency	8,226	8,543	8,679	136
All other agencies ²	38,125	40,453	40,413	-40
Subtotal, Civilian employment (excluding FDIC and RTC)	1,132,749	1,170,960	1,170,960
Federal Deposit Insurance Corporation and Resolution Trust Corporation	12,130	16,300	16,969	669
Defense—military functions ³	969,059	938,669	897,772	-40,897
Total, Civilian employment in the executive branch	2,113,938	2,125,929	2,085,701	-40,228
Military (uniformed personnel):				
Defense	2,125,731	1,929,870	1,807,506	-122,364
Coast Guard (Department of Transportation)	37,653	38,920	39,417	497
Total, uniformed personnel	2,163,384	1,968,790	1,846,923	-121,867
Grand total, executive branch employment	4,277,322	4,094,719	3,932,624	-162,095
Memorandum				
Postal Service Employment ⁴	777,249	764,668	751,798	-16,670

¹ Excludes developmental positions under the Worker-Trainee Opportunity Program; participants in the Cooperative Education Program; disadvantaged and part-time workers under such Office of Personnel Management programs as Summer Aides, stay-in-school, and junior fellowship; and certain statutory exemptions.

² Includes 108 FTE's as a contingency allowance in 1993.

³ By law (10 U.S.C., Chapter 4, section 140b), the Department of Defense is exempt from full-time equivalent employment controls. Data shown are estimated.

⁴ Includes the Postal Rate Commission.

Memo to OMB giving them authority to cut beyond 3%. Authorize OMB with authority to move funds from administrative accounts to program accounts.

5. Budget Estimates (House Budget Is Reworking These Numbers)

Effects Of 3% Administrative Cuts On The Deficit -- Based on information from the House Budget Committee, we know that a 3% reduction in administrative costs will provide considerable savings from 1994 through 1997 (this does not include a 1.5% cut in the FY93 budget).

TABLE 1. (Outlays In Billions)*

	1994	1995	1996	1997
<u>Personnel (Defense And Non Defense)</u>				
Reduce Civilian Personnel By 100,000(net)	-0.5	-1.4	-2.4	-3.4
Reduce Civilian Personnel By 200,000(net)	-0.9	-2.8	-4.8	-6.9

*Does not include members of the armed forces

3 Percent Cut Each Year After Inflation (Non-Defense Only)

Reduce Non-Personnel/**					
Non-Entitlement Expenses		-0.8	-1.8	-2.8	-3.9
Reduce Central Management Expenses***	-0.2	-0.4	-0.6	-0.9	

**Non-Personnel/non-entitlement expenses include travel and transportation; travel of things; communications, utilities, and miscellaneous; printing and reproduction; and supplies and materials.

***Central administration and management expenses are the cost of the Secretary's office and other levels of top management not directly involved in program execution. Data reflect assumption that central management costs are about 15 percent of total direct compensation costs.

There is overlap between all of these proposals; therefore, combining the proposals would result in double-counting. We don't yet have a figure that includes personnel in administrative costs, although we do have numbers on reducing 100,000 federal employees which ~~should~~ provide some idea of the overall cost savings. The House Budget Committee has promised us the baseline they used so that we can manipulate the numbers ourselves.

6. Key Advisers Consulted

John Angell -- House Budget Committee
Kathy Sykes -- Congressman Dave Obey

(7)

TOTAL PAID CIVILIAN EMPLOYMENT

(Full-time and part-time personnel)

(Excludes postal, legislative, judiciary, military personnel)

1952 --	2,066,353
1962 --	1,896,178
1972 --	2,116,667
1982 --	2,110,433
1992 --	2,227,709

*Source: Office of Personnel Management; Federal Workforce Statistics

TOTAL PAID CIVILIAN EMPLOYMENT OF THE FEDERAL GOVERNMENT BY BRANCH AND SELECTED AGENCIES

1918 TO PRESENT (End-of-year counts)

Year	TOTAL	Legis.	Judicial	Exec.	By	Presid.	Ex. Br.	Ex. Br.	Agri-	Commer.	Defense	Educa-	Energy	HEHS	IND	Infor.	Judice	Labor	State	Transport-	Other	
1/	Branch	Branch	Total	Service	Postal	Dept.	Mon-	culture	Commerce	Defense	tion	Energy								ation		
1918	2,000,812	22,517	3,803	2,574,132	507,778	2,096,353	735,258	74,569	62,132	1,237,005	-	4,734	7,483	46,234	18,289	36,813	22,194	7,815	51,302	60,400	174,087	162,009
1919	2,654,416	22,512	4,854	2,532,150	506,535	2,025,615	686,877	74,644	59,118	1,202,208	-	6,841	6,841	35,446	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1920	2,827,876	21,711	4,130	2,871,642	511,813	1,859,829	621,289	62,323	48,877	1,186,508	-	6,078	6,078	46,405	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1921	2,898,736	22,119	4,205	2,972,289	508,247	1,864,042	621,289	62,323	48,877	1,186,508	-	6,078	6,078	46,405	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1922	2,417,209	22,840	4,986	2,390,381	521,194	1,869,187	704,448	66,888	54,732	1,199,815	-	6,810	6,810	32,501	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1923	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1924	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1925	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1926	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1927	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1928	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1929	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1930	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1931	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1932	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1933	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1934	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1935	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1936	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1937	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1938	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1939	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1940	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1941	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1942	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1943	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1944	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1945	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1946	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1947	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1948	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1949	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1950	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1951	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1952	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1953	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1954	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1955	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1956	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1957	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1958	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281	191,139	64,790	1,069,895	-	7,187	7,187	46,234	14,848	34,442	28,423	6,542	30,248	49,402	174,087	162,009
1959	2,282,481	22,347	4,442	2,260,134	536,419	1,723,715	719,281</															

MEMORANDUM

To: Bruce Reed
From: Diane Lowe
Date: February 16, 1993
Re: Executive Actions

I have spoken with Ed Rea, Chief of Budget Concepts Branch, OMB (395--3172) who is supervising the implementation of the Administrative Cuts and the Federal Workforce Reduction. He is currently supervising the budget examiners who are putting together an "account by account scrub" definition of what administrative expenses are. (As per Object Class 20 series which includes: travel, transportation of things, rents (not rents paid to GSA) communications, printing and reproduction, consulting and other services.) He said he will "try to remember" to forward drafts to us for review and comment prior to distribution.

1. Growth of the Federal Bureaucracy Under Reagan-Bush

Tomorrow, the President will sign an Executive Order to reduce the federal bureaucracy by 100,000 or more. These reductions will come from all agencies, based on a schedule that will be worked out by OMB.

This Order will reverse the past decade of growth in the bureaucracy under Reagan and Bush. Non-defense employment in the executive branch has grown from 1,084,996 in 1984 to 1,187,929 in 1993, an increase of 102,933, or 9.5%. (Keep in mind that this Order will also apply to civilian defense employment, which has declined over that period.)

NEED
- Def. of Admin Costs

President 16 to 3 -6 to 3

Deputy - 19 to 0

Inventory - # of cars / limo fleet
- what is exec fleet, by agency?

I. Growth In The Federal Bureaucracy

Total Executive Branch Employment*
(FTEs in thousands)

1982 --	2076
1983 --	2075
1984 --	2084
1985 --	2114
1986 --	2114
1987 --	2107
1988 --	2111
1989 --	2131
1990 --	2176
1991 --	2114
1992 --	2119

Percentage change increase from 1982 to 1992 -- 2%
Total increase in FTEs from 1982 to 1992 -- 43,000

Total Non-Defense Executive Branch Employment**

1984 --	1,084,996
1990 --	1,169,370
1993 --	1,187,929

Percentage change increase from 1984 to 1992 -- 9.5%
Total increase from 1982 to 1992 -- 102,933

II. Estimated Savings From 3% Cut In Federal Administrative Budget And 100,000 Reduction In Federal Executive Branch Employment

	(dollars in billions)				
	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
100,000 Workforce Reduction	.2	.7	1.3	1.5	1.6
3% Cut In Administrative Budget	.4	.9	1.4	2.4	2.5
TOTALS	.6	1.6	2.7	3.9	4.1

net 100,000

→ \$3.4 billion

→ OMB \$9 Billion over 4 yrs

* Excludes postal workers, uniformed personnel, and legislative and judiciary.

February 8, 1993

TOTAL EXECUTIVE BRANCH EMPLOYMENT
(FTEs in thousands, excluding Postal Service)

~~Ceiling FTEs (OPM 113G)~~

1981:	2111
1982:	2076
1983:	2075
1984:	2084
1985:	2114
1986:	2114
1987:	2107
1988:	2111
1989:	2131
1990:	2176
1991:	2114
1992:	2119

~~Total FTEs (BES data base)~~

1992:	2165
1993:	2135

MEMO TO:

President-Elect
Clinton

No. 2

214 Massachusetts Avenue, N.E. Washington, D.C. 20002-4999 (202) 546-4400

December 14, 1992

HOW TO CUT THE FEDERAL BUREAUCRACY

We cannot put people first and create jobs and economic growth without a revolution in government. We must take away power from the entrenched bureaucracies and special interests that dominate Washington....

I will reduce the White House Staff by 25 percent and challenge Congress to do the same.... [I will] eliminate 100,000 unnecessary positions in the bureaucracy. I will cut 100,000 federal government positions through attrition.... I will require federal managers and workers to achieve a 3 percent across-the-board administrative savings in every federal agency.

Bill Clinton
*Putting People First:
A National Economic Strategy for America.*

EXECUTIVE SUMMARY

There are few campaign promises that will become due earlier than your pledge to cut 100,000 federal government employee positions. Your commitment to reform—or your lack of it—will be obvious to the American people from the very beginning.

You have apparently modelled your transition and initial legislative strategy on the early days of the Reagan Administration. You would be wise to examine that Administration's strategy on reducing the size of the federal bureaucracy, too, for it offers a tested means to achieve your campaign pledges. That experience, and the lessons from other Administrations, suggests a ten-point action plan for achieving your objectives:

Action 1: institute on Inauguration Day a total freeze on federal hiring (except political appointments), accompanied by a 3 percent across-the-board administrative cut. This is the kind of blunt instrument approach needed if your goal is to be accomplished. Because it allows no exceptions, bureaucratic gaming cannot frustrate the achievement of the bulk of your personnel reduction target, allowing appropriate adjustments to be made later, after most of the targeted savings have been accumulated at the beginning.

- Action 2: Demand that Congress eliminate minimum staffing levels in all departments and agencies.** A reduction program cannot be effective if large areas of personnel are excepted from its control.
- Action 3: In the second phase of personnel reductions, institute a modified freeze.** This more flexible hiring freeze should be planned for an unnamed date at least six months in the future, and administered by the Office of Personnel Management. This will allow continued reductions but ones managed in accord with the efficient use of personnel resources.
- Action 4: During the modified freeze, reform the Reduction-in-Force (RIF) regulations to give more weight to performance and less to seniority, and to limit bump-and-retreat rights.** This change, designed to permit the government to retain its best employees, should be made part of an overall personnel reduction strategy.
- Action 5: Reestablish Office of Personnel Management (OPM) monthly accounting of full-time equivalent (FTE) employment.** Without accurate data prepared on a regular basis and some agency to oversee progress, the goal of trimming the bureaucracy will soon be forgotten.
- Action 6: Demand from Congress the elimination of legislative limits on the number and functions of political appointees, and reduce the Executive Office of the President staff by 25 percent.** You will need to maintain and even increase the number of political appointees if the bureaucracy is not to smother reform initiatives. It is political appointees who will determine whether or not the Administration will be successful. But the Executive Office of the President is bloated by its own bureaucracy, and its efficiency is impaired. Fulfilling your pledge to reduce it by 25 percent will give impetus to other agencies and Congress to do likewise, and most important, will make the White House a more effective and efficient decision-making body.
- Action 7: Reaffirm your commitment to the career service.** A strong core of political appointees still must rely upon a professional civil service to be effective. To achieve its support, you must protect the integrity of the career service by such things as limiting "burrowing in" by political appointees to career positions, and seeking changes in the law to protect the service, including the repeal of the Ramspeck Act.
- Action 8: Announce a major privatization and contracting-out initiative, with the responsibility for the initiative transferred from the Office of Management and Budget to the Office of Personnel Management.** States and local governments have used privatization extensively to cut costs and improve efficiency. The federal government lags behind the rest of the country in the use of private firms and organizations to perform government opera-

tions. To catch up, it needs a major new initiative that is effectively managed.

Action 9: Modify existing contracting-out rules to provide full-costing of federal government operations when these are compared with private bidders. The bidding process today requires would-be private contractors to factor all overhead costs into bids, yet allows government agencies to exclude many items from their calculations. Loading the dice in this way often deprives the taxpayer of the opportunity for more efficient service.

Action 10: Upgrade the performance appraisal and pay-for-performance systems, and extend performance pay beyond managers to the general work force. Better pay for better performance is at the heart of sound private sector personnel-incentive programs. The opportunity to do this is too limited in a federal sector that needs constant attention to appraisals and resulting rewards to overcome the disincentives of a rule-driven, play-it-safe civil service system.

Opportunities for Reform

If you take prompt and decisive steps such as these, you can make significant headway into cutting the overhead cost of government and toward making the federal work force function more efficiently. The federal bureaucracy is a bloated target for management and budgetary reform. Personnel costs (wages and benefits) equal 15.5 percent of total domestic spending, and other administrative overhead adds 24 percent more, so even minor efficiency gains will translate into big savings. For example, federal retirement alone accounts for 4 percent of the budget. While tougher options are possible, by simply limiting the cost of living increases to the maximum amount of the Social Security cost-of-living-adjustment (COLA) increase, it would be possible to save \$1 billion the first year, and \$20 billion over five years.

Of course, if you really mean to go beyond personnel savings and actually attack the deficit, the Administration of Ronald Reagan could give some additional guidance. After carefully taking out the effects of interest and savings and loan bailout costs, Heritage Foundation scholars Scott Hodge and Robert Rector have shown that the domestic spending Reagan targeted declined from 14.8 percent of gross domestic product to 12.2 percent under his initiatives.¹ Cato Institute scholar Stephen Moore documents that the growth rate of real government spending under Reagan was one-third that of the next closest Administration since World War II. Thus if you are prepared to take serious actions and plan well, there is proof that you can achieve results.

But why, you might ask, should conservatives urge you to learn from the Reagan period, so that you might successfully trim the federal government, allowing you to fulfill your campaign promise and making it more likely that the federal bureaucracy will carry out your policies? For two reasons. The first is that by indicating exactly how you can carry out your campaign pledge, and identifying actions you would have to take if you really do want to cut the bureaucratic overhead of the federal government, the American people will have a checklist on which

¹ Robert Rector and Scott Hodge, "What George Bush is Not Being Told About Federal Spending," Heritage Foundation *Backgrounder* No. 886, March 4, 1992, p. 2.

to compare performance with rhetoric. If you are serious—or not—they will be able to tell from your actions.

The second reason is that a serious threat to your strategy to reform government will come from inside the federal bureaucracy—as it did when Ronald Reagan came to power. It is the nature of bureaucracy: Pressure will come from those who do not want a lean, efficient government, but simply a large one. And it will come from those who will try to promote the old-style liberal "solutions" through bureaucracy and regulation that were rejected at the ballot box. It is in your interest, as well as the interests of conservatives, to ensure that these forces are not successful through omission. If you pursue these recommendations to make the federal bureaucracy work efficiently for you and these old-liberal policies are still pursued, then you will not be able to blame any failures on bureaucratic intransigence, and the American people will be able to judge fairly that it was the liberal policies that were the problem. And if you do reform the bureaucracy to make it carry out the policies of your White House, that also will provide an efficient executive branch to enable the next conservative Administration to correct the failed liberal policies that were adopted.

LESSONS OF THE REAGAN ADMINISTRATION

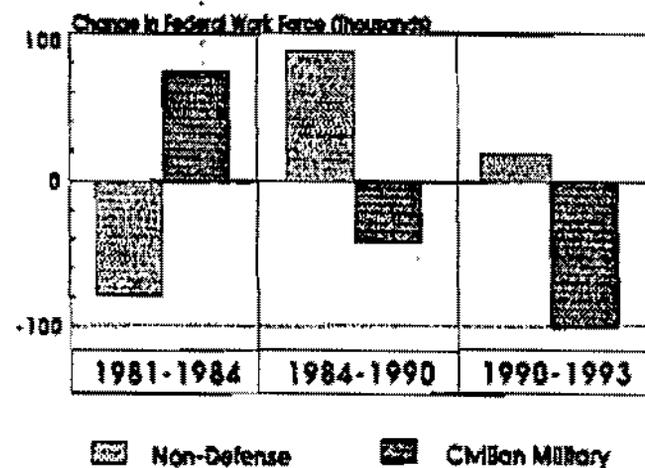
The bad news is that cutting 100,000 federal jobs will be difficult. The unions and managerial associations will protest vigorously, the career managers will resist having fewer subordinates to spread the work and build their empires, and the political appointees will try to avoid the hard decisions that will attract unwarranted press attention. The good news is that it can be done—Ronald Reagan showed how.

Then-Governor Reagan promised in the 1980 election to reduce the size of the bureaucracy. Once in office he classified his goal as a decrease in non-defense full-time equivalent (FTE) personnel of 75,000. The accompanying table shows that between 1981 and the end of the first Reagan term in 1984, non-defense federal employment went down by 78,650, thereby exceeding his goal. The decrease in number of employees, the "head count," actually was 105,484. Significantly, about 90 percent of the decrease had been achieved by the end of the first year.

Early, bold, and inflexible action in the form of a total freeze on employment, followed later by a more flexible, managed freeze, allowed the target to be achieved.

It is also important to learn from the shortcomings of Reagan's second term. By the end of the second term, non-defense employment totals had edged back up nearly to the levels under Jimmy Carter, although defense civilian and military totals had begun a downward trend. The problem was that the energy of the first term had largely dissipated and clear plans and goals were not set, so the natural forces of bureaucratic growth re-asserted themselves. The reductions achieved in the core Great Society agencies generally held firm, but personnel grew in those agencies that received less personal presidential attention.

Even As Civilian Military Personnel Are Cut, Non-Defense Bureaucracy Grows



Source: The Budget of the United States:
The Office of Personnel Management.

Heritage DataChart

The Federal Bureacracy: Many Early Non-Defense Personnel Cuts Gave Way to Increases

Agency	1981	1984	1990	1993	81-84	81-93
Agriculture	121,000	108,986	110,755	111,021	-12,014	-9,979
AID	5,616	5,115	4,526	4,454	-501	-1,162
Commerce	36,347	32,305	34,858	36,682	-4,402	+335
Corps of Engineers	32,330	28,681	28,259	27,444	3,649	-4,886
Education	6,634	5,025	4,596	5,032	1,609	-1,602
Energy	18,675	16,708	16,815	19,960	-1,967	+1,285
EPA	12,861	11,412	15,155	17,917	-1,149	+5,056
Gen. Services Admin.	32,758	25,572	19,447	19,858	7,186	-12,900
Health and Human Ser.	154,000	136,969	117,817	125,704	-17,031	-28,296
Labor	21,647	18,577	18,050	18,265	3,070	-3,383
NASA	22,727	22,080	23,829	24,947	-647	+2,220
Nuclear Reg. Comm.	3,448	3,441	3,188	3,377	-7	-71
HUD	15,703	12,437	13,264	13,837	3,266	-1,866
Interior	81,747	73,245	71,233	74,000	8,229	-7,747
Justice	54,422	58,244	79,082	97,968	+3,822	+43,546
Office of Pers. Man.	7,133	5,710	5,702	6,158	-1,423	-975
Panama Canal	9,138	8,137	8,293	8,603	-1,001	-535
Small Business Admin.	4,704	4,238	5,316	4,637	466	-67
State	22,887	24,139	25,633	26,012	+1,252	+2,925
Transportation	68,055	61,130	64,863	70,212	-6,925	+2,157
Treasury	124,264	123,155	155,931	161,964	-1,109	+36,700
Tenn. Valley Authority	44,752	31,952	23,716	23,000	-12,800	-21,752
USIA	7,636	8,167	8,598	8,679	+531	+1,043
Veterans	209,575	218,545	214,040	221,518	+8,970	+11,943
Other	45,587	41,414	43,506	57,382	-4,173	+11,795
Non-defense	1,163,646	1,084,996	1,169,370	1,187,929	-78,650	+24,283
Civilian Military	937,700	1,011,532	969,059	867,772	+73,832	-69,928
Uniformed Military	2,122,002	2,177,717	2,163,364	1,846,923	+55,715	-275,079

Source: The Budget of the United States; the U. S. Office of Personnel Management.

Setting Priorities: What Reagan Did, What Bush Did Not

While the two Reagan terms are instructive in their different ways, so is the Presidency of your immediate predecessor in the White House. George Bush said he, too, would cut the bureaucracy, but he never made clear beforehand what programs were to be targeted, even in the general terms of the second Reagan Administration. Nor did he detail plans specifying how or to what degree this should be accomplished after he entered office. Consequently the domestic bureaucracy under Bush increased 24,283 (actually more if budget sleights of hand are corrected) during his term. Conversely, through congressional pressure and to a great degree against Bush's desires, uniformed military personnel actually went down 275,079 and civilian military employment decreased 69,928.

The important point about the data in the table is the different patterns during the conservative Reagan and more moderate Bush Administrations. There are actually four patterns:

Pattern 1: Reagan and Bush both were tough on foreign aid (AID), government engineering projects (the Corps of Engineers and the Tennessee Valley Authority), Education, the General Services Administration, Health and Human Services, and the Small Business Administration.

Pattern 2: While Reagan was significantly tougher in a second set of agencies — Agriculture, Housing and Urban Development, Interior, Labor, Office of Personnel Management, and the Panama Canal Commission — the Bush Administration held up reasonably well, too.

Pattern 3: Both Administrations went weak in the knees in the face of Justice, Veterans, the State Department, and the United States Information Agency, presumably because of joint Republican support of law and order, veterans, and upholding the flag abroad.

Pattern 4: Where Reagan and Bush differed the most was over regulatory agencies. Bush seemingly could not say no — whether at the Environmental Protection Agency, in major cabinet departments (treasury tax agents — perversely added to the budget as "savings" to increase revenues; and commerce and energy overseers), or in independent ("other") regulatory bodies.²

Thus President Reagan, at least in the first term, cut positions across the non-defense spectrum, faltering only on positions related to crime and America's presence abroad, while Bush let much of domestic government grow without any real overall plan. It is Reagan, then—setting and sticking to his agenda and achieving it the first term before the interests affected coalesced—who provides the best model for a Clinton Administration success in cutting personnel.

² William G. Laffer III and Nancy Bord, "George Bush's Hidden Tax: The Explosion in Regulation," Heritage Foundation Backgrounder No. 903, July 10, 1992.

The Politics: Also Follow Reagan, Not Jimmy Carter

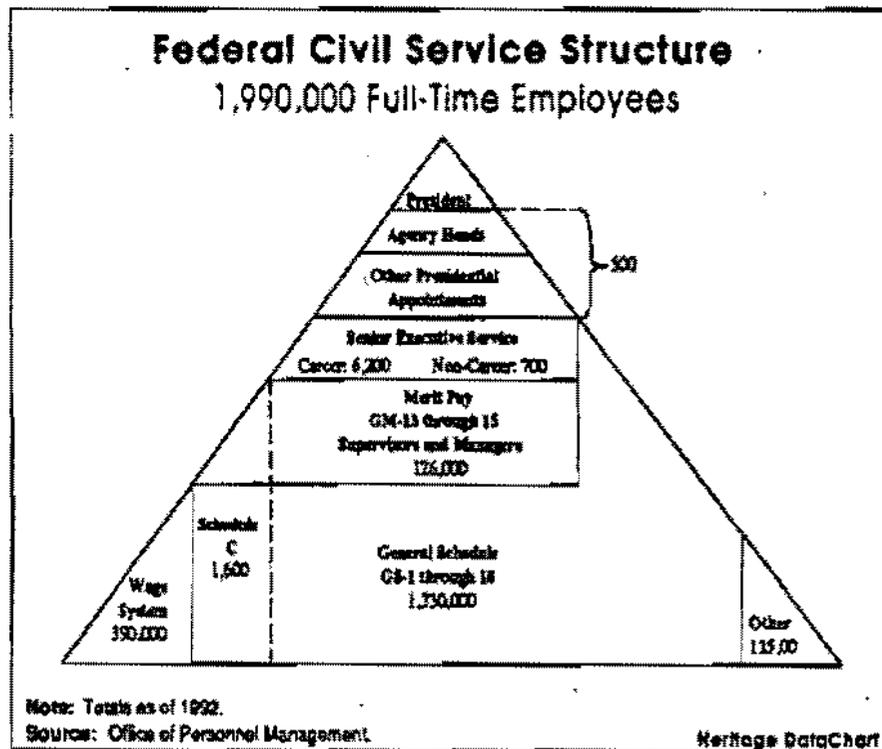
Although it was Ronald Reagan who actually cut the bureaucracy, Jimmy Carter prepared the way for his successor's achievement. President Carter was elected on a platform to reform the bureaucracy, and in 1978 he pushed through to enactment the historic Civil Service Reform Act (CSRA). Without that reform, the Reagan Administration would not have been able, as Paul Taylor of the *Washington Post* put it, "to assert its policy control over the top levels of its bureaucracy" and thereby to carry out its goals.³ The CSRA was crucial because it provided a more flexible personnel management system, which allowed federal executives actually to manage.

The problem was that Jimmy Carter did not tell anyone that he had fulfilled his promise to reform the bureaucracy, and what it meant. He did not highlight his accomplishments, even to his own managers, and thus received only the negative news generated in the media from the unions and others who opposed him. So the CSRA yielded few tangible results under Carter, to a great degree time simply ran out on his term. By contrast, from day one, Reagan and his team used the tools of the CSRA and kept the issue of reducing the size of the government and increasing its efficiency firmly in the news so that they could generate some countervailing support from a public that praised the news that bureaucracy was being mastered.

WHAT YOU CAN CUT

What is the federal bureaucracy? When reporting federal employment figures, the press routinely includes the independent Postal Service—which cannot be managed directly by the President—in government employment totals. Journalists also do not tend to distinguish between defense civilian employment (which President Reagan wanted to expand to win the Cold War) and domestic civilian personnel (which Reagan planned to cut). Sometimes the uniformed military are included, and often they are not. A confusion as you prepare to assume office, President-elect Clinton, is that as candidate you did not make clear where you want to make reductions.

Clarity is essential because the civilian personnel system is immensely complex. As pictured roughly in the accompanying chart, it has many discreet elements:



3 Paul Taylor, "Frictions Crest in Civil Service in Reagan Era," *The Washington Post*, January 19, 1983, p. A1.

- 1) **Presidential appointees, about 500 in number, who serve at the pleasure of the chief executive;**
- 2) **Non-career Senior Executives, totalling approximately 700, serving at the pleasure of the agency head;**
- 3) **Career Senior Executives, consisting of 6,000 or so individuals, who are protected by Senior Executive Service (SES) rules;**
- 4) **Schedule C non-career managers and policy makers, about 1,700 in number, serving at the pleasure of the agency head;**
- 5) **Career managers, numbering 120,000, who are protected by Civil Service rules;**
- 6) **General Schedule professional, administrative, and clerical white collar workers, totalling 1.3 million, who are protected by the Civil Service rules;**
- 7) **Wage Grade blue collar employees, numbering 300,000, who also are protected;**
- 8) **Specialized personnel schedules, who are 120,000 or so workers organized into a dozen professional schedules, such as Foreign Service, lawyers, administrative judges, public health and medical personnel; and**
- 9) **The uniformed military, comprising 1.8 million employees, grouped in their own systems.**

It is important for technical and other reasons that you understand and decide which of these categories is to be included in your target and which is not. The alternative is for reductions to take place in haphazard ways—or not at all—in areas not in accord with your wishes.

Can Defense Cuts Achieve the Goal?

Given the structure of the federal work force, you can hardly achieve part of your goal by taking credit for Postal Service personnel reductions. For one thing, the Postal Service already is taking steps to reduce its personnel. Some 30,000 management and staff positions are being eliminated by Postmaster General Marvin Runyon, and so far an additional 17,000 postal employees have accepted an offer of early retirement. For another, the Service is now a semi-private organization in which you do not have the power to cut positions directly. The real question for you is whether your personnel reduction goal can be met through reducing defense alone, as many liberals clearly want.

Focusing on defense raises the question: How much is enough? Uniformed military employment already has declined by over a quarter-million and civilian defense personnel have been cut by almost 70,000 from the Carter levels. However, as a candidate you also pledged to cut uniformed personnel 200,000, so your promise of a 100,000 reduction in the bureaucracy presumably must be restricted to civilian workers. You could confine the 100,000 reduction to just civilian defense employees, a significant portion of whom are now planned for downsizing over the long run. But your pledge is not very meaningful in policy or management terms if it does not cover anything other than what is already planned, and nothing new for Democrats if it covers only defense. The interesting question is whether your pledge implies more.

HOW TO CARRY OUT YOUR PLEDGE

Bearing in mind the experience of previous Administrations, and the pitfalls and complexities involved in reducing the federal bureaucracy, the following ten-point action plan would be a sound strategy for achieving your goal.

Action 1: Institute an immediate total freeze on federal hiring (except political appointees), accompanied by a 3 percent administrative cut.

In government management, experience shows that most real progress is made by using blunt instruments. A majority of the early success of the Reagan employee reduction policy was the result of the total freeze he placed on hiring before he even left the Capitol on Inauguration Day. As President, you must likewise act decisively and immediately if you are to be judged as acting seriously. Placing a total freeze on federal employment thus should be among your first acts. As a candidate you also promised a 3 percent across-the-board administrative overhead reduction, which should be made part of the same package of measures during the first few days of your Presidency.

A total freeze will allow you to build a "bank" of cut work years that will permit you to achieve your full target of reductions over a longer period through more rational management planning.

The freeze should be "permanent," and it should exempt only the political employees you need to organize your new Administration. Permanent means in this sense indefinite, so that government officials cannot plan simply to delay hiring while proceeding to plan future hires. The freeze cannot in practice remain total for too long without causing severe problems, but that should not dissuade you from instituting the policy. The freeze will need to be modified after six months or so, but the White House should not indicate in advance how it might be modified or there will be bureaucratic gaming.

Action 2: Demand the elimination of minimum staffing levels in all departments and agencies.

During the Reagan and Bush years, for instance, Congress placed minimum personnel levels in several departments and agencies to protect certain programs. This is micro-managing at its worst and an intrusion into presidential prerogative. You do have the advantage, however, that Congress might be more willing to end these limitations for an President of the same party.

Action 3: In the second phase of the freeze, institute a modified freeze, administered by the Office of Personnel Management.

A second phase of the freeze should be introduced after about six months. This should allow exceptions for critical skills and to fill positions for essential functions. To keep agencies from subverting the employment reduction function, the process must be managed centrally by an agency with the expertise and clear focus upon personnel to make the policy a high priority, and managed by an official strongly committed to your personnel reduction goals.

The temptation, of course, is to turn to the Office of Management and Budget (OMB)—close by within the Executive Office of the President—to handle the exceptions process in a modified freeze. OMB has neither the needed skills nor will it have the necessary clear focus upon the mission. The reason is that the budget, not management, necessarily dominates OMB's perspective. OMB only seriously analyzes the cost effects of personnel to specific programs and agencies, never to true staffing needs, much less to the overall objective of reducing the size of the bureaucracy.

The Office of Personnel Management, by contrast, need not suffer from these deficiencies. OPM has the knowledge—or can regain it—of agency operations needed to assess true requirements. And through its special pay rates program, OPM can determine the need for specialized