

# Withdrawal/Redaction Sheet

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Reed to POTUS re: Reinventing Government Announcement on Wednesday (2 pages)	3/1/93	P5
002. notes	Reed's notes at Reinventing Government Meeting, March 3, 1993 (3 pages)	3/3/93	P5
003. memo	Reed to Marla Romash re: REGO Ideas for Houston (partial) (1 page)	9/3/93	P6/b(6)
004. memo	Administrative Conference of the United States (ACUS) council members (1 page)	ca. 1993	P2, P5, P6/b(6)

**COLLECTION:**

Clinton Presidential Records  
 Domestic Policy Council  
 Bruce Reed (Subject File)  
 OA/Box Number: 21208

**FOLDER TITLE:**

Reinventing Government [1]

rs73

**RESTRICTION CODES**

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.  
 PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).  
 RR. Document will be reviewed upon request.

March 2, 1993

**REINVENTING GOVERNMENT EVENT WITH THE VICE PRESIDENT**

DATE: Wednesday, March 3, 1993  
LOCATION: Room 450, Old Exec. Office Bldg.  
TIME: 10:00 a.m.  
From: Bruce Reed

**I. PURPOSE**

To announce that you are putting the Vice President in charge of reinventing government, and have asked him to begin a government-wide National Performance Review.

**II. BACKGROUND**

You will be speaking to a group of 75-100 federal employees from across the government. You will talk about your plans for reinventing government; announce the Vice President's new assignment; and mention Phil Lader's role at OMB.

**III. PARTICIPANTS**

In addition to the 75-100 federal employees, we have invited 12 members of Congress who have shown particular interest in this issue (Senators Glenn, Roth, Lieberman, Dorgan, Cohen and Krueger; Reps. Conyers, Gordon, Laughlin, Slaughter, Clinger, Price).

**IV. PRESS**

Open to press.

**V. SEQUENCE OF EVENTS**

You will meet beforehand in the Oval Office with those who are on the program (the Vice President, John Sharp, Phil Lader). Members of Congress will gather in the West Lobby to walk over with you to Room 450 of the Old Executive Office Building.

The speaking order is as follows:

The President speaks for 10 minutes, and introduces the Vice President, who speaks for 5-10 minutes. When the Vice President is finished speaking, the President leaves.

The Vice President introduces John Sharp, who speaks for 3-5 minutes. The Vice President introduces Phil Lader, who speaks for 3-5 minutes. The Vice President introduces Bob Krueger, who speaks for 1-3 minutes. Finally, the Vice President opens the floor to questions from the press.

## VI. REMARKS

Alan Stone will provide a draft of your remarks.

March 1, 1993

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Reinventing Government Announcement on Wednesday

Per our conversation last night, we are preparing for Wednesday's announcement of a Texas-style "National Performance Review," headed by the Vice President. We are looking either at a visit to a specific agency (HUD or HHS) or an event that brings employees from across the government to the Old Executive Office Building.

We expect this announcement to include:

1. Official designation of the Vice President to head the Administration's Campaign to Reinvent Government, and announcement of Phil Lader's role at OMB. We would also like to name Al From, David Osborne, and John Sharp as unpaid senior advisers on reinventing government.

2. Formation of a government-wide National Performance Review to examine every federal program and service. Each Cabinet Secretary will be asked to assign 5 to 10 people -- managers, auditors, and front-line workers -- to devote a portion of their time to the project for up to six months. The goal of the Review is not to produce another report, but to make specific recommendations for action, agency by agency.

The Review teams will look at existing analyses by GAO, CFOs, and Inspectors General for immediate action; evaluate the efficiency of every federal department; ask federal workers and the American people to make specific suggestions on how to improve services and cut bureaucratic waste, by calling an 800-number (every agency already has one) or writing the Vice President; recommend ways to streamline the bureaucracy by eliminating unnecessary layers of management and reducing duplication of effort; look for ways to improve services through better use of technology and by making government programs more responsive to the customers they serve; suggest changes that would reward performance, give managers more flexibility, and put more decision-making power in the hands of front-line workers; and identify top priorities for performance-based management decisions.

This will not be another study -- Washington has had too many studies. The Review will act on existing wisdom and recommendations by real people to produce real results. We don't intend to create new jobs, spend new money, or generate new paperwork in the process.

3. Statements by John Sharp on how the Performance Review worked in Texas, and by David Osborne on what reinventing government can accomplish.

4. Recognition of congressional efforts to join in the President's war on waste. Several members of Congress have proposed legislation to create either a Performance Review or a Reinventing Government Commission. We are currently planning to invite Senators Glenn, Lieberman, Krueger, and Roth, and Reps. Conyers and Gordon.

5. Expression of support for legislation to begin performance measurements -- including the Roth bill on performance-based budgeting.

A few questions remain for Wednesday:

1. What precise role can we give outsiders like Sharp, Osborne, and From?  
We want to create a broad circle of advisers -- perhaps including the members of Congress listed above -- without triggering the open-meeting laws under the Federal Advisory Committee Act. Texas made extensive use of free help from private consultants and auditors; we should too, if we can.

2. Are we planning to submit legislation asking Congress for broader powers through reorganization authority? If we're serious about reinventing government, we'll need it, but Howard Paster suggests that we wait as long as possible, so we don't raise jurisdictional issues in Congress that could jeopardize the economic plan. We don't need to decide anytime soon.

3. How should we proceed in developing a strategy for the campaign to reinvent government? The key areas include:

- a) Devolution of responsibilities to the states;
- b) Reorganization of departments and agencies;
- c) Sunset laws;
- d) Incentives to reward performance, productivity, and innovation, including an Innovation Fund;
- e) Regular Presidential visits to agencies to meet with managers and policymakers and hold town meetings with employees;
- f) Truth in spending laws;
- g) Regulatory reform;
- h) Civil service reform;
- i) Procurement changes; and
- j) Pilot restructuring of departments.

HHS  
HUD  
P. Office

*Wanda Cafeteria*

DRAFT -- DRAFT -- DRAFT

March 1, 1993

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Reinventing Government Announcement on Wednesday

long-term services 21<sup>st</sup> C.  
 Savings - inefficiencies  
 → Ask Lader re I.G.'s  
 esp HHS, HUD  
 Spend \$ wisely - new investments  
 Osborne/Sharp

Per our conversation last night, we are preparing for Wednesday's announcement of a Texas-style "National Performance Review," headed by the Vice President. We expect this announcement to include:

1. Official designation of the Vice President <sup>and</sup> to head the Administration's Campaign to Reinvent Government. ~~Phil Lader will serve as the Administration's management czar. I will staff the Vice President from Domestic Policy; and the Vice President may choose to assemble an informal kitchen cabinet of outside experts (John Sharp, David Osborne, Al From, etc.):~~

*We would also like to name David Osborne and John Sharp as unpaid fr. advisers on R. Govt.*

2. Formation of a government-wide National Performance Review to examine every <sup>federal</sup> government program and service. Each Cabinet Secretary will be asked to assign 5 to 10 people -- managers, auditors, and front-line workers -- to the project. The Vice President will report to you each week with specific recommendations that come from the Review, and a comprehensive report will be completed by Labor Day.

The Review teams will evaluate the efficiency of every federal department; ~~identify specific spending cuts in federal programs and services that don't work anymore;~~ ask federal workers and the American people to make specific suggestions on how to improve services and cut bureaucratic waste, by calling an 800-number (every agency already has one) or writing the Vice-President; recommend ways to streamline the bureaucracy by eliminating unnecessary layers of management and reducing duplication of effort; look for ways to improve services by making government programs more responsive to the customers they serve; and suggest changes that would reward performance, give managers more flexibility, and put more decision-making power in the hands of front-line workers.

3. A report from Comptroller John Sharp <sup>and Osborne</sup> on how the Performance Review worked in Texas. This is optional, but would add credibility to the announcement.

March 1, 1993

**INFORMATION**

**MEMORANDUM FOR THE PRESIDENT**

**FROM: Bruce Reed**

**SUBJECT: Reinventing Government Announcement on Wednesday**

Per our conversation last night, we are preparing for Wednesday's announcement of a Texas-style "National Performance Review," headed by the Vice President. We are looking at HUD, ~~and HHS~~, as possible sites for the event.   
*of the OEDB*

We expect this announcement to include:

1. Official designation of the Vice President to head the Administration's Campaign to Reinvent Government and Phil Lader as the Administration's management czar. We would also like to name David Osborne, ~~and~~ John Sharp, as unpaid senior advisers on reinventing government.   
*and Al from*

2. Formation of a government-wide National Performance Review to examine every federal program and service. Each Cabinet Secretary will be asked to assign 5 to 10 people -- managers, auditors, and front-line workers -- to the project. The Vice President will report to you each week with specific recommendations that come from the Review, and a comprehensive report will be completed by Labor Day.   
*regularly*  
*and provide specific*  
*for action & not another report.*

The Review teams will evaluate the efficiency of every federal department; ask federal workers and the American people to make specific suggestions on how to improve services and cut bureaucratic waste, by calling an 800-number (every agency already has one) or writing the Vice President; recommend ways to streamline the bureaucracy by eliminating unnecessary layers of management and reducing duplication of effort; look for ways to improve services by making government programs more responsive to the customers they serve; and suggest changes that would reward performance, give managers more flexibility, and put more decision-making power in the hands of front-line workers.   
*technology improvements*

*(within 6 months)*

*look at existing analysis by GAO, IG, and other staff. CPO's and part efforts of govt reform. identify top priorities for performance changes.*

*This is not another study, carry out existing wisdom. Wash had too many of them. This is a results-oriented perf review. We don't intend to create new jobs and spend new money to accomplish this.*

3. Statements by John Sharp on how the Performance Review worked in Texas, and by David Osborne on what reinventing government can accomplish.

4. Recognition of congressional efforts to join in the President's war on waste. Several members of Congress have proposed legislation to create either a Performance Review or a Reinventing Government Commission. We are currently planning to invite Senators Glenn, Lieberman, Krueger, and Roth, and Reps: Conyers and Gordon.

5. Support of legis to implement ~~part~~ measurements. ~~in budgeting~~

A few questions remain for Wednesday:

1. What other Reinventing Government initiatives should we announce?

Phil Lader would like you to go on record in favor of S.20, the Roth bill on performance-based budgeting. He is also looking into the feasibility of announcing a 10-20% reduction in political appointees (SES & Schedule C's) as a downpayment on the SES management reductions you announced earlier.

2. What precise role can we give outsiders like Sharp and Osborne? We want to create a broad circle of advisers -- perhaps including the members of Congress listed above -- without triggering the open-meeting laws under the Federal Advisory Committee Act. Texas made extensive use of free help from private consultants and auditors; we should too, if we can.

3. Where can we put the Performance Review team? They cannot be detailed to the White House for more than six months, and we don't have room for them, anyway. John Sharp suggests that we find the cheapest office space in town. The CEQ headquarters across the street is another possibility.

4. Are we planning to submit legislation asking Congress for broader powers through reorganization authority? If we're serious about reinventing government, we'll need it -- especially in the area of civil service reform. Howard Paster suggests that we wait as long as possible, so we don't ~~derail~~ the economic plan. We don't need to decide anytime soon.

3. Perot - how do we embrace deal w/ Perot?

4. How do we move forward on RGC strategy -  
polit, media, substantive

Remaining Q's not addressed by perf review

- Devolution
- Requirements of data & equity
- ~~Perot~~ incentives to reward perf + productivity, incl. a Financial Fund
- Smart laws

raise jurisdictional issues in Congress that could jeopardize

Followed by  
Town Hall  
interviews

for check-back  
with managers  
& employees

- Pres. visits to agencies on rotating basis
- Talk in spending law
- Regulatory review
- Civil service reform
- Procurement changes
- Pilot restructuring of dept

1. Each Cabinet Secretary would assign 5 to 10 people from his or her department to work with OMB career staff and the White House on an intensive six-month audit. The team should include front-line workers as well as managers, auditors, and CFOs.

2. The Review would be divided into 8-10 teams, organized along functional lines rather than by agency. One team would look at federal-state relations to recommend ways to limit unfunded mandates, streamline the waiver process, devolve federal responsibilities, etc. Others would examine service delivery, the budget process, procurement, and so on.

3. The teams would look not only for wasteful spending, but for ways to eliminate unnecessary layers of management, reduce duplication of effort, treat taxpayers more like customers, and make government more responsive to the people. Each team would review existing analyses of government practices and past efforts at government reform, interview public sector managers and employees, and consult with management experts in the private and public sectors.

4. An 800-number would be established for public employees and taxpayers to call in tips on wasteful spending, and to recommend ways to improve government services. We could hold town hall meetings on the subject as well.

5. Over the next several weeks, we would work with Congress on legislation to seek broader reorganization authority, which would give the audit greater latitude to recommend sweeping changes. This legislation would not be crucial to the audit's success, but it is vital to our long-term efforts to reinvent government.

6. The Performance Review would have no more than 6 months to produce its recommendations. These recommendations would be submitted to Congress as soon as possible, either as a single package or in a series of up-or-down votes.

7. Any good ideas we find before the Labor Day deadline could be released early to be included in the economic package, as a way to maintain public pressure for spending restraint.

The audit should be part of a broader Campaign to Reinvent Government, which might include legislation enabling us to implement:

- \* civil service reform;
- \* performance-based budgeting; and
- \* "government enterprise zones" that would waive the rules for managers at selected federal agencies.

## **NATIONAL PERFORMANCE REVIEW**

Patterned after a highly successful statewide audit by Comptroller John Sharp in Texas, the National Performance Review would be carried out by an internal team under the direction of the White House and OMB, and would enlist front-line federal workers and the general public in a high-profile search for ways not only to cut wasteful spending, but to improve services and make government work better. The team would be given a six-month deadline, and its recommendations would be presented to Congress for one or more up-or-down votes in the fall.

### **The Texas Model**

Texas launched its Performance Review in 1991 to address a \$4.6 billion budget shortfall. John Sharp formed a team of 100 auditors from 16 state agencies to conduct a sweeping review of how the Texas state government does business. They set up a waste hotline for employees and taxpayers, held public hearings around the state, and interviewed hundreds of front-line workers. After five months, the Performance Review presented recommendations for savings of \$5.2 billion, half of which the Legislature adopted. A second review proposed recommendations last month on how to save another \$4.5 billion.

The Texas audit was based on a conscious inside-outside strategy: By making a lot of noise about government waste, the Review made it virtually impossible for the Legislature to vote against budget cuts -- and by enlisting public employees in the process, it built broad support for change from within.

### **A National Performance Review**

At the national level, a Texas-style audit would look like this:

1. Each Cabinet Secretary would assign 5 to 10 people from his or her department to work with OMB career staff and the White House on an intensive six-month audit. The team should include front-line workers as well as managers, auditors, and CFOs.

2. The Review would be divided into 8-10 teams, organized along functional lines rather than by agency. One team would look at federal-state relations to recommend ways to limit unfunded mandates, streamline the waiver process, devolve federal responsibilities, etc. Others would examine service delivery, the

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- \* performance-based budgeting; and
- \* "government enterprise zones" that would waive the rules for managers at selected federal agencies.

- ① Call Osborne, Sharp
  - ② Invite From
  - ③ Congress list for AGJ
  - ④ Ask research for 1 pp abn waste
  - ⑤ Get B from Phil re his role
  - ⑥ Call Dellinger re outsiders
  - ⑦ Action alert to Cabinet
-

# Withdrawal/Redaction Marker

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**This marker identifies the original location of the withdrawn item listed above.  
For a complete list of items withdrawn from this folder, see the  
Withdrawal/Redaction Sheet at the front of the folder.**

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Domestic Policy Council  
Bruce Reed (Subject File)  
OA/Box Number: 21208

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**FOLDER TITLE:**

Reinventing Government [ 1 ]

rs73

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To Bruce  
From Paul W.  
March 2, 1993  
Re. Government Reform Notes:

### Consulting Services

- ◆ The Federal Government spent over \$90 billion on service contracts in FY90. This is nearly twice the 47.6 billion that the government spent in FY80.
- ◆ Of the \$90 billion, Senator Pryor has estimated that \$4 to \$25 billion goes to consulting services.
- ◆ GAO and Inspectors Generals at DOE and DOD have found that these consulting service contracts cost anywhere from 20 to 40 percent more than if the work was done in-house.

### RTC

- ◆ 1991 GAO report concluded \$24 million RTC computer system "virtually useless." Information error rate was at 20 to 30 percent. A year later, the system cost ballooned to \$100 million. Rate of missing data reached about 80%.
- ◆ GAO reports that 24% of the realtors it surveyed about the effectiveness of the RTC's asset disposition techniques felt that bulk sales were "very ineffective."
- ◆ While the RTC will be coming forward with a request for \$25 to \$40 billion to finish the S&L bailout, it has still not solved its internal management problems. The RTC recently entered into a two page agreement with one contractor for \$25 million. The contractor copied millions of pages of documents at 67 cents a page. The going rate for copying is about 10 to 15 cents a page.
- ◆ According to Senator Pryor, the RTC has over 95,000 contractors and has never been able to account for its contract dollar.

### Streamlining

- ◆ We spend \$2.7 billion on export promotion programs. Ten different agencies have responsibility for export promotion and the funds are not allocated on the basis of any government-wide strategy.

*Bruce: How Gov't ops suggest  
Congresswoman Lynn Woolsey from  
California. She's only a freshman  
however.*

AYG (1/1/93)  
XC: BReed

~~44-1230~~  
NPR

FAX MESSAGE COVER SHEET

CENTER ON BUDGET AND POLICY PRIORITIES  
777 North Capitol Street, NE, Suite 705  
Washington, DC 20002

Telephone: 202/408-1080  
Fax: 202/408-1036

<u>TO</u>	Perage Stephanopoulos	<u>DATE</u>	9/9/93
<u>FAX</u>	White House		
<u>FROM</u>	Bob Greenstein		

Number of Pages Transmitted  
Including This Cover Sheet is

20

If there are any problems with the transmission of this document,  
please call 202/408-1080.

Card

SEP 10 1993

Our materials on The National  
Performance Review. Three items are  
enclosed

1. Cover Memo
2. Overview analysis of The Review & especially of problems with the cost estimates
3. A piece on biennial budgeting
4. WIC Improvements - will reply set 10-5-93 with Bob



## CENTER ON BUDGET AND POLICY PRIORITIES

TO: Carol Rasco  
FROM: Bob Greenstein  
RE: National Performance Review

September 9, 1993

I'm enclosing the analysis I've written concerning the National Performance Review, along with an accompanying analysis on biennial budgeting. I am also including a third piece that examines the \$500 million savings estimate for the Review's WIC recommendations.

Some of the points in the main paper may be discussed in tomorrow's *Post*; Ann Devroy called me about them today.

Our principal message — as stated in the third paragraph on page 1 — is that the Review should not be judged on the precise amount it would save or the specific number of federal jobs it would eliminate, but rather on whether the recommendations would improve government performance and efficiency. While some of the recommendations are questionable or unwise, most seem sound and some are very important. As a whole, the recommendations should significantly improve performance. Our conclusion is that if the savings turn out to be significantly smaller than \$108 billion but still are substantial — and government performance materially improves — the Review will have been a great success.

My biggest fear is that the savings estimates will get locked in by Congress and prove unrealistic and that as a result, we'll lose much or all of those Clinton investments that remain. Some in the Administration may be unhappy with our pieces, but we view them not only as decent analysis but as our effort to help the Administration win approval of the principal Review recommendations without jeopardizing the investments. If Members of Congress give less weight to the specific savings numbers in the Review — and understand that some of the savings estimates are necessarily uncertain — the chances that these numbers will be locked in and that the caps will be lowered may lessen.

I appreciated the opportunity to talk to you about this today. Please let me know if there is anything we can do that would be helpful.

777 North Capitol Street, NE, Suite 705, Washington, DC 20002 Tel: 202-408-1080 Fax: 202-408-1056

by Robert Greenstein

The National Performance Review, released today, contains a series of

important ideas to improve government performance and efficiency. While not every recommendation is wise, the Review as a whole could make the federal government more effective in doing its work and leaner at the same time.

The Review's chief weakness is its estimates for how much can be saved and how many federal jobs can be shed. Some of the estimates do not appear to have a firm basis and are likely to prove too high, perhaps by a substantial amount.

But the Review and its recommendations should not be judged on the precise amounts that would be saved or the specific percentage reduction in the federal workforce that could realistically be achieved. The recommendations should be judged on their merits — whether they improve government performance and efficiency. If savings turn out to be significantly smaller than \$108 billion but still are substantial — and government performance materially improves — the Review will have been a major success.

Particularly important are the recommendations to ease the welter of bureaucratic regulations that encumber government hiring and firing practices and often prevent managers from hiring the most capable individuals — or letting go those who fail to perform — unless managers are willing to devote unreasonable amounts of time and resources to such actions. The recommendations to streamline government procurement rules also hold promise, as do the proposals to weed out various government subsidies that serve certain special interests and cannot be justified in times of fiscal stringency.

Some of the recommendations to redesign the federal budget process have less merit; the recommendation to institute biennial budgeting would likely prove counterproductive. At a time when the Administration is calling for shifts in budget priorities, with fewer resources for Cold War-era defense programs and for less effective domestic programs and greater resources for high priority investments to help the economy grow over the long term, budgeting only once every two years is likely to slow down these budgetary shifts. It thus could weaken rather than strengthen efforts to change the *status quo* in allocating limited resources. This problem is aggravated by the fact that under the NPR recommendations, budgets would be considered only in even-numbered years, which are election years.

Biennial budgeting also would lead to numerous *ad hoc* revisions in budget "off-years," since the President's budget would be prepared two years before the start of the second year of the budget cycle and three years before the end of that year.

The Review notes that 20 states use biennial budgeting. But the more telling point is that a larger number of states — including most of the big states — have abandoned biennial budgeting as their responsibilities have grown. Some 44 states used biennial budgeting in 1940; today, 20 do, and most of those are small or medium-sized states. Biennial budgeting is not likely to serve well a government that has the heavy responsibility for managing the U.S. economy and helping to keep peace and stability around the globe.

Also, the federal budget is now subject to annual caps on discretionary spending and annual entitlement targets, both of which are adjusted each January to reflect certain changes in the economy. Biennial budgeting is likely to result in budgets for the second year of a two-year cycle that sometimes turn out to be out of compliance with these caps, necessitating a new budget cycle anyway.

But the biennial budgeting recommendation is not the flagship recommendation in the report, and the major proposals to streamline how government is organized and how it functions deserve serious consideration. Overall, the Review represents a significant step forward in efforts to improve government performance, marred principally by savings estimates that may prove overly ambitious. If the savings estimates do turn out to be overblown, it would be unfortunate if that led to disparagement of what is a useful set of proposals in many areas.

### Weaknesses in the Cost Estimates

The National Performance Review says its reforms would save \$108 billion over five years and reduce the federal workforce by 252,000 jobs. These estimates seem more like ambitious goals than hard estimates.

The single largest component of the claimed savings comes from the elimination of 252,000 federal jobs, in part by sharply cutting back on agency personnel, procurement, and budget units. These reductions are to be the result of overhauling and simplifying hiring, purchasing, and budgeting procedures.

Until such reforms are tested and experience is gained with them, however, it will be difficult to know how much these reforms can save and the precise extent to which they can enable the federal workforce to be reduced. The extent to which agency staffs can be cut without jeopardizing basic functions and programs also will depend in part on the extent to which agencies are able to terminate less productive

employees on a rather significant scale, rather than simply shedding jobs through attrition. The Review proposes that the process for terminating non-productive employees be shortened, but it is unclear how much easier it would be than at present to let less productive employees go.

The National Performance Review assumes large savings in personnel costs but does not provide much detail on the basis for these assumptions. For example, it is not clear whether the savings assumptions reflect the fact that when a function is shifted from one part of government to another, there is a cost increase in the unit assigned the new function, alongside the cost savings in the unit shedding the function. The report assumes savings from breaking up the government printing and procurement monopolies exercised by the Government Printing Office and the General Services Administration. This is probably a wise idea. But procurement for printing, office space, and other items would now be shifted to agency procurement staffs, which the report targets for substantial staffing cuts. Just how much can agency procurement staffs be cut while being assigned these new functions? How did the Review estimate both the savings and the added costs here? Did it factor in the added costs? Is there a strong basis for these estimates, given that the new procurement procedures it recommends are, as of yet, necessarily vague and untested, if admirable in concept? The savings estimates in areas such as this may ultimately prove too high.

Moreover, while the Review's proposals to overhaul and simplify procurement specifications should reduce the work of procurement staffs over the long run, these proposals could mean that procurement specifications for numerous items have to be rewritten in the short run as simpler specifications are developed. For a period, the workload of agency procurement staffs could increase rather than decrease.

A parallel problem relates to the impact of workforce reductions on personnel staffs. The report calls for buy-outs and other arrangements to help reduce the federal workforce. Arranging these buy-outs will probably increase workloads in agency personnel shops during the period the downsizing occurs. It is not clear whether the assumptions of large reductions in personnel staffs over the next few years take this into account.

On a related front, the Review recommends dispensing with federal personnel ceilings and letting agencies determine how many staff to hire. This recommendation is wise and long overdue. But without such ceilings, how will 252,000 federal positions be eliminated? The apparent answer is that agency budgets would be cut to such an extent that substantial staffing reductions would have to be made. But what would prevent managers who are uneasy about laying off their employees from reducing services instead?

(A similar concern relates to the proposal to save \$3.3 billion by allowing state and local governments to consolidate various federal grant programs in return for a reduction in the federal funds provided to administer the programs. If state and local administrative savings proved smaller than the amount of federal funds that were foregone, the result could be reductions in benefits and services, including benefits and services provided to needy families with children and elderly and disabled people. Other issues related to this proposal are discussed in the box on page 9.)

National Performance Review staff note that their savings estimates are supported by the Office of Management and Budget. In the critical area of the number of federal jobs that can be shed, however, OMB budget examiners were apparently asked to determine the savings that would be achieved if a given number of positions were eliminated, not how many positions could realistically be saved through the specific reforms being recommended.

One example of a problematic savings estimate is the estimate for changes recommended in a federally funded nutrition program for low-income women, infants, and children, the WIC program. The report indicates that changing states' methods for purchasing WIC foods would save \$500 million over five years. While the changes the Review recommends represent sound policy and should be implemented, the actual savings would be quite small, probably about \$25 million to \$50 million over five years rather than \$500 million. In developing this recommendation, the Office of Management and Budget, the Agriculture Department, and outside reviewers counseled that the high savings estimates were not sound, and National Performance Review staff initially agreed, attaching no dollar savings figure to these proposals. In the final stages of the Review's preparation, the \$500 million savings figures was reinserted, apparently without concurrence from OMB budget examiners or the agency responsible for administering the program. (It should be noted that this \$500 million in savings is not counted as part of the \$108 billion in total savings. It is mentioned here to illustrate the point that some of the savings estimates may rest on weak ground. This particular savings estimate is discussed in more detail in an attachment to this analysis that is available upon request.)

Another example involves \$4 billion in assumed savings from speeding up reviews of Social Security disability beneficiaries so that those found no longer to be disabled are terminated from the program. (These savings are part of the \$108 billion in total savings claimed.) This, too, is a sound proposal, and the \$4 billion in estimated savings is reasonable. But it would entail added costs of at least \$2 billion to clear out the backlog of disability cases awaiting these reviews and achieve the \$4 billion in savings. (It costs about \$1,000 to conduct each review.) The \$2 billion in cost is not reflected in the savings estimate.

Apparently, the Social Security Administration would be expected to "eat" these costs — that is, to transfer at least \$2 billion in funding from other administrative and operational tasks to undertake these reviews. This \$2 billion withdrawal of funds from SSA functions would apparently be on top of whatever savings would be achieved through the portion of the federal workforce reductions that would apply to SSA. At the same time, the Review elsewhere calls for improving SSA's services so that waiting times in Social Security offices are shortened and phone calls are more promptly handled. It cannot be determined from the NFR overview report how realistic it is to expect the Social Security Administration to find the \$2 billion to conduct the disability reviews without any additional funds.

The potential for the savings estimates to prove too high is a reason for these estimates to be treated with caution. These estimates should not be locked in as some sort of savings requirement before it is clear how much savings the reforms will produce. Suppose, for example, the reforms allow 152,000 federal positions to be shed instead of 252,000. If 252,000 jobs are eliminated anyway, the result could be uneven and, in some places, chaotic performance. The improvement of government services to the customer — a key Review goal — could be compromised. In some areas, the quality of service might decline.

For this reason, the reforms should be implemented in a fashion that enables policymakers to monitor them closely, make sure they stay on track, and learn from them the full extent to which the federal workforce can be cut and savings achieved. As noted above, if the savings turn out to be smaller than predicted but government performance significantly improves, the National Performance Review should be judged successful.

#### What Happened in Texas?

A *Washington Post* article on September 5 notes that the National Performance Review is partly based on a similar review in Texas. "The Texas Performance Review saved the state more than \$4 billion," the *Post* said, "by eliminating or consolidating services and programs and by what critics have called the juggling of funds or delaying of payments."

While the Texas review did state upon its release that its proposals would save \$4 billion, the amount of savings ultimately approved by the legislature was \$2 billion. Some observers in Texas now report that significant portions of the \$2 billion in savings are turning out to have been based on unrealistic savings estimates. As a result, some agencies will be forced to cut services to remain within scaled-back budgets that were based on assumed economies now not likely to materialize fully. This underscores the importance of Congress having realistic savings estimates as it

Because of the importance of a number of recommendations in the National Performance Review and the need for a better understanding of the strengths and weaknesses of the Review's savings estimates, Congress should ask the Congressional Budget Office and the General Accounting Office to analyze the savings estimates and assumptions, assess their soundness, and develop alternative estimates and assumptions where warranted. (While CBO is the appropriate body to examine the cost estimates, the GAO could perform useful work in assessing the soundness of the savings assumptions regarding agency personnel and operating costs.) An independent assessment of what is known about the fiscal aspects of the Review's recommendations — and what will remain uncertain until tested — would be of use to Congress as it deliberates on these important recommendations.

### Biennial Budgeting

The National Performance Review recommends switching from annual budgeting to biennial budgeting. At first blush, biennial budgeting may sound like a good idea. Upon closer examination, however, the advantages fade and disadvantages emerge.

Biennial budgeting is touted as improving the link between funding levels and performance, allowing more time for Executive branch officials and Congress to monitor and evaluate programs. Yet in practice, biennial budgeting may weaken rather than strengthen this link. When new evidence emerges from research studies, GAO reports, audits from Inspector Generals' offices and the like, a year may be lost under biennial budgeting before these findings can be reflected in budget decisions.

Also, the contention that Congress will have more time to conduct oversight is weak, since oversight is primarily done by authorizing committees that do not operate on an annual budget cycle. Switching from annual to biennial budgeting would not have a major effect on the authorizing committees or provide them a large increase in time to monitor and evaluate.

If the advantages of biennial budgeting are overstated by its advocates and in the National Performance Review, the drawbacks often are understated. They include the following.

- Biennial budgeting is likely to hinder efforts to reorder funding priorities. The federal government needs both to reduce the deficit, remaining within tight spending caps, and to invest more in certain high priority areas. Achieving both of these goals entails shifting budget priorities, keeping defense spending on the downward path proposed by the Clinton administration, and reducing funding for numerous low-priority domestic programs, while increasing the resources allocated to high priority investments.

To secure such shifts in priorities often involves challenging the *status quo* and taking on strong constituencies that protect many low-priority programs. Because of resistance to such shifts in priorities, these funding shifts tend to occur incrementally; each year, appropriation levels for defense and lower-priority domestic programs can be nudged down somewhat, while key investments can be ratcheted up somewhat. In recent years, for example, funding for the Pentagon and lower-priority programs such as Amtrak have frequently been reduced, while programs such as Head Start and WIC have received increases each year. If appropriations decisions are made only once every two years, however, the process of reordering budget priorities is likely to proceed more slowly. Defense and lower-priority domestic programs are likely to be reduced at slower rates, because appropriators and Congress at large tend not to take big bites out of existing programs at one time. As a result, institution of biennial budgeting would probably mean that even less of the Clinton investment program is adopted than would otherwise be the case. These difficulties are exacerbated by the fact that under the NPR proposal, budgets would be considered only in even-numbered years — that is, in election years.

While biennial budgeting represents change in the budgeting process, it thus can serve to *reduce* the degree of change in budget decisions.

- Biennial budgeting involves working on budgets so far in advance that less intelligent decisions are likely to be made. Agencies would begin putting together their budgets for the second year of a two-year budget cycle at least 28 months before that year starts and 40 months before that year ends. The President's budget would be submitted 21 months before the second year of the cycle starts and 33 months before it ends. During the intervening period, there may be substantial changes in economic conditions, important new findings concerning the success or failure of various programs, and changes in international developments that bear on the nation's defense and foreign aid posture. Yet such developments often would occur too late to be reflected in decisions made for the second year of a biennial cycle.
- The federal government's role in responding to changes in economic conditions and stabilizing the U.S. economy could be harder to fulfill effectively under a two-year budget cycle unless changes were made in the second year of the budget in circumstances when the economy performed differently than had been forecast.
- Still another problem stems from the fact that the government now operates under annual discretionary spending caps and annual

entitlement spending targets which are adjusted each January to reflect certain changes in economic conditions. Under a two-year budget cycle, Congress often could make budget decisions thinking it had complied with the caps, only to find the following January that it was out of compliance with the caps for the second year of the cycle.

- For these reasons, large numbers of budget adjustments are likely to be needed in the second year of the cycle. The Administration and Congress may have to spend nearly as much time on budgets in the "off-year" as under the current annual cycle, and the process would be messier. The result could be less thoughtful budgeting decisions. Budget adjustments tend to be made in an *ad hoc* fashion, rather than as part of the more comprehensive examination of budget priorities that the regular budget cycle provides.
- It would also be more difficult to address unanticipated needs under biennial budgeting. If a need for resources in a particular area unexpectedly emerged, finding the funds for it under a biennial budgeting regimen could entail cutting funding already appropriated for other programs for the second year of a two-year cycle. That can be hard to do politically. By contrast, under annual budgeting, no appropriations decisions will yet have been made for the second year. It is always easier to shift funds before appropriations bills are enacted rather than afterward.

One of the curious aspects of the National Performance Review's advocacy of biennial budgeting is its contention that biennial budgeting has been proven to work at the state level — 20 states use it — and should be replicated at the federal level. Yet a majority of all states — and an overwhelming majority of the large states — have jettisoned biennial budgeting. In 1940, some 44 states had it. Twenty now do. Most states that still employ it are small or medium-size states that have much smaller budgets and far fewer responsibilities than the U.S. Government.

In short, the negatives associated with biennial budgeting are likely to outweigh the positives, especially at a time when the federal budget and budget priorities are in a period of change rather than equilibrium. Just because biennial budgeting represents a change in the budget process does not mean it represents desirable reform. Nor should criticism of biennial budgeting automatically be assumed to signify an attempt to preserve the *status quo* or protect special interests. As noted, annual budgeting is likely to facilitate changes in budget priorities more readily than biennial budgeting would.

Despite these criticisms, it may make sense to experiment with biennial budgeting for a limited number of accounts. We might learn useful lessons from

that. On the other hand, a wholesale switch of the federal budget to a biennial cycle at this juncture would be unwise. These comments on biennial budgeting are discussed in more detail in the attached analysis.

### Questions About Consolidation Proposals

The National Performance Review recommends consolidating 55 programs with funding of \$12.9 billion into six block grants and also allowing localities to consolidate federal grants they receive of less than \$10 million, with simple notification to the federal government. While there are some issues concerning the specific programs appropriate to include in the block grants, these proposals have attractive features.

The Review also includes a third proposal, however, that raises troubling questions. That proposal would authorize states to consolidate larger programs of their choosing into block grants, subject to federal approval. In return, the federal government would reduce funding for state administrative costs in operating these programs.

The Review says the details of this proposal would be developed in the future, so it is difficult to know how it would work and which programs it would encompass. If the proposal turned out to encompass basic safety net programs for poor children and their families and poor elderly and disabled people, it could cause serious problems. If some states were to consolidate one or more of these programs with other programs and to shift funds from the safety net programs to middle-class constituencies — or from programs providing basic benefits to the poor to programs that had more clout because they were run by providers that had a powerful state-level lobby — the result could be a substantial weakening of the safety net and potentially an increase in poverty. The Clinton administration might contend it would not approve consolidation requests of that nature, but such pledges would not bind subsequent administrations.

Serious questions would also arise concerning the possible consolidation of means-tested entitlements programs into block grants with fixed funding levels. The costs of such entitlements in any state automatically rise and fall as the state's economy declines or grows. (When unemployment increases in a state, so does the cost for free school lunches, food stamps, Medicaid, and AFDC in the state.) Merging such programs with non-entitlement programs into block grants whose funding levels are fixed — and do not fluctuate with the economy — would risk causing too little assistance to be made available in states whose economies weakened, while channeling excessive funding to states whose economies improved.

Since the specific proposal recommended in the National Performance Review has not yet been developed, it cannot be determined at this time whether the proposal will have these problematic features.

September 9, 1993



# CENTER ON BUDGET AND POLICY PRIORITIES

## QUESTIONS ABOUT THE WISDOM OF BIENNIAL BUDGETING

### Impact on Needed Investments

President Clinton faces a difficult task. He seeks to implement an ambitious investment agenda but must remain within tight discretionary spending caps. This means that he must make substantial cuts both in defense spending and in a wide array of lower priority domestic programs to free up funds for his investment priorities.

Persuading the Appropriations Committees and Congress in general to cut programs that they have long supported in order to free up funds for new investment priorities is no easy task. The only way to accomplish such a shift in priorities usually is to do it incrementally. Each year, the Appropriations Committees can further reduce lower-priority domestic programs and various defense accounts somewhat, while increasing funding for investment priorities. But the Appropriations Committees and Congress will generally resist cutting existing programs too much at once.

Biennial appropriations limit to once every two years the opportunity to shift funding from lower-priority programs to investment priorities. This is likely to result in smaller reductions in lower-priority programs than if the programs could be nicked each year. Similarly, defense spending will probably come down less if it can be addressed only once every two years. Defense spending proponents in Congress will argue that the future is uncertain, and the nation cannot risk being caught unprepared by reducing defense funding for the second year of the budget cycle, a year that will seem a long way off. Appropriating for defense one year at a time rather than two years at a time reduces this uncertainty and is likely to allow defense reductions to adhere more closely to the Clinton path.

As a result, with biennial appropriations, there is a strong likelihood that less funds will become available for the investments the Clinton administration has proposed. The President is likely to get even less of his investment agenda than he is now obtaining.

There also is serious question about the wisdom of making budget decisions only in election years, as the National Performance Review report appears to recommend. That is not the best way to secure tough decisions that reorder priorities.

Moreover, biennial budgeting can disempower a President. If in one year he is only partly successful in cutting, say, Forest Service roadbuilding and increasing Head Start, why should he have to wait two years before trying again? Under biennial budgeting, he would be stuck with the decision for two years.

#### Decreasing the Government's Ability to Respond to Emerging Problems

Federal agencies typically begin working no later than June on the budget to be submitted the following January. Under biennial budgeting, that budget would cover a two-year period starting the October after the budget was submitted. This means that in preparing two-year budgets, agencies would be working on a budget for a fiscal year — the second year of the two-year cycle — that would not start until 28 months later and would not end until 40 months later.

The key decisions on the President's budget are usually made at OMB and the White House in November and December. These decisions would come 22 to 23 months before the beginning — and 34 to 35 months before the end — of the second year of the biennial cycle.

Such long lead-times would result in a number of decisions that became outdated. Some decisions would be made to fund programs that are subsequently found to be less effective than thought (or more so). As a consequence, the contention in the National Performance Review that biennial budgeting would help address the problem of agency officials basing their budgets on what they received before — and not on the results the programs produced — is off-base. Biennial budgeting would be likely to exacerbate this problem rather than ease it.

Moreover, once the President's budget is public, it is much more difficult for the President to alter his position. And once funds have been appropriated for a program, it becomes more difficult to revisit that decision and shift funds elsewhere. This makes it more difficult to make the best decisions for the second year of the cycle.

In addition, biennial budgeting would make it more difficult for the President and Congress to respond expeditiously to new issues as they arise. Problems such as an increase in AIDS cases or a rise in drug trafficking might arise and necessitate a response. Similarly, changes in the economy, such as an increased level of unemployment, also might require a timely response. Two-year budgeting compels the President and Congress either to delay addressing such problems for an additional year or to seek to address them through *ad hoc* procedures outside the budget, which can be messy.

## **Biennial Budgeting Doesn't Fit Well With the Discretionary Caps and Entitlement Targets**

Under the Budget Enforcement Act of 1990 and the new reconciliation law enacted this summer, binding annual caps are set on discretionary appropriations and outlays. In addition, an Executive Order issued by President Clinton in early August established annual entitlement targets. The Administration also is reported to be considering annual caps on Medicare and Medicaid as part of its health care plan.

The exact levels of the entitlement targets and the discretionary caps are not known in advance. The entitlement targets and the discretionary caps for each fiscal year are adjusted each January. Thus, the caps and the entitlement target for fiscal year 1995 will be adjusted in January 1994. The entitlement targets are adjusted each year to reflect increases in the caseloads of entitlement programs from what had been predicted earlier. The discretionary caps are adjusted to reflect any change in the inflation rate from what was forecast when the caps were previously set.

In some years, biennial budgeting is likely to result in the budget for the second year of a two-year cycle breaching the entitlement target and/or the discretionary caps for that year. (On other occasions, the budget for the second year of the cycle will come in below the discretionary caps.) These discrepancies are likely to lead to a stream of budget adjustments in the second year of the biennial cycle, necessitating a Presidential proposal for budget revisions and Congressional action on them. Congress often will not have a "year off" from budgeting, anyway.

## **Biennial Budgets Will Have To Be Revised**

As these points about emerging needs, changes in the economy, and adjustments in the caps suggest, biennial budgeting is unlikely to work in the real world in the way it is pictured on paper. The pressures to revise the budget within the two-year period will often be strong, leading to budget revisions and supplemental bills.

Budget revisions and supplementals often involve less rigorous Congressional analysis of the larger budget picture than does the current annual budget process. The revisions that will occur under a biennial budgeting process may, in the end, result in nearly as much budgeting activity as under the current annual budget process, but with some of the budget revisions being conducted in a less coherent and organized manner. Moreover, because such budget revisions will inevitably occur, the reductions in agency staffing from moving to biennial budgeting will likely be modest.

### **Will Biennial Budgeting Improve Congressional Operations?**

One argument made on behalf of biennial budgeting is that it will improve Congressional operations, giving Congress more time for oversight. This argument is overstated. Congress contains separate authorizing and appropriating committees, and the budgeting work of the appropriations committees generally does not interfere with the oversight work of the authorizing committees. The notion that biennial budgeting will make significantly more time available for oversight and other authorizing functions is questionable.

The budget process consumes significant authorizing committee time only in years in which the reconciliation process is used. This does not occur every year. Moreover, the reconciliation process tends to be used when political forces enable a significant deficit reduction step to be taken. Using biennial budgeting may mean that some opportunities for a reconciliation bill — and for deficit reduction — are foregone.

Some may argue that biennial budgeting will save time consumed by the appropriations process. The annual appropriations bills do not, however, consume much floor time in the House or Senate.

### **Will Biennial Budgeting Improve Program Planning?**

Another argument sometimes made for biennial budgeting is that it will provide greater certainty for — and thus better planning by — federal agencies and state and local governments. Many of the programs for which certainty and advance planning are most important, however — such as most education programs — already are "forward-funded" (that is, funded a year in advance). This provides for certainty and advance planning. If it is desirable to expand the list of forward-funded programs, the President can request this. But this does not require moving the entire federal budget to biennial budgeting.

### **Will Biennial Budgeting Reduce Year-End Gimmicks?**

In a recent *Washington Post* article, a National Performance Review official advanced still another argument — that biennial budgeting would discourage year-end budget gimmicks that cause unwise use of funds. The year-end gimmicks result not from annual budgeting, however, but from the "use it or lose it" rules that now prevail in many appropriations accounts. The National Performance Review recommends that agencies be allowed to retain and carry forward into the next fiscal year half of the funds they save. This recommendation should address the problem of year-end spending splurges. Biennial budgeting is not needed to tackle this matter.

## State Actions to Drop Biennial Budgeting

States are often referred to as "laboratories of democracy," and their lessons studied for clues to improving federal government performance. But while the National Performance Review cites state experience in using biennial budgeting, it does not fully describe state experience in this area. States have a clear pattern of abandoning biennial budgeting and moving to annual budgeting, rather than moving in the other direction.

As then-Senator Lawton Chiles noted in 1988, some 44 states used biennial budgeting in 1940, but today, fewer than half that number — 20 — do. Most of the states using biennial budgeting are small or medium-sized states. And in 11 of these states, either the state constitution or tradition provides for annual reviews of the budget so that the difference between a biennial and an annual procedure sometimes becomes less distinct.

The experience of the large states is essentially one of having tried biennial budgeting and dropped it in favor of annual budgeting. Shouldn't we learn something from this? Is biennial budgeting appropriate for an entity with the domestic and international responsibilities of the U.S. government?

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The disadvantages of biennial budgeting appear to outweigh the advantages. In addition, savings in agency staffing from biennial budgeting are likely to be modest. The important decision on whether to move to biennial budgeting should not turn on staffing economies that are not likely to be very noticeable in the context of overall federal staffing and operating costs. Larger issues are at stake.

The potential drawbacks of biennial budgeting are sufficiently serious that if there is a desire to pursue biennial budgeting, it should first be done on an experimental basis, involving a limited number of accounts. It may be useful to experiment with biennial budgeting. But a decision to switch the entire federal government to biennial budgeting would be unwise and premature unless a test of this approach demonstrates that the serious questions surrounding biennial budgeting can be satisfactorily addressed.

September 8, 1993



# CENTER ON BUDGET AND POLICY PRIORITIES

## WIC IMPROVEMENTS — WILL THEY SAVE \$500 MILLION?

A table on page 134 of the National Performance Review calls for the Agriculture Department to "encourage better food package management practices and facilitate multi-state contracts for infant food and formula cost containment in the Special Supplemental Food Program for Women, Infants, and Children" (the WIC program). This recommendation is sound. But no significant savings can be assumed from it. The figure shown in the table, which indicates that this proposal would save \$500 million, is not valid.

The \$500 million is not counted toward the \$108 billion in total savings claimed. In addition, the forthcoming USDA chapter of the National Performance Review reportedly does not include the \$500 million figure, indicating no specific savings figure can be developed. Why the \$500 million figure appears in the main report is puzzling. But its use shows that the savings estimates in the report should be treated with some caution and given careful scrutiny.

The draft USDA chapter of the National Performance Review, which includes this proposal, contains three specific recommendations. Two of the three recommendations relate to cost containment efforts in the WIC program. These recommendations were based partly on suggestions made to NPR officials several months ago by the Center on Budget and Policy Priorities.<sup>1</sup> The third recommendation concerns efforts to encourage more WIC mothers to breastfeed. The three recommendations — and their savings implications — are discussed below.

1. *Recommendation #1:* USDA should continue and expand educational efforts to promote breastfeeding. The Department should consider entering into agreements with breastfeeding promotion advocacy groups or the Ad Council to expand promotion of breastfeeding to low-income mothers.

This is a fine recommendation. But it cannot be assumed to produce sizeable WIC savings. There is no evidence from studies or evaluations indicating the effect that such efforts by USDA could be expected to have on breastfeeding rates among WIC mothers. Moreover, the decision on whether to breastfeed is a highly personal one, and behaviors of this sort are notoriously difficult to affect on a substantial basis through government intervention. Analysts generally believe that no savings estimates should be attached to a recommendation such as this.

<sup>1</sup> The Center has been the principal organization analyzing and promoting WIC cost containment initiatives since 1987 and assisting states in achieving savings in this area.

2. *Recommendation #2:* The federal government should disseminate information to states about initiating cost containment contracts for WIC foods other than infant formula and should facilitate multi-state efforts to secure WIC cost containment contracts for infant cereal and infant juice, offering states the option of participating in a multi-state bid administered by USDA.

This is another sound recommendation, but it, too, is unlikely to yield large savings. As the draft USDA chapter of the National Performance Review notes, seven states currently have cost containment contracts to purchase infant cereal at reduced prices. The savings these states have achieved are very small — the median savings among these states appear to be no more than \$200,000 per year. In the five states for which we have been able to secure data, the savings from infant cereal cost containment average two percent of the savings from infant formula cost containment.

The savings achieved in these states can be used to develop an estimate of the maximum savings likely from spreading infant cereal cost containment to all states. If two percent of infant formula savings nationally were achieved by spreading infant cereal cost containment to all states, the savings would be about \$16 million. Since the seven states already involved in infant cereal cost containment are saving about \$3 million, the net additional savings would be about \$13 million.

But the \$13 million is more than could realistically be secured. For it to be achieved, every state nationally would have to undertake infant cereal cost containment. Many small states would likely resist; some of these states regard the savings as too small to justify the additional administrative costs involved. Spreading infant cereal cost containment to all states thus would be impossible *without a federal mandate requiring all states to implement it*. The National Performance Review does not recommend such a mandate, indicating that implementing this procedure should remain a state option.

Moreover, securing savings through infant cereal cost containment is possible only if the cereal companies bid for cost containment contracts. Some states that have sought to implement infant cereal cost containment have experienced considerable difficulty in securing such contracts. When North Carolina sought bids on a contract, only one infant cereal company responded. When a multi-state grouping of Mid-Atlantic states sought bids, no company responded. The multi-state group sought bids a second time, and again no company responded. At that time all but three Mid-Atlantic states dropped out. The three remaining states tried a third time and received bids offering small savings.

It is not clear how efforts by USDA to disseminate information about initiating such contracts would achieve a significant increase in savings. The Center on Budget

and Policy Priorities already disseminates information on these contracts to all states, and states routinely exchange this information with each other.

If USDA administered a multi-state bid for infant cereal and offered states the option to participate — as the USDA chapter of the National Performance Review may recommend — some savings probably would be achieved. But the savings would be modest. Given the fact that a number of states likely would not participate, the savings would be likely to be no more than \$10 million (recall that the anticipated savings would be about \$13 million if *all* states participated) and probably closer to \$5 million.<sup>2</sup>

Furthermore, even this modest level of savings would take some time to secure. Legislation enacted in October 1992 requires USDA to administer a multi-state cost containment bid for *infant formula* once a year for all states electing to participate. This legislation seems to be the model that the National Performance Review is suggesting be applied to purchases of infant cereal and juice. But 11 months after enactment of the legislation, USDA has not yet issued regulations or procedures concerning the new process; the first multi-state bid for infant formula is still months off.

There is even less experience with infant juice cost containment than with cost containment for infant cereal. Three states have a multi-state cost containment contract for infant juice. Their savings are about the same as the savings these states receive through their infant cereal contracts. This suggests that if USDA administered a multi-state contract for infant juice, it might be able to achieve about the same level of savings as from an infant cereal contract — perhaps as much as \$10 million a year but probably closer to \$5 million.<sup>3</sup>

One other point should be noted here. If the USDA's Food and Nutrition Service is to administer multi-state bids for infant formula, infant cereal and infant juice, this will entail a substantial amount of work on the part of procurement specialists at FNS. They will have to deal individually with each state partner to

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<sup>2</sup> It might be argued that a multi-state bid holds promise of generating larger savings than individual state bids. However, the savings in the states that currently have infant cereal cost containment contracts already reflect, to a large extent, the market power of volume buying. One of these states is New York; the New York WIC program is the nation's third largest and purchases large amounts of infant cereal. In addition, three of the other states with an infant cereal contract have a multi-state contract.

<sup>3</sup> It should be noted that no savings can be assumed from efforts to extend WIC cost containment to food items other than infant formula, infant cereal, and infant juice. Some states have attempted to extend cost containment to other WIC food items but have failed. For example, both Maryland and West Virginia attempted to secure cost containment contracts for peanut butter. The effort failed because not a single company bid on the contracts.

each bid, something not done in most federal procurement. This will be difficult for FNS to do effectively if the number of staff in its procurement unit is cut too deeply at the same time the unit is being assigned these new procurement responsibilities. This relates to the larger point made in a related Center analysis of the National Performance Review — it is not clear whether the interactive efforts of the Report's various recommendations have been taken into account fully in developing its estimates of the savings that can be achieved from shrinking the federal workforce.

3. *USDA should do more to disseminate "best practices" information to states interested in pursuing multi-state cost containment efforts.*

This recommendation stems from a suggestion made by the Center on Budget and Policy Priorities to the National Performance Review. It cannot, however, be assumed to yield savings. The Center now largely performs this function. We have published a manual for states on multi-state cost containment, issue a WIC newsletter nine times a year that contains information on new cost containment developments, and publish an annual analysis on those WIC cost containment techniques that appear to be producing the largest savings. These materials are disseminated to all states.

We have long thought that this task should be institutionalized to a greater degree in the Food and Nutrition Service. Moreover, there may be some states that would respond to USDA materials to a greater extent than to Center materials (although the Center's cost containment materials have been used extensively by states). But the bottom line is that no additional savings can be assumed here.

### Conclusion

No savings can be assumed from the first or third recommendations. The recommendations for USDA to administer multi-state bids for infant cereal and infant juice would yield small savings if states participated. Our best estimate is that these measures would achieve no more than \$10 million to \$20 million a year when fully in effect, with the savings figure likely being closer to \$10 million than to \$20 million.

Given the lead-time needed for the federal government and states to institute these systems and the likelihood that a number of states would want to see how the multi-state bids worked before deciding whether to join such bids, the savings over a five-year period would probably be something in the vicinity of \$25 million to \$50 million. This is far below the \$500 million assumed in the National Performance Review.

In short, there is not a valid basis for the \$500 million figure. The draft USDA chapter of the National Performance Review contained a \$390 million figure that was criticized by both OMB and the Center. Both recommended that no savings estimate

be assigned to these WIC proposals, a recommendation that was initially agreed to and is reportedly reflected in the forthcoming USDA chapter of the National Performance Review of the report. But for some reason, the \$500 million figure appears in the main report.

If these experiences interest you or someone else in your office, please let me know. I can report them to you or else, since I am involved on a volunteer basis only, I can supply you with names of the persons who are administratively responsible and who can report to you from their view points and in an official capacity.

Sincerely yours,

*R. F. Drenick*

R. F. Drenick  
Professor Emeritus

MAR - 9 1993

MEMORANDUM

*File:  
Reinventing  
Govt.*

To: Roy Neel  
Phil Lader  
✓ Bruce Reed  
From: Peter S. Knight *PSK*  
Subject: Reinventing Government  
Date: March 9, 1993

---

Tim Honey, City Manager of Boulder, has put together a proposal that he thought could be incorporated into the task force on Reinventing Government. He is a long time friend, very talented and very much on the program. FYI - no action needed.

A PROPOSAL TO ESTABLISH A VOLUNTEER CORPS OF OUTSTANDING  
PUBLIC ADMINISTRATORS FROM STATE AND LOCAL GOVERNMENT  
TO ASSIST THE CLINTON ADMINISTRATION IN ITS  
CRUSADE TO "REINVENT GOVERNMENT"

INTRODUCTION:

Government at all levels, federal, state and local, must commence a fundamental reexamination of both its purpose and its structure. There is mounting evidence that our current governmental systems are wasteful, unresponsive and barriers to effective change. However, it is simply misleading to accuse government of being an "evil" institution that should have a significantly diminished role. Effective government is essential to economic growth, enhancing quality of life and ensuring equal opportunity.

America needs to reform, not abandon, its governmental structures. America needs a passionate commitment to making our unique form of representative democracy a model for progress - a model for participation - a model for implementing our shared democratic values. To achieve these aims, the following principles are critically important.

- \* Government leaders must reject the status quo and embark upon a common crusade to create new models, new structures, and new processes that will promote a new social contract between citizens and their government.
- \* Government leaders must place a premium value on reducing wasteful, unnecessary bureaucracy and redirecting limited resources into programs and services that directly benefit individuals and their communities.
- \* Government leaders must promote partnerships that achieve common objectives rather than relying on mandates and regulations that coerce and divide.
- \* Government leaders must focus upon outcomes and results, not on public relations.

The challenges for American government and governance in the 21st century are enormous. We must accept these challenges and embrace workable, pragmatic solutions. To do anything less is to abandon the democratic ideals which form the basis of our common heritage and our collective vision for the future. Action is needed - we must not be paralyzed by the magnitude of the tasks. Basic reforms in our federal system of government must begin with specific steps at each level of government.

A CLINTON ADMINISTRATION'S AGENDA FOR REFORM - TRANSFORMING THE  
BELEAGUERED FEDERAL BUREAUCRACY:

President Clinton has spoken repeatedly of the need to

HUD and EPA) and the new agency leadership could assemble volunteer teams of outstanding public administrators to assist in transforming these agencies into models for "reinventing government."

These volunteers would serve without compensation. They would be on leave from their state and local governments. They would have a demonstrated commitment to implementing the President's philosophy towards governmental reform, and they would be recognized by the President as serving in his "Crusade for Reinventing Government." They would all share a common belief in the importance of making our governmental institutions as efficient, as effective and non-bureaucratic as possible. They would all share in a common belief that the federal government must create new partnerships, new linkages, in transforming itself.

Prepared by:

Tim Honey  
City Manager, Boulder, Colorado  
3937 Promontory Court  
Boulder, Colorado

NLCREINVENT.JLT

# Withdrawal/Redaction Marker

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. notes	Reed's notes at Reinventing Government Meeting, March 3, 1993 (3 pages)	3/3/93	P5

**This marker identifies the original location of the withdrawn item listed above.  
For a complete list of items withdrawn from this folder, see the  
Withdrawal/Redaction Sheet at the front of the folder.**

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**COLLECTION:**

Clinton Presidential Records  
Domestic Policy Council  
Bruce Reed (Subject File)  
OA/Box Number: 21208

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**FOLDER TITLE:**

Reinventing Government [1]

rs73

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### RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(u)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(u)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

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RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

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- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

**Reinventing Government  
Draft Workplan  
March 3, 1993**

**1. Who Constitutes the Task Force on Reinventing Government?**

- Inside the White House?
- Should some senior civil servants with extensive management capacity be detailed to the White House Task Force?
- Should someone from Sharp's group in Texas be asked to serve as a consultant?
- David Osborne as a consultant?

- How can we make use of the Alliance for Redesigning Government (part of the National Academy of Public Administration) ?

- Should Cabinet Members be asked to assign a person or persons to the task force?
- Should an Advisory Committee be appointed or should advisors be appointed one by one?

**2. Where should the task force be housed physically?**

**3. What should be Administration position be vis a vis the three bills that have been introduced into Congress?**

1st steps

#### 4. What is the first substantive step we should take?

~~- Should we begin with individual meetings between Gore and Cabinet Members to determine the potential for pilot reinventing government programs within each department?~~

- Review OMB, GAO, + Congress.*
- mtgs - then Cong.*
- What role should Congress play?
  - Meetings w/ Ombuds.

#### 5. What topics should the task force consider?

- Look for ways to create some models of user friendly government.

- Look for ways to create some models in which a function is delivered using state of the art technology. (i.e. Agricultural extension agents by modem)

- Devolution. Are there some programs and functions that should simply be devolved to the states?

- Compile a list of federal programs that should be eliminated.

- Combinations of grants into "challenge grants" (This may be particularly useful in regard to welfare reform and it is also an important piece of the movement towards social services integration.)

- The creation of performance standards and or the upgrading of certain evaluation standards.

- The issue of waivers in HHS and in other agencies and the broader problem of untying the knots in the federal

system. (Clinton implied this when he encouraged the Governors to experiment with welfare reform.)

- Should it be organized by Agency, by Purpose (i.e. human services, defense etc.) or by Function (i.e. budget, civil service reform, public contact, categorical grants, waivers etc.)?

- Performance based or mission driven budgeting?

- Civil service reform? Cutting the Bureaucracy?

## **6. Communications with the public and the civil servants.**

- Special 800 numbers for the public to use?

- Solicitation of suggestions from civil servants. Is this centralized in the V.P.s office or should it be done agency by agency?



AL BILIK, President

JOHN F. LEYDEN, Secretary-Treasurer

Executive Vice Presidents

Gerald W. McEree  
Alban Shankar  
John J. Sweeney  
Alfred K. Whitehead

Mon Miller  
Angelo Ponce  
Vincent R. Sombrotto  
John N. Sturdivant

FACSIMILE COVER SHEET

File:  
Reinventing  
Govt

DATE: 4/29/93

TO: Bruce Reed

FAX #: 456-7739

FROM: Al Bilik

PAGES TO FOLLOW: 4

COMMENTS: I've forwarded copies of Executive Order 12803 and the announcement of the upcoming conference that discusses how EPA is implementing the Bush Executive Order to sell off bridges, etc..

Thanks for your assistance and congratulations again on the birth of your first child!

This FAX sent via Xerox 7011

PED FAX Number (202) 347-1825

# Presidential Documents

Title 3—

Executive Order 12803 of April 30, 1992

The President

## Infrastructure Privatization

By the authority vested in me as President by the Constitution and the laws of the United States of America, and in order to ensure that the United States achieves the most beneficial economic use of its resources, it is hereby ordered as follows:

**Section 1. Definitions.** For purposes of this order:

(a) "Privatization" means the disposition or transfer of an infrastructure asset, such as by sale or by long-term lease, from a State or local government to a private party.

(b) "Infrastructure asset" means any asset financed in whole or in part by the Federal Government and needed for the functioning of the economy. Examples of such assets include, but are not limited to: roads, tunnels, bridges, electricity supply facilities, mass transit, rail transportation, airports, ports, waterways, water supply facilities, recycling and wastewater treatment facilities, solid waste disposal facilities, housing, schools, prisons, and hospitals.

(c) "Originally authorized purposes" means the general objectives of the original grant program; however, the term is not intended to include every condition required for a grantee to have obtained the original grant.

(d) "Transfer price" means: (i) the amount paid or to be paid by a private party for an infrastructure asset, if the asset is transferred as a result of competitive bidding; or (ii) the appraised value of an infrastructure asset, as determined by the head of the executive department or agency and the Director of the Office of Management and Budget, if the asset is not transferred as a result of competitive bidding.

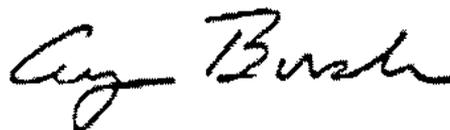
(e) "State and local governments" means the government of any State of the United States, the District of Columbia, any commonwealth, territory, or possession of the United States, and any county, municipality, city, town, township, local public authority, school district, special district, intrastate district, regional or interstate governmental entity, council of governments, and any agency or instrumentality of a local government, and any federally recognized Indian Tribe.

**Sec. 2. Fundamental Principles.** Executive departments and agencies shall be guided by the following objectives and principles: (a) Adequate and well-maintained infrastructure is critical to economic growth. Consistent with the principles of federalism enumerated in Executive Order No. 12512, and in order to allow the private sector to provide for infrastructure modernization and expansion, State and local governments should have greater freedom to privatize infrastructure assets.

(b) Private enterprise and competitively driven improvements are the foundation of our Nation's economy and economic growth. Federal financing of infrastructure assets should not act as a barrier to the achievement of economic efficiencies through additional private market financing or competitive practices, or both.

(c) State and local governments are in the best position to assess and respond to local needs. State and local governments should, subject to assuring continued compliance with Federal requirements that public use be on reasonable and nondiscriminatory terms, have maximum possible freedom to

United States, its agencies or instrumentalities, its officers or employees, or any other person.



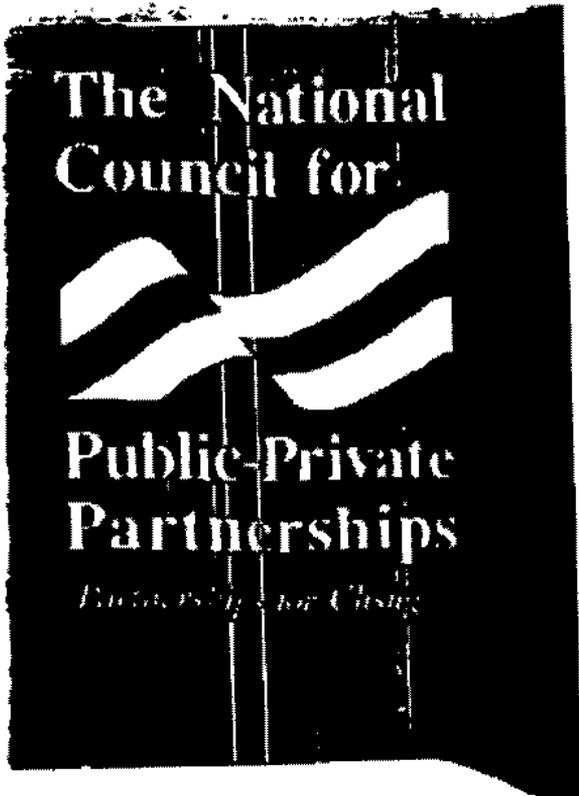
THE WHITE HOUSE,

April 30, 1992.

FR Doc. 92-10495

Filed 6-30-92; 4:17 pm

Shipping case 3168-01-14



# 7th Annual National Conference

## "INVESTING IN AMERICA'S FUTURE THROUGH PUBLIC- PRIVATE PARTNERSHIPS"

May 2 - 4, 1993  
Loews L'Enfant Plaza Hotel  
Washington, D.C.

*Until this year the organization was known  
as The Privatization Council. But, it still  
walks and quacks like a duck!*

*Al*

## Breakout Sessions A

**A1: Highway Partnerships & ISTEA: Survey of New Toll Projects and State Initiatives**

*The Intermodal Surface Transportation Efficiency Act of 1991 for the first time allowed Federal highway funds to be used for private toll roads and bridges. 1992 saw several new State laws and a flurry of new projects. This session shows what needs to be done as ground breakings approach.*

**A2: Update on Environmental Partnerships: A Legislative and Policy Perspective**

*This session explores recent federal, state, and local initiatives supporting environmental infrastructure partnerships. Topics will include EPA's implementation of Executive Order 12803, current Clinton Administration initiatives, and recent successful partnerships.*

**A3: Investing in Children: Innovative Partnerships for Public Schools**

*Forget vouchers and school choice for the moment. Public-private partnerships are coming to education the same way they did to mass transit: continuing control by school boards that contract for management and operation of public schools. Public officials and educational entrepreneurs discuss their plans.*

**A4: Mining the Public Balance Sheet: Generating Cash from Your Municipal Assets**

*In tight times, businesses scan their balance sheets for assets that are underutilized. They invest here, sell there, and contract out to get a better return for their stockholders. Now governments are starting to do the same for their citizens. Listen to the experts: tell you where to look and how to do it.*

**A5: Health Care Revenue Enhancement & Cost Control**

*Productivity and increased efficiency are essential to health reform. Panelists engaged in exemplary health care partnerships detail the latest options available to policy makers.*

## Breakout Sessions B

**B1: High Speed Rail Lives! Realistic Technology and Partnership Financing**

*It's time to Mag Lev, Not Wgrl, say Bill Clinton and other lovers of superspeed trains. But TGV and mag-lev require billions in straight tracks. Now, planners are looking to new "tilt-train" technology that go twice as fast as Amtrak on existing freight tracks.*

**B3: Public and Private Companies Working Toward Efficient Environmental Implementation and Compliance**

*An increasing number of governments are reaping the benefits of delegating many of the environmental protection and monitoring services to highly expert private firms. There is an even larger and growing market in defining and auditing pollution rights for future trading. Come learn about this booming yet undiscovered field.*

**B3: Innovative Partnerships for the Homeless and Low Income Housing**

*Low-income housing and homelessness are two of the most intractable problems of our lifetime. Tenant management was only the beginning of a wave of public-private partnership solutions. The success stories you'll hear are both inspiring and instructional for all levels of government.*

**B4: Workshop: How We're Reinventing Our Governments Through Public-Private Partnerships**

*Governments that were flush with cash in the go-go 80s are now looking to cut costs. But there is opportunity in crisis. Learn from governments that took a "holistic" look at themselves and moved to partnerships.*

**B5: Initiatives for Accountable Health Partnerships**

*"Think globally; act locally" is as much a slogan of health reformers as it is of the environmentalists. A panel, composed of leading local reformers, will explore the lessons that apply to every community to solve the nation's health care crisis.*

*Mace*

THE WHITE HOUSE

WASHINGTON

April 19, 1993

Mr. Rudolf F. Drenick  
35 Melody Lane  
Huntington, New York 11743

Dear Mr. Drenick:

Thank you for your letter about our efforts to reinvent government. In the coming months, we will be examining every government program and service to see what works and what we can do better.

I appreciate your taking the time to share this information with us and welcome your ideas. I will pass your advice on to the Vice President.

Sincerely,



Bruce Reed

Deputy Assistant to the President  
for Domestic Policy

*I'd love to hear more about your feedback study.  
Thanks!*

Rudolf F. Drenick

Cathy -  
How's that  
form letter coming?  
BR

35 Melody Lane  
Huntington, New York 11743  
April 4, 1993

Mr. Bruce Reed  
The White House  
1600 Pennsylvania Ave.  
Washington, D. C.

Dear Mr. Reed:

According to a recent newspaper article, you and others in the Executive Office are greatly interested in ways of making governmental bodies more responsive than they now are to their constituencies. It may then interest you further that an initiative with precisely this objective is about to commence at the Action Center of the New York City Mayor's Office.

The idea of the initiative came from a rather thorough (in fact a mathematical) study of organizations in general which I conducted as an academic research project. The results to which I was led are similar in many respects to the premises of the Total Quality Management program but perhaps because of their more rigorous basis, seem better focussed and more cost effective. One of these results was that organizations underrate the value of feedback, especially from their clientele, and underutilize it severely.

The shortfall struck me as being particularly disturbing and consequential in public administrations. I accordingly proposed in mid-1991 a test initiative of a feedback arrangement within the federal government. Mr. Furse of Policy Development in the Executive Office gave my ideas a sympathetic hearing but left me with the impression that the administration would follow the example of the British Citizens Charter movement, if that, rather than the activities I suggested.

A similar proposal to Deputy Mayor Barbara Fife of New York City elicited a more decisive response which ultimately resulted in the project at the Action Center. The first phase of the project is to take place this month. It is considered a test run. If it is as successful as I expect it to be, the experience gained with it will then be applied to subsequent phases and in other parts of the New York City government.

November 1, 1994

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: Bruce Reed  
Michael Waldman  
Bill Galston  
Paul Weinstein

SUBJECT: Strategy for Political and Government Reform

The collapse of public trust in the institutions of government is the fundamental political fact of our time. After two decades of growing disillusion, this break between the people in office and the people who put them there dominates every aspect of American politics, from the noisy bombast of talk shows to the silence of empty voting booths.

Voters believed that Bill Clinton understood this situation, and would act to rectify it. But for all of our efforts over the past two years, the public is now more disillusioned, more embittered, than it was in November 1992. Whatever the results of the upcoming election, the President should put forward a bold, coherent set of reform initiatives to make government, Congress, and the political system work.

**I. The Case for Reform**

Why is a bold reform agenda so important?

First, the public demands it. Citizen cynicism and anger is deep and pervasive. Voters perceive a failure of government to act decisively and effectively. They see a federal government that hordes money and power, endless bickering between two seemingly outdated political parties, and a proliferation of special interests that drown out the voices of average citizens. When John Kennedy was President, 76% of the people said they trusted the federal government to do what was right all or most of the time. Today, after betrayals from Vietnam to Watergate to "Read My Lips," only 22% of the people give that same answer.

Moreover, much of this critique of Washington and government is valid. Government is bloated, irrational, and inefficient -- an ossified institution in an era of constant innovation. Special interests do have too much power; a \$300 million campaign overwhelmed health care, gun groups practically derailed the crime bill, and some 80,000 lobbyists of every pinstripe have succeeded in diluting or defeating scores of proposals. Congress is paralyzed

by partisanship and resistant to change. Changing the way Washington does business is perhaps the most significant legacy we could leave.

Finally, restoration of trust in government and politics is essential to the success of the rest of our agenda. As we have learned over the past two years, we cannot count on public support for health care, welfare reform, deficit reduction or any other issue unless we first persuade them that we understand what's wrong with government and have set about to fix it. Conversely, an agenda that links political reform with our efforts to make bipartisan progress on health care, welfare reform, reemployment, and other issues should strengthen and reinforce those efforts.

To be sure, this administration has made a real start on this front. The Vice-President's reinventing government initiative has been the quiet success story of the first two years. As a result of the NPR, we have dramatically shrunk the federal workforce, and passed sweeping procurement reform legislation. We imposed the toughest ethics requirements ever on our senior officials, and repealed the deductibility of lobbying expenses. We proposed tough and well-regarded campaign finance and lobbying reform bills. And we have taken on more vested interests than any administration in decades. But these efforts have not been enough to overcome the rising tide of public cynicism.

### **The Coming Battle**

Today's "mad-as-hell" atmosphere is not a flash in the pan, but a firebell in the night. The reform impulse was strong two years ago; by every indication, it is even stronger today. It is no longer a question of whether Congress will address reform issues; the only question is whether we will lead the fight or be left behind.

Early in the next term, we can expect the Republicans to press forward with their reform agenda:

- balanced budget amendment;
- term limits;
- cuts in congressional committees and staff.

On Election Day, voters in 8 states are expected to approve term limits referenda, bringing to 23 the number of states that have backed limits. The issue will heat up even further when the Justice Department appears before the U.S. Supreme Court to argue that these state measures are unconstitutional.

Ross Perot's 19% of the vote was the second highest by a third party candidate this century, surpassed only by Theodore Roosevelt in 1912. Polls indicate that -- if he were to run today -- Perot's vote would not slip significantly. Support for independent candidates generally is at levels not seen in half a century.

When the new Congress convenes in January, fully half its members will be freshmen or sophomores, nearly all of whom ran on a platform to "change Washington."

## **A Three-Front War**

This memorandum lays out the elements of a sustained, vigorous reform campaign. Tentative stabs at congressional or political reform, pursued separately and quietly, will neither succeed nor break through to the public. Instead, we must mount an aggressive, comprehensive campaign, as we have done on other issues, from the budget to NAFTA to the crime bill. A concerted effort to change the way Washington does business will not only offer the President the chance to rise above partisan and narrow interests, but do more to advance the rest of our substantive agenda than anything else we could do over the next few months.

Our reform agenda should do battle on three fronts:

Shifting power back to the American people, through campaign reform that requires broadcasters to provide free time to candidates; a national initiative and referendum process; and a "citizen frank" that lets citizens contact Congress for free;

Fixing Congress, with a constitutional amendment allowing states to limit legislative terms; lobby reform; a ban on gifts; a congressional pay freeze until the budget is balanced; and a 25% cut in congressional staff; and

Launching a renewed assault on bureaucracy, including the line-item veto; civil service reform to give federal managers the right to hire and fire; and a fundamental overhaul of federal regulatory agencies.

This memorandum sketches out a 3-6 month campaign to unveil and fight for these proposals.

## **II. Proposals**

### **A. Shifting Power Back to the American People**

In the end, it will not be enough to change Washington. The American people are ready to take government into their own hands. The spread of information technology makes that possible, and the collapse of political institutions makes it almost certain.

1. **Free TV Time for Candidates.** A campaign reform bill with public funding will not pass the new Congress. Instead, we should press for the changes the President called for in his campaign -- free TV time for candidates who abide by spending limits, a \$1,000 limit on PAC donations, and reforms on soft money. Free TV time has strong public support. Over the years, it has also been endorsed by Bob Dole and Ross Perot. The idea would prompt a major battle with the broadcasting industry and its champions in Congress. On the other hand, it would negate the Republicans' single most powerful public argument against reform.

2. **National Referendum.** The most dramatic and significant reform proposal the President could put forward is a national referendum that would allow the people to vote on issues of national importance. Most major democracies have national referenda. For example, in recent years, Italians have voted on divorce; Spain voted on membership in NATO; and Austria and Sweden voted on the use of nuclear power. In the U.S., 43 states allow their legislatures to submit referenda to the people, and 24 states allow citizens to sponsor initiatives. In Arkansas, some of Governor Clinton's best known legacies -- such as ethics reform -- were enacted in this way. We could call for national votes on political reform, health reform, etc., but it would be entirely up to the American people what questions are put on the ballot.

Establishing a binding national referendum or initiative process would require a Constitutional amendment. Such an amendment might provide for putting an issue to a nationwide vote if the legislatures in 3/4 of the states recommended it or signatures were gathered from 5% of the voters nationwide. As a Constitutional safeguard, the referendum would require 60% approval to be enacted and would be subject to judicial review.

A national referendum is the one truly popular reform idea that has not been appropriated by either party. The best argument for direct democracy is that it enables the broad public to make its voice heard when the congressional system is unresponsive or gridlocked. It could boost voter turnout and enthusiasm; this year, twice as many Californians say they are going to the polls to vote for or against Prop 187 as are going to vote for a particular candidate. The advance of information technology will make this process easier. This administration has helped develop a tamper-proof digital signature, which allows people to provide a legal signature by computer. Direct voting cannot be far behind.

The most frequently advanced argument against a referendum is that it could fall prey to extreme social or fiscal proposals. However, a recent comprehensive study of referenda found that in general, that has not proved to be the case. Another concern is the difficulty of controlling spending by opponents and proponents. Additional safeguards could help address these concerns, such as free TV time for supporters and opponents; a pay-as-you-go rule for proposals with budgetary impact; and limiting referenda to statutory rather than constitutional issues (so that constitutional amendments like term limits and school prayer would go through the same thorough process they do now).

At various times, this idea has been endorsed by leaders ranging from Dick Gephardt to Jack Kemp. In 1981, a Gallup poll showed 52% support for a legally binding national referendum. In recent polls, support has ranged from over 60% to as high as 84%. Among elite opinion, it will be opposed by business interests that prefer dealing directly with Congress, and by some interest groups nervous about the impulses of too much democracy.

**3. Eliminate the Congressional Frank, and Give It to the American People.** The frank is one of the most entrenched and abused symbols of incumbency. We could propose to take it away from Congress and give it to the American people instead. Any individual who wants to send a letter to their Congressman or Senator would be able to do so for free. Postcards, letters from organizations, and letters from another district or state would not be eligible (mail could be delivered directly to the district office to prevent abuse). This is how it works in Canada, where citizens can write Parliament for free.

**4. Citizens' Congress.** One dramatic experiment in direct democracy would be to run a national Citizens' Jury or Citizens' Congress that would bring ordinary citizens together to resolve a particular issue. We could invite a random group of citizens from around the country to Washington to deliberate on a given issue -- political reform, crime, community service. They would hear arguments from all sides, their deliberations would be nationally televised, and most important, we would try to take action on the basis of what they recommend. By selecting a small group of ordinary Americans entirely at random and letting them take part in government for a few days, we might spark new interest in participatory democracy and find a new way to get around the special interests to promote common-sense consensus.

**5. Take Subsidies from the Special Interests and Return the Money to the American People.** The whole point of reforming government is to give ordinary people a better deal for their tax dollars. One option would be to give them a reform dividend, by eliminating special interest subsidies and using the savings to pay for a children's allowance for middle-class families. Rob Shapiro has identified a series of special interest subsidies; an expanded deduction for middle-class families with children would cost in the neighborhood of \$20-40 billion over five years. The savings could go into a trust fund, so that nobody would get their tax cut unless Congress agreed to make the spending cuts. Established interests would attack anyone who goes after their subsidies, but we could press the simple theme that parents can do more for their children with that money than government or those interests can.

**6. Devolution of Power to State and Local Governments.** Last year, the Administration pushed two major initiatives that would have restored balance to the partnership between federal, state, and local governments. The Glenn-Kempthorne unfunded mandates bill and the President's waiver legislation drew bipartisan support on the Hill. We should aggressively push both bills next year and back it up with a broader devolution strategy. Public trust in state and local government, although weaker than decades ago, remains much stronger than confidence in the federal government.

## B. Fixing Congress

Regardless of the outcome of next week's election, we should press for major changes in the way Congress does business.

1. **Lobby Reform and Gift Ban.** We should demand that Congress pass a gift ban and a back-to-basics lobby reform bill as soon as they return. The Republicans raised several bogus objections to the lobby reform bill in the waning days; we should call their bluff, accept those changes if necessary, and pass the bill on a bipartisan basis.

2. **Apply Laws to Congress.** Legislation applying a host of laws to Congress passed the House but not the Senate this past Congress. We should press Congress to pass it immediately.

3. **Insist on Line-Item Veto.** With the Balanced Budget Amendment expected to pass easily in the next Congress, we should insist that it include a Constitutional line-item veto, and argue that it will be hard to balance the budget without it. We should insist on the strongest possible version of this veto, not the enhanced rescission authority that passed the House this time. We may also want to offer our own capital/operating budget alternative. In the campaign, the President said he could support a balanced budget amendment that separated capital and operating expenses so that long-term investments would be encouraged and operating costs reduced.

4. **Term Limits.** Republicans pledge to bring to a vote a constitutional amendment limiting congressional terms to 12 years, but they would grandfather in existing Members of Congress. Beyond principled opposition, we can respond in two ways:

a. Call their bluff. We could demand that the 12-year limit on service apply immediately (or by a date certain, such as 1996), and thereby affect sitting members of Congress; and/or

b. Let the states decide. We could support a constitutional amendment to allow states to vote to apply term limits to their own federal representatives. This would be consistent with our legal position that state-mandated term limits are unconstitutional.

5. **Cut Congressional Staff Overall by 25%:** In the campaign, the President promised not only to cut the White House staff by 25%, but to challenge Congress to do the same. The Republican Contract calls for a 25% cut in committee (not personal) staff. We could press forward with our original demand to cut overall staff by 25%.

6. **Freeze Congressional and Presidential Pay Until the Budget Is Balanced.** If we're going to make significant spending cuts to reduce the deficit, public officials should

lead by example. The American people don't get a guaranteed cost-of-living increase. Why should their leaders? A performance-based freeze on Congressional and Presidential pay is a responsible, common-sense alternative to plans to "cut their pay and send them home."

### C. A Renewed Assault on Bureaucracy

We should make the most of NPR's success by escalating our assault on the federal bureaucracy, with a relentless, sustained attack on fraud, red tape, unnecessary programs, and counterproductive rules and regulations.

**1. The Right to Hire and Fire.** NPR is preparing a sweeping civil service reform bill that will reduce the number of job classifications and give federal managers the right to hire and fire federal workers. Negotiations with unions and management are under way; the bill will be ready to introduce in January.

**2. The Right to Downsize.** NPR and OMB are preparing legislation to repeal FTE floors in existing appropriations bills, and ban the use of FTE floors in future bills. This could be coupled with a Presidential vow to veto future appropriations bills that limit our ability to downsize. We should also consider directing agencies to accelerate the mandated downsizing of the workforce to accomplish its objectives by 1996 instead of 1999. To illustrate that downsizing the bureaucracy is one of this Administration's signature achievements, we should start a Bureaucracy Clock (in a prominent place like Times Square) that would track our progress.

**3. Regulatory Overhaul.** Regulatory reform will be a top priority for NPR next year, with an extensive review that brings business leaders and others to the White House to develop a new, more market-based approach to regulation for the 21st Century.

**4. The President's Fraud Squad.** The President and Vice President could appoint a REGO SWAT team or bureaucratic bomb squad -- an elite group of troubleshooters and investigative journalists who report directly to them. Any time a story breaks about fraud or mismanagement in the bureaucracy, they would move in, get to the bottom of it, and report back within days with recommendations. They could also uncover such troubles before they become public, and demonstrate the President's desire for unfiltered information on how his government is working. This has been done before: FDR dispatched journalist Lorena Hickok around the country to see how the New Deal was really working. It would be an opportunity to make a high-profile reform appointment, by naming a prominent journalist to lead the effort.

**5. A Pork-Busting Bill.** NPR and OMB can put forward a comprehensive rescission bill, which targets pork in the recently passed appropriations bills.

6. **A Bureaucracy-Closing Commission.** As part of NPR, the President's Management Council has begun an effort to identify ways to reduce the number of federal facilities around the country, by closing field offices, regional offices, etc. We could formalize this arrangement and give it a higher profile to demonstrate our commitment to downsizing.

7. **REGO II.** NPR is preparing a detailed list of recommendations that were considered in 1993 but not included in the final package.

### III. Strategy

President Clinton has won credit for his achievements when his administration has drawn a sharp line on an issue with popular support, and then has focused on it in a concerted, systematic way over a period of months, not days.

#### Timetable

A sustained campaign would use the element of surprise, unilateral action, and the presidential bully pulpit.

**Before the election.** It would be very helpful if the President could point toward the change/reform themes before the election; otherwise, a sudden turn toward reform issues risks seeming an ex post facto rationalization. This could be done in a one-on-one interview with a reform-minded reporter, or on the campaign trip to Minnesota with Ann Wynia, who has run ads criticizing her opponent for voting against the lobby reform bill.

**Statement the day after the election.** The President's press conference statement should characterize the results as a mandate for change, one he intends to meet. It should point toward political reform as an early and important priority.

**December.** We should prepare to float some of the more dramatic reform initiatives. Because Congress will meet in early January to take up rules changes, we need to make our intentions known early.

- o DLC Speech, Dec. 6th: A chance to signal forthcoming reform efforts.
- o Post-Summit of the Americas, Dec. 12th: The President could make a pivot speech unveiling new reform proposals.
- o Speech to Incoming Freshmen: The President could bring the incoming freshmen to the White House for a speech on reform.

**January pre-SOTU.** The weeks before the State of the Union should include a series of events designed to underscore and foreshadow the reform and change theme.

- o We should convene a citizen jury or Little Rock-style conference to address what's wrong with government and politics, and how to fix it.
- o The President should make a major speech outlining his concept of how government should relate to the citizenry (something he has yet to do).
- o Announce the Fraud Squad, naming its members.
- o We should prepare a document outlining the problem and proposed solutions (this would be in addition to, or as part of, the budget document).

**State of the Union.** Reform should be a major theme of the speech, which should unveil a few of the most dramatic ideas.

### **Political Alignments**

A broad reform agenda would be popular with the general public and with non-governmental elites (e.g., press, editorialists), but would likely meet resistance from many elected officials and interest groups from both parties. A natural coalition for reform does not currently exist; we will have to bring together disparate reform groups and energize independent voters. In these circumstances, a national mobilization spearheaded by the President -- relying on prominent citizens and moderate Republicans and Democrats, use of the bully pulpit, and cross-party alliances -- would be the way to push for reform.

If the President decides to push forward with an ambitious reform agenda, further planning is needed.

August 18, 1993

MEMORANDUM TO THE VICE PRESIDENT

FROM: BRUCE REED  
SUBJECT: A FEW BIG IDEAS FOR NPR

The Performance Review is peaking at just the right moment: Public pressure for spending cuts can help drive the rest of your agenda.

Moreover, the Review teams have done some good work. The executive summary is well-written and sounds the right themes.

After reading through all the recommendations, however, I have three related concerns. *First, I think the reports offer too many little ideas and not enough big ones.* The sheer number of recommendations threatens to undermine their impact -- relatively minor suggestions get the same weight as important ones. *I urge you not to publish the monographs separately.* None of them comes close to the quality of the summary draft, and many of them are full of little landmines that will undercut the credibility of your effort. Publishing 30+ reports and 3,000 pages will make it look like you're tinkering around the edges, and killing a lot of trees in the process. (Don't assume no one will read them -- your opponents will, and they'll reread them in 1996 and beyond.) Instead, you should publish a single companion volume in late September or October that can be thoroughly vetted, rewritten, and pared down to digestible length.

*Second, you need a few recommendations that will matter to the ordinary person.* The management reforms you propose in procurement, personnel, and other areas are good for the government, but will do more to make life better for bureaucrats than for ordinary people. At the moment, it would be easy enough for opponents to argue that these recommendations will reduce the regulatory burden on federal agencies but not on small business, guarantee free training for federal employees while charging everyone else, allow the size of the federal workforce to increase when the President promised to cut it, and do little for most taxpayers except let them charge their higher taxes with plastic and pay more in user fees when they visit a national park. If you want the public to help push these recommendations through Congress, you need to give them something more tangible. I outline a few suggestions below.

*Finally, you need to reassure people that your proposals will actually save money -- and that you won't turn around and let the federal government waste the money somewhere else.* People don't simply want their government to run more efficiently; they want it to cost less. They will not be fooled if the Administration tries to take the money you save from one part of the government that doesn't work and recycle it into other government programs they think don't work, either. People have seen that shell game before. If you let the Administration divert the NPR savings into another jobs bill, worker training, or some other program most people don't trust and never see, you will squander all the credit you deserve for taking on government in the first place.

You have an enormous responsibility on your hands, which is far greater than most people in the Administration may yet understand. Your duty is not merely to make the bureaucracy work better or identify some quick savings to fund a few initiatives in FY95. The success or failure of the NPR will resound long after that. Your effort represents what may be our last best hope to start winning back the American people's faith in government -- without which the rest of this Administration's agenda will ultimately be moot.

So even though the hour is late, let me offer a few concrete suggestions:

**1. Dedicate some savings to tax relief.** The best way to capture the public imagination behind this effort is to *give the American people a downpayment toward a new government.* As I suggested to Elaine a few weeks ago, you ought to pledge to use some of the savings Congress lets you achieve through NPR to give the taxpayers some of their money back. The savings could go into a trust fund earmarked to provide tax relief for families with young children -- and nobody would get their tax cut until Congress went along with your proposed savings.

This approach would not only keep an important campaign promise and advance an idea you pioneered; it would make your message easy for the people -- and Congress -- to understand: Cut spending and give the money back. It's possible to find an excuse to vote against procurement reform; it would be very painful for members in either party to filibuster, amend, or vote against a tax cut.

The other great advantage of a Children's Tax Credit is that, unlike most other possible uses for this money, it is entirely consistent with reinventing government. As you pointed out when you were promoting Gore-Downey, it's time for government to admit that parents can do more for their children with this money than we can.

A targeted credit of \$1,000 per young child would cost between \$5 and \$10 billion. Any additional savings could be dedicated to the Deficit Reduction Trust Fund.

**2. Put a real number on your workforce reductions.** If one of our goals is to reduce the size of the federal workforce (and it should be), your report should say so, and put a real number behind it. You're right that individual managers shouldn't manage by FTE

ceilings -- and while you're at it, you should get rid of congressionally mandated FTE floors as well -- but downsizing won't happen unless the President and Cabinet secretaries have clear, unavoidable goals for personnel reduction.

A 20% reduction in operating costs is a good idea (although it does not go much beyond the existing executive order), but as a practical matter, it will be extremely difficult at most agencies to distinguish between overhead and services. Agencies complain about FTE caps for a reason -- they're the only enforceable tool we now have to make them cut government, because bodies are the one measure of overhead we know we can count. If you take that away, you need to *replace the FTE cap with real, numerical targets for reduction in personnel costs at every agency*. Otherwise, agencies will cut back the number of offices that provide services and not touch the number of unproductive middle managers.

Your report hints at personnel reductions, but shies away from a number. This is a big mistake. The estimate you're hiding is 200-300,000. You should say it. If you don't say it, you'll never get it. Moreover, you will limit the President's negotiating leverage if you trade away the only tool the Administration now has to restrain the growth of the bureaucracy for nothing concrete in return.

**3. Require Congress and the executive branch to abide by all the laws they pass, and challenge Congress to reduce their operating costs by 20%.** The President has long maintained that one way to put government back in touch with the American people is to have Congress abide by the same laws it imposes on the rest of America. (Speaker Foley is working on legislation to require Congress to observe civil rights laws.) The President also challenged Congress to follow his lead in reducing their cost of doing business. The budget battles of the last six months suggest that there is a great deal more support for these ideas than the leadership might like us to believe. This isn't a cheap shot at Congress; it's asking the same of them that we're going to ask of ourselves. And in the current atmosphere, you would actually be doing most members a favor by giving them a chance to vote for something that will play well back home.

**4. Call for enhanced rescission authority.** If you're going to call on Congress and OMB to stop using line items, you should point out that the Administration still wants some form of expedited rescission authority. The President ought to be able to rescind a portion of an agency's appropriation as a way to enforce performance.

**5. Sunset all new programs and regulations, and let the market do what the government can't.** Nothing in government should last forever unless it works. You've called for sunseting the federal personnel regulations; you should go further, and require a sunset for all new initiatives. Likewise, you should expand the scope of your regulatory effort by pledging to review every existing or proposed regulation to see if there are market-based alternatives.

THE WHITE HOUSE

WASHINGTON

August 30, 1993

MEMORANDUM FOR ELAINE KAMARCK  
DAVID OSBORNE

FROM: Bruce Reed  
Paul Weinstein

SUBJECT: Comments on August 27 draft of National  
Performance Review (NPR) summary

Here are a few last-minute comments and corrections to the latest summary draft:

**OVERALL COMMENTS**

**1. The chapter on "Cutting Red Tape" should be first -- before the chapter on "Putting Customers First." The Red Tape chapter is much stronger, with more tangible recommendations. The Customers chapter, by contrast, is the weakest of the four chapters. Except for alluding to efforts already underway at the IRS and Postal Service, it doesn't really focus on customers at all -- it focuses primarily on intergovernmental cooperation and competition, creates a series of new boards and councils, and leaves the impression (dispelled by later chapters) that this will be another report that rearranges government's boxes. It's important to lead with your best chapter, because it will set the tone for the entire report.**

**2. It is a mistake to commit yourself to a specific number of reports (38) and recommendations (1200) in the summary report. We still believe it makes more sense to collapse the 38 reports into a single companion volume that can be thoroughly vetted, edited, and raised to the level of quality of the summary. There are still several draft recommendations that could come back to haunt us. And in any case, the NPR will be judged by the boldness -- not the bulk -- of its recommendations.**

For the same reason, we advise against citing unpublished reports in the footnotes of the executive summary. Footnoting yourself will not increase your credibility.

**3. The community empowerment recommendation on page 38-39 of Chapter 2 should read as follows: "Action: The President will establish a Cabinet-level Enterprise Board to oversee new initiatives in community empowerment." The second paragraph under that section should read: "This group will be committed to solutions that respect 'bottom-up' initiatives rather than 'top-down' requirements. It will focus on the Administration's community empowerment agenda, beginning with the 9 Empowerment Zones and 95 Enterprise Communities that passed Congress as part of the President's economic plan.**

The Board will look for ways to empower innovative communities by reducing red tape and regulation on federal programs." The third graph is fine.

## **SPECIFIC CORRECTIONS**

**Preface, p. 2, graph that begins 'The Performance Review had a simple mission statement':** The second sentence ("Although one of our goals was to reduce waste, our effort was never intended to solve the deficit problem.") should be deleted, and the last line should read, "The President created the PR to find additional savings -- and just as important, to improve gov't performance." Don't apologize for the size of the cuts you propose. As currently written, this paragraph will give Republicans fodder to attack the NPR for not focusing enough on deficit reduction.

**Introduction, p. 9, graph that begins 'By 'customer,' we do not mean 'citizen':** This whole paragraph should be deleted -- it makes an inaccurate and confusing distinction between customers and citizens. This distinction makes it sound like you favor those who make use of government benefits and services. **Every taxpaying American is a customer.** They're the customers who you're putting first, not just beneficiaries of government services.

**Introduction, p. 10, graph that begins 'Our approach has much in common...':** The third sentence ("In business, red tape may be bad, but it is not the suffocating presence it is in government.") should be deleted. It isn't true, and it will needlessly infuriate any businessperson who reads this report. Besides, we're going to spend this fall convincing people that private-sector red tape is suffocating the health care industry.

**Putting Customers First, p. 14, top graph:** The Justice Department has almost no involvement in chasing down deadbeats. It should, but it doesn't. Child support enforcement is handled by the Dept. of HHS.

**Cutting Red Tape, p. 32:** The Action should read, "Streamline the regulatory review process to reduce unnecessary regulation and red tape." The chapter points out that external regulations cost the economy \$510 billion a year, yet none of the recommendations suggest that you're doing anything directly about them. Our suggestion will give you some cover, without setting off alarm bells in the pro-regulation camp.

**Conclusion:** Throughout the Conclusion the modifier "perhaps" is continually used. For example, "perhaps the federal debt...will slow its rampage. Perhaps our federal agencies will begin to figure out...how to cut spending." This gives the impression that the proposals put forth by NPR may not work and opens up the President and the Vice President to considerable criticism. These statements in the Conclusion should be placed into the affirmative. "The federal debt will slow its rampage...Our federal agencies will cut spending and provide better service for less money."

# Withdrawal/Redaction Marker

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
003. memo	Reed to Marla Romash re: REGO Ideas for Houston (partial) (1 page)	9/3/93	P6/b(6)

**This marker identifies the original location of the withdrawn item listed above.  
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### COLLECTION:

Clinton Presidential Records  
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Bruce Reed (Subject File)  
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### FOLDER TITLE:

Reinventing Government | 1 |

rs73

### RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(n)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

September 3, 1993

MEMORANDUM FOR MARLA ROMASH

FROM: BRUCE REED  
SUBJECT: REGO IDEAS FOR HOUSTON

Houston is not exactly a mecca for community empowerment, but it has been a testing ground for community policing. Lee Brown and his successor as Police Chief, Betsy Watson, were early leaders in community policing. [REDACTED]  
[REDACTED] During the campaign, Clinton gave his major crime speech in Houston because of Mayor Lanier's commitment to community policing.

The advantage of doing a community policing event on your REGO tour is that community policing is as much about reinventing government as it is about fighting crime. Community policing is a whole new approach to government, and a new way of delivering police services. It focuses on preventing crime instead of responding to it by 911; it focuses on results instead of paperwork; it forces departments and officers to work with communities as partners instead of imposing solutions; and it empowers police officers to be cops fighting crime instead of bureaucrats pushing paper.

To demonstrate the clear link between community policing and reinventing government, you can make two additional points:

\* In the campaign, President Clinton promised to reduce the federal bureaucracy by at least 100,000 positions, and use the money to put 100,000 new cops on the street -- and if we pass REGO and the crime bill, we can keep that promise.

\* It's time government went back to doing the things no one else can do better -- like fighting crime and improving our schools -- and stopped doing the things it does poorly, like beekeeping and sheepshearing.

NPR

THE WHITE HOUSE  
WASHINGTON

August 10, 1993  
17

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Bruce Reed  
Paul Weinstein *AW*  
SUBJECT: *The Urgent Need for Focus: How to get*  
Winning the Public Debate Over Reinventing Government  
~~The Urgent Need for Focus~~

The Performance Review is peaking at just the right moment: Public pressure for spending cuts can help drive the rest of your agenda.

In light of these heightened expectations, you need to look for a handful of bold, captivating ideas that will save taxpayers' money -- and just as important, capture the public debate. Your ashtray attack on the government procurement system is one such idea. Your proposal to get rid of 500 reports Congress requested but will not read is another. In this memo, we suggest a few more.

The success of the Performance Review will depend not simply on the total dollar figure of savings you propose or how much support you can garner for them in Congress. If we've learned anything from the lumps we took over the economic plan, it's that winning the public debate takes a few dramatic ideas that get through to the American people. You can't reinvent government without them.

- 1) **Dedicate the savings toward a Children's Tax Credit --** As we suggested to Elaine last week, the most compelling use of the money you save is to give some of it back to the taxpayers. We recommend putting at least half the savings into a Trust Fund that will go toward a tax cut for families with children as soon as Congress goes along. This approach will not only keep an important campaign promise and put your name behind the idea you have always championed; it will make the message easy for the people -- and Congress -- to understand: Cut spending and give the money back. A targeted Children's Tax Credit of \$1,000 per young child would cost between \$5 and \$10 billion per year.
- 2) **Reduce the federal workforce by an additional 100,000 bureaucrats before 1998 and eliminate minimum staffing levels in all departments and agencies --** In return for giving federal workers more responsibility and greater performance incentives, the President should be granted special powers to reduce the federal workforce by another 100,000 bureaucrats on top of the

100,000 mandated by the President's Executive Order of last February. In addition, we should eliminate staffing floors at smaller federal departments and agencies, which create artificially higher staffing levels throughout the federal government.

- 3) **Sunset all new programs and regulations** --- Nothing lasts forever, except government programs and regulations. If a program doesn't work, it should go out of business.
- 4) **Line Item Veto/Expedited Rescission Authority** --- The House earlier this year passed expedited rescission authority, but the proposal is still sitting unacted upon in the Senate because of the opposition of Senator Robert Byrd. The President has always supported some type of line-item veto authority, and this proposal should be included in the budget reform piece of the reinventing government legislation.
- 5) **Require Congress to abide by all the laws it passes.** One way to put government back in touch with the American people is to have Congress abide by the same laws it imposes on the rest of America --- minimum wage, civil rights statutes, family and medical leave.
- 6) **Reduce staff levels by 25%** --- President Clinton stated during the campaign that he would reduce White House staff by 25% and encourage Congress to do the same. We've done our part, so should Congress.
- 7) **Limit the growth of new regulations** --- For every new regulation enacted, Congress should be required to eliminate one old administrative regulation.
- 8) **Let the People Decide** --- In the early days of the Roosevelt Administration, FDR sent AP political reporter Lorena Hickok, a close friend of the family, into the field to report back on how the New Deal was working out. Charlie Peters has been championing the idea ever since. We recommend sending a small team of investigators to look into how federal programs are working at the grassroots level, and report back to the President about whether his ideas are being carried out as he intended. With the President's permission, they would also be allowed to write articles about what they find. This idea could be financed by a grant from an independent foundation, such as Niemann, enabling journalists to serve their country without sacrificing their objectivity.

**To: Vice President Al Gore**  
**From: Elaine Kamarck**  
**Re: Legislative Agenda - Unfinished Business from the**  
**1993 National Performance Review Report**  
**Date: October 28, 1994**

**1.) Civil Service Reform -** Decentralize hiring from OPM, reform labor laws to expand scope of bargaining, reform classification systems and performance systems. Negotiations with unions, management and Hill players in progress. Bill should be ready by start of next Congress.

**2.) Implementation amendments to the Workforce Restructuring Act -** this bill would contain a number of proposals seeking to amend or repeal provisions that make it more difficult to downsize the government. Among them:

- eliminate FTE floors in two FY 1995 appropriations bills
- prohibit inclusion of FTE floors in future legislation.
- amend Persian Gulf Veterans benefits bill to repeal the section that exempts certain federal employees from downsizing.

**3.) One Stop Job Training -** Integrate the government's 150 job training programs into a competitive, customer friendly, delivery system. These changes are pending as part of the re-employment act.

**4.) HCFA Contractor Reform -** This is a package that would contain, among other reforms, provisions for competitive contracting for medicare claims processing. There are potentially big savings here. This would be an important piece of a new, incremental health care reform plan.

**5.) Debt Collection Reform -** Allow agencies to retain a portion of their collections (Justice, SSA, Treasury) Lift restrictions on use of private collection agencies.

**6.) Davis-Bacon Reform -** Simplify and streamline labor laws by raising the threshold and simplifying reporting procedures. Negotiations have been going on with Senator Kennedy's committees and with the Building Trades unions. Hearings should be held at start of new Congress.

**7.) Revision of Regulation E** - This is an important piece of making the EBT (Electronic Benefits Transfer) system national. It would ensure that state governments are not held liable for misuse of EBT cards.

**8.) Legislative Extension of Buyout Authority** - Buyout authority for the civilian side of the government expires in March of 1995. Further downsizing will be made much easier with an extension.

**9.) Bottom up grant consolidation and waiver authority** - Allow states/localities to combine federal grants and work under a single set of federal reporting rules. Important federalism issue. Important to Community enterprise zone grants. Likely to be popular with Governors.

**10.) Other legislative pieces --**

- revise anti-pass-the-hat" provision.
- more financial management reform
- reform of helium reserve program
- reform hardrock mining legislation
- close the DOD medical school
- HUD legislative reforms
- eliminate 500 congressionally mandated reports

**11.) NPR initiatives requiring further thought and political discussions:**

- **Biennial Budgeting:** create a biennial budget and appropriations process. There is vigorous opposition to this in both the House and Senate.

- **Reform Food Safety Inspection Programs:** This proposal involves moving quickly to a science based study and moving FSIS from the Ag. Dept. to FDA. There is significant opposition to this from the Ag. lobby and from the Agriculture Committees although the proposal has support from consumer groups and from Congressman Dingel.

- **Establish a separate government corporation for Air Traffic Control.** This proposal faces significant congressional opposition.

JOCKE  
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NPR

EXECUTIVE OFFICE OF THE PRESIDENT

12-Aug-1994 03:41pm

TO: John C. Angell

FROM: Lisa E. Johnson  
Office of Mgmt and Budget, BRCD

CC: Barry B. Anderson  
Edward M. Rea  
Betty I. Bradshaw  
Richard P. Emery Jr.

SUBJECT: Savings estimates for FTE reductions

Per your request, here are the estimates for savings from FTE reductions through 1999:

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
FTEs (in thousands)	-20.9	-71	-118.3	-151.9	-191.9	-232.9	-272.9
Savings (in billions)	8	-2.9	-4.9	-6.5	-8.5	-10.5	-12.6

# Many people use

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This one is different from the other page because the other page shows "1993 Actual" but this one is from a "1993 Constructed Base". I'm confused.

KS

EXECUTIVE OFFICE OF THE PRESIDENT

12-Aug-1994 06:04pm

TO: Harry B. Anderson  
 FROM: Lisa R. Johnson  
 Office of Mgmt and Budget, BRCD  
 CC: Edward M. Rea  
 Betty I. Bradshaw  
 SUBJECT: re-estimates of FTE savings

As you requested, I re-estimated the savings from FTE reductions using the 1993 actuals and the 1994 Budget as the base.

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
<u>1993 Actual as Base</u>						
FTEs (in thousands)	-50.1	-97.4	-131.0	-171.0	-212.0	-252.0
Savings (in billions)	-2.1	-4.1	-5.6	-7.5	-9.6	-11.7
<u>1994 Budget as Base</u>						
FTEs (in thousands)		-47.3	-80.9	-120.9	-161.9	-201.9
Savings (in billions)		-2.0	-3.5	-5.3	-7.3	-9.3

40.6



## AMERICA WORKS

June 17, 1993

Mr. Bruce Reed  
Deputy Assistant to the President for  
Domestic Policy  
Old Executive Office Building  
Washington, D.C. 20501

Dear Bruce,

I am writing you to let you know about a new job I took at America Works, Inc. (AW), an employment company that puts people who are on public assistance back to work. My new position is that of Development Manager and my responsibilities will mainly focus on expanding the company nationally and strengthening political ties.

It turns out the Founder of the company, Peter Cove, was speaking with Senator Breaux recently about welfare reform and he mentioned that Peter should discuss AW with you. Enclosed is some general information about AW and a copy of Peter's letter to Senator Breaux.

I think you will see why I am real excited about the type of work and success AW has had. This program has received a lot of good local and national press and is featured as a prototype reinventing government program. As a matter of fact, Peter is going to be a part of the reinventing government summit next week in Philadelphia.

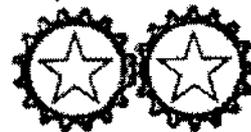
Thanks for taking a look at this information, and if you have any questions call me at (212) 529-2900. Also, tell Paul I said hello.

Sincerely,

Richard Greenwald,  
Development Manager

Enclosure

*Richard Greenwald  
Development Manager*



### AMERICA WORKS

America Works of New York, Inc.  
701 Broadway  
New York, New York 10003

Phone (212) 529-2900  
Fax (212) 614-0921



## AMERICA WORKS

June 16, 1993

Senator John Breaux  
c/o Laird Burnett  
United States Senate  
Washington, D.C. 10510

Dear Senator Breaux:

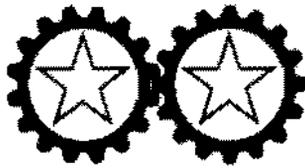
Lee and I enjoyed our conversation with you last evening on welfare and how to change the system from dependence to self sufficiency. We would very much like to continue that discussion over lunch with you. The DLC's endorsement of our approach in Mandate For Change as well as David Osborne citing us as a real-life example of Reinventing Government suggests a potent model for policy change.

I have enclosed information on us. I will call your appointment secretary to see if we can find a time that is mutually convenient. We will also contact Laird Burnett to keep your office up to date on our activities. You may wish to contact Governor Cuomo to check out our experience and reputation in New York. As you can see, as well, Governor Bayh and Mayor Goldsmith of Indianapolis jointly held a press conference announcing that America Works will be opening a company there. A bipartisan approach to welfare reform in this environment of political contentiousness would be welcome on the national level as well, don't you think?

One last thought. You mentioned that we should see Bruce Reed. Would it be possible for your office to set up that meeting for the same day we arrange lunch? Perhaps you would want him at the lunch. In either case, we would appreciate the introduction.

Best Wishes,

Peter Cove  
Founder



## AMERICA WORKS

### THE COMPANY

America Works is an employment company that has been in business for six years in New York and nine in Connecticut. Privately owned, the company places individuals who are on welfare into private-sector jobs. Funded, partially by the Department of Social Services in each state, the company receives full payment for its services only after an applicant has held a permanent, full-time job for seven months.

Together both America Works offices have successfully placed over 3,000 permanent workers in major companies within New York City and the greater Hartford area. The company has been featured on CNN, the NBC Nightly News, The Today Show, CBS and Fox Broadcasting News, and major newspapers and business publications including Fortune Magazine.

America Works employs a staff of experienced managers to help companies fill openings and, more importantly, reduce turnover by maintaining valuable workers.

America Works is headed by Dr. Lee Bowes. She has over 15 years of experience in managing employment companies. An Adjunct Professor at Columbia University, she is the author of *No One Need Apply*, published in 1987 by Harvard Business Press.

### HOW WE OPERATE

The company specifically recruits welfare recipients, provides them with training in basic skills and appropriate workplace attitudes and behaviors, and places them in jobs. The company also provides support services and addresses a range of concerns including medical benefits, daycare, housing, transportation, job supervision and counseling.

An employer who hires an applicant contracts for services during the first four months of the individual's work. During this time, America Works pays the employee directly and monitors their performance weekly with the employer, providing skill training, job coaching, formal evaluations and support services. In turn, the employer pays America Works an hourly rate. At the end of four months, the employer usually elects to hire the individual on a permanent basis, assuming full payroll costs and providing medical and other normal benefits. Sixty-eight percent of the people placed are hired permanently by the employers. One year later 90% are still working. The average welfare recipient earns \$15,000 a year plus benefits once hired by the company. This enables the person to go from a tax burden to a tax payer.

### THE JOBS FILLED

America Works specializes in entry level jobs, and has successfully placed secretaries, data entry clerks, mail clerks, health care workers, assemblers, inspectors and food service people, to name a few. The companies using the services range from such large employers as American International Group and Rosenman & Colin, to small businesses like Irving Brody & Co. and the Cutting Edge.

### A PRIVATE-PUBLIC PARTNERSHIP

America Works is a company that gets paid by the state after its applicants have been hired and are working full time—in other words, after it produces results. This differs from other programs which train people or provide social services. They are paid for process. America Works is paid for results.

The government is guaranteed performance for its money. When a welfare recipient becomes self-supporting, the public costs decrease. In New York City, for example, the government pays approximately \$23,000 a year for welfare benefits to a family of three. When America Works places an individual in a permanent position, it receives about \$5,700 from the government—giving it a substantial return on its investment.

### HOW AN EMPLOYER BENEFITS

Employers have a growing problem. It is getting harder to find qualified entry-level job applicants. Those available either don't want the jobs or do not have appropriate skills. This is costly. America Works eliminates the normal risks associated with hiring new personnel by absorbing the high costs of turnover and by providing an extended trial period for each worker. An employer has no unemployment insurance or workmen's compensation liability during the first four months. In addition, no placement fee is charged. Perhaps most importantly, America Works supplies companies with an easily accessible pool of tested, prepared and motivated workers, as well as providing supports to ease the worker's transition into full-time employment.

### AN ALL-WIN SITUATION

America Works offers an all-win solution to growing public dependency. The hiring company ends up with a qualified, motivated, *proven* employee. A welfare recipient becomes self sufficient. The government gets a guaranteed reduction in its welfare expenditures. And everyone pays less taxes.

**THURSDAY** MAY 13, 1993

**SUNNY**

Clear and cool today. Low 48. Mostly sunny Friday. High 74. Page C-7.  
1 p.m. temperatures



"Where the Spirit of the Lord is,  
There is Liberty." - 2 Cor. 3:17

**LOOKING BACK  
ON 16 YEARS**

Former Mayor William Hudnut  
cites successes, answers criticisms  
— PAGE B-1



**THE  
INDIANAPOLIS  
NEWS**

# Blue Streak

35¢

## City, state hire N.Y. firm to help trim AFDC lists

By **JON SCHWANTES**  
The Indianapolis News

City and state officials have turned to a New York-based placement company in hopes of finding a better way to thin Indiana's welfare rolls.

America Works will conduct a year-long pilot program involving 100 Marion County residents now receiving Aid to Families with Dependent Children.

The company will be paid \$5,000 for each client who keeps a job for at least six months. The state will contribute 22 percent of that amount, while the city, using Community Development Block Grant funds, will pay 15 percent. Other federal funds will cover the remaining costs.

America Works will receive nothing if a client leaves his or her job in less than six months.

Gov. Evan Bayh and Mayor Stephen Goldsmith, who announced the initiative today at a Statehouse news conference, said taxpayers will benefit from the program.

Now, an AFDC recipient costs the state about \$13,000 a year, officials noted.

"We believe that the problems of poverty and the opportunities for economic growth call for inno-

vative approaches," Bayh said. "This state-city partnership to invest in our citizens will bring experts in promoting self-sufficiency into our system."

Goldsmith said the pilot program "may change the way we think" about welfare.

"America Works has developed a business approach to job placement of welfare recipients," the mayor said. "Their performance-based payment system ensures that we will receive full value for every dollar invested in the program and in the participant."

If the pilot program proves successful, it could be expanded statewide, Bayh said.

Since it was founded nine years ago, America Works has gained national attention for its success in placing more than 2,000 welfare recipients into jobs with major corporations in New York and Connecticut.

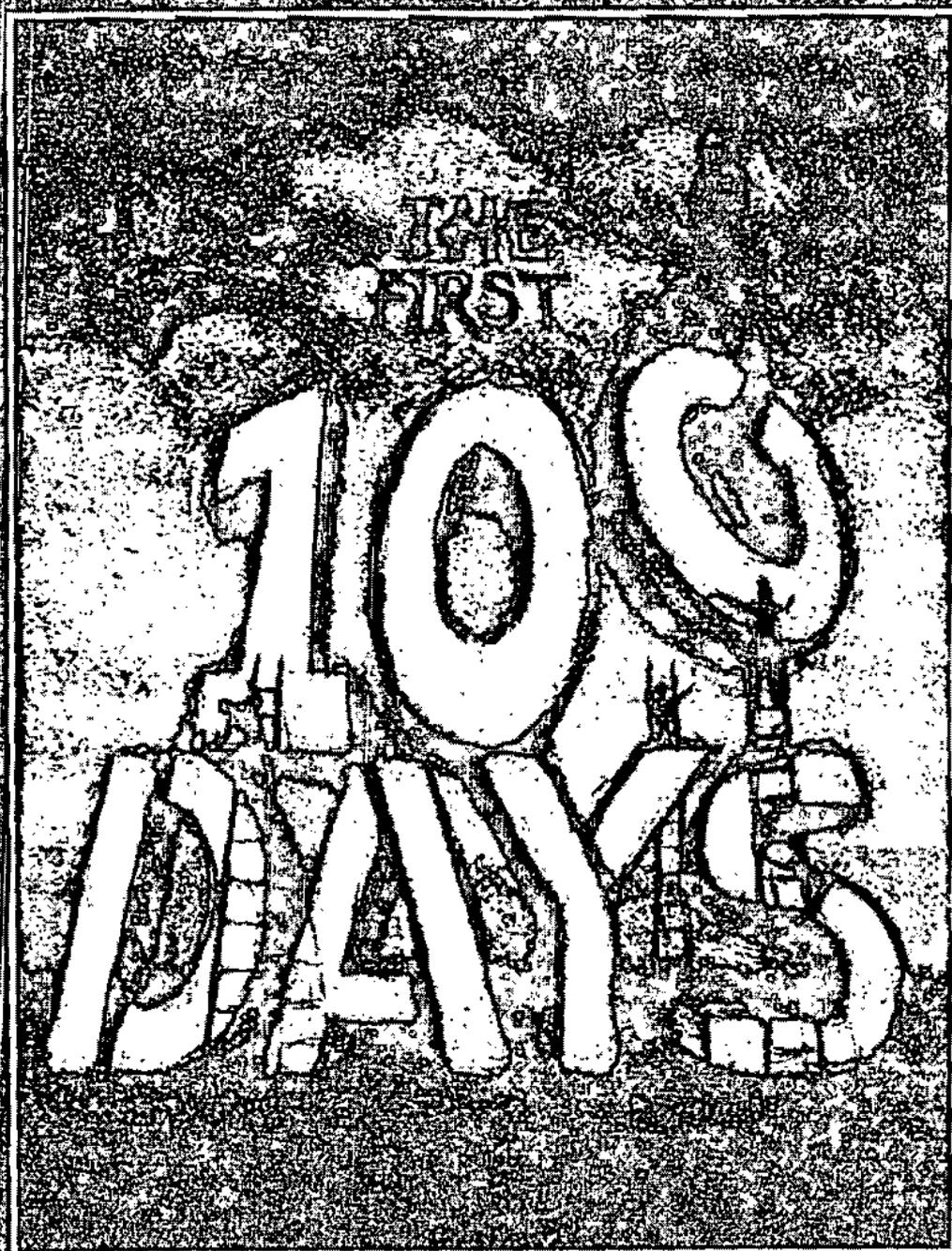
Company officials maintain that 68 percent of their clients get jobs and that 90 percent of those individuals stay employed for at least a year. Based on the company's experience in New York and Connecticut, the average placement salary is about \$14,000 a year.

DEMOCRAT

# THE NEW DEMOCRAT

VOLUME FIVE NUMBER

MAY 1901



THE NEW CHOICE IN AMERICAN POLITICS

# WELFARE FOR SALE

AN INTERVIEW WITH PETER COVE

*With his bushy mustache Peter Cove looks more like a barkeep in an English pub than a welfare reform maverick. Yet Cove has come up with one of the more ingenious approaches to getting people off welfare.*

*America Works, the for-profit company which Cove founded and runs with his wife, CEO Lee Bowes, acts as a kind of temp agency, placing welfare recipients in jobs in the private sector. Businesses pay Cove who pays a wage to the welfare recipient. If the business wants to hire the person, the state pays a fee to Cove. The state saves money because the fee is a fraction of the cost of keeping the person on welfare.*

*I chatted with Cove recently, who explained exactly how his program works, and shared some of his wisdom about how to get people off welfare.*

—David Kurapka

**TND:** What exactly is America Works?

**Cove:** We're a private, for-profit company that takes people on welfare and gets them jobs in the private sector. We have companies in New York City, Hartford, Connecticut and we expect to be opening an office in Indianapolis soon.

**TND:** You're actually a for-profit company that does this? Do you mind if I ask: Are you making a profit?

**Cove:** I don't mind you ask and the answer is yes, the company does make a profit. The way in which we operate from a public policy perspective is that we only get paid for results, not for the process of our program. We get paid for the output not the input.

In a true demonstration of reinvent-

ing government, we are saying to government, "We will invest the money to recruit people who are on welfare, to train them, to place them in companies, to pay them a wage while they are at those companies, to give them a lot of support to help them move from dependency to independency. And only if the companies hire the people and they get off welfare do you pay us. If they don't — if we have recruited and trained and placed and they don't make it — don't pay us a nickel."

It's the first time in the history of welfare to work that we have seen an approach which is so dramatically performance based.

**TND:** How was America Works started?

**Cove:** I first had experience in Boston with a not-for-profit which was funded by the Ford Foundation and the federal government. Over time we realized that the jobs were in the private sector, that it was the support that was necessary for the recipient and the access to those jobs in the private sector.

We started to investigate into how to get into private companies and access the personnel department and then sell your services. We really wanted to make it a business transaction rather than coming and saying "please hire a welfare recipient that we've rehabilitated and retrained."

We quickly began to understand that you sold a service and it was a service to the business that would reduce their turnover, reduce some of their hiring costs, make hiring easier, give them a "try before you buy" so they could try out people. Companies started to buy our services.

As a not-for-profit you can't go anywhere with that. Every time we pulled in money from companies to pay for our services, government cut our contract back by that amount of money. There was no incentive for us.

Also, I wanted to take it on the road and see this in other communities. To do that I needed private capital, and in order to get private capital you need to be a for-profit, not a not-for-profit, so nine years ago I set up America Works.

**TND:** What kind of reaction do you get from local governments? What kind of political obstacles have you faced in trying to set up these kinds of programs?

**Cove:** Perhaps the main obstacle has been the slowness of government to approach contracting for services around production rather than the process. There are lots of government programs for welfare-to-work, which, though well-intentioned, have seemed not to have worked all that well, yet, they still get funded.

Basically government says: "We want people to move from welfare to work so we'll fund some programs that sound like they'll do the job and if they do the job, that's fine, but if they don't do the job they still get paid anyway, because they are paid for the process of what they do, not really for the end result."

The reluctance of governments to take our offer to come into a community, set up a company, recruit, train, place, and only get paid at the end is that the reinventing government movement has only begun recently to take hold in this country. But now we are finding the demand fantastic. The

Mayor of Indianapolis, Steve Goldsmith is saying. "My God, this is what I've been looking for." Mario Cuomo, has been supporting us for five years, and we've been in Connecticut for nine years. A number of other communities have begun to look at us because, I think, government is beginning to recognize that it needs to get what it pays for and we represent in welfare-to-work a way to do that.

A second obstacle has been a reluctance to see for-profit companies involved in delivery of social services. I think some of the reluctance is realistic, but it does not demand a policy of excluding private companies. It seems to me that we've been able to show that a private company can enter the marketplace and use its risk capital to front a program that, if successful will be paid, and if not, won't. That, to me is a good role for the private sector. Many communities are beginning to see that should be part of the overall approach to welfare-to-work. It's not the only approach but it's part of an approach.

**TND:** What kind of reaction do you get from people on welfare?

**Cove:** They love it! Basically they are sick and tired of sitting in classrooms and being told there's going to be jobs at the end and there aren't and being told *they* have failed, not the program. They are tired of being on welfare. Most people on welfare do not want to be on welfare and they are absolutely ecstatic that we are able to move them pretty quickly into jobs and get them the experience at jobs where they get hired.

The companies love it because they are getting a source of labor that wants to work and that reduces their turnover. They get a chance to look at them before they hire them, because while they are there on a four month trial basis, the company pays us like a temp agency. They get a chance to see if



*America Works founder Peter Cove*

Sally comes in in the morning, is learning the job, gets along with her co-workers, and is someone they want to have in the company. They pay us and we pay Sally the wage during that period of time. At any point if it is not working out we will terminate the person. If the person is doing well, then the company hires at the end of the four months. So its a real win-win situation. Its only at that point that the government pays two-thirds of an agreed-upon fee and then three months later they pay the rest, if the person is still working. That means seven months at the job and another month or two at America Works at least, so about nine months before we get our full payment.

**TND:** What do you believe is the main obstacle for a poor person or someone on welfare from getting a job on their own?

**Cove:** Access to the company. As Lee Bowes has written, most people get jobs because of who they know not what they know. And I know this flies in the face of traditional thinking regarding welfare to work which has it

that the more training and education the individual gets, the better chance they will have to get a job. That just has not been proven. All the careful research over twenty years at MDRC (Manpower Demonstration Research Corporation) and others will tell you that there is very little evidence on the impact of education and training on welfare reduction.

The internal labor markets of companies are not rational. They don't say "Oh you have this kind of degree and this kind of background and therefore you're hired." It's who you know that gets you your job. People on welfare usually don't know a hell of a lot of people who can get them access to at least an interview. What we are able to do is be the old girl's network, if you will, for welfare recipients — get them in the door.

Second, is the support that is necessary during the time a person is moving off welfare. Individuals need assistance to solve the small problems, sometimes large problems, that come up during that period of time.

For example: a mother starts working, and she's been there a week, when her day care falls out. If she didn't have America Works she might not be able to stay on the job and have to go back on welfare. America Works has a person who comes to the worksite once a week or more. That person immediately attempts and usually almost always finds alternative day care or goes and babysits at the house if necessary. Or you've moved into a job and been there two weeks when the welfare department has a meeting they say you have to come to or you lose your welfare benefits. We'll go and represent them at the meeting.

I can give you many examples like these that have nothing to do with whether the person is going to be a good worker or not but can blow a person out of a job. Our turnover rates are very low at companies because we real-

ly are able to help with these two obstacles. Notice I didn't mention a lot of things other welfare-to-work advocates would mention.

Our money in the company goes to sales. We have a huge sales staff that access companies to get in and open up doors. The other part of our program money goes for support on the job and the other major expense is wages of the welfare recipients. If you look at where our money goes and look at traditional employment programs you'll find that our priorities are very very different.

TND: How so?

Cove: The priorities in traditional programs are essentially for upgrading human capital — building education and training. The priorities for America Works are to get a person working, because we believe that working first, and then getting the education and training to upgrade to the next better job and move on is, in general, the better way to do it. I am not saying that I am against education and training programs or that we think they are not a good idea. They are a good idea — they have to come in at the right place.

TND: What are your results over the long term?

Cove: New York state found after a year on the job — having left America Works and gone to work — between 85 and 90 percent were still working and off welfare.

TND: What do you think of Bill Clinton's proposal to limit welfare to two years?

Cove: I think it makes a lot of sense. I am very much in favor of it. But they're going to need the jobs — both public and private — to absorb the people who are ready to enter the world of work. If you want to create a bunch of public

jobs and put people in them, that's easy. I'd do that as a second approach.

The first approach is to build welfare-to-work programs that get welfare recipients working. And where are most of the jobs? The private sector.

I think we should limit our support of education and training programs as a primary strategy to welfare-to-work. I'm not saying we shouldn't have education and training programs — we should, but not as the primary strategy for moving welfare recipients to work.

And so I like the idea of two years and off, but I think we're going to have to face the fact that unless we gear our welfare-to-work programs toward work and not just toward education and training, we may find ourselves with a lot of people going off welfare with no means of support.

TND: Do you think there's anything the federal government could do or should be doing to make your life easier or do you think the federal government should stay out of your way as much as possible?

Cove: The federal government should encourage states to fund programs that are measured primarily by their results, not by what is promised in terms of a program.

That would also fit very well with the president in terms of his desire to see two years and off, because if the government was encouraging states to support programs that got jobs for people, it would make the exit of people off of welfare as the two years ended much more likely to happen as a transition into work rather than a transition into poverty.

TND: Your program is not required for welfare recipients anywhere. What about the argument that you're just taking the cream — the people who are motivated and would likely get off welfare anyway while the hard core people

are still a problem. What's your answer to that?

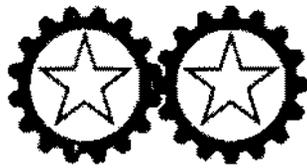
Cove: The answer is this. We take everybody who wants to come in. We never say no. We allow people to keep repeating, even if they fail. The average that we have are people who are five and a half years on welfare about half of them do not have high school degrees.

And now I'm going to say something that again will fly in the face of common wisdom. I honest to goodness don't know the cream from the sour cream. I've been in this business for twenty seven years, and I do not know when someone walks in here, based on their education and their training and their work history, whether or not the person is going to succeed. I just don't know.

And if I started to make those bets based on some socio-economic data this company would go out business real fast. The way in which we "bet" on people is the desire to get off welfare and the willingness to go through steps necessary to get you there.

So what do we do? We set up a lot of hoops and appropriate supports for candidates to go through. We never say no a candidate, they can repeat — on our nickel, by the way, since we only get paid for success. The first week is a pre-employment training class. If a person is ten minutes late any day they have to start again. They begin to learn that you're not ten minutes late because you get fired for that.

We say to government when we come into a community, "You are paying the bill, you decide who we should serve. Do you want us to take the long term welfare dependent person or someone who just got on because you want to nip it in the bud? Its your nickel. You make the determination who you want us to take." From that group its going to end up being a group that shows that they have some motivation and since most people on welfare want to get off, we have no problem finding the people.



AMERICA WORKS  
**1993 SELECT CLIENT LIST**

**Amalgamated Life Insurance Company**

**American Express**

**American International Group**

**ARA Services**

**Backer Spielvogel Bates, Inc.**

**Bank of Boston**

**Barney's New York**

**Condé Nast**

**Continental Insurance**

**Cornell University Medical Center**

**The Dreyfus Corporation**

**Ernst & Young**

**Goldstein, Golub, & Kessler, CPAs**

**Macmillan Publishing Corporation**

**Marriott Corporation**

**McGraw Hill**

**Pierpont Morgan Library**

**Rosenman & Colin**

**Saatchi & Saatchi**

**Sheraton Park Avenue Hotel**

**Simpson, Thatcher, & Bartlett**

**Time Warner**

THE WHITE HOUSE

File

5-12-93

BRUCE,

DID NOT HAVE THE OPPORTUNITY TO TALK TO YOU  
AFTER THE URBAN ENTERPRISE ZONE BRIEFING.

JANET BLANCHARD SUGGESTED I CONTACT YOU  
RE: ADM. CONF. OF U.S.

KINDLY APPRISE.

FELIPE FLORESCA  
(-1663)

Bruce  
Felipe Floresca  
FO 65

PSW-  
???

BR

# Withdrawal/Redaction Marker

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
004. memo	Administrative Conference of the United States (ACUS) council members (1 page)	ca. 1993	P2, P5, P6/b(6)

**This marker identifies the original location of the withdrawn item listed above.  
For a complete list of items withdrawn from this folder, see the  
Withdrawal/Redaction Sheet at the front of the folder.**

**COLLECTION:**

Clinton Presidential Records  
Domestic Policy Council  
Bruce Reed (Subject File)  
OA/Box Number: 21208

**FOLDER TITLE:**

Reinventing Government [1]

rs73

### RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

**BACKGROUND INFORMATION**

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

AUTHORIZING STATUTE OR EXECUTIVE ORDER: 5 U.S.C. § 574

COMPOSITION: Governed by a Chairman and ten (10) Council members. Also, there is a membership category of 50 government officials and 40 public members.

OTHER MEMBERSHIP REQUIREMENTS: None.

TERM LENGTHS: Five years for Chairman; three years for Council members and two years for government and public members.

COMPENSATION: Chairman (Executive Level II). All others serve without compensation, but shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in carrying out the functions of the Commission.

METHODS OF SELECTION: Chairman and Council members appointed by the President; government members selected by Federal government department and agency heads; public members selected by the Chairman.

# I. DESCRIPTION OF THE ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

## A. STATUTORY MISSION

The Administrative Conference of the United States is a permanent agency consisting of 101 members who are federal agency heads, the government's top legal officers, leading academics in the field of administrative law, and experts from private life who are knowledgeable about governmental processes. The agency advises and makes recommendations to cabinet departments and administrative agencies, the President, the Congress and Judicial Conference of the United States on ways to improve the fairness and efficiency of administrative procedures used by federal agencies. These procedures include those used to conduct adjudications, rulemakings and other agency activities. In addition, the Conference advises on matters of administrative law relating to judicial review of agency decisions. The Conference also works informally with agencies to improve their administrative procedures. It fields hundreds of questions from agency personnel concerning administrative process each year and devises model rules such as those for agency implementation of the Equal Access to Justice Act. It collects and synthesizes materials like the *Agency Guide to Rulemaking* (Published in FY-91), the *Sourcebook on Federal Administrative Procedure* (currently being printed), the *Sourcebook on Federal Agency Use of Alternative Dispute Resolution* (last issued in 1987, being considered for revision in FY-95), the *Sourcebook on Negotiated Rulemaking* (1989), *Multi-Member Independent Regulatory Agencies: A Preliminary Survey of Their Organization* (revised in 1991) and other administrative law reference materials. Workshops and seminars on key topics of current concern in administrative law and governmental processes are regularly conducted. This saves agencies from expending resources independently to accomplish similar tasks and provides a mechanism for ensuring consistency from agency to agency in procedural matters affecting the public.

## B. MEMBERS AND STAFF

The Administrative Conference of the United States is headed by a Chairman who is an advice-and-consent Level II appointee with a term of five years. Currently, Brian C. Griffin who was appointed on December 23, 1992 by President Bush, is serving as Chairman. The President nominated Mr. Griffin of Oklahoma to a five year term as Chairman. Mr. Griffin previously was Deputy Assistant Attorney General with the Tax Division at the Department of Justice. The Chairman acts as the chief executive of the Conference, presiding over its meetings. He also heads the Office of the Chairman which consists of 22 full-time permanent, and two part-time permanent, and one full-time temporary positions.

The Administrative Conference's overall direction is reviewed by a ten-member Presidentially appointed Council, half of whose members have traditionally been from the Executive branch, and the other half from outside the government. Current members of the Council are: Susan Au Allen, Paul Shearman Allen & Associates; Richard Breeden, Chairman of the Securities and Exchange Commission; Walter Gellhorn, Professor Emeritus, Columbia University; William R. Neale, Krieg DeVault Alexander & Capehart, Indianapolis, Indiana; Boyden Gray, former White House Counsel;

and Paul Vander Myde, Vice President for Corporate Affairs, VSE Corporation. There are four vacancies.

Other than the Council, the membership of the Administrative Conference is divided into two categories: government and "public" or non-governmental. There are 50 government members, all from the Executive Branch. These members are either the head of the department or agency or an individual designated by the head. Typically, the member designated is the General Counsel or a legally trained Commissioner. Members do not have to be lawyers, however, and some are not. The 40 public members are appointed by the Chairman, with the approval of the Council, for terms of two years. The listing of both government and public members, is attached.

Because of the prestige of serving on the Administrative Conference, the government receives, free of charge (except for travel expenses for out-of-town members) the services of both its government and public participants -- individuals with an impressive array of accomplishments and experiences who donate hundreds of hours of service.

### C. FORMAL RECOMMENDATIONS

The Administrative Conference has three principal statutory duties, the first of which is to "study the efficiency, adequacy, and fairness of the administrative procedure used by administrative agencies ... and make recommendations to administrative agencies ... the President, Congress, or the Judicial Conference of the United States ... ." [5 U.S.C. § 574(1)] Formal Recommendations of the Administrative Conference are the result of a relatively unique deliberative process that begins with the decision by the Chairman, with the approval of the Council, to pursue a particular research topic. The Chairman's decision is frequently based on informal expressions of interest in a problem by a member of the Conference, a Congressional committee or a member of Congress, an Executive Branch official or an interested citizen. The topics are usually narrow and precise--as can be seen from the list of past Recommendations. [1 C.F.R. Part 305]

When a topic has been defined, the staff of the Office of the Chairman finds a consultant--typically a law professor who already has specialized knowledge about the particular subject. The consultant will interview agency officials, review the literature, and write a 100 to 200 page report on the problem. The consultant works closely with the Office of the Chairman and the members of the appropriate Conference committee throughout this process. The Office normally obtains the services of highly qualified consultants at below-market rates due to the prestige of working with the Conference.

The draft report is reviewed by a Conference committee (all members serve on one of the six committees). If the committee believes it is warranted, it develops one or more proposed Recommendations assisted by public participation and comment. The Council reviews Recommendations proposed by committees and, if it believes the proposals have received sufficient attention, places them on the agenda of the next general meeting of the whole Conference -- or Plenary Session.

At the Plenary Session, proposed Recommendations submitted by the Council are thoroughly debated by the members. Often Recommendations are amended and occasionally they are referred back to committee or voted down. If a Recommendation is adopted, it is published in the Federal Register and is sent to the agencies or to the Congress, as appropriate. The Recommendations of the Conference are codified in the Code of Federal Regulations. [1 C.F.R. Part 305]

The Chairman on occasion receives official requests from agencies, the President's Domestic Policy Council or committees or members of Congress to develop a Recommendation in a particular area. Recent examples were a Congressionally directed study of the Federal Aviation Administration's civil money penalty program, a request from the Domestic Policy Council on federal personnel appeal procedures, and a request from the Office of Personnel Management on the federal administrative law judge program. Several federal agencies transferred funds to the Conference in FY-91-92 in order to obtain Conference expertise and assistance for specific projects involving administrative processes.

#### **D. IMPLEMENTATION AND ADVISORY ACTIVITIES**

The Administrative Conference's second statutory duty is to "arrange for interchange among administrative agencies of information potentially useful in improving administrative procedure." [5 U.S.C. § 574(2)] The Conference accomplishes this task in two basic ways: 1) initiating exchanges with agencies to seek their cooperation in implementing Conference Recommendations and 2) responding to agency requests for advice and assistance.

Implementing Conference Recommendations is an important part of the activities of the staff of the Office of the Chairman. The Office maintains a separate file on each past Recommendation. Information received from all agencies and other sources concerned with implementing a particular Recommendation is documented in that file. Because the Conference has no regulatory authority to implement its Recommendations, it tries to stay abreast of current developments in one or more departments or agencies, or Congressional committees, that may relate to a problem addressed by a Conference Recommendation. The relevant body will be informed of the Conference Recommendation and Conference assistance will be offered. This includes the preparation of testimony, the submission of written comments on agency rule proposals, or the development of training for applicable audiences interested in implementation.

The Office of the Chairman also receives requests from departments, Office of Management and Budget (OMB), agencies, members of the judiciary and Congressional committees for its views on procedural matters or administrative matters in areas in which the Conference has not adopted a formal Recommendation. In such situations, the Chairman or staff of the Office of the Chairman will provide information based on their own expertise and/or on research reports contained in the Conference library. In some cases studies may be initiated to address the area if it appears to have broad application throughout the government or if the requesting body wishes to have Conference assistance under the Economy in Government Act.

Another means for providing advice and assistance to agencies is the Council of Independent Regulatory Agencies, created in April of 1982 at a meeting with the President. This informal group of agency heads is convened by the Chairman of the Conference to discuss matters of interest to over a dozen chairmen of the principal regulatory agencies who are its members. The Conference provides a means by which communication can be shared between the White House and the agencies while respecting their independence. During FY-92 the Conference established a companion group of department and agency chief legal officers which meets quarterly.

The Conference organizes and conducts colloquies to help carry out its mandate "to provide suitable arrangements through which federal agencies, assisted by outside experts, may cooperatively study mutual problems...." (5 U.S.C. §571) In FY-92 the Conference was able to conduct six of these popular and successful colloquies and symposiums. The Conference also annually holds an all-day seminar on current issues in the administrative process for members of independent regulatory agencies

and a program for legislative staff who draft legislation dealing with administrative procedure and process.

The Office of the Chairman also hosts various individuals and groups from foreign governments who are interested in questions of governmental process and in the work of the Conference. During the past twelve months, Conference personnel have worked with officials from numerous countries including Australia, Bulgaria, Canada, China, Great Britain, Israel, Russia, South Africa, and Ukraine. Active assistance continues to be given to the State Department, the Justice Department, and the Agency for International Development (AID) concerning administrative reform in eastern European countries.

### E. CLEARINGHOUSE ACTIVITIES

The third duty assigned to the Administrative Conference is to "collect information and statistics from administrative agencies and publish such reports as it considers useful for evaluating and improving administrative procedure." [5 U.S.C. § 574(3)] The Conference collects and maintains statistics on agency formal adjudications, awards under the Equal Access to Justice Act, and other administrative issues of broad concern within administrative agencies. It also publishes books on a regular schedule that contain materials useful to the administrative community at large. In addition the Office of the Chairman maintains a library that not only includes Conference publications and the archived records of past Conference research projects but also an excellent collection of materials on administrative law subjects. The collection is frequently used by personnel from other federal agencies who need information on the Administrative Procedure Act, the Freedom of Information Act, the Privacy Act, or other legal material relating to administrative law. The library is a Federal Depository Library and is open to the public.

### I. SUMMARY FIGURES

#### Dollar Amounts

1992 appropriation	\$2,227,000*
1993 appropriation	\$2,327,000
1994 request	\$2,327,000

#### Appropriation Language

For necessary expenses of the Administrative Conference of the United States, established by the Administrative Conference Act, as amended (5 U.S.C. 571 et seq.) and not to exceed \$1,500 for official reception and representation expenses; [~~\$2,327,000~~] \$2,327,000.

#### Estimates of Programmatic Application of Funds

(in thousands of dollars)

	Actual 1992	Est'd 1993	Est'd 1994
General Administration	479	459	459
Personnel Compensation and Benefits	1,501	1,735	1,739
Formal Recommendations	158	73	73

(Research; reports)			
Implementation and Advisory (Agency assistance)	40	40	36
Clearinghouse (Information interchange)	44	20	20
<hr/>			
Direct Program	2,222	2,327	2,327
Reimbursable Program	218	50	50
Budget Authority (gross)	2,440	2,377	2,377
Appropriation	2,222	2,327	2,327
Spending authority from Offsetting Collections	218	50	50
<hr/>			
Total obligations	2,440	2,377	2,377
Personnel Resources--FTEs			

1992 Actual1993 Estimate1994 Estimate

24

24

23

\* Original appropriation of \$2,227,000 was reduced \$5,000 pursuant to P.L. 104-141 §523A.

6/9/93

to: Bruce Reed, Advisor to the President  
re: Stephen Buckley - axed for identifying waste  
in a Federal Agency (Termination date 6/1/93)

*Bruce,  
Steve Buckley  
has called  
me!*

I have a friend in my old home town of Bowie, MD, who called me to tell me that he was being let go from his job as an internal auditor in a Federal Agency, and that he suspected his efficiency in identifying waste was a great part of the reason. I am sorry I am so late in trying to do something to help him (his termination was effective as of June 1).

Stephen told me that he faxed an appeal to the Office of the Vice-President before Memorial Day Weekend, but I have not heard from him since then.

I sincerely hope that the commitment to the tasks of trimming waste in Federal Government is not just paying lip service as has seemed to be the case in previous administrations. Many of us who voted for Clinton have had a difficult time in the past few months supporting the positions and actions of our new President.

PLEASE do what you can to carry out the work with which you have been entrusted, and if there is anything your Office can do to help Stephen Buckley, there would be quite a few real Americans out here who will feel fifty satisfied in our faith in our new Administration and in our belief that government can really work "for" us.

Most Sincerely,

Judith A. Heckman  
37 Bernadotte Ct.  
Baltimore, MD 21234

Copies sent to: Office of the Vice-President  
(Elaine Kamarek? Laurie Brackett)  
National Performance Review  
Bob Stone, Director

*then it's taken care of.*

*I think I know Steve Buckley  
from campaign days.  
I don't need to talk to him.*

THE WHITE HOUSE

WASHINGTON

May 18, 1993

Mr. Russ BJORHUS  
State Director  
Farmers Home Administration  
U.S. Department of Agriculture  
410 Farm Credit Services Building  
375 Jackson Street  
St. Paul, Minnesota 55101-1853

Dear Mr. BJORHUS:

Thank you for your letter about our efforts to reinvent government. In the coming months, we will be examining every government program and service to see what works and what we can do better.

I appreciate your taking the time to share this information with us and welcome your ideas. I have passed your advice on to the Vice President.

Sincerely,

A handwritten signature in dark ink, appearing to be 'BRU' with a stylized flourish underneath.

Bruce Reed

Deputy Assistant to the President  
for Domestic Policy



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

410 Farm Credit Services Bldg.  
375 Jackson Street  
St. Paul, MN. 55101-1853

MAR 1 1993

Mr. Bruce Reed  
Deputy Assistant for Domestic Policy  
Washington D.C.

February 23, 1993

Dear Sir:

I strongly support the present administration's effort to cut the cost of Government and reduce waste.

After 35 years of working for the Government and 12 of those in a GS-15 position, I can name many areas of Government that need to be reduced or cut. I will list a few of those areas:

1. GSA has gotten totally out of hand and has extended its control farther than intended. For example: They handle all leasing of office space and it takes them six months to a year to perform a lease. Government agencies in the states can handle this themselves with very little effort or cost. We live in the states and know the market better than they do. It is pure agony to deal with them and they are the worst example of bureaucrats that you can find.
2. The Office of Personnel Management in Washington D.C. requires that all Government applications for employment to be sent to them and they score the individual on his or her resume. Agencies are required to hire off this National Register according to the score given by the Office of Personnel Management. This score is given without a personal interview when a private interview is the most important part of hiring an employee. Government agencies should be allowed to do their own applicant scoring and hiring. We all have trained, experienced personnel staff that can do this very well.
3. The newly created Rural Development Agency (RDA) has installed seven regional offices, which are not needed and only add another layer of Government to do what is already being done. The whole structure of RDA should be rebuilt before it gets fully established.

Please contact State Directors of Federal Government agencies and talk to them about the changes that need to be done to make our Government more efficient and less costly.

Sincerely yours,

  
RUSS BJORKHUS  
State Director



Farmers Home Administration is an Equal Opportunity Lender.  
Complaints of discrimination should be sent to:  
Secretary of Agriculture, Washington, D.C. 20250

## A REVOLUTION IN GOVERNMENT

"The people demand and deserve an active government on their side. But they don't want a government that wastes money, a government that costs more and does less. They voted for change. They wanted a literal revolution in the way government operates, and now, you and I must deliver."

President Bill Clinton  
Remarks to the Cabinet  
February 10, 1993

Today, the President has asked Vice-President Gore to lead a revolution in Washington that will change the way government does business. The American people deserve a government that treats them like customers and puts them in charge -- by providing more choices, better services, less bureaucracy, and a good return on their investment.

Four principles will guide this revolution in government:

**1. Before we ask ordinary Americans to do more, government must learn to make do with less.** It is time to demonstrate that government can be as frugal as any household in America.

**2. Our goal is to improve services and expand opportunity, not bureaucracy.** Over the past decade, America's most successful companies restructured themselves to meet the global competition by eliminating unnecessary layers of management, putting more power in the hands of front-line workers, and finding out what their customers want -- and then delivering it. The federal government must finally undertake the same searing re-examination of its mission that companies go through every year just to survive.

**3. Government will only succeed if it listens to its customers, the American people.** We need to make government customer-friendly -- by giving people more choices, better services, and a bigger say in how their government works.

**4. This revolution in government must come from within.** No one is more frustrated by the bureaucracy than the workers who deal with it every day and know better than anyone how to fix it. Employees at the front lines know how to make government work if someone will listen.

## **THE NATIONAL PERFORMANCE REVIEW**

It is not enough just to cut government -- we need to rethink the way government works. We need to reexamine every dollar of the taxpayers' money that government spends, and every minute of time the government puts in on business. The hard-working people who pay the bill for government year in and year out have a right to know they're getting their money's worth.

For the next six months, under the Vice President's direction, experts from every Cabinet department will carry out a nationwide review of every government program and service. The National Performance Review will enlist front-line federal workers and the general public in a nationwide search for ways not only to cut wasteful spending, but to improve services and make government work better.

The National Performance Review is designed to instill a new spirit of responsibility and innovation into every department. It will challenge the basic assumptions of every federal program, by asking the hard questions that government has dodged for too long:

- \* Does the program work?
- \* Does it waste taxpayer dollars?
- \* Does it provide quality customer service?
- \* Does it encourage government innovation and reward hard work?
- \* Finally, if the answer to these questions is no, can the program be fixed -- or is it no longer needed?

The National Performance Review will put more than 100 managers, auditors, and front-line employees from across the government to work on specific recommendations for improving services and cutting waste. They will:

- \* evaluate the efficiency of every federal program and service;
- \* identify specific spending cuts in federal programs and services that don't work anymore, or no longer advance the mission they were intended to serve;
- \* recommend ways to streamline the bureaucracy by eliminating unnecessary layers of management and reducing duplication of effort;
- \* ask federal workers and the American people to send the Vice President specific suggestions on how to improve services and cut bureaucratic waste; and

\* find ways to improve services by making better use of new information technology, and by making government programs more responsive to the customers they serve.

This Review will not produce another report -- Washington has had too many reports and not enough action. The National Performance Review will present the President with a list of specific recommendations for action -- program by program and agency by agency.

### **The Texas Model**

The National Performance Review is patterned after an innovative and highly successful program pioneered by Texas Governor Ann Richards and Comptroller John Sharp. Two years ago, facing a \$4.6 billion budget shortfall, the Legislature asked Sharp to conduct a sweeping review of every aspect of Texas state government. A team of 100 auditors from 16 state agencies worked around the clock for five months -- conducting hundreds of interviews with front-line workers and fielding thousands of calls from taxpayers.

The Texas Performance Review presented recommendations for savings of \$4.2 billion. The Legislature adopted more than 60% of the Review's recommendations, saving a total of \$2.4 billion. A second review this past year proposed recommendations on how to save \$4.5 billion more.

## **THE CLINTON RECORD ON STREAMLINING GOVERNMENT**

"It is time for government to demonstrate in the condition we're in that we can be as frugal as any household in America."

President Bill Clinton  
Address to Joint Session of Congress  
February 17, 1993

### **Change Starts at the Top**

\* As he had promised, President Clinton reorganized the White House and cut staff by 25% below the level at which he found it -- a reduction of 350 positions -- and cut senior staff pay by 6-10%. Together, these reductions will save \$10 million a year and make the White House more efficient.

- \* Shortly after he took office, the President took executive action to:
  - \* Reduce the federal bureaucracy by at least 100,000 positions;
  - \* Require agencies to itemize administrative costs, and reduce them by 14% over four years;
  - \* Eliminate at least one-third of the more than 700 non-statutory federal advisory commissions;
  - \* Cut the Executive Vehicle Fleet by 50%, close executive dining rooms that don't recover costs, and tighten controls on the use of executive aircraft and home-to-office limousine service.

\* Under the Administration's economic plan, there will be no national pay increase for federal employees in 1994, and increases will be one percent less than current law for each of the three years after that.

*\* Taken together, the measures to streamline the federal bureaucracy, cut administrative costs, and reduce federal pay increases will save more than \$23 billion over four years.*

### **A Detailed Economic Plan of Investment and Serious Deficit Reduction**

\* President Clinton's 145-page, detailed Vision of Change for America offers a new way of governing. The President's plan includes serious and credible deficit reduction and a long-term plan to get our economy back on track without the "smoke and mirrors" of the past 12 years.

\* The package calls for 150 specific domestic savings, as well as a long-term plan to invest in America and an immediate stimulus package to jumpstart the economy and create jobs to get America working again.

F

March 26, 1993

MEMORANDUM FOR HOWARD PASTER  
BRUCE REED  
ROY NEEL

FROM: RAHM EMANUEL *RE*

SUBJECT: RECONCILIATION & REINVENTING GOVERNMENT

After the Easter Recess, when we get the reconciliation schedule, we should coordinate the Reinventing Government piece with our Hill strategy.

By integrating the Reinventing Government piece into our strategy, we will highlight the administration's commitment to fiscal responsibility and cost-effective-government, which should play well during reconciliation.

# DRAFT

J. Kamensky  
03/23/93

## CROSS-CUTTING FUNCTIONAL TASK FORCES

Attached are summaries of the potential mission statements for the following 9 cross-cutting functional task forces for the National Performance Review:

- Budgeting (Karen Alderman; David Fisher)
- Civil Service (Sally Marshall, OPM; Ray Sumser, Army; Debbie Tomchek, OPM)
- Information Technology (Mike Nelson, Chris Hoenig, GAO)
- Financial Management (Mike Serlin, John Hill, GAO)
- Internal Barriers (team leader?)
- Regulation (Jack Quinn)
- Environmental Audit (Bill Drayton)
- Intergovernmental System (Frank Kreusi)
- Design Office/  
Policy Tools (team leader?)

The following are potential task forces that have not yet been assessed:

- Mission-Driven Government/Strategic Planning/Benchmarks
- Agency Organizational Structures

## POINTS RELEVANT TO ALL CROSS-FUNCTIONAL TASK FORCES

### Overall Principles

We need to articulate an overall set of principles to tie across the work of all the task forces. The points on Bob Stone's card are good starters:

We will invent a government that puts people first, by--

- servinq its customers
- empowerinq its employees
- fosterinq excellence

Here's how: We will--

- create a clear sense of mission
- delegate authority and responsibility
- replace regulations with incentives
- develop budgets based on outcomes
- measure our success by customer satisfaction

Other points raised during the past few days include:

- attempt to make the government more results-oriented
- make the government more effective by focusing on quality results--as defined by the customer (both internal as well as external)
- create competition by (1) increasing the use of internal and external user charges and (2) giving line managers the option of buying goods and support services from alternative suppliers; destroy monopolies
- introduce notion of risk management
- the culture of the civil service is overly cautious (too much second guessing) and works against personal responsibility.

### Mission Statement

During the next six months, we will--

- Identify changes in administrative systems and processes that can be implemented immediately, without legislation. We will propose ways to implement these changes.
- Identify changes in administrative systems and processes that could be implemented immediately, with legislative action. We will proposed specific legislative changes.
- Identify potential changes that may require more work, in terms of research or consensus building, and that require legislative action. We will propose a mechanism to carry

this work out.

### Strategies

- Overall approach will be to serve as catalysts, not controllers.
- We will focus on identifying the root causes of barriers facing line managers in serving their customers and attempt to address these root causes.
- We will identify models of success and find ways to spread them more broadly (as opposed to an emphasis on identifying waste, fraud, and abuse).
- We clarify the accountability for results for organizations and managers and, in return, will identify incentives and tools for line managers to better achieve intended results.
- We will take a top-down view of needed changes in administrative systems and processes by looking at previous reports and recommendations. Trace problems back to their source: statute, central management agencies, processes internal to an agency, or processes internal to a staff function. We will assess the feasibility of these changes and plan a course of action.
- We will take a bottom-up view of barriers facing line managers in managing for results. We will feed the results of individual comments, the agency-by-agency reviews, and the shared management agenda agreements reached with individual agency heads into each of the functional task forces.
- We will look at process redesign, with the root causes in mind. (a 1988 study suggests most may be within an agency's control).
- We will encourage variation, not uniformity, in approach. There, however, needs to be constancy of purpose in specific missions.
- We will assess potential reorganization options, but will move no boxes before their time.

### Structure of Teams

- Teams will have 2-3 members. They will each have an OMB and GAO liaison, and will have ties back to each of the agency-by-agency teams. Each team may want to create an advisory group comprised of federal employees and rely on informal

professional networks for advice.

Relationship of Cross-Cutting  
Functional Task Forces to Other  
Related Efforts

- OMB Spring Review
- PCIE/PCMI networks; agency IGs
- GAO work
- Lader/GAO collaboration in 5 areas (FM, IRM, USDA, GSL, GSA)
- CASU/ACUS/NACPS/NAPA

POTENTIAL MISSION STATEMENTS FOR  
THE CROSS-CUTTING FUNCTIONAL TASK FORCES

BUDGET REFORM

PROBLEM STATEMENT:

- Current budget system encourages short-term thinking and provides strong incentives for managers to not save money. Restrictions prevent managers from using funds effectively.
- Current system encourages focus, decisionmaking based on inputs, not results.
- Funding levels are unpredictable.

SCOPE:

- Create focus on results, not inputs, by creating program/results budgets, not line-item budgets.
- Shift funding to a revolving or enterprise fund basis wherever possible, including inhouse functions.
- Look at budget formulation system (accrual concepts, biannual budget, capital budget, rationalizing account structure, life-cycle costing).
- Budget execution systems (transfers between accounts, carry forwards, retain savings, borrow for future productivity).
- Performance budgeting systems.
- Assess budget experiments: end-results budgeting, unit cost budgeting, manage to budget, manage to total costs, etc.
- Allow agencies to retain revenues they raise via internal and external user fees (to reduce notion of "free" goods).
- Eliminate FTE ceilings and manage to budget.
- Create more stability by gaining commitment to a 3-year rolling budget for operational costs in agencies.

## CIVIL SERVICE REFORM

### PROBLEM STATEMENT:

- Current system does not hire the best, train them well, reward them for good work.
- Current system does not give managers sufficient flexibility to pay, reward, or remove employees.

### SCOPE:

- Hiring, classification systems. (decentralize hiring)
- Pay, promotion, and reward systems. (e.g., broad banding, gainsharing)
- Downsizing strategies, RIF procedures, firing of poor performers.
- Training.
- Clarify accountability for results by senior managers, political appointees through use of performance agreements.
- Develop greater continuity in leadership.

## INFORMATION TECHNOLOGY

### PROBLEM STATEMENT:

- Because of poor strategic thinking, we are automating existing processes, not reengineering the business practices.
- We spend \$20 billion a year on automation and do not get value for the money.
- We experience chronic problems in developing and modernizing systems, largely because of problems with the acquisition and budget processes.

### SCOPE:

- Reengineer outmoded business processes to simplify those processes and focus attention on customer needs. (OIRA working with OMB budget examiners).
- Establish common data and processing standards for administrative and financial systems and develop model systems incorporating these standards to reduce development and acquisition costs, and improve data interchange among and within agencies. (don't reinvent the wheel).
- Identify and eliminate barriers to efficient and effective technology procurements. (modify PRA and A-130 to emphasize agency accountability, performance measurement, business planning).

## FINANCIAL MANAGEMENT

### PROBLEM STATEMENT:

- The federal government cannot produce a financial statement; data are often inadequate or erroneous; financial systems and controls are unreliable.
- Performance reports are largely non-existent.
- Government cannot do cost accounting, accrual accounting.

### SCOPE:

- Implementation of CFO Act.
- Decentralize financial management to agencies. FMS/CFO would be responsible for setting standards, providing guidance.
- Improve existing controls and systems; manage for risk.
- Overhaul financial management systems--but first develop strategic vision, performance measures, reengineer processes, and streamline.
- Develop cost concepts (unit cost, accrual accounting). Each agency would have own cost accounting system and have an audited financial statement.
- Create discipline in transaction processing, reconciliations.

## INTERNAL BARRIERS

### PROBLEM STATEMENT:

- There are many areas where the federal government has constrained itself from action, oftentimes in an effort to achieve secondary or tertiary objectives. While worthwhile individually, they create major barriers in the aggregate.

### SCOPE:

- Procurement (recommendations in HGO report may be going in wrong direction; they seem to reduce discretion). Overly constrictive thresholds.
- Contracting: cookie cutter approach to large and small contracts.
- Devolution of central management agency functions; making central management agencies competitive, responsive to internal customers. Focus on OMB, GSA, OPM, FMS. Separate policymaking from service delivery functions.
- Eliminate rules that eliminate competition and require use of centrally provided goods and services.
- Encourage cross-servicing; buy services not central to an agency's mission (see OMB study, #4).
- identify statutory constraints that are not tied to an agency's mission (e.g., PRA, FACA, APA, Reg Flex, FOIA, Federalism EO, Family Impact EO, etc.)

## REGULATION

### PROBLEM STATEMENT:

- States and localities are increasingly being mandated to provide services without federal assistance.
- Regulatory processes that affect the public . . .

### SCOPE:

## ENVIRONMENTAL AUDIT

### PROBLEM STATEMENT:

- Federal agencies do not have a sense of how much environmental damage they create through toxic dumps, nuclear disposal, energy waste, lack of recycling, etc.

### SCOPE:

- All major federal agencies will be required to assess their potential damage to the environment and develop strategies to ameliorate their impact.

## INTERGOVERNMENTAL SYSTEM REFORM

### PROBLEM STATEMENT:

- There are nearly 600 categorical grants that distribute about \$200 billion; in about two-thirds of these grants, the total amount is less than \$25 million apiece. The administrative costs in many of these grants are not worth the cost.
- In policy areas where the federal government plays a minor role, such as in aid to places, it should get out of the business. In areas where it is important to ensure equity, such as in aid to people, the federal government should increase its role.

### SCOPE:

- All federal grants-in-aid.
- Federal tax expenditures (muni bonds)?
- Federal mandates/program regulations. Waiver office.
- Challenge grants.

## DESIGN OFFICE/POLICY TOOLS

### PROBLEM STATEMENT:

- Many federal programs and agencies are poorly designed and as a result are destined to fail.
- The federal role in many programs is via third parties; in addition, in many cases, the federal government is only one of a number of stakeholders in a program's success and cannot control or leverage outcomes.
- Wide variation exists in states and localities and federal programs are predicated on uniformity.
- Broad experimentation is not encouraged.

### SCOPE:

- Creation of a design office to develop systematic approach to development of policy tools, organizational structures.
- Granting waivers to internal requirements on a more lenient, systematic basis; share results and consider wider dissemination when successful.
- Be given authority to grant waivers to statutory program requirements.
- Look at reengineering agency missions: patents, infrastructure, environment, job training, health care, etc.

POTENTIAL ADDITIONS TO CROSS-CUTTING TASK FORCES

MISSION-DRIVEN GOVERNMENT

PROBLEM STATEMENT:

- Too often, government focuses on process, not results.
- Missions are often conflicting or unclear.

SCOPE:

- Identify agencies with contradictory missions (which destine them to failure).
- Program Performance Measurement Systems (includes strategic planning, development of measures, development of targets, reporting systems, program evaluations).
- Consider creating a benchmarks process like Oregon.
- Look at Sunset Mechanisms.

## ORGANIZATIONAL STRUCTURES

### PROBLEM STATEMENT:

- Overly hierarchical agency structures impede customer focus, cost lots of money, result in wasted efforts.
- Central staffs have dual roles of regulation and service delivery. Service delivery tends to be monopoly.

### SCOPE:

- Split policymaking from administration within agencies.
- Split service delivery from regulatory functions within agencies; allow line managers to choose to do it themselves, to contract it out, or to "buy" the services from the central staff office.
- Reduce organizational layers within agencies (however, we can't decide what is value-added; let line managers decide that).
- Reduce central staff as tool for empowering line staff.
- Resolve specific conflicts between agencies (e.g., duplication of efforts, jurisdictional competition).
- Encourage agencies to relocate backroom functions to lower-cost locales.
- Develop organizational performance agreements.
- If there is organizational restructuring, ensure there is a parallel move in congressional committees.

March 14, 1993

TO: AGJ  
cc Roy Neel, Elaine Kamarck

FR: MER

RE: "Revolution in Government"  
Communications

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**GENERAL FRAMEWORK:**

Our work should be organized into four phases - rolling into each other and overlapping where appropriate, remembering throughout to keep expectations under control and, to keep this about more than simply getting rid of waste. While polling/focus group research would be extremely helpful here, in the interim, existing data and common sense makes clear this 'revolution in government' has to be about dramatically changing the way government works, not just about cutting waste.

**The four phases to organize the communications effort:**

**PHASE ONE -- EDUCATE/ENERGIZE:** It's important that people inside and out of the federal government not only thoroughly understand what we're doing but get involved and energized by it. This effort should start immediately and continue throughout the project.

**PHASE TWO -- IT WORKS:** Skepticism and cynicism are high. We need to convince people that we can and will make a difference. We should use this period -- working intensely from April through June (before summer vacations send people packing) to focus attention on successful examples: businesses that work, governments that work. And, during this time, we should look to the working 1-800 numbers and our own research to focus on suggestions that could be implemented quickly, rewarding those who made the suggestions with a White House ceremony of some kind.

**PHASE THREE -- EUREKA!:** A separate strategy must be developed around the release of the final report. It's difficult at this time -- without knowing the contents of the report -- to specifically plot that strategy. But, that said, it's clear we should use July and August to focus on waste and mismanagement in those areas where we will be targeting our efforts -- if people get enraged about waste, it's harder to fight the clean-up. And, we should use this time to consider leaking pieces of our findings. The report's release should represent the beginning of a new assault, not the end of an investigation.

**PHASE FOUR -- KEEP IT ROLLING:** As soon as possible after the release of our report, we need to demonstrate that it is a catalyst for real change. And, we will need to keep pressure on Congress to act expeditiously on the report's recommendations.

## 1. EDUCATE/ENERGIZE

To start immediately, with a focused effort throughout the process, but especially through March and mid-April.

The goal: raise public and government awareness and support of our efforts. It is important to note here that there is great interest in the media about exactly how we're going to proceed -- particularly in staffing levels and organization. We need to have credible answers that do not sink us before we start -- that is, we cannot appear to be creating a new bureaucracy to cut the old, but we do need to be able to present a clear plan of action.

o **CABINET SECRETARIES:** We should organize meetings between you and appropriately grouped members of the cabinet solely for you to energize them to get involved in this effort. There's not much news in you meeting one member of the cabinet, more newsworthy if you meet with three or four at a time in the White House solely for this purpose. Though for political reasons, you will need to talk to each Secretary individually. (I don't think it's appropriate for you to meet with the entire cabinet alone and, while there are internal reasons to raise it at a regular cabinet meeting, it would get lost as a news item.) Following or concurrent to these meetings you could go to each individual agency for a meeting with the cabinet secretary and managers, followed by a real people stop. But these White House meetings with cabinet secretaries are important scene-setters.

o **FEDERAL WORKERS:** We need to reach out to federal workers in a meaningful way, both here in the Washington, D.C. area and around the country. Considering the large number of federal workers in this area, we should start here, but also apply these ideas nationally.

-- **HEARINGS:** We should, as soon as possible, organize hearings for you to listen to federal workers and get their ideas.

-- **SATELLITE HEARINGS:** Some agencies, like Agriculture, have the ability to linkup their workers via satellite. We should take advantage of these facilities for 'satellite public hearings' for you to talk to workers around the country.

-- **LUNCH:** We should, as soon as possible, get you to start having lunch in agency cafeterias, to walk around and talk to workers there about their ideas.

-- **EMPLOYEE/UNION NEWSLETTERS/PAYCHECKS:** We need to get in these. (There is other work that needs to be done to bring the unions in and get their support) And, where the paychecks are concerned, we need to inquire about the possibility of getting either an insert or a message printed on the envelopes inviting these workers to write in. (Because most people probably use direct deposit, we may want to see about getting the message on the outside of the pay receipt information.)

-- **SPEECH:** We may want to think about a major speech to

federal workers outlining this 'revolution'. I like this the least because it offers little new, and because it doesn't further the idea that we're really acting, not just talking.

o **PUBLIC HEARINGS**: Sharp had great success with these and they're worth duplicating around the country. Our goal should be to conduct at least one hearing in each region of the country, in major markets and rural areas by the end of April. In one day, we may want to hit a major market, like Atlanta, and then travel to a more rural area. These would be an opportunity for real people to tell you what works and what doesn't work in the federal government -- though, as Sharp did, we'll need to do some screening of witnesses to get the best stories on first. (First hearings could be scheduled for week of March 22. We could take one day or one day and 1/2 and hit several markets, remembering that if we're after real people, these would have to be scheduled accordingly -- lunch hours, after work, Saturdays.)

o **SITE VISITS**: Unannounced visits to federal agencies to talk with workers, and where applicable, to citizens seeking services. We should start here in the Washington, D.C. area with an eye to continuing these visits around the country. (Though it is probably impossible to do anything unannounced outside of Washington)

o **REVOLUTION TEAM**: We should think about possibly making public some portion of a first meeting with the team assembled to actually do the work here. This could be risky -- we don't want the crowd to be too large, and if it's several weeks before this group is organized, we shouldn't do it at all at the risk of making it look like we're starting late. But, it's worth considering. If Billy Hamilton is coming on full-time, we should announce it.

o **BUSINESS COMMUNITY**: We need to examine ways to reach out to the business community to gain their support for this 'revolution.' This could include but should not be limited to outreach to business-oriented media, and invites to relevant business leaders and groups to come to the White House for meetings with you on this subject. We should also seek endorsements from key business groups.

o **WEEKLY COLUMNS**: Sound silly for a Vice President to be writing a weekly column? Get over it. Weekly columns would be swallowed up by local newspapers around the country and, they'd be read. We should try for two a month.

o **RADIO**: We should start scheduling regular radio feeds and regular appearances on radio talk shows around the country, focusing the interviews solely on this revolution in government.

o **TALK SHOWS/TV TOWN MEETINGS**: This is risky, but we may want to think about milking the TV talk show circuit to focus on

the revolution in government. Or, as part of a less risky strategy, we may want to talk to local stations about giving us time for tv town meetings on this subject. Particularly in cities where there is a large federal workforce, this could work.

o **PUBLIC SERVICE ANNOUNCEMENTS/RADIO AND TV:** We need to investigate the opportunities that might exist for you to tape PSAs for tv and radio that would both inform people of what we're doing and involve them in the work, by inviting them to write in. This may, however, generate too much mail to be worth the effort.

o **NOTE:** Do we need to worry about the release of the first annual report of the Executive Council on Integrity and Efficiency due next month? And, how do we make sure our efforts can benefit from information uncovered by Congressional investigation, e.g. Dorgan's new committee. Also, do we need to convene regular meetings of the IG's to keep them with us? They are generally the first place the media turns for comment.

## 2. IT WORKS

Starting in early April (week of April 5), we should begin focusing our efforts on examples where these principles we're applying in our 'revolution' actually work, with the goal of at least one event of this sort per week.

o **LOCAL/STATE/FEDERAL GOVERNMENT:** There are examples Osborne and others point up, and the locations BC already has visited. Bruce Reed has drawn up a list of suggestions that includes: Los Angeles, CA; Charleston, SC; New York, NY; Chicago, IL; Atlanta, GA; St. Louis, MO; Baltimore, MD; Riverside, CA; Hartford, CT; Boston, MA; Binghamton, NY; as well as Oregon, Arkansas, and Arizona. We need to get these locations on the schedule, possibly in combination with other related events -- like business visits, or public hearings. And, we should remember to focus as well on places where the federal government is working.

o **BUSINESS:** We need to find the companies like Southwest Airlines and visit them. Saturn comes immediately to mind, and we should go there, but there are others. Again, these visits can be in combination with government sites and public hearings.

o **1-800 EXAMPLES:** This is the time frame when we ought to be pulling from the 1-800 calls the very best ideas that can be implemented quickly and drawing attention to the changes we're making in response, and to the people who have made the suggestions. We may want to think about some kind of White House ceremony for the very best suggestions we get.

o **QUICK HITS:** If our work uncovers some real boondoggles that we can correct, we should put them out during this period --

as a way of proving what we're doing works and, as a way of maintaining interest. Sharp's folks did this to some success. There are plenty of examples to draw from -- increasing use of third class mail is one place to start.

### 3. EUREKA!

It's difficult to be precise here, not knowing the nature or shape of the final report. But in general, this should be a plan that kicks in about four weeks prior to the release of the final report.

o HINT, HINT: What Sharp did well was manipulate expectations. For example, they leaked their plan to get rid of the Education Agency -- convincing people they were serious. Then, they fed an intense media curiosity for the final figure for cuts, at first leaking it would be \$1 billion and then ratcheting it up to \$3 billion. When the final announcement -- \$4.2 billion -- came, it appeared even more remarkable. We should learn from his experience.

o ANNOUNCEMENT ITSELF: We need to talk more about this depending on the contents of the plan and the environment in which it will be released. At a minimum, we should be ready with:

- BRIEFINGS FOR NATIONAL AND REGIONAL REPORTERS
- CAMPAIGN TOWARD PUNDITS, COLUMNISTS
- BRIEFINGS FOR CONGRESS
- BRIEFINGS FOR CABINET
- BRIEFINGS FOR LABOR, INTEREST GROUPS
- EDIT BOARD STRATEGY/MEETINGS WITH BIGGIES
- OP-EDITS (from the VP and others with credibility and clout, including those in the business community, state and local government)
- CALL-IN CAMPAIGN TO CONGRESS
- SATELLITES/RADIO FEEDS
- TALK SHOWS (Wouldn't Larry King love this one?)

### 4. KEEP IT ROLLING

We need to think beyond the announcement of the plan so that it represents a beginning to real changes and not the end of a process. Action here also will depend on how exactly these recommendations will be implemented, which isn't completely clear at this writing.

o EXECUTIVE ORDERS: Where the President can implement pieces of this plan immediately, he should. We ought to think about whether that can or should be done the day the final report is issued, or whether we want to get a separate hit out of the Executive action that would start implementation.

o CONGRESS: We need to work with the DNC to exert the same

kind of pressure they were able to leverage on the economic plan with phone calls, etc. And, we need to think about the possibility of hearings or other means to share the credit with Congress.

o TOWN MEETINGS: We ought to take this plan on the road and sell it to real people tired of paying too much and getting too little from government.

o FEDERAL WORKERS: We need to keep these folks on board -- particularly if the final report will mean job losses. We should think about recreating some of the early activities involving federal workers in this time frame immediately after the report is released. We need to make sure they're invested in our recommendations and feel ownership, at least in part.

o ENDORSEMENTS: This effort must start in the final days before the report is announced so that on the day it is announced and in the days immediately following we can pull in high-powered and credible endorsements -- from Congress, from labor, from business, from credible public interest groups aimed at cutting waste, from academics, etc. We may want to think about some strategy to bring some of these groups to the White House for public events.

o OP EDITS/WEEKLY COLUMNS/RADIO FEEDS/SATELLITES, ETC: Continuing after the plan is completed, with all-out assault starting with formal announcement of the report. We need to pay special attention to involve labor and business in this effort, as endorsers of our recommendations.

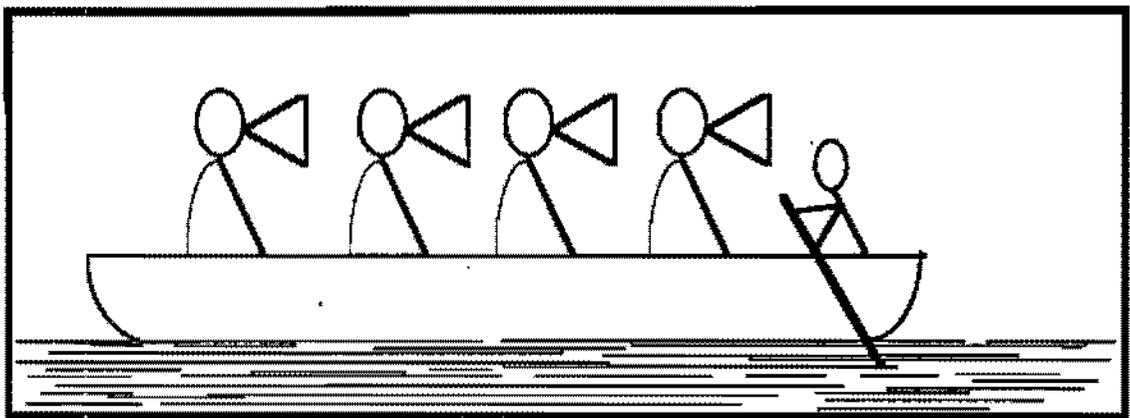
o CONTINUING THE FIGHT: This may be too hokey, but we should consider whether we want to start a new kind of 'Golden Fleece' award, similar to Proxmire's and to Sharp's Golden Snout award. This could be a continuing source of interest and could feed off the 1-800 numbers and the IGs, as well as others, for information.

o WHAT'S THE NEXT STEP: Seems obnoxiously premature now, but in September, we're going to be looking for it. If this effort is about an ongoing commitment to change the way government works, if it is about more than a six month audit, we need to be prepared to say what the next step will be, beyond enactment of the NPR recommendations. What will remain after the NPR is finished and it's recommendations are released and begin to be acted upon? How will we continue to change government, fight waste, etc.

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March 9, 1993

# The Federal Performance Review



Reprinted from *Latin American and the Economic Restructuring*

*Creating an Entrepreneurial  
Federal Establishment*

Draft, 12 Jan 93

Reinventing Government  
Master Plan

Here are the products that are needed:

- Executive Order: This is nearly the first order of business. Tab A
- Letter to Agency Heads: We've got to get things moving on many fronts. If we want every agency to move together, it will only be at a speed set by the most recalcitrant or inept. Better to tell each agency head what the President wants, then empower them to get started doing what can be done within their agency. A draft letter is attached, with a sample plan for the Defense Department as an example. Tab B
- Legislation: There is a package prepared in 1989 by Jack Marsh (former Secretary of the Army) for Dick Cheney. It was shelved. Milt Hamilton, (Adm Asst to Sec Army) has the file). It's a good start, at least to streamline the way the government operates (i.e., as distinguished from the way it disburses grants or entitlements). Tab C
- Goals: TBD
- Action plan for the President and Agency heads: TBD
- Guide book for practitioners: Practitioners need to comb the following, and for starters, implement whatever reinvention ideas seem to apply to their own organizations:
  - Putting People First*
  - Reinventing Government*
  - Laboratories of Democracy*
  - Mandate for Change* (especially Chapter 12)
  - Clinton comments at Economic Summit Tab D
  - Other Clinton positions?
- Potential implementers: People who could serve as knowledgeable and dedicated reinvention champions, or who could help agency heads get going:
  - Bob Stone and Gerry Kauvar, Defense 703-697-5371
  - Mike Serlin, Treasury 202-376-1301
  - Sally Marshall, OPM
  - Don Gray, GSA 202-501-0100
  - Bob Knisely, Transportation 202-366-3282
  - Sandy Hale, Nat'l Acadmy Public Admin, ex-Minn state govt 612-377-3878
  - John Hill, GAO, referred by Ted Gaebler
  - John Kamensky, GAO, 202-512-2718

Executive Order Number One of January 20, 1993

## Reinventing the Federal Government

The first priority of the federal government is people. We will put people first by changing the way the federal government does business, fundamentally.

We have to reinvent government by offering more empowerment and less entitlement, more opportunity and less bureaucracy, more choice and less restriction.

The people who work in government bring to their work an uncommon amount of talent and dedication. But the obsolete systems in which they work sap their energy and frustrate their creativity. Reinventing the federal government will liberate their energies, unleash their creativity, and heighten their ability to serve the public.

This order provides the blueprint for reinventing the federal government. It comprises ten principles:

**1. Catalytic government: Steering Rather than Rowing.** Government must move toward making sure other institutions are delivering services and meeting the nation's needs, rather than hiring more public employees to do the jobs.

**2. Community-Owned Government: Empowering Rather Than Serving.** Government must push ownership and control of its programs into the community, making sure that needs are met.

**3. Competitive Government: Injecting Competition into Service Delivery.** Competition is not wasteful. It drives us to embrace innovation and strive for excellence.

**4. Mission-Driven Government: Transforming Rule-Driven Organizations.** We must move toward a government where people and organizations are driven more by a sense of mission and less -- far less -- by rules and regulations.

**5. Results-Oriented Government: Funding Outcomes, Not Inputs.** Government must focus on the results of its efforts, not on the money spent trying. Budgets must be moved from specifying line-item accounting to specifying objectives and results.

**6. Customer-Driven Government: Meeting the Needs of the Customer, Not the Bureaucracy.** Public managers must move toward pleasing the customers they serve, and assessing their success by measuring customer satisfaction.

**7. Enterprising Government: Earning Rather than Spending.** The profit motive must be turned to public use, with incentives for federal managers to save money, to make good investments, and to earn the cost of staying in operation.

**8. Anticipatory Government: Preventing Rather than Curing.** The government must move from solving yesterday's problems to preventing tomorrow's. Planning and accounting systems must be overhauled accordingly.

**9. Decentralized Government: Participation and Teamwork Rather than Hierarchy.** Government must move many decisions into the hands of customers, communities, and nongovernmental organizations. It must push others to its employees by flattening its hierarchies.

**10. Market-Oriented Government: Leveraging Change through the Market.** Government must accomplish its ends by moving away from command and control, and toward market mechanisms (supply, demand, accessibility, information, rules, and policing).

All Executive Departments and Agencies are charged with carrying out this blueprint as a top priority.

Bill Clinton

Memo for Heads of Executive Departments and Agencies

Subject: The Federal Performance Review

President Clinton has announced his Federal Performance Review, with the aim of making the Federal government work for its customers.

This is a tall order requiring efforts at all levels, from Administration-wide to front line activities in your agency. The President has asked me to coordinate the Administration-wide effort, which will include legislative and regulatory change.

The President doesn't want you to wait for all these changes to happen. He wants you to move now, under your existing authority, to bring about the kinds of changes that are outlined in Chapter 12 of *Mandate for Change*.

To help you understand what we're driving at, I have attached a draft of an implementation plan for the Department of Defense. DoD isn't committed to precisely that plan, but it does represent a tangible list of actions that go in the right direction. If it helps spur your thinking, you're welcome to use it.

Please let me know within 60 days:

- What changes you have made
- What changes you plan under your existing authority, and the schedule for implementation
- What changes you would like to make but can not without relief from legislation or external (to your agency) regulation.

I will distribute your lists of changes to each other, so that you all can see what each other is up to. I expect that the President may want to schedule a Cabinet meeting for a show and tell session.

If you want any help, or if you have any unanswered questions, let me know.

*Signed By*  
Senior Domestic Policy Advisor  
to the Vice-President

Attachment

Reinventing the Defense Department

Here's how the Defense Department might move quickly to implement the ideas set out in *Mandate for Change*, Chapter 12, "Reinventing Government." The italicized words are from the book. This plan could also serve as an example for other agencies of how they can get started.

DoD could implement the ideas more effectively if the laws were changed. In fact, we have available a 1989 legislative proposal that includes many of the changes advocated by *Mandate*. However, there is no reason to wait for Congress to act. DoD has considerable flexibility now, and could move immediately.

1. *To create a mission-driven federal government--one that focuses on results not rules--the new administration should:*

*a. Establish a performance-based budget system that offers flexibility in exchange for results:*

- Liberate managers from microscopic line-item control, and allow their agencies to keep part of any money unspent at the end of the year*

About one quarter of defense expenditures are paid into the Defense Business Operating Fund, which puts money into the hands of managers and commanders, and allows them to purchase goods and services from DoD suppliers (e.g., Pacific Fleet pays Navy aircraft depots to overhaul its airplanes). Next year the DoD will test expansion of the fund to a few bases where "tenants" (e.g., an Army combat division) will pay their "host" (the base commander) for the buildings and training areas it uses, and for the food, trash disposal, and other services it uses.

DoD is working to minimize the number of line items in the fund (i.e., give the operator a single pot of money), and to allow operators effectively to carry funds over the end of year.

For operations not covered by the fund, the DoD could implement a unified budget by allowing commanders to swap money between accounts and to swap between years.

DoD could allocate all budget authority to the lowest level possible, along with authority for personnel actions (hiring, promoting, training, etc.) purchasing general use items, and renting buildings. Now budget authority is doled out quarterly, with several headquarters levels holding back a portion in case something unexpected happens.

DoD could undertake a top-driven activity to reduce and eliminate rules of all kinds. Past efforts failed because the Secretary or Deputy Secretary weren't deeply involved; this will take their personal time to be successful.

Note: This principle also argues for elimination of all head count and hiring/firing controls, but that may conflict with the Clinton plan to reduce federal employment 100,000 by attrition.

- *Develop performance measures for all federal programs*

DoD could intensify its efforts to develop and use performance measures everywhere. Some operating commands (e.g. Air Combat Command and Naval Air Systems Command) and agencies have been using performance measures extensively for years. The DoD Comptroller's office could collect this experience and publicize it around DoD, while they continue their effort to develop measures to comply with the federal Chief Financial Officers Act.

- *Devise a budget that specifies performance targets and rewards agencies that exceed those targets*

DoD has been using this approach, called unit cost budgeting, effectively, as noted in *Mandate for Change.*, in the warehousing activities of the Defense Logistics Agency. DoD is expanding unit cost budgeting.

b. *Overhaul the Civil Service system*

*Mandate* advocates a bill to overhaul Civil Service along the lines of the special authority the Navy has had for ten years at two bases in California (known as the "China Lake experiment"). Much of the overhaul will have to await passage of the legislation, but there are some things that could be started now. DoD could delegate a number of personnel authorities to installation and activity commanders as noted above, and could ask the Office of Personnel Management to delegate its hiring, classification, and certification authorities to DoD, in accordance with *Mandate's* proposals.

c. *Negotiate a "Grand Bargain" with federal employee unions*

This will require Presidential action. DoD on its own can minimize layoffs, but eliminating them while the budget is falling so sharply will require government-wide policy changes (e.g., transferring displaced DoD employees to other agencies).

*d. Establish Sunset law & commission*

DoD can move now to get rid of programs and regulations that have outlived their usefulness. As noted above, the Secretary or Deputy Secretary needs to lead the effort to get rid of unneeded rules. Some of the obsolete rules and programs are based on laws, and their elimination must wait; however, most are within DoD's authority to eliminate.

*2. To create an enterprising government--one that seeks opportunities to earn rather than spend*

*a. Non-tax revenue act to create incentives to search for revenues*

DoD already has some earning authority. For example, it can spend money from the sale of recyclable materials, it can get communities to offer buildings and services in order to get DoD jobs, and it can allow private entities to use government assets, principally land, in exchange for some benefit to the government--usually a building or buildings (hotels, houses, offices, stores, banks et al) that DoD people can use at concessionary rates. DoD has the authority to outlease some land and use the net proceeds to operate its bases. Use of this authority has been very limited.

Use of this authority could be expanded considerably. Every base commander knows what opportunities exist at his or her base. They could be empowered to seek and exploit such opportunities. In addition, private retailers could be invited to set up on DoD bases in exchange for payments to the base.

*b. Create an innovation fund for agencies to borrow and invest*

DoD has long had a small fund for productivity-enhancing capital investment. Some spending authority was simply set aside, and the Services were allowed to bid for it on the basis of what they expected to save as a result. They "repaid" by giving up future budget authority.

DoD could move now to build on this experience, amending the budget request for fiscal year 1994 to set aside perhaps \$200 million (1/10 of one per cent of budget) for such a fund, which could pay for buildings and equipment that save money, and would also fund investments that would earn money for DoD.

*3. To create a catalytic government--one that focuses on steering (or policy management) rather than rowing (or service delivery)*

*a. Introduce a bill that would cut spending for designated agencies, such as Agriculture, HUD, and Commerce by 6 per cent a year, in exchange for flexibility*

b. *Create a national information agency*

Neither of *Mandate's* specific proposals are applicable to DoD; however the discussion under "Enterprising Government" applies here as well: DoD widely provides services to our own people (10 million active duty, Guard, Reserve, and retired military personnel and civilian employees) that private entities would be eager to provide. DoD has done a little to get private enterprise to build and operate family housing, hotels, movie theaters, restaurants, and child care centers, but has avoided allowing private department stores or groceries to operate on military bases. Much more could be done if DoD leadership wanted to.

4. *To create an anticipatory Government - one that focuses on prevention*

*Propose "Truth in Spending" bill- new acct'g stds, capital budget, 10-yr projections*

DoD could introduce accrual accounting, capital budgeting, and 10-year spending projections on its own, but the federal government would be better served by one, not many such systems. It would probably be better to wait for the whole government to move to the new system.

A different idea, but consistent with the thrust of "prevention rather than cure," is using the military to help restore America's cities. It's too late to prevent the Los Angeles riot, but not too late to prevent other cities from disintegrating. Troops could teach, train, help, and serve as role models, and help avoid the need for later policing and riot control.

5. *To create a competitive government--one that injects competition into federal service delivery*

DoD has long been the federal leader in allowing private companies to compete with government organizations to provide services on military bases. This has been done under the OMB circular A-76, and has allowed the government to contract for work formerly done by 150,000 government employees, and save about 25% of the cost--about \$3 billion annually.

The A-76 program has fulfilled its potential. The easy opportunities have been exploited, and attempts to do more have stirred up a hornets' nest of opposition from unions and the Congress, which has legislated the program out of existence in DoD.

There is, however, a lot more that can be done to introduce competition into DoD operations. Much of DoD's operation can be put on a customer-

\*

supplier basis. The Defense Business Operations Fund (see 1., above) is a move in the right direction. It could go farther, however, to free customers. Here are some examples of things DoD could do now, under existing authority, to inject more competition into service delivery:

- Let managers buy housekeeping and maintenance services outside if they can get better or cheaper service, and make them the exclusive judge of whether it is better or cheaper.

- Let managers buy travel services wherever they can get the prices and service they want. They can look after their own travel budgets.

- Let base commanders buy design and construction management services commercially, in competition with the Army Corps of Engineers and the Naval Facilities Engineering Command.

- Let base commanders buy fuel oil locally in competition with the Defense Logistics Agency (DLA).

- Let base commanders sell recyclable materials themselves, rather than forcing them to turn the materials over to DLA for sale.

- Allow DoD activities to rent their own office space in competition with the General Services Administration.

- Let base commanders buy personnel services from the DoD personnel office that offers the best deal.

At the same time managers and commanders are being freed, DoD's internal customers must be freed if they are to have a chance to get enough customers to survive. We need to do the following to free internal vendors:

- Free the Army Corps of Engineers, the Naval Facilities Engineering Command, and all internal vendors, from red tape and regulations that keep them from being competitive.

- Allow internal vendors to sell their services throughout DoD, and to other government agencies, and to make a profit.

To keep faith with President-elect Clinton's pledge to reduce government employment by attrition, DoD will have to limit job losses in internal vendor organizations that lose business. One way is to give the affected employees hiring preference in the internal organizations that gain business; another is to limit the amount of business that can be lost in any year.

Reinventing Government  
Legislative Proposal

Reinventing government will require new legislation. *Mandate for Change* proposed the following new legislation:

(Insert summary from *Mandate*)

Other proposals will come from agency heads, as part of their 60-day report. In addition, the Defense Department prepared a legislative proposal in 1989 to simplify the laws governing defense procurement, civilian and military personnel, environment, and financial management. The proposal was shelved, apparently because of expected lack of support on the Hill. Many of the details are consistent with reinventing government. The 1989 proposal should be combed for pieces applicable to the current effort.

All the legislative changes will elicit determined opposition from within the executive branch. It will take some committed leadership from OMB to put an Administration proposal together.

CLINTON ON REINVENTING GOVERNMENT AND QUALITY MANAGEMENT

Economic Summit, Little Rock, December 15, 1992

Extemporaneous Introduction of Reinventing Government Panel

I want to begin by asking everyone to focus on the topic, which is the connection between economic growth and changing the way government does its business.

There has been a lot of discussion lately around the whole jargon -- David Osborne wrote a book called Reinventing Government and another called Laboratories of Democracy, and he is part of a group of people -- including Doug Ross who is here -- who have been interested in the whole notion of whether you could not only make the taxpayers happy, but actually improve the performance of government and the productivity of the economy by changing the whole way government does its business.

Now some of this is as simple as the old-fashioned slogans of reducing paperwork and eliminating waste, fraud, and abuse, and privatizing certain things or not or stopping certain subsidies or not. But some of it involves changing the way government does its business.

You heard a little talk in Senator Gore's panel about changing the nature of environmental regulations from a command and control regulatory model to one in which we set goals, give market incentives, and then evaluate results, rather than just trying to micromanage the process.

There is also in government today in various places across the country a serious attempt to literally restructure the way government bureaucracies themselves operate, through a sort of total quality management approach, which our state government here has begun to implement, and which Donna Shalala has had great success with at the University of Wisconsin.

So there are a lot of different concepts in the air here, but I did want to sort of set the stage by saying I think one of the things that it's obvious if you listen to everybody who talked today -- whether they were Republicans or Democrats or somewhere in between -- there is a virtual unanimous consensus even when we disagree about what we should do, everybody acknowledges there will be a very aggressive and active national government in our future. And that if we're going to have the sort of economy we want there will be some sort of partnership -- for good or ill -- between the public and private sectors.

So today we have three panelists, who I'll ask to be fairly brief. Two of them,

Doug Ross and David Osborne will talk a little about the whole notion of Reinventing Government and what that means, and its various manifestations.

The other, Ernesto Cortes will talk a little bit, I hope, about what it would mean to empower citizens, and how important it is to have citizens themselves be empowered. If you're going to have government function properly, government has to be able to hear from the poor as well as the rich and those in between.

### Following the Presentations

You've heard two different points of view that in my view both have to be represented in our efforts to create the government we need for the 21st century. The most impressive things I've seen travelling around this country in the last seven or eight years fall into two categories, I would say. First the effort to restructure public organizations and make them work in ways along the lines that David [Osborne] and Doug [Ross] described, whether schools or other public organizations. And second, the efforts to empower people at the grass roots level to have community organizations. And when you see the two forces merge it's really stunning.

These two points of view are very important to whether we can succeed.

### Fortune Magazine, November 30, 1992

When I talk about reinventing government, I mean it, big time.

### Meeting with USA Today Editorial Board, August 12, 1992

(When asked how he would cut federal spending)

A lot of the money that could be cut out of the federal bureaucracy is money that would be found if you had a really serious effort to review the operations of the federal government from a quality management perspective.

[He then refers to a Fortune article on GE, repeating story about four people writing reports for 24 others, each of whom thought the reports were for someone else.]

I'm convinced that's the way [quality management]: how do you eliminate middle layers of management? How do you push decisions to the lowest possible level, to empower your front-line workers? How do you engage them in stopping doing things that no longer need to be done, or in saving money? What kind of incentives can you provide to do that?

That's what needs to be done in the federal government. There's a lot more money to be saved in that way, following the business example, than by just trying to find things I could find on my own to be cut.

I believe in entrepreneurial government.

Bruce Reed: PLS. handle. P02

C/Rasco

**GCS**GOVERNMENT CONTRACTING SERVICES  
THE PRIVATE COMPANY

Faxed to 202-456-2878  
 Carol Rasco Director  
 Domestic Policy  
 The White House  
 Washington, D.C. 20505

Dear Ms. Rasco ,

Enclosed you have found information on my efforts to eliminate Government Waste and Mismanagement, which include HR3512 before the house presently .

This project is a basic demonstration of how to eliminate Waste in Government and create new jobs in the private sector . For the good of all Americans we need to create more programs like HR3512 , and pass this legislation .

Honest hard work and creative thinking is the only way to make corrections into the future . We can't look to the past . we must look to tomorrow !! I would appreciate ten minutes of your time to discuss HR3512 and how to eliminate Government Waste , Fraud , and Mismanagement . I look forward to hearing from you .

I also wish to discuss the Second Blue Ribbon Commission to eliminate Government Waste and Mismanagement .

Please see Enclosed.

Most Sincerely ,

William Robert Juston  
 407-489-0616

MONTANA OFFICE  
 2108 BROAD WATER STREET  
 BILLINGS, MONTANA 59108  
 406-656-0859  
 FAX 406-652-3253

ARIZONA OFFICE  
 P.O. BOX DRAWER Q  
 CLAY POOL, AZ 85532  
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 VERO BEACH, FL 32905  
 407-489-0616  
 FAX 407-467-0573

# GCS

**GOVERNMENT CONTRACTING SERVICES**  
THE PRIVATE COMPANY

## **CORPORATE PROFILE**

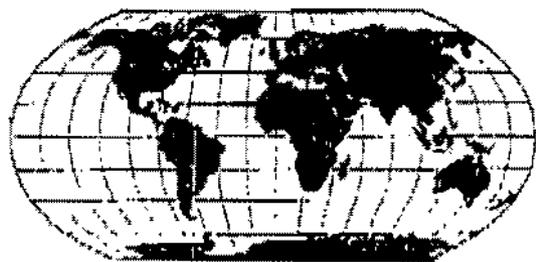
**Government Contracting Services**, was founded on the premise of marketing the private sector to the Federal Government. We have been directly responsible for developing numerous plans designed to create business opportunities for the private sector. This "roll up your sleeves" approach has won our clients multimillion dollar contracts for basewide operations, communications and construction. Our approach to the Federal Government Agencies has created many business opportunities and created hundreds of jobs nationwide.

Our staff has advised two former Presidents and worked closely with Federal Government Agencies and both the Republican and Democratic Party leadership. The staff has been covered by nationwide television, magazines and newspapers. Our personnel has worked for the Fortune 500 Companies. The staff has 75 year's experience in the field of government contracting. Our experience is extensive and well founded and has an excellent relationship with the Federal Government. Our staff is also well versed in the opportunities within the Federal Government arena. We welcome the opportunity for your company to join with the Private Company to pursue Federal Government contracts.



# GCS

GOVERNMENT CONTRACTING SERVICES  
THE PRIVATE COMPANY



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One big question the national media will likely center on in the days ahead is how informed Clinton was of the Baird problem before he decided to select her for his Cabinet. The President, in a statement early Friday, blamed the episode on his transition team's failure to analyze fully Baird's disclosure that she hired the illegal immigrants. Clinton added: "For that, I take full responsibility."

- o **President Clinton is expected to move swiftly to announce a replacement to Baird, report White House and Senate officials.** White House spokeswoman Dee Dee Myers said Clinton would name another nominee "soon," but not necessarily a woman. "He doesn't want this to fester too long," said a senior Administration official. According to a Senate Democratic source, a new selection will likely come soon, and it very well may be another woman. "Picking a man would send all the wrong signals," said the source, who thought additional pressure may be placed on Judge Patricia Wald to change her mind and accept the appointment.
- o **There is a collective sigh of relief this morning from Senate Democrats over the withdrawal of the Baird nomination,** report Democratic Hill sources. According to a Senate Democratic source close to the process: "It became clear the Administration would stand by her as long as she stayed in, but from the Senate Leadership's perspective, she made it much easier" by withdrawing. Asked if the signal was sent by the Senate Democratic Leadership yesterday for Baird to pull out, the source responded: "No comment." According to the source, members of the Senate Judiciary Committee were aware of her problem of hiring illegal aliens prior to it breaking in the national media, but "there was a varying opinion about how important it was. But it was clear there would be a problem...and would require the Administration to expend political capital." According to the source: "She probably could have been approved by the Committee and the Senate, but only with the expense of considerable political capital by the President." Another Democratic Senate source added: "A feeling developed yesterday that the [Senate] Republicans were going to pull their support of Baird. Nobody up here wanted this to turn into a case of the Senate Democrats and the Clinton White House circling the wagons to support a very unpopular candidate. This one had to be yanked before it took on a partisan nature."
- o **Radio talk shows are at least partially responsible for the public uproar over the Baird nomination,** believes a source in the Department of Justice. According to the source, over the last few days, the radio waves have been full of talk shows discussing Baird's hiring of illegal aliens, with some commentators telling their listeners to call Congress and vent their anger. While the rapid development of opposition surprised those in the Senate and at the White House, those listening to their radios may have seen the problem coming, said the source. According to a CNN/USA TODAY poll taken yesterday, 63 percent thought Baird should not be confirmed, while 23 percent disagreed. According to an ABC/Washington Post poll taken yesterday, 58 percent of those questioned opposed the nomination, while 32 percent supported Clinton's selection. The fact that these polls found such a small number of undecideds indicates a public well-informed of the issue.
- o **The Clinton Cabinet -- short an Attorney General and UN Ambassador -- was sworn in this morning.** During the ceremony, Clinton praised the Senate for speeding the confirmations, saying: "Today I am proud to present to you and to the American people a Cabinet of talented, diverse and seasoned leaders," Clinton said. "I am deeply gratified to the United States Senate for a quick confirmation... only two days after the inauguration." Clinton added: "I am ready to get to work." The Clinton Administration's first Cabinet meeting was held following the ceremony and reception.
- o **The political reality going into health care reform is quite distinct from the political reality its supporters must deal with after the fact,** according to Democrats and Republicans who have dealt closely with the issue. According to one Democratic source who has worked extensively with health care reform legislation, Clinton's people "are talking about global budgets in the form of price controls" as a

proceeding, I can't answer a hypothetical," Myers said.

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means to limit overall health care spending, "and that is the politically more potent message going in. But the more responsible, more workable message is less popular, which is a tax cap." Another Democrat who has worked on health care legislation agreed, adding: "There is an irony to the appeal [of government-enforced price controls] in that what is popular going in can lead to revolt going out. No one knows better than [House Ways and Means Committee Chairman Dan Rostenkowski] how quickly the powerful momentum [for a health care package] can deteriorate," referring to the Catastrophic Care bill passed, and then repealed because of senior citizens' complaints. "There is a superficial appeal to a global budget because it allows politicians to tell you that they will control health care costs without raising your taxes," according to one Democratic source, who warned that "the imposition of a global budget will result in a far more difficult political dynamic than would have been envisioned at the outset of the debate."

One outgoing Bush official told the Bulletin that "it's easy to promise everyone health care during the campaign, but anyone who seriously advocates the Federal Government imposing market decisions on the health care sector simply hasn't been paying attention to world events over the past 50 years. The consequences of that [kind of government control] are poor quality, poor distribution, and waiting lines." A Democratic source described the political movement toward spending controls as "a case of a genuine public need leading to an honest political effort leading to a hopeless mess." The source asked: "Suppose in a certain jurisdiction you have reached your [global budget] limit on kidney transplants, and then the little girl at the local church has kidney disease. If the town rises up and raises the money to support the operation, are you going to tell them that the operation will not be permitted? A global budget sounds fine until you look at it and see what kind of a curtailment it represents."

- o **The White House released President Clinton's decision not to continue fixed deficit targets at 7:30 last night "in order to avoid the Thursday evening network news," according to one high-placed Congressional source.** "I think it was very smart of Stephanopoulos, since that is not a subject they would have wanted the evening news to spend much time with," said the source. "Instead, tomorrow's actions with Clinton signing Executive Orders on abortion rights will dominate Friday's television news instead of deficit problems." The source made his comments prior to today's withdrawal of Clinton's nomination of Zoe Baird for Attorney General, which will now share Friday's network news shows.

- o **The upcoming meeting of the nation's governors with President Clinton on February 1st could be an "early sign of how he will lay the ground work for his State of the Union speech, economic program, and new federal budget," according to a leading governor's aide.** On January 31st, President Clinton will be hosting his first State Dinner, traditionally with the Nation's governors since their mid-winter meeting is always at this time of year. The next day he will have a business meeting with the Governors and the major subject is scheduled to be health care.

According to this source, "This is a key time when the President could really use this meeting to help lay the groundwork for proposals such as an increase in the gasoline tax, caps on rising health care expenditures, and tough budget decisions. I hope his staff does their homework with some key Democratic and Republican governors on these matters. Although Mark Gearan will be extremely busy as Deputy Chief of Staff, I am sure having served as director of the Democratic Governors' Association, he is aware of the potential of this meeting."

#### **THE CLINTON TEAM:**

- o **HHS Secretary Shalala's new Chief of Staff is Kevin Thern. ... Bob Hickmont is expected to be tapped to head congressional affairs at EPA.** Hickmont is an attorney who previously worked for Senator Tim Wirth and at the Democratic Senatorial Campaign Committee. ... **Neil Dhillon is expected to head congressional affairs at the Department of Transportation.** Dhillon is a former administrative assistant to Rep. Bob Mateui (D-CA). ... Also expected to land at DOT is **Bernard Craighead**, southern political director for the Clinton campaign and a former Democratic National Committee staffer. Sources say

SAMUEL J. DANTONI

United States  
Administrative Law Judge

U.S. Hearings & Appeals  
Mt. Ephraim Place  
2600 Mt. Ephraim Avenue  
Camden, N.J. 08104  
(609) 757-5116

Dr. M. Reed,

It is suggested in the course of  
your deliberations for a more lean  
government that you explore the  
following:

1. The elimination of all "bonuses"  
and/or "money awards" which are  
routinely given to the funds of  
management.

2. The elimination of Level  
Seminars in the CATCHALL seminars, the  
the one held this fall at the Pines  
a CATCHALL resort. This so called  
Seminar cost Case Co. \$100,000 for  
three days and was arranged by  
David Heller, Associate Commissioner as

SAMUEL J. DANTONI

United States  
Administrative Law Judge

U.S. Hearings & Appeals  
Mt. Ephraim Plaza  
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a Chief Judge I never  
Remember of the Office of  
Hearings and Appeals. It was  
held in September and evidently  
the owner of the Report it is  
summed as a heavy contribution  
to the Republican Party. It  
served no educational purpose and  
was a waste of taxpayers money.

I am also forwarding to you  
a copy of a Complaint filed with  
the Oversight Committee of the Senate  
which I understand has referred  
the matter to the General Accounting  
Office for investigation.

SAMUEL J. DANTONI

United States  
Administrative Law Judge

U.S. Hearings & Appeals  
Mt. Ephraim Plaza  
2600 Mt. Ephraim Avenue  
Camden, N.J. 08103  
(609) 757-5116

I must sincerely applaud  
the honesty and integrity of  
President Carter to address the  
economic problems of this country.  
and in conclusion suggest that  
a thorough housecleaning of  
the Office of Hearings and Appeals  
would be a great step forward.  
It is entrenched with Reg  
Very Republicans.

Sincerely  
Sam Dantoni

SAMUEL J. DANTONI

*United States  
Administrative Law Judge*

---

October 16, 1992

The Honorable William S. Cohen  
U.S. Senator  
628 Hart Building  
Washington D.C.

Minority Chairman of Oversight Committee

Attention: Stacey Hughes

Dear Senator Cohen:

As you will note, I am an Administrative Law Judge assigned to the Office of Hearings and Appeals principally engaged in hearing appeals by claimants for disability benefits.

As you will further note, our hearing office is located in Camden, NJ about 25 minutes from the City of Philadelphia where there is also a hearing office.

Within the last 2 years, the majority of the Judges throughout the country have been ordered to travel to various parts of the country to hear cases ostensibly to assist the host office in their backlog of cases.

The responsibility for the assignment of these cases is and has been that of Jose Anglada, the Chief Administrative Law Judge, situated in Arlington, Virginia.

The present economic crisis now confronting this country on all fronts including the Social Security Trust Fund compel me to write this letter and to suggest that a Congressional Investigation of the travel policies of the OHA would be very much in order.

The suggestion is made due to the enormous waste and senseless

*U.S. Hearings & Appeals  
Mt. Ephraim Plaza  
2600 Mt. Ephraim Avenue  
Camden, N.J. 08108  
(609) 757-5116*

44  
organization emanating from the office the Chief Administrative  
Judge to wit:

1. Judges at the tune of \$2000 per trip are being flown into Philadelphia from such places as California, the State of Washington, etc. to hear cases in that office which is understaffed and has a backlog of cases.
2. At the same time, the Judges from the Camden office about 25 minutes from the Philadelphia office are being ordered to such places as Kentucky, Tennessee, and North Carolina.
3. It is not uncommon that upon visiting the host office in the other State such as happened to me on my last trip to North Carolina, two of the Judges from that office were being sent to Tennessee making one wonder why I was sent there to begin with.

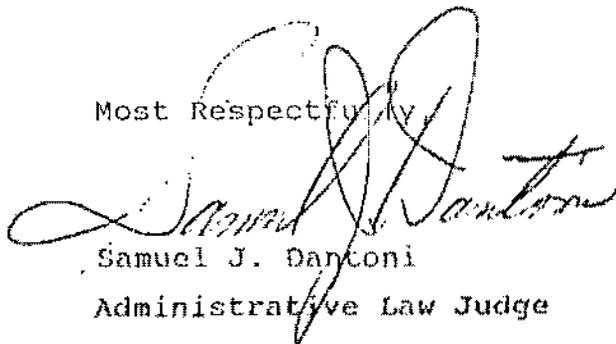
The above described matters are not and have not been isolated situations but represent a steady and consistent wholesale exercise in the waste of taxpayers money. I am certain that the travel vouchers involved in these matters would easily run into the hundreds of thousands of dollars and maybe in the millions representing an insult to common sense and a deplorable drain on the Social Security Trust Fund.

To add to the above debacle, there has been a persistent irresponsible pattern of overstaffing offices with Judges in many locations and a purposeful understaffing in other locations. This is particularly true of the Seattle, Washington office. It is surmised that in many cases, assignments are made not on need but on who you know.

In many cases where there is overstaffing, Judges are forced to travel because of the lack of a workload.

The aforesaid matter has been the subject of discussion with the Administrative Law Judges Association and I am authorized to state that they are supportive of a Congressional Investigation into this matter which if not corrected will have a tragic impact on the Social Security Trust Fund.

Most Respectfully,

A handwritten signature in cursive script, appearing to read "Samuel J. Dantoni". The signature is written in dark ink and is positioned over the typed name and title below it.

Samuel J. Dantoni  
Administrative Law Judge

cc: The Honorable Senator Carl Levin  
The Administrative Law Judge Association

ADDENDUM

It is suggested that in order to measure the monumental scope of this waste, that you procure the records for Region 2 (New York Region) for the past 2 years. The money spent on travel to understaffed offices will be staggering.

MAR - 8 1993

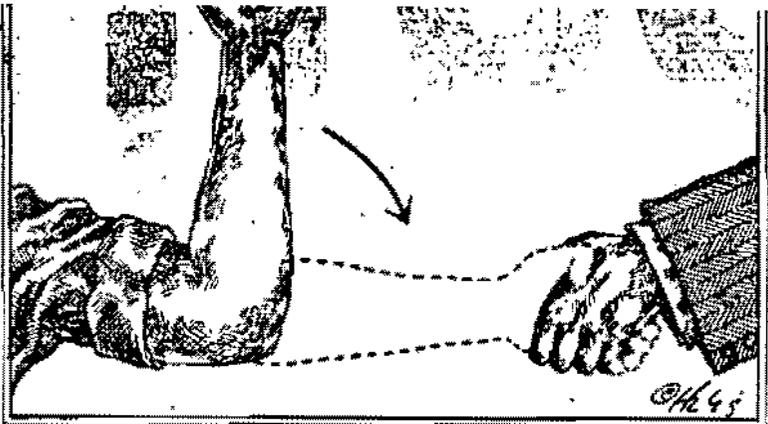
3/3/93

To: George S.  
From: David K.  
Re: Attached articles

I was moving a storage box from my basement (which floods frequently) to a safer place and came across a number of these articles about two --related -- subjects that seem to be priorities of this Administration: 1) "reinventing government" to eliminate needless layers of bureaucracy, and 2) "tearing down the Berlin Wall between labor and management."

Unfortunately, we may not want to cite the Bureau of Motor Equipment as an example of reinventing government. The deputy commissioner whom I mention in several articles has since left and become controversial for personal reasons unrelated to the experiment in worker self-management.

①  
Plan *consult*  
to *Bureau Recd*  
D  
②



# Employee respect is product ingredient

By DAVID KILBNET

When one of the media masterminds behind Ronald Reagan's 1984 campaign produces advertising promoting workers' control on the assembly line, it's not morning again in America — but it is a sign that a new day is dawning in public attitudes about how our workplaces should be organized.

San Francisco adman Hal Riney, known for selling winning tickets from Reagan and Bush to Bartles & Jaymes, produced recently unveiled advertising for General Motors' new Saturn cars, the compact designed to compete with Japanese imports.

Ironically, while one of Reagan's first acts as president was breaking the air traffic controllers' union, GM's Saturn project is a historic experiment in labor-management cooperation — a point Riney stresses in advertisements on television and in national magazines.

Under the 1983 agreement between GM and the United Auto Workers that set the ground rules for Saturn, an unprecedented range of decisions — from car design and production schedules to the selection of suppliers and dealers — are shared jointly by management and the union. At Saturn's new plant in Spring Hill, Tenn., employees work in self-managing teams, with responsibility for quality control and the right to stop the assembly line if they spot defects.

If Saturn is "the key to GM's long-term competitiveness," as former GM chairman Roger Smith said, the experiment reflects the giant automaker's belated recognition that competing with the Japanese requires not only high technology but a high level of respect for the workers who put the cars together.

At long last, GM may be listening not only to the UAW's longstanding demand to "humanize work" but also to critics like management guru Thomas Peters, who found "pragmatic" grounds to criticize GM's insensitive treatment of its employees, asking: "How do you humiliate and demean someone and then expect him or her to care about product quality and constant improvement?"

Saturn's advertising is based on the proposition that Americans agree quality depends on the commitment of the workers. Thus, one advertisement shows a woman who assembles doors on the cars, explaining: "You can stop the production line if that's what it takes to get something right." Other commercials feature other employees, discussing the ups and downs of the American auto industry, proclaiming their pride in their new product, and even moving their families so they could work for Saturn.

These stories are told with the sentimentality Riney has used to sell everything from presidential candidates to wine coolers, but now he's selling workplace democracy, not Reagan Republicanism.

Yet, for all Riney's genius at bathing his clients in the warm light of small-town Americana, this campaign has an edge to it, directed not so much at the competition as at the viewers' preconceptions of American-made autos, including GM's own products. The tagline on the ads — "A different kind of company, a different kind of car" — gently raises the question, "Different from what?" The implication is, different from what you expect from American auto companies — a conclusion reinforced by the fact that GM's logo doesn't even appear in the ads or on the Saturn cars.

By making workers the stars of their TV spots, Saturn offers a counterpoint to carmakers' commercials that feature everything from pastoral portrayals of cars cavorting down country roads to schlocky tales of spokesmen ranging from Joe Louis to Lee Iacocca. But while Saturn's advertising may be the most innovative, it is not the first company to understand that the best selling proposition may be the promise that a company's workers are being treated respectfully and can take responsibility for quality.

Thus, for some time, Ford's TV advertising has featured assembly-line workers pledging to uphold the automaker's slogan that "Quality is Job One," while several car rental companies have boasted the advantages of employee ownership.

More recently, the new management of Eastern Airlines, which has failed to settle a longstanding strike but is striving to shed Frank Lorenzo's bully-boy reputation, has broadcast TV spots showing court-appointed trustee Martin Shugrow promising non-striking workers: "The human needs of the people that work here will be paramount in our business thinking, and if that's a change from what you've experienced before, so be it."

A new advertisement for Apple Computers shows a lecturer telling an audience that "you cannot intimidate human beings into productivity."

Produced by professionals with a shrewd understanding of what the market demands, these ads both reflect and shape public opinion. It's a sign that, 10 years after Americans made "lean and mean" the watchword for corporate management and presidential leadership, we may finally be starting to understand that, for our companies and our country, competitiveness depends on dignifying, not demeaning, our front-line workers.

When the nation's leading automaker boasts that it's yielding a measure of authority to workers in its "factory of the future," there may finally be some truth in the old saying that what's good for General Motors is good for America.

Kilbnet was a speechwriter for Michael Dukakis, Walter Mondale and Jerry Wurf, the late president of the American Federation of State, County and Municipal Employees.

# Labor's New Organizing: Not Wages But Power

By David Kusnet

From an insurance company office in Syracuse, to a nursing home kitchen in Detroit, to a state university campus in Los Angeles, a new kind of labor organizing is reaching a receptive audience.

With its membership strength concentrated in declining industries, the U.S. labor movement has finally devised organizing strategies that appeal to workers in the fast-growing service sector of the economy, including health care facilities, educational institutions, insurance companies, retail stores, and banks.

Today's service sector unionists use a dramatically different approach from those of old-fashioned labor organizers.

While old-fashioned organizers stressed winning better wages and benefits, the younger organizers also emphasize noneconomic issues, such as career opportunities, occupational safety, and the impact of new technologies upon jobs. While traditional unionism assumed an adversary relationship with the employer, service sector unionism is more likely to offer workers "a voice in the system" than a battle with the boss.

The unions' increasing success at organizing service workers comes at a time when the labor movement has lost hundreds of thousands of members because of layoffs of auto workers, steelworkers, garment workers, construction workers, and employees in other heavily unorganized industries. The impact of these layoffs is reflected in the decline in organized labor's membership strength. Today, the unions represent about 21 percent of the labor force, compared to a high of 25.5 percent in 1953.

The 1980s have seen a historic reversal in the traditional pattern of union organizing. Unlike past decades, when male blue-collar industrial workers were most receptive to organizing campaigns, unions are now having their greatest successes with working women, especially health-care workers but also clerical and professional employees.

And because of hard times in heavy industry, "manufacturing workers are increasing fearful of rocking the boat by unionizing," according to Charles McDonald, assistant to the director of the Department of Organizing and Field Services of the AFL-CIO.

In 1981 — the most recent year for which complete statistics are available — unions won 52 percent of all representation elections among service workers, compared to only 33 percent among manufacturing workers.

That statistic actually underestimates the unions' successes among service sector workers because they include only elections conducted by the National Labor Relations Board but not organizing victories among government employees, who are not covered by the NLRB.

Many of the organizing techniques now used throughout the service sector were first perfected during the 1960s and 1970s in union drives in public school systems and state and local governments. As they organized teachers, social workers, librarians, and other government workers, the public employees unions learned how to appeal to a new generation of white-collar employees who were dissatisfied with their jobs but not impressed with traditional union organizing tactics.

In the largest union organizing



Illustration by [unreadable]

victory of the 1980s, more than 30,000 employees at nine campuses and five teaching hospitals of the University of California voted to be represented by the American Federation of State, County, and Municipal Employees (AFSCME) after a campaign in which the union distributed analyses of the university's budget, studies of occupational safety hazards for clerical and health care workers, and a program for improved promotion opportunities for university employees.

Vernon Watkins, who directed the organizing campaign, said, "The union had to show that we understood the system and could provide the workers with a voice."

Issue-oriented research is also essential in the largest organizing campaign under way, covering the giant Beverly Enterprises nursing home chain, with more than 50,000 employees in 345 facilities across the country. For a year before the campaign began, AFL-CIO researchers investigated the Beverly nursing homes, including their problems with patient-care and working conditions.

On Jan. 27 and 28, 1983, union organizers blitzed 450 Beverly nursing homes. Although most workers at the nursing homes earned less than \$4.50 an hour, the unions' leaflets stressed problems with patient care, including understaffing, supply shortages, poor food, roaches and overdosing of the patients.

With its emphasis on noneconomic, patient-care issues, the Beverly campaign has been among the most successful union drives in recent years. The two unions involved in the campaign, the Service Employees International Union and the United Food and Commercial Workers, have won 43 of the 61 elections conducted at Beverly facilities and now represent more than 6,000 Beverly employees.

Nursing home employees aren't the only workers who want a great-

er say in the services they provide. Employees in professional jobs are angered when management won't listen to them, and the desire for a voice in their working conditions is leading a growing number of professionals to join unions.

For instance, nearly 2,000 engineers at Western Electric (now part of AT&T Technologies) plants recently voted to join the Communication Workers of America. Andy Johnson, a leader of the engineers, said: "The issue is management's insensitivity, not just pay. Management has stubbornly refused to provide engineers with any voice whatsoever in decisions affecting their projects and their careers."

Union organizing campaigns that fail to recognize the importance of noneconomic issues often fail to win workers' support. For instance, from 1978 through 1981, the Retail, Wholesale, and Department Store Union campaigned unsuccessfully at major New York City department stores.

Discussing this, union organizer Frank Strock told *The Progressive* magazine: "By focusing on short-term issues like wages, pensions, and health plan exclusively, we sacrificed teaching people the importance of collective action. We would have been far more effective if we had concentrated on the concept of a union, on what it can mean when people work together."

Labor organizers have learned to emphasize a voice in decision-making because of the growing awareness among service sector workers that unions can achieve a change in the power relationship between employers and employees that is essential to winning improvements in pay, benefits and working conditions.

Explained Kathleen Prendergast, president of a unit of more than 1,000 Chicago Public Library employees which voted for AFSCME representation in elections in May: "We understand that having a

union doesn't guarantee any outcomes in the decision-making process. But it does guarantee that at least we will have some input."

A voice in decision-making is especially important for clerical employees working with new office technologies. When the nation's third largest insurance company, Equitable Life Assurance Society of the United States, replaced its paper files with a computerized system, management also imposed new work rules on its clerical employees, tying future pay increases to stringent productivity standards.

Clericals from Equitable's Syracuse office contacted the Service Employees International Union's District 925, a new division organized to represent office workers. "We stressed that we'd bring some fairness into the work rules and help employees win a voice in how new office technologies affect their jobs," said Jacqueline Ruff, secretary director of District 925.

Typical of the sophistication of service sector unionism, District 925 works closely with the National Association of Working Women, a Cleveland-based educational and research organization whose affiliates include associations of office workers in dozens of cities.

"The three issues that always come up are raises, rights and respect," said Ruff. "Whether the problem is discriminatory pay scales, a lack of career opportunities, or management decisions that ignore the employees, more and more office workers understand the fundamental issue is the lack of respect for office workers and for women workers in particular."

The service sector unionists have already attracted the attention of consultants who specialize in fighting unions. One management consulting firm, the West Coast Industrial Relations Association, has published a manual, "The Non-Union Company," which warns: "Poor communication is perhaps the major single cause for employee unrest. Employees, particularly the younger generation, want a piece of the action; they require a feeling of involvement, to be 'in on things.'"

The manual goes on to advise: "If management is clever about the thing, it can also make the employees feel they are involved in some of the decisions made affecting them, even though the company had planned to do it all along."

However, two economists from Harvard, both of whom are associates of the business-oriented National Bureau for Economic Research, appear to suggest that, if management is really "clever about the thing," it just might welcome the new service sector unionism.

In their recently published study, "What Do Unions Do?" (Basic Books), Richard Freeman and James Medoff conclude that unions provide a mechanism for workers to call attention to such problems as safety hazards, unfair work rules, and poor working conditions, all of which impede efficiency and productivity.

Rather than fight the new unionism, employers would do well to listen to the new generation of workers who are demanding a stronger voice in improving the services they provide. □

David Kusnet is a former union staff member whose articles and reviews have appeared in national magazines.

# Glenn's not as dull as you think

**A**S MICHAEL Dukakis prepares to select a vice presidential running mate, the conventional wisdom brands John Glenn as a safe but uninspiring choice.

In fact, from Glenn's leaden keynote speech at the 1976 Democratic National Convention to his lackluster bid for the presidential nomination in 1984, the political commu-

## David Kusnet

nity has viewed the astronaut-turned-senator as a paradoxical figure: an authentic national hero who, nonetheless, fails to make an emotional connec-

tion with the voters.

During his presidential campaign four years ago, Glenn was consistently unable to inspire people as he had in 1962 when this decorated hero of two wars became the first American to orbit the Earth. For those old enough to recall the hopeful days of the Kennedy administration, Glenn looms in memory as one of the last American heroes, the decorated war hero and devoted family man who brought the values of small-town America to the new frontier of space travel.

Yet, in the 1984 campaign as in the 1976 convention, Glenn was painfully incapable of communicating any message except his own decency, celebrity and heroism. While his strategists expected Glenn's popularity would receive a boost from the appearance of the film version of the best seller "The Right Stuff," which told the story of the space program of the 1960s, the movie received mixed reviews and disappointing box office receipts. Ironically, "The Right Stuff" may have been the wrong stuff for Glenn's campaign since it froze his public image as the apple pie hero of 1962, leading many voters to conclude he had done little to distinguish himself in the two ensuing decades.

However, despite Glenn's failures to move national audiences since his moment in the media spotlight 22 years ago, he is uniquely qualified to present two compelling messages to today's electorate, including voters who remember him from their history books if they know him at all.

The first message harmonizes with the central theme of Dukakis' campaign. Like the Massachusetts governor — but in a far more memorable fashion — Glenn has gotten a glimpse of a successful American future. Dukakis is about to win the Democratic presidential nomination on the strength

of his claim to have successfully managed his state's transition from the smokestack economy of the past to the high-tech economy of the future. In addition, Dukakis often recalls the memory of the president from Massachusetts who summoned a slumbering nation to the challenges of the New Frontier.

Glenn, of course, can offer even more vivid testimony to America's ability to meet the challenges of new technologies

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*John Glenn's struggle to defend the dignity of his craft should resonate with millions of working people*

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and international competition. As the hero of President Kennedy's space program, Glenn is still remembered for reassuring an America stunned by Soviet triumphs that the United States had not been counted out of the space race. Glenn was so reassuring because he so resolutely embodied old-fashioned virtues, offering Americans the added sense of security that we need not sacrifice our national soul while mastering new technologies.

That sense of reassurance — that not only America but Americans can survive the high-tech future — is the essence of Glenn's second potential message, one that harmonizes with Jesse Jackson's populism as well as Michael Dukakis' technocracy. Missing from the film version of "The Right Stuff" as well as Glenn's public persona is the fact that he and his fellow astronauts were the vanguard of the effort by American workers to win some control over their crafts at a time when new technologies are dehumanizing and deskilling their jobs.

As author Tom Wolfe makes clear in the book on which the movie was based, Glenn and his fellow astronauts were proud practitioners of a dangerous and demanding trade: the military test pilot. While they eagerly volunteered for the new challenge of space travel, they were dismayed that the original job description for the first genera-

tion of astronauts consisted of little more than sitting in an enclosed capsule at the tip of the rocket. These highly skilled working men, veterans of hundreds of death-defying missions, saw their jobs downgraded from test pilot to test subject — or, as one irreverent pilot put it, little more than "Spam in a can."

Banding together as a "squadron" against the management of the Mercury project, the seven original astronauts, including Glenn, who frequently functioned as the group's spokesman, forced several changes in the design of the space capsule with the goal of regaining the control that would make them once again pilots, not passengers. A window was installed; the escape hatch was redesigned to allow the pilot to open it from inside; and a manual control system was added that could override the craft's automated systems. These changes were symbolized by a change in terminology as what had been called a "space capsule" became known as a "spacecraft."

The story of Glenn's struggle to defend the dignity of his craft should resonate with millions of working people who face the prospect of having jobs with high wages, high skill levels and high levels of autonomy replaced by jobs that are relatively routinized, low-skilled, low-paying and oversupervised.

From longshoremen displaced by containerization, to toolmakers replaced by computer-aided design processes, to skilled secretaries supplanted by office computers, countless Americans can sympathize with the astronauts' battle to win a voice in their futures. Let Glenn tell that story even once, and he might become a working class hero of the 1980s, just as he was a national hero of the 1960s.

The lesson of Glenn's life story is not only that America can master new technologies but also that Americans can build a future for ourselves that includes the best values from our past, from the strength of our families to our pride in our crafts. And that message of old values and new challenges is "the right stuff" for the Democrats this year.

David Kusnet was a speech writer for Walter Mondale and for Jerry Wurf, the late president of the American Federation of State, County and Municipal Employees.



# NEW WAYS OF WORKING

*Troubled industries experiment with workers' self-management*

BY DAVID KUSNET

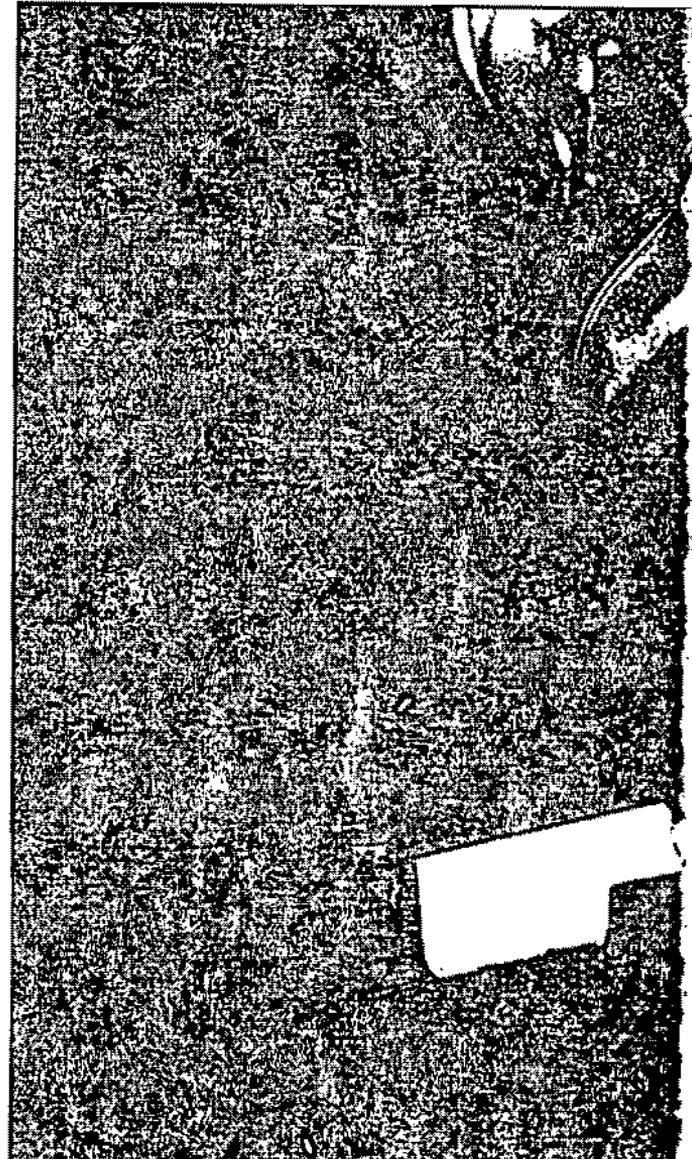
**E**MIL ZULLO is a welder for the New York City Sanitation Department. After decades repairing garbage trucks, now he has the opportunity to help design and build new equipment from scratch. His work used to be routine, but now he finds it so interesting that, even though he's reaching retirement age, he wants to stay on the job.

Tom Zidek was laid off from a steel mill in Cleveland where he "never found out about decisions until the day I lost my job." Now, he works at an experimental steel plant where workers plan what they will do before each shift begins and can learn every skill in the plant.

William Baldwin has years of seniority at an auto and truck transmission plant in southwestern Ohio. After years of working in an environment where the foreman's word was law, he's now part of a self-managing work team. "We know our jobs, we know what has to be done, and we do it," he says. "It's a good feeling."

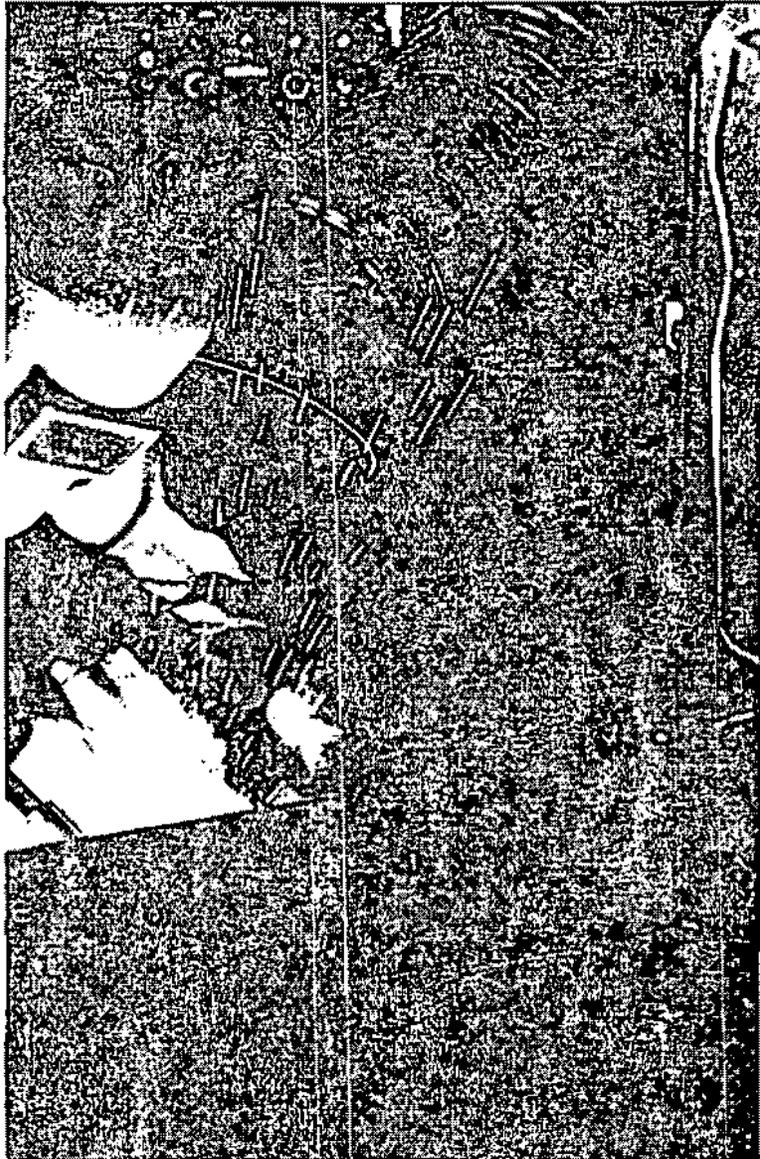
Zullo, Zidek, and Baldwin are part of a new wave of experimentation sweeping dozens, perhaps hundreds, of American workplaces, from basic industries like auto and steel to service sector companies like the telecommunications giant AT&T.

Growing numbers of workers, managers, government officials, and academicians are taking a critical look at the traditional patterns in American workplaces: over-supervised workers performing fragmented jobs with little, if any, voice in decision making; managers preoccupied with maintaining total control over workers and work processes; and the entire enterprise locked into hostile labor-management relations and outmoded ways of working. Just as the movement for education reform has led to experiments in school-based management, where teachers gain greater professional auton-



*David Kusnet is a free-lance writer specializing in labor and political issues. The author would like to thank the Work in America Institute for its assistance in researching this article.*

*A welder at New York City's Sanitation Department works on a part for "Our Baby"—a refuse wagon that he and other workers designed from scratch and that is now the model that private vendors are required to duplicate.*



omy, efforts to increase productivity and improve quality in other workplaces—from factories to offices to government agencies—have also spurred experimentation in labor-management cooperation and a stronger worker voice in decision making.

Most of the experimentation has been prompted not by a sudden corporate concern with improving the quality of worklife but rather by the new realities of foreign competition and high technology. As Ray Marshall, Secretary of Labor from 1977 through 1981 and now a professor of economics and public affairs at the University of Texas, has warned: "American business is losing its competitive position in the world economy at least in part because inadequate worker involvement has resulted in misguided and uncoordinated management and economic policies, which have placed our producers at a serious competitive disadvantage."

Now on the run to close this competitive gap and aware that the new technologies require workers to exercise a high degree of discretion on the job, some American corporations are taking lessons from management techniques that seem to have succeeded in Japan and Western Europe: "pushing decision making down" within the organization from top executives to the workers themselves; eliminating unnecessary layers of middle management; and giving workers a sense that they have a voice in policies and a stake in the success of the enterprise.

The American translation of these principles usually falls under one of three headings:

1) *Cooperation at the Top:* Few, if any, American corporations have adopted the Western European model of "codetermination," where workers and their unions have a decisive voice in decision making on such fundamental issues as investment strategy. However, particularly in the automobile industry, American unions have begun to win a voice in corporate decision making that would have been unthinkable even a decade ago. Following the much-publicized selection of United

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Auto Workers (UAW) President Douglas Fraser to the board of directors of the financially troubled Chrysler Corporation in 1980, the UAW has played an increasing part in decision making by the big three auto companies on such issues as designing new models and the work processes that will produce them.

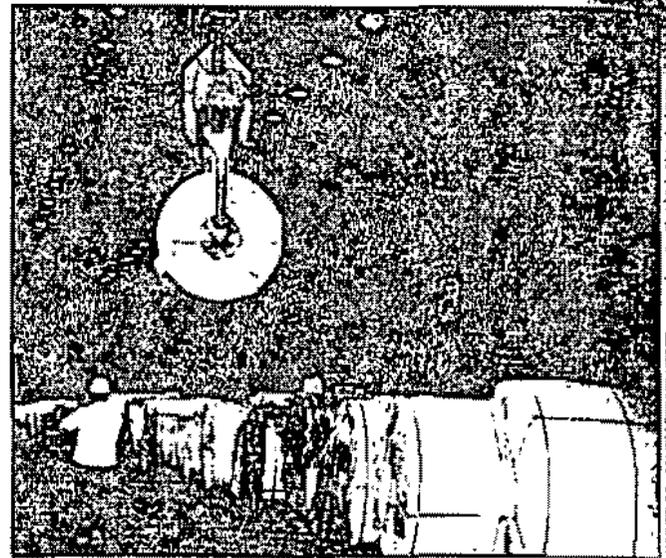
2) *Employee Involvement*: While what Professor Charles C. Heckscher of Harvard Business School calls "cooperation at the top" offers unions a voice in major corporate decision making, programs that have been variously called "Employee Involvement" (EI) or "Quality of Worklife" (QWL) offer rank-and-file workers a voice in how they do their jobs. In the big three auto companies, major steel companies other than USX (formerly U.S. Steel), at the telecommunications giant AT&T, and in other companies, relatively small groups of workers and supervisors—usually from ten to twenty people—hold regular meetings to thrash out problems ranging from poor working conditions to improvements in quality and efficiency. In unionized workplaces, these programs are intended to supplement—not substitute for—collective bargaining and the grievance procedure, with EI and QWL steering clear of such issues as wages and benefits or violations of the union contracts. An estimated 2 million American workers participate in EI, QWL, and similar programs.

3) *Autonomous Work Groups*: Perhaps the most visionary of these innovations is the "autonomous work group" consisting of employees who naturally work together—for instance, the workers in one department in an auto factory—and who are given the authority to manage themselves through consensual decision making, rather than taking orders from a foreman. The Work in America Institute, a respected, nonprofit research center on job-related issues, uses the somewhat cumbersome phrase "socio-technical systems" to describe experiments in autonomous work groups that combine the social needs of employees with the technical needs of the organization. The institute estimates that some 200 companies throughout the country are experimenting with "socio-technical systems."

Of course, many businesses have not joined in these experiments. As the Work in America Institute's Michael Rosow observes: "Certainly, at least for Americans, change of any kind is a major threat. We are at a stage of the most accelerated change in human history—social and technological—yet we're all pretty much resistant to change."

Rosow notes that sharing decision making with workers, particularly experiments with autonomous work groups, not only goes against the reluctance of most managers to share power but also defies a century of American management thinking. "Virtually all of the American industrial system dates back to the late nineteenth century when management thinking was dominated by Frederick Taylor, who advocated breaking up every job down to its smallest component activities and imposing total management control," Rosow explains. "Even now, there is a trend in many industries, from computerized offices to some sectors of manufacturing, to de-skill jobs and supervise workers in an even more heavy-handed way."

Rosow also notes that there are very real difficulties associated with power sharing in the workplace. These



*Workers and managers at this new electrogalvanizing steel mill in Cleveland were determined not to copy Japanese methods but to learn from them and devise a system tailored to their own needs.*

experiments, he explains, can "take a long time to prove they're successful," and "there are real financial costs—training workers and managers, paying for additional employees to run the place while some of the regular employees are away at training sessions." Moreover, as another expert on workplace issues, retired Professor Robert Guest of the Dartmouth School of Business Administration, explains, self-management succeeds only when workers have had the opportunity to learn about any new technologies that are being introduced in their workplace.

**D**ESPITE THESE difficulties, experiments in all three forms of power sharing—cooperation at the top, employee involvement, and autonomous work groups—have been attempted during the past decade. And they have produced a number of success stories at a time when good news has been a rarity in American industry.

The most extensive programs have been in the auto



PHOTOGRAPH BY JEFFREY CHAFFIN

*In a dramatic break with the past, workers at Ford's Sharonville, Ohio, plant have the right to stop the assembly line at any time if they spot defective parts.*

industry where General Motors began a Quality of Work Life (later called Employee Involvement) program in 1973, followed by Ford in 1979, and Chrysler one year later. Under these efforts, which are administered jointly by the big three auto companies and the UAW, groups of workers and managers meet regularly to solve on-the-job problems.

At Ford, corporate management has estimated that 85 percent of the company's turnaround during the 1980s was due to improvements resulting from Employee Involvement programs. At Chrysler, the joint labor-management teams have racked up a number of cost savings, such as eliminating over \$1 million in wasted scrap metal at one plant. And General Motors has launched a national television advertising campaign boasting of quality improvements achieved jointly with the UAW.

The auto industry has made history with the involvement of UAW members in corporate decision making on product development and even the design of new factories and work processes. Ford's most successful new

model during the 1980s—the Taurus—was designed in a team process involving assembly-line workers as well as engineers. Among the workers' suggestions was the observation that, in building other models, they had trouble installing car doors because the body panels came in too many different pieces—up to eight to a side. Thus, the Taurus door was redesigned with only two pieces. Following this success, Ford's quality chief, John A. Manoogian, reflected on the reason: "In the past, we hired people for their arms and their legs. But we weren't smart enough to make use of their brains."

No experiment in joint labor-management decision making has been more ambitious than General Motor's "Saturn Project": the company's effort to enter, for the first time, the lower end of the auto market, producing a small car intended to compete with Japanese and Korean models. Understanding that quality will make the difference between success or failure, GM worked closely with the UAW in assembling a team of ninety-nine people, including managers, engineers, union officials, and assembly-line workers, to design the new plant from scratch and devise a new way of building cars. After two years of planning, the company and the union agreed on a system where teams of six to fifteen workers will manage themselves and decide among themselves such issues as job assignments, schedules, inspection, maintenance, absenteeism, and health and safety. In a 1985 agreement, GM and the UAW agreed that workers will be salaried, rather than paid by the hour, and four-fifths will have "lifetime" job security.

In addition to these innovations on the factory floor, the UAW has won an unprecedented role in planning the entire Saturn project. The union has a voice in decisions previously reserved for management, from the all-important question of where the parts will be manufactured to such questions as the eventual price of the product and even selecting the advertising agency that will promote Saturn and the dealerships that will sell it. All in all, UAW President Owen Bieber says Saturn reflects "a degree of codetermination never before achieved in U.S. collective bargaining."

Largely because of GM's financial problems, the opening of the Saturn plant in Spring Hill, Tennessee, has been delayed by two years, and the size of the workforce has been reduced by half. When the Saturn plant finally opens early in 1990, its performance will be watched closely.

**T**HE TREND toward decentralized, participatory management is a healthy development, but as a new study by Charles Hecksher of Harvard Business School makes clear, schemes for employee involvement and labor-management cooperation come in many forms, some with other motives in mind. Such programs frequently are part of what he calls "participation without unions." By creating "Employee Involvement" programs where small groups of workers and supervisors meet regularly to solve job-related problems, a growing number of companies partially satisfy the desire for a voice on the job—one of the basic motives that prompts workers to organize unions—but keep control over major decisions firmly in management's hands. Indeed, Hecksher notes, some consultants who specialize in

helping corporations defeat union organizing drives recommend "Employee Involvement" programs as an alternative to unionism—a tactic that has been used successfully by General Foods, IBM, and several General Electric plants.

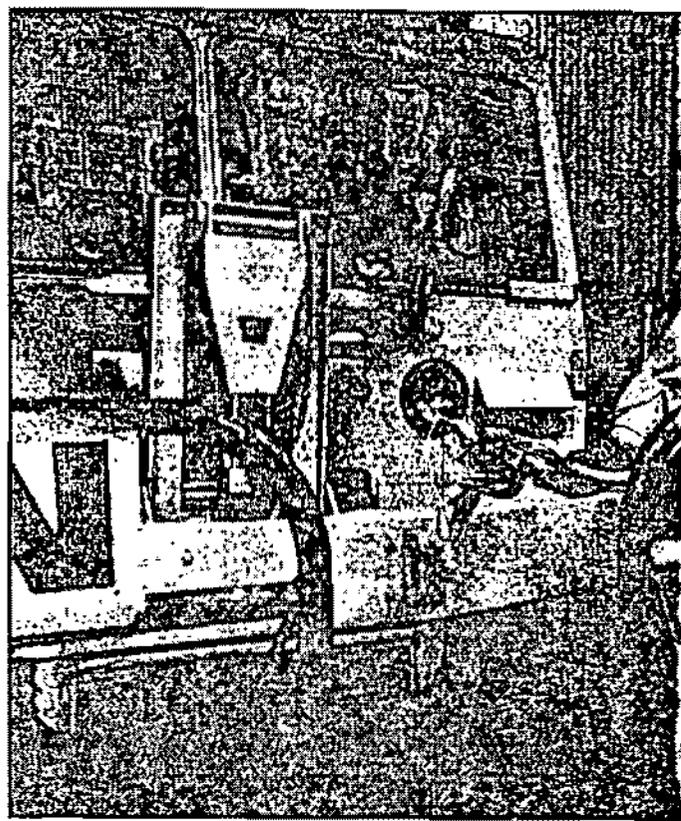
Such companies, however, may find that they win the battle but lose the war. A number of industrial relations experts argue that companies that want to improve quality through worker involvement—but are fighting to keep unions out—don't understand the basic dynamics of the process. As Michael Rosow of the Work in America Institute explains, "Employee involvement depends on the workers speaking their minds about how they can do their jobs better. And it usually takes a union contract to give a worker the security to know that, if he speaks his mind, he won't suffer for it. I've seen companies where they try these experiments, and the blue-collar workers who have a union make useful contributions, but the white-collar workers who aren't unionized just keep their mouths shut or say what they think they're expected to say."

While Charles Heckscher's cautionary note about bogus Employee Involvement schemes is certainly well taken, it is also clear that there are a growing number of programs that are both substantial in their content and genuine in their motive. This past June and July, I visited three such places—a government agency in New York City, a high-tech steel mill in Cleveland, and a car and truck transmission factory in Sharonville, Ohio. I interviewed workers, management officials, and union representatives, asking how new forms of Employee Involvement have made a difference in their lives and the workplace's productivity. I didn't see miniature utopias, but I did see promising efforts to eliminate pointless management practices, improve working conditions, and let workers offer—and act on—ideas on how they can do their jobs better.

## TURNING AROUND A GOVERNMENT AGENCY

New York City's Sanitation Department has the largest nonmilitary fleet of vehicles in the world: more than six thousand garbage trucks, mechanical sweepers, salt-spreaders, and other equipment that collect and dispose of more than three hundred thousand tons of solid waste each month, as well as removing snow from the roadways in the winter and cleaning the beaches in the summer. The department's Bureau of Motor Equipment (BME) is responsible for keeping these vehicles in working order—a task that, for years, seemed virtually impossible. With an annual budget of more than \$50 million, a staff of 1,250 workers mostly in skilled trades, and sixty worksites throughout the city, including a huge central repair shop in Queens, BME for years seemed as unmanageable as it is large and far flung.

Just ten years ago, on any given day, almost half the department's vehicles didn't work, and, when a truck went out for the day, there was a one-in-three chance it would break down. Troubles fed on each other, and, because of chronic breakdowns in the fleet, the department was forced to spend over \$9 million a year on overtime costs for collecting garbage at night and for

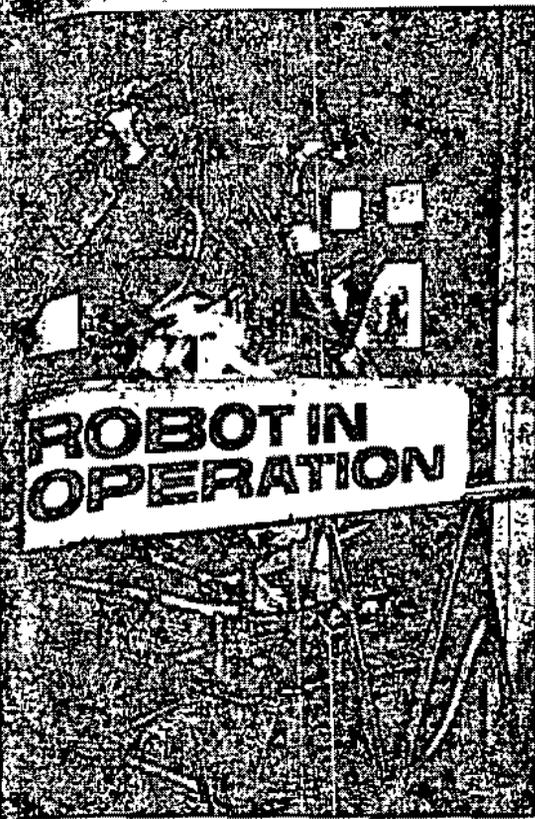


*This robot repaints sanitation trucks—a tedious, repetitive task that workers were happy to automate. In fact, workers at the Sanitation Department's central repair shop designed and built this robot themselves.*

*This transmission dynamometer room—and other quality control measures—helped the Bureau of Motor Equipment reduce its out-of-service rates on equipment from 50 percent to 15 percent.*

working 'round the clock to try to repair the trucks. Within BME, labor relations were tense, and morale was low. "There were deplorable working conditions," recalls John Venios, president of local 246 of the Service Employees International Union (SEIU), which represents mechanics throughout city government, including the Sanitation Department. "Some garages had no toilets, some had no heat in the winter, and there was the pervasive feeling that no one gave a damn about the workers."

In 1978, Ronald Contino was hired as Deputy Sanitation Commissioner with responsibility for BME. Contino understood that the only way to run such a diverse and far-flung operation is through the active involvement of the workers themselves. As he observes, "One has only to envision a thousand trades people at over sixty locations, working on 5,600 vehicles from dozens of manufacturers and drawing from a parts inventory of over one hundred thousand individual line items, to realize that a single or even many management brains



PHOTOGRAPH BY JOHN POWERS FOR



cannot expect to solve the multitude of problems that occur on a daily basis."

To enlist participation, Contino created something new in city government—a "Labor Team" with representatives of each of the major trades in the department. He went to the presidents of each union in BME, including locals of SEIU, the Operating Engineers, and the Teamsters, and asked them to select representatives who would canvass their co-workers on ideas for improving working conditions and work processes. He encouraged them to seek out aggressive shop stewards who weren't afraid to speak out. "I said give me the guy in the union hall who's always yelling how lousy things are," Contino recalls. In order to ensure that the process would involve the unions, not undermine them, Contino specified that Labor Team members must report to their local presidents and attend union meetings.

As almost invariably happens with ventures in Employee Involvement, workers first demanded im-

provements in their own working conditions. As John Giuliano, a mechanic and member of SEIU local 246, remembers: "We wanted better lighting, better working conditions, clean bathrooms—just a minimally decent environment. We had to see evidence the new system could deliver. And it did."

During the first months of the Labor Team, the bureau acted on workers' complaints. For instance, welder Emil Zulfo in the central repair shop got a new smoke-eating device to divert the fumes. Soundproofing was installed in work areas that had been unbearably noisy. Major worksites were equipped with heating for the winter and air conditioning for the summer. Eventually, workers began to feel that, as Giuliano puts it, "this was for real, and changes were being made."

As conditions improved and trust was established, the weekly meetings between the Labor Team and top management started producing new ideas for improving the bureau's operations, most of which were implemented successfully:

- Workers were freed of the requirement of filling out time sheets showing how they spent their time each day. Instead, each repair shop was given work goals to meet. As Giuliano recalls: "When we got rid of all that paperwork, everyone felt good. Our job is to repair trucks, not fill out forms, and, once we could just do our jobs, it changed the mindset completely."

- The local repair shops were stocked with the necessary parts so they wouldn't have to order them from central repair and wait several days for them to arrive. Air tools and other necessary equipment were also made available to the borough shops.

- Mechanics were given the authority to order new tools their jobs required. As Joseph Bernardo, a mechanic and shop steward, explains, "We would suggest the equipment we needed, based on our experience and the equipment shows and magazines. We know our jobs, and we know what we need to get our jobs done."

- At the central repair shop, workers designed a robot to perform what had been the repetitive and unpleasant task of repainting trucks. Assured that their jobs would be secure and they would be reassigned to more skilled tasks, workers made clear that a properly designed robot would probably do a better job painting than a human being vulnerable to boredom and fatigue.

While these changes were enlisting the participation of rank-and-file workers, middle managers were frequently less than enthusiastic about the new system. "Middle managers can be afraid of exposing the operation," said Lloyd Hackett, who served for several years as a representative of SEIU local 246 on the Labor Committee and is now a manager himself. "They're afraid they'll look bad." And, in fact, there has been significant turnover among middle managers.

After several years of worker involvement in decision making, BME showed improvements in efficiency and productivity, with out-of-service rates on equipment dropping from 50 percent to 15 percent and cost savings of \$16.5 million in one two-year period alone. As operations became more efficient, there were two important bonuses for the employees: an end to the risk that their jobs would be lost through contracting out and an end to the constant demands for night-shift work

to handle emergencies.

Having restored efficiency to BME's basic functions of repairing and maintaining vehicles, the bureau's managers and workers kept looking for new ways to innovate, even creating a special "research and development" team of employees seeking out ideas for improving equipment and operations.

With years of experience fixing up Sanitation Department vehicles, workers knew there were defects in the standard specifications for much of the department's equipment—the "specs" from which vendors built the trucks and other vehicles. As mechanic Joseph Bernardo remembers: "There used to be no input from mechanics who actually knew what kinds of things would go wrong with the trucks. The vehicles were made to specs written up years ago, and we used to be at the mercy of the manufacturers—whatever was coming off the line, the city bought."

BME began involving mechanics and other blue-collar workers in the vehicle design process, which previously had been the sole province of the department's engineering staff. In addition, BME employees were sent to meet with representatives from the vendors to explain the new specifications for department vehicles.

Even after making this extra effort to demand quality from vendors, BME employees remained dissatisfied. Workers came up with a new idea: building their own refuse wagon as a model for how to build one properly. In just thirty-five days—a time comparable to what it takes private vendors—mechanics and other skilled craft workers at the central repair shop built a refuse wagon of their own, and, when they were finished, they proudly painted it with the words "Our Baby." This vehicle is now the model that private vendors are required to duplicate.

For welder Emil Zullo, who learned his trade at an aircraft plant during World War II, experiments like "Our Baby" are the most exciting work he's done in decades—more interesting by far than doing routine repairs. That's why, he tells a visitor, he's staying on the job even though he's reaching retirement age.

Today, ten years after it was a problem agency, BME is a model for the entire city government. In fact, instead of contracting out its own repair work, it is now "contracting in," repairing vehicles for other city departments and even soliciting repair contracts from the state government.

During my visit to BME, I was left with only one nagging question: Since the Labor Team system is strictly advisory, and worker involvement in decision making is not guaranteed by written agreements between unions and management, what will happen when Ronald Contino eventually moves on?

"What would happen if Ron left?" said one key participant in the changes at BME. "I don't know. I really don't know."

## SUCCESS AT AN EXPERIMENTAL STEEL MILL

While America's basic industries have taken a beating during the past decade, none has suffered more than basic steel, where employment has dropped from an

average of 560,000 jobs in 1978 to an average of 269,000 in 1987. A growing number of leaders from business and labor agree that, if the steel industry has a future, it will have to be found in high-quality products and high-technology processes. In an experimental steel mill in Cleveland, new technologies have been linked to new ways of organizing work processes.

Four years ago, the LTV conglomerate—which includes the old Republic Steel, Jones and Laughlin Steel, and Youngstown Sheet and Tube companies—entered the race to meet the new demand by the nation's auto companies for corrosion-resistant steel produced by "electrogalvanizing," a process in which steel sheets are electrically plated with zinc, providing a smoother surface for paint than traditional steel products.

Understanding that it would need to make high-quality products quickly and at low cost, LTV chose to enter two unusual partnerships. The new electrogalvanizing plant would be a joint venture with Sumitomo Metal Industries, a Japanese company that first developed the technology. And, in an even more revolutionary development for American steelmakers, the plant would be designed and managed in partnership with its workers. As Donald Vernon, vice president and general manager of the LS (for LTV-Sumitomo) Electro Galvanizing Company, has explained, the plan was "to establish a company that would have a competitive edge through full utilization of its workers," drawing upon their skills and experience, as well as their physical labor.

When LTV approached the United Steelworkers of America (USWA) with the idea, it found a receptive audience, recalls Sam Camens, who was then assistant to the president of the national union. A veteran unionist, Camens believes the steel industry has suffered from its traditional "autocratic" organization: "No plant can be competitive if it's organized on the old, traditional basis because management alone does not have the knowledge that comes from the workers' experience."

Together, LTV and the USWA reached an innovative agreement. LS Electrogalvanizing (LSE) would hire its work force from laid-off union members from the Cleveland area. The plant would have its own union contract, separate from the national contracts covering the major steel companies. Workers would be guaranteed job security and wages and benefits comparable to those provided by the national contracts. And the workers would be hired and placed on the payroll before the new plant and its work processes were designed, so they could be involved in the planning process from the beginning. As the USWA's Camens recalls, this was to be "a greenfield plant—new equipment, new technology, and a new way of doing things."

An initial work force of forty-five was hired in 1985. The workers and managers then journeyed to Japan, where they studied Sumitomo's electrogalvanizing line. Top union and management officials at LSE—USWA local 9126 president Tom Zidek and LSE human resources director Ken Pohl—agree that the Americans had mixed reactions to what they saw in Japan. They admired the "team concept" at Sumitomo but were doubtful about the extreme "company mindedness" of the workers, and

*(Continued on page 42)*

## NEW WAYS OF WORKING

(Continued from page 24)

even their union. They went home determined not to copy Japanese methods but to learn from them and devise a system tailored to their own needs.

When they came back to Cleveland, LSE's workers and managers held a series of meetings with an outside consultant, Paul Huber. The purpose of the meetings, as LSE's Pohl recalls, was no less than to "actually design the company, envisioning what we wanted it to be once it went into operation." The product of these discussions was something very different from the traditional steel mill, where each worker labors at a highly specialized job while foremen shout orders. Instead, LSE was organized along these innovative lines:

- Instead of the more than forty job classifications in most steel mills, there are three job classifications: entry level, intermediate, and advanced. Workers rotate jobs and are given the opportunity to learn every skill. The highest pay rate is for those who have learned every skill.

- At the beginning of each "turn" (steel industry lingo for "shift"), workers meet to learn what happened on the last turn and plan what they will do on their turn. Instead of foremen, there is a "process coordinator" for each turn, but his role is to help the work group reach consensus, not to bark orders. "In the old system, you never disputed the foreman," says Zidek. "Here, if you think there's a better way to do it, the P.C. [process coordinator] will listen."

- Through joint labor-management committees, workers have an equal voice on such issues as work and vacation schedules, safety, training, and hiring. Workers and management jointly select new hires, with laid-off union members getting the first shot, and applicants taking tests with the Ohio Bureau of Employment Services. "The plant manager meets the new people for the first time after they're hired," says Pohl.

With the planning process under way, LTV and Sumitomo invested \$135 million in gutting and remodeling the old Republic Steel Cleveland Works and building an 885-foot-long electrogalvanizing line. When the mill started up in April 1986, workers initially took jobs resembling those they had held at their old companies, understanding that they would eventually be trained in other skills as well. Within months, a system began where, every other week, workers would work at new jobs requiring new skills, under the guidance of fellow workers—a change that was welcomed by most. "Under the old system, I'd stay on the same job until someone above me died or retired," Zidek said. "Here I do everything—there's variety. I'm not stuck doing the same thing every day. And there are some jobs you wouldn't want to do for the next thirty years of your life."

To hear Pohl and Zidek tell it, the new system at LSE encourages a greater concern for quality since workers learn about the total electrogalvanizing process and help decide how they will do their jobs. The work crews have a great degree of decision-making authority, with the power not only to decide schedules and work assignments but also, as Pohl explains: "They have the responsibility of running their shift. They routinely make decisions as to whether to vary the process to deal

with a quality problem, whether to interrupt the work process to fix a faulty part of the line, and to make decisions on improving and approving the quality of the product that goes out the door."

The work crews, however, are not entirely self-managing. Major alterations in the production schedule would have to be approved by the plant's production coordinator to ensure the customers would get the products they ordered at the anticipated times. Moreover, it is not clear whether a work crew could prevail on an issue if the "process coordinator" (the foreman, in a traditional steel mill) were opposed. Nonetheless, it is apparent that LSE operates along significantly different lines from those of most steel mills. Throughout the steel industry, foremen and other front-line supervisors do have a great deal of authority to make fast, on-the-spot decisions; the difference is that, at LSE, this authority is shared to some extent with the workers, and consultation is encouraged.

LSE's experiment with shared authority is paying off. Producing 30,000 tons of steel a month for domestic automakers, the plant turned a profit in 1987, a year ahead of the business plan. A key statistic, "yield," the ratio of good product to total product, stands at 80 percent for LSE, compared to 55 percent for Japanese companies and an appreciably lower figure for most American companies. And LSE has had a full order book since November 1986.

Both labor and management see LSE as a model. Says LSE general manager Donald R. Vernon, "There is ample evidence at LSE, in its relatively short existence, that, when the assumption is made that people are basically responsible, the results are very acceptable." And the USWA's Sam Camens calls it "probably the most conscious effort of any plant that I've seen of trying to make the process of employee involvement work and really make it into a joint process and consult with the union."

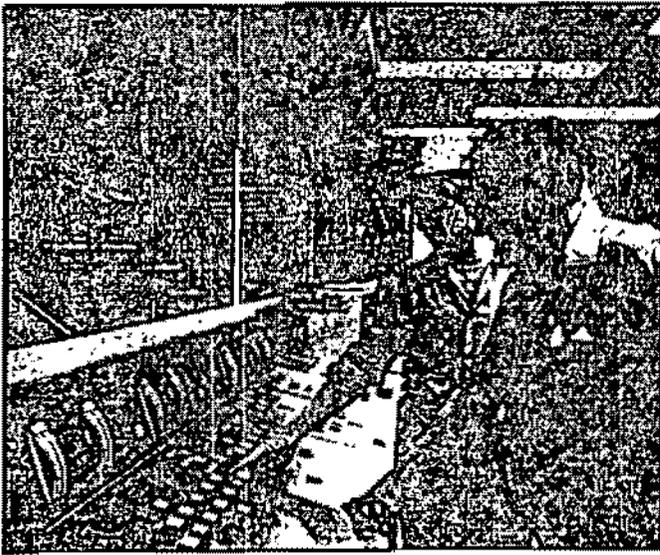
## SAVING AN AUTO PLANT

At the beginning of the 1980s, Ford's Sharonville, Ohio, plant, which manufactures transmissions for cars and trucks, was considered a trouble spot with poor-quality products and chronic labor-management tension.

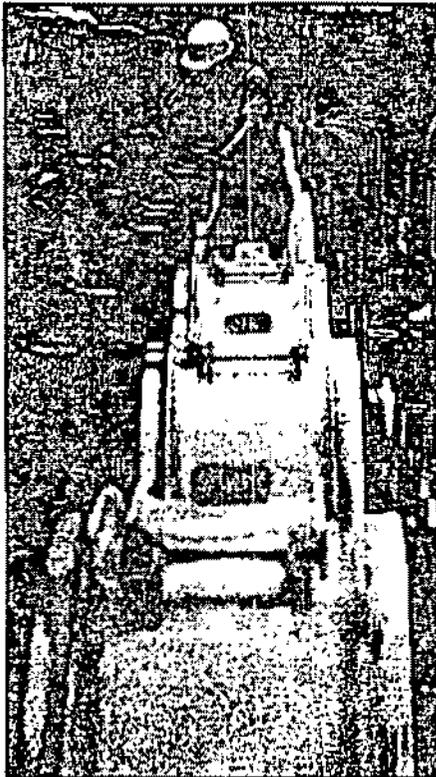
Sprawling over fifty-two acres and employing more than thirty-five hundred people, the plant fit the traditional model of the large, hierarchically organized factory, with foremen barking orders at an alienated work force. The result, union and management officials now admit: low-quality product.

By the middle of the decade, after Ford phased out one of the plant's two products—the outmoded rear-wheel-drive "C5" transmission—the plant laid off some sixteen hundred workers. "Yes, we were in danger of closing," plant manager Thomas McCaffrey says now.

A veteran of more than thirty years at Ford, including earlier stints at Sharonville, McCaffrey became plant manager in the summer of 1983. A deceptively soft-spoken man with a reputation as a no-nonsense manager, McCaffrey soon understood that "something was very wrong here, and we had to make changes." As a mechanism for turning Sharonville around, McCaffrey



PHOTOGRAPHS BY DWANE HINES



*The old image of "foremen barking orders" has been replaced by a process of shared authority in which work crews carry the basic responsibility for running their shifts.*

*Instead of the more than forty job classifications typical of most steel mills, LSE has only three: entry level, intermediate, and advanced. Workers rotate jobs, gaining knowledge of the entire electrogalvanizing process.*

turned to what was then a new idea: the Employee Involvement (EI) program Ford and the UAW had negotiated in 1979 but which was only just beginning throughout the company.

"Here, we did things a little differently from what was then the prevailing wisdom about EI," McCaffrey recalls. "Instead of starting in the easiest departments, which was how most places did it, we said, the hell with it, we'll start in the toughest places first. EI is supposed to solve problems, so let's start with where the problems are."

Beginning in fall 1980, EI started with teams of eight to ten workers from the same department meeting every week in an effort to solve problems affecting quality and productivity. At Sharonville, where workers had reason to be skeptical about management promises, the local union took a "wait-and-see" attitude toward EI. This skepticism may well have had a healthy impact because, in an effort to win union support for EI, management agreed to an unusual degree of joint labor-management direction of the program, with UAW members co-chairing committees.

Within several years, the EI process produced dramatic changes:

- The four original assembly lines were eliminated, and two lines were rebuilt in their place. Unlike the past, when engineers and work-standards specialists would have designed the new lines by themselves, these changes were planned after consulting the assembly-line workers themselves.

- In a dramatic break with the past, workers won the right to stop the assembly line at any time if they spotted defective parts. "When I started here, I would have never believed they would let workers stop the line for any reason," says UAW bargaining committee member Ron Hughes.

- In an effort to foster teamwork and reduce symbolic distinctions between workers and management, the executive dining room was closed—and later converted into an exercise room available to all employees. Executives and hourly workers now eat in the same cafeteria, and a visitor to the Sharonville plant now sees managers in jackets and ties and assembly-line workers in workclothes sitting at adjacent tables, if not together. Meanwhile, in a more substantive change, the number of management and supervision levels has been reduced from seven to four.

- There is a new emphasis on training in subjects from computer science to human relations. A favorite course is offered by UAW member Al Loos, who takes apart a transmission and rebuilds it from scratch, so workers can learn the total process of building their product. A visitor to the Sharonville plant is struck by how much of the plant is already devoted to training programs and how many trailers, meeting rooms, and work areas are being converted into classrooms.

- As at the central repair shop in New York City, EI has produced improvements in conditions, such as fans, lighting, and ventilation systems. Also as in New York, workers have had the opportunity to present ideas for improving quality to top management, the engineering staff, and outside vendors.

- And, in a dramatic change from traditional factory life, workers no longer have to punch a timeclock.

Instead, they are trusted to report their own hours, with supervisors and work groups themselves assuming responsibility for ensuring that employees show up for the hours they claim to have worked.

Plant manager McCaffrey credits EI with saving the Sharonville plant, helping it keep the contract for producing a more modern transmission, the C6. However, the guarantee of Sharonville's survival came in April 1986, when Ford decided to invest \$260 million in a new state-of-the-art transmission—the E40D—that will be built only at Sharonville. What has now grown into a \$410 million investment will secure two thousand existing jobs and produce an additional two hundred through the 1990s.

Ford's E40D is an all new, advanced technology, heavy-duty transmission that will be fitted into trucks and vans, including the Bronco, F-Series, and Econoline/Club Wagon. E40D has four speeds, including an over-drive fourth, and a lock-up torque converter and over-drive control.

Ford could have contracted out production, bought the transmissions from overseas, or built the E40Ds at any of its domestic transmission plants. Sharonville won the coveted E40D contract through a plan prepared jointly by plant management and UAW local 983 to produce the transmissions in a way that would maximize quality: self-managing work teams. The plan had credibility because of the plant's earlier success with EI. As McCaffrey explains: "The source of our success is on the factory floor. Everyone can buy the same equipment and technologies. The difference is how you manage human resources."

In preparation for building the E40Ds, every employee involved in the new project participated in a three-week training course on both the new technology and the human relations skills involved in teamwork, including setting goals, communication skills, conflict management, and problem solving.

Starting in May, Sharonville began producing E40Ds with forty self-managing "business teams," each consisting of ten workers, with an engineer/cost analyst and a supervisor whose role is summed up by his title, not "foreman" but "adviser." At the time of my visit to Sharonville in July, 151 workers, all of whom had volunteered for the project, were involved with E40D, but their number was expected to increase significantly in the months ahead.

As at LSE, the "business teams" at Sharonville have a great deal of authority but are not yet completely self-managing. Sharonville's industrial relations director, Gary Blevins, explains: "They make their own decisions on how to meet the schedule, how to arrange the work, and the assignment of the work—which members of the team do what work. They decide how to rotate the jobs among each other. They train each other in the different jobs." In the event the foreman/adviser disagrees with a decision by the work group, he can take up the issue with a higher level of management, a situation Blevins calls "very exceptional—I can't think of one instance like that offhand, but that doesn't mean it hasn't happened." Overall, he says, "we still don't have a finished model—we're all still learning."

At the time of my visit, the "business team" experiment was just two months old, and it seemed the work-



PHOTO: JAMES ET ARICE CAPPEN



*"We know our jobs, we know what has to be done, and we just do it," says Sharonville's William Baldwin. "It's a good feeling."*

*A favorite course is offered by UAW member Al Loos, who takes apart a transmission and rebuilds it from scratch, so workers can learn the total process of building their product.*

ers involved in the project were enthusiastic about the concept but had a number of gripes about its execution. During a free-wheeling discussion in a meeting room in the plant, workers nodded in agreement when Ron Eads, who works on the "final line" in E40D assembly, said: "It used to be they hired us just for our shoulders and below. Now, they finally understand we have something valuable above the neck." But workers also nodded in agreement when Eads warned that "many of the foremen still act like foremen, not advisers. And there are instances when management won't let us manage ourselves and contradicts our decisions."

Confusion about the relationships between self-managing work groups and frontline supervisors isn't unusual, according to retired Dartmouth Business School professor Robert H. Guest, who was a consultant to the Sharonville plant's Employee Involvement program, as well as for similar efforts in other companies. "A lot of these plans are groping in the direction of total autonomy, which would mean the elimination of the frontline supervisor, the foreman," Guest explains. "To move from foreman to adviser is a tremendous leap. It's quite common when you get into self-administration, the old supervisors say, 'Okay, now, we're just advising—but you'd better do it this way.' The old habits persist. Change always takes much longer than anyone predicts."

However, whether by accident or intention, dramatic change has already come to at least one department in the Sharonville plant. At the time of my visit, William Baldwin, a worker in the valve body room, had the opportunity to work in an entirely self-managing work group because his foreman/adviser had been on leave, and there had been no replacement for him. Baldwin says he and his co-workers are enjoying managing themselves because "we know our jobs, we know what has to be done, and we just do it."

Visiting Sharonville and meeting with smart and tough-minded union and management officials—veterans of decades of auto work and industrial conflict—I saw living proof of what UAW bargaining committee member Ron Hughes said: "Employee involvement, whatever you call it, doesn't mean that the union or management roll over and play dead. They still want to run the company. We still fight like hell for our members. But now, before we fight, we talk." And as Al Blevins, the shrewd and tough-minded UAW shop committee chairman (and no relation to management official Gary Blevins), says: "There are still more than enough legitimate beefs here to keep us all busy. But, ten years ago, if you had told me that workers would have the right to shut down the line for any reason or that the executive dining room would become an exercise room for hourly workers, I would have thought you were crazy, but I wouldn't have put it that nicely."

Sharonville, L-S Electro galvanizing, and the New York City Sanitation Department's Bureau of Motor Equipment are all experiments that are transforming patterns of the organization of the workplace that are as old as the Industrial Revolution. Together with other experiments like the General Motors Saturn Project, their successes—and even their failures—may offer a glimpse of the future, not only for blue-collar work but for every form of work in America. □

## MAKING GROUPWORK WORK

(Continued from page 17)

visual abilities, reasoning abilities, and the ability to be precise, accurate, and careful. Tasks that are conventional pencil and paper or tasks that have only one right answer should be avoided.

Use of the multiple-abilities strategy means thinking in a new way about human intelligence. Instead of thinking about how intelligent or unintelligent a student is, imagine that there are different kinds of intelligence or intellectual abilities that are called forth in different kinds of situations and for different aspects of a given task. Take, for example, the task of teaching. Teaching requires great interpersonal intelligence, organizational ability, conventional academic ability, verbal ability, as well as creative ability.

The multiple-ability strategy requires that the teacher convince the students that many different abilities are required for the tasks and that reading and writing are only two of the necessary skills. The teacher states explicitly in the orientation session: *No one will be good at all of these abilities. Everyone will be good on at least one.*

As a result of this introduction to the task, students expect that they will be good on some of the abilities required by the task and not so good on others. When they go into the groupwork with these kinds of mixed expectations for competence, the tendency of high-status students to dominate and the tendency of low-status students to withdraw is greatly weakened. As a result, low-status students have a chance to interact, to solve problems for themselves, make contributions to the group, and learn.

## THE TEACHER'S ROLE: LETTING GO AND TEAMING UP

Groupwork changes a teacher's role dramatically. No longer are you a direct supervisor of students, responsible for ensuring that they do their work exactly as you direct. No longer is it your responsibility to watch for every mistake and correct it on the spot. Instead, authority is delegated to students and to groups of students. They are in charge of ensuring that the job gets done and that classmates get the help they need. They are empowered to make mistakes, to find out what went wrong, and what might be done about it.

Students are now doing many of the things you ordinarily do—like answering each other's questions, keeping each other engaged in the task, helping each other to get started. After teachers discover that they do not appear to be needed because everything is running without them, they often ask, "What am I supposed to be doing?"

Actually, you are now free for a much higher level and more demanding kind of teacher role. You now have a chance to observe students carefully and to listen to the discussion from a discreet distance. You can ask key questions to stimulate a group that is operating at too low a level; you can provide feedback to individuals and to groups; you can stimulate their thinking; and you can reinforce rules, roles, and norms in those particular

groups where the system is not operating at its best.

There is a fine line between direct supervision and the supportive role. Direct supervision is standing over students and helping them do their task, answering their questions, and instructing them. In contrast, the supportive supervisor stands well back from the group so that she can hear what is going on without signalling the group that she wants to communicate with them. She speaks with them only if a critical opportunity arises.

Becoming a supportive supervisor does not mean giving up control of the classroom. You, as teacher, make the norms and roles work for you to control behavior in productive ways. You hold the groups accountable for their end products and for their management of group functioning.

Developing and evaluating multiple-ability groupwork tasks for heterogeneous classrooms is demanding. It is not a job for a single teacher, but, at minimum, for a pair of teachers who can observe and evaluate each other's work. There are a number of simple techniques teachers can use for gauging the effectiveness of their efforts. Teachers can use these instruments to observe each other; they can also administer short questionnaires to the students to see how well they are responding to the tasks. Armed with this objective information, teachers can provide helpful collegial evaluation for each other. Using the basic principles described here, teachers across the country have been able to design tasks that are highly effective in the most difficult and demanding classrooms. It should be no surprise that when teachers talk and work together, the results can be just as gratifying as when students talk and work together.

## ADDING GROUPWORK TO YOUR TEACHING REPERTOIRE

There are many other aspects of groupwork that will require careful thought, preparation, and decision. What patterns of working together will be employed? (Will students work at learning centers, in small short-term discussion groups, in creative problem-solving groups, or in relatively long-term project groups? Or will groupwork consist mostly of peers giving each other assistance on their individual tasks?) How large should the groups be? How should the groups be composed, and how can a good mix be created? How specific should written instructions be? What other resources are needed? How should the room be arranged to accommodate this new form of working? And—a question teachers invariably ask—how can you

Designing Groupwork by Elizabeth G. Cohen may be ordered for \$13.95 plus \$1.75 postage and handling. Please make check payable to Teachers College Press and remit to: Teachers College Press, P.O. Box 939, Wolfboro, New Hampshire, 03894. You may also order the book using VISA or MasterCard by calling (toll-free) 1-800-356-0409 from 9:00 a.m. to 8:00 p.m. EST; in Maine (207) 324-1809.

evaluate student performance when the task is done by a group? (The general principle on this is to disentangle the issue of learning from the issue of giving grades and marks.) *Designing Groupwork* addresses all these questions in detail.

In closing, we would like to emphasize that cooperative groupwork is not a panacea. Nor, of course, is it the best strategy for all instructional goals. Whole-class instruction clearly has its place in the array of teaching techniques; lively presentations and mini-lectures are invaluable tools of the teacher. However, adding groupwork to your teaching repertoire allows you to achieve results with classes and with individual students that are difficult to attain any other way.

Secondly, we repeat a point that has run throughout this article: Successful groupwork requires quite profound changes in students and teachers. Students take on new roles, and teachers give up some old ones. New, multiple dimensions of intellectual competence are recognized and honored. The curriculum moves away from its almost singular reliance on paper and pencil or verbal tasks to a richer array. Likewise, a wider variety of intellectual methods for solving problems are encouraged.

None of these changes are easy, but we obviously feel they are well worth the effort. Groupwork can help teachers reach all students better, and in particular, those students who in the past have been the hardest to reach. These students will work harder—and happier, will spend more time on task, will be more excited about school, and will learn more. In the final analysis, it is the joy of seeing these students begin to achieve that motivates many of us to continue the difficult process of changing the work of the classroom. □

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# LABOR-SAVING DEVICES

UNIONS TRY THE NEW SOFT-SELL

DAVID KUSNET

**M**ore than eight thousand people gathered in the Miami Beach Convention Center on the evening of July 29 for an unusual kind of revival meeting. When people got up to testify, they spoke not of their own sins but of their employers'. If there was a devil to be denounced, he had human form: Frank Lorenzo, chairman of Texas Air, which owns Eastern Airlines, and under whose regime the company has been taking a tough line against employees and their unions.

The brand of redemption preached at the rally was decidedly of this world. Workers from different industries and walks of life were urged to recognize their common problems and common interests and make a renewed commitment to the cause of labor solidarity. Miami's "Jobs with Justice" rally — part of a series of similar events planned for cities throughout the country — was an effort at revival, revival of a labor movement that in recent years has attracted public attention mostly for losing political influence, economic clout, and public esteem. Miami's sizable and spirited labor rally was a sign that the movement's decline may be exaggerated and its revival may be unrecognized. The new "Jobs with Justice Campaign" is one of many new initiatives being undertaken by an old movement.

Some of these initiatives resemble "Jobs with Justice" — evangelical efforts to fire up current members and recruit new ones to the fighting faith of solidarity. But other initiatives, particularly those endorsed by a recent AFL-CIO report that has come to symbolize labor's self-examination, de-emphasize the congregational aspects of unionism and stress its role as a service organization that can provide a new generation of workers with job training, legal insurance, and even low-cost credit cards.

Whether labor will emphasize mass movements or mass marketing — or a combination of these approaches — remains

to be seen. But, as the Reagan era draws to a close, there are definitely signs of change in the air. Indeed, in this year's round of Labor Day punditry, in addition to the usual dirges for American unionism, there were predictions from sources as unlikely as the *Wall Street Journal* and conservative commentator Kevin Phillips that, after years of decline, the labor movement may finally be making a comeback.

Change is coming to American labor several decades later than to other major institutions. During the turbulent sixties and seventies while the churches, the universities, and the Democratic party each took a hard look at themselves and submitted to wrenching processes of reform, organized labor — or at least its major national institution, the AFL-CIO — seemed immune to self-examination, much less self-transformation. To the outside world, the movement's public face was George Meany's: the gruff, octogenarian patriarch whose views of unionism and society itself were shaped before the social revolutions of the thirties and appeared hostile to those of the sixties.

An unquestioned leader in achieving much of the social progress of the past half-century, the AFL-CIO was nonetheless conservative in maintaining its own traditions while the world changed around it. Large corporations might change their logos and their names, if not their ways of doing business, but the AFL-CIO entered the eighties as much the same institution that had been founded a quarter-century before. So it is especially remarkable that, for the past five years, American labor has been engaged, not only at the grassroots level but in its highest councils in a remarkable process of self-criticism — acknowledging its failures, reshaping its public image, and, perhaps most painfully of all, questioning the very nature of the service it offers.

This self-examination began undramatically five years ago, when AFL-CIO President Lane Kirkland appointed a special committee to "review and evaluate changes that are taking place in America in the labor force, occupations, industries, and technology." The assignment might sound technical and the group's name, Committee on the Evolution of Work, was unprepossessing. But, as Gus Tyler, assistant president of the International Ladies Garment Workers Union, observed, this

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committee may have "a potential impact on U.S. unionism as profound as that of Vatican II on the Catholic church."

**F**or three years, the committee listened to a variety of voices not usually heard by top labor leaders, including outside experts such as Harvard economists Richard Freeman and James Medoff and the pollster Louis Harris, who helped review public opinion research from the past quarter-century and conducted additional surveys. Eventually the committee issued a tightly written, thirty-four-page report, "The Changing Situation of Workers and Their Unions," which discussed the labor movement's problems with unusual forthrightness — and offered recommendations that until recently would have been considered heretical.

"The Report," as it has come to be known in union circles, began with the grim — and familiar — statistics revealing a sharp decline in union membership as a percentage of the work force, down from 35 percent in 1954 to less than 18 percent three decades later. While noting that the drop in union membership results largely from the decline in heavily unionized industries such as auto and steel, "The Report" made clear that the fault also lies with the union movement itself. In words difficult to imagine Meany sanctioning, much less speaking, the report acknowledged the simple truth: "Unions find themselves behind the pace of change."

"The pace of change" is reflected in the experience and attitudes of today's workers. They are likely to work at many different jobs — perhaps at several careers in several industries — during their lifetimes. They seek "high discretion as well as high pay" on the job, and "the striking new factor is a shift in which Americans are less likely to see work as a straight economic transaction providing a means of survival and more likely to see it as a means of self-expression and self-development." And they "by and large see themselves as independent, self-confident, self-reliant, and skeptical of chains of authority."

Asked to evaluate their jobs, 51 percent of these workers claimed they are "very satisfied," a finding unsurprising to any shrewd union organizer; in today's America, it is virtually an admission of failure for a working person, particularly a white-collar worker, to acknowledge dissatisfaction with his or her job. But pressed further, most workers did admit to a measure of dissatisfaction, not so much with their paychecks as with their lack of power and prospects. Only 40 percent said they are satisfied with their opportunity to participate in decisions affecting their jobs, and only 28 percent said they are very satisfied with their opportunity for career advancement.

Clearly, there is a potential constituency for organizations

dedicated to improving workers' jobs. Yet non-union workers took a dimmer view of the existing labor movement than of their own work situations. Sixty-five percent of non-members agreed that "unions force members to go along with decisions they don't like." Sixty-three percent said they believe union leaders, not the members themselves, decide whether to go on strike. Fifty-four percent agreed "unions increase the risk that companies will go out of business"; 57 percent believe that "unions stifle individual initiative"; and 52 percent believe that unions fight change.

However, the same workers did see a role for employee organizations which they imagined would be different from traditional unions. Sixty-one percent of non-union workers said they would be interested in joining an organization that provides information about job training and job opportunities, and almost half favored collective action on issues like on-the-job grievances. In addition, a majority would be willing to pay up to \$50 a year for membership in an organization that provided such benefits as health and legal insurance, discounts on consumer goods, and low-cost credit cards.

**T**hese findings paint a portrait of today's worker far different from the figures portrayed in the mural on the ground floor of the AFL-CIO's headquarters: assembly-line operatives and building tradesmen who expected to work at basically the same job for all their lives and understood that their own futures were linked with their unions'. Today's workers — or at least their self-images — are at once more traditionally American and more contemporary. They are individualists who believe their futures are in their own hands and are reluctant to offer unconditional loyalty to an employer or a union.

To such an audience, labor's message of solidarity is, as a labor priest once said, "inherently countercultural." Labor, then, shares a common dilemma with churches, community groups, and any other institution that tries to bring Americans together: How to promote collective action in what may be the most individualistic society on earth?

As with other organizations that demand dues, activism, and even personal sacrifices from those who join, unions offer tangible benefits to their members. From the founding of the American Federation of Labor more than a century ago, the labor movement has had a dual identity, part social movement, part service agency. Indeed, as unions become entrenched, they offer their members an implicit business proposition: Pay us dues, and in return we will negotiate a contract with your employer providing you with better pay, fringe benefits, and working conditions, and, on top of that, we'll represent you in any individual problems you may have on the job.

Believing in an idealistic conception of unionism as a movement with a mission to change society, generations of radicals have attacked this implicit bargain as "business unionism" — a kind of occupational insurance policy where the worker pays the union his premium and gets a measure of economic security in return. But it's a bargain that has bene-



shed generations of workers who, wearied by the demands of jobs and families, have limited their participation in their unions to paying their dues, honoring picket lines during strikes, and, more often than not, voting for labor-endorsed candidates.

The AFL-CIO report updates this brand of service-agency unionism by proposing new services that unions can provide, new forms of representation they can offer on the job, and even new forms of union membership. Acting on the recommendations of its report, the AFL-CIO now offers members a "Union Privilege Mastercard" — the lowest-priced nationally distributed credit card — and plans to provide other discounted services, including life insurance, legal services, supplemental health benefits, and even Individual Retirement Accounts. In the collective bargaining arena, "The Report" recommends that unions adjust to the individualism of today's workers, particularly white-collar professionals, by abandoning the rigidity of hard-and-fast contracts setting the same pay, benefits, and work rules for everyone. Instead, unions could negotiate minimum guarantees and leave individual employees free to bargain for their own pay, benefits, and working conditions. And, in what may be the most revolutionary recommendation of all, "The Report" suggests new forms of membership for workers who want to join unions but are not covered by union contracts. At a cost of \$50-a-year — considerably less than the dues for most unions — working people would become "associate members" of unions in their industries, receiving job counseling, union publications, and discounted services such as the new credit card. In particular, these associate memberships would be offered to workers who have left unionized jobs, workers who want to organize unions at their workplaces, and others who are interested in the package of services a union can offer.

This brand of unionism is best suited for white-collar work forces that enjoy relatively peaceful relationships with their employers — for instance, public employees in the Northeast and Midwest. In fact, "The Report" reflects many of the tactics used years earlier by the American Federation of State, County, and Municipal Employees (AFSCME), almost half of whose members work at white-collar government jobs.

**A**s an organizer and publicist in AFSCME campaigns from 1976 through 1984, I can now confess — or brag — that we helped create a new vocabulary of union organizing that emphasized the representation unions offer, while downplaying confrontation with the employer and even the word "union" itself. In leaflets for secretaries, social workers, psychologists, and other white-collar employees, we urged them to choose "professional representation," which would benefit them at the bargaining table, in their government bureaucracies, and in legislative bodies at the local, state, and national levels. The union was presented as a highly professional service-agency, with a staff of economists, lawyers, researchers, negotiators, and lobbyists — just the kind of organization government employees would

want to have working in their behalf.

Presenting unionism in this way raised the hackles of veteran unionists blooded in the labor wars of the thirties and forties — and also younger radicals who saw unionism as a way to continue the struggles of the sixties. But, during the seventies and eighties, the union-as-white-collar-service-agency proved attractive to government workers, employees of educational institutions, and other workers from the service sector, particularly in workplaces where employers offer relatively little resistance to union organizing.

Two years after "The Report," what was once a heresy is now orthodoxy. In Ohio, AFSCME won fifty thousand new members with a low-key campaign stressing the union's role as a "new voice for state employees," defeating the Communications Workers, Hospital Workers, and other unions, all of which took a more traditional approach. In Texas, Louisiana, and other states, the American Federation of Teachers begins its organizing campaigns with mailings offering teachers' liability insurance, travel plans, a professional magazine, discount legal help, and a voice in the education reform process. And, in a campaign to organize white-collar employees at Blue Cross and Blue Shield — an employer which depends heavily on union-negotiated health plans — a coalition of unions spearheaded by the AFL-CIO is stressing our old AFSCME slogan: "strong representation."

**H**owever, on labor's old battlefronts — at a Northeastern nursing home which cheats its workers out of overtime pay, the Midwestern factory where the company is demanding give-backs, or the Southern textile mill where management fires employees suspected of union sympathies — these soft-sell tactics are part of a future that hasn't happened yet. In these industries, organizers are searching for new ways to conduct old-fashioned union evangelism: not by appealing to workers as isolated individuals but by melding individuals into a fighting force. Instead of the high-tech strategies of "The Report" and the public sector unions, the blue-collar unionists are reviving the oldest union tactics of all: activating the members through personal contact, confrontational tactics on the shop floor, and marches and rallies on the city streets.

Mobilizing the membership at the work site is the essence of the "in-plant strategy" developed by a United Auto Worker (UAW) local in St. Louis and endorsed by the Industrial Union Department of the AFL-CIO. At a time when strikes are increasingly risky, this strategy keeps the workers on the job and in the workplace — but demonstrating their solidarity and causing trouble for their employer. At the Moog Automotive Plant in St. Louis, UAW members refused overtime, held lunch-time rallies, and marched into management offices to complain about unsafe conditions. Without going on strike, the Moog workers won a contract providing a 36 percent increase in pay and benefits over forty months — and unionists

around the country took notice. The AFL-CIO's Industrial Union Department published a booklet entitled "The Inside Game" explaining how to involve union members in new tactics at the work site; unionists across the country have ordered so many copies, it has gone into four printings.

The "Jobs with Justice" campaign that rallied eight thousand workers in Miami is an effort to take membership mobilizing tactics out of the workplace and into the community. In this campaign — which is also endorsed by the Industrial Union Department — union activists ask their co-workers to participate in just five events a year: possibly, a rally, a picket line, political canvassing, or leafleting a plant gate. If significant numbers of unionists make such a seemingly modest commitment, unionism could become a vibrant movement again, not only in union strongholds like New York, Chicago, or Detroit, but in virtually any community with even one major unionized workplace — an auto plant, the phone company, or the school system. Once again, telephone workers would join

picket lines at nursing homes; teachers would ask computer programmers to consider organizing; and rank-and-file unionists would ask their neighbors to support labor-endorsed candidates. Not only the concept of union membership — but the concept of citizenship itself — would take on new meaning.

For anyone who believes in the values of community, it's more inspiring to imagine unionists walking each others' picket lines than peddling credit cards and IRA's. But the same worker who may be persuaded to embrace the concept of solidarity might originally have joined the union because it offered consumer credit, job counseling, or other services. Labor's Vatican II — like other efforts at self-examination by major institutions — has pumped new life into an old movement and legitimized all manner of innovations. And a process that began with the question of how to appeal to workers as individuals may yet result in building new bonds of solidarity among them.

Pamela Rice Porter

### Ruth's Love Letters, 1918-1919

Before the mystery of the oak wardrobe I breathe the dark odor of centuries.

Ruth has sent me to find her gold leaf brooch. Across the floor, the bed's white spread, mottled light scatters, then settles. My hand in a shadowed corner brushes a small bundle: six letters tied with string, mildewed and brittle, two from France, four from Arizona.

The letters have lain as long as her mother's laundry basket against the back door. They began to form their presence here before his gray coat first hung from its nail on the frame of the unfinished house whose ghost still creaks on that unsectioned beam of prairie, not half a mile away.

If I turn slowly, without breathing, I might glimpse Ruth's tattered dress, her burr-laden sock, the blue over the chair, feel the patched cotton sack weighting down the porch. They will be there; they will be everywhere they have been, carrying their smudged streaks, her yet-uncrooked hands made wiping the cuts that boils opened daily.

The tree must contain also its bare roughness, spread of black against black over the house, when a crow rattled its wings through February cold like his suffered breathing, her sleep. The same round glasses that in each night folded on her window sill sharpened some distant flash, perhaps the 3 A.M. train — I had had a letter in the mailbag, hardly heavier than air, waiting.

And silence. Not the tiny explosions of her mother's wooden wheelbarrow across the kitchen floor, but down at dawn to his sister's, halted running over the plowed field; no time found her alone, as she walked in the snow white with frost before the sun hanging red low, between dark budding trees.

Still, it haunts the house, the ache that could not fill his next breath nor slow the sun from easing winter's burden of winter, aiding the vibrations of spring. The gold pine reveals itself, fragile form, trail of linked leaves. On the porch we look toward the trees, and I open my palm, fingers having long beyond memory

## Other Voices

From private industry to the public sector, the hottest idea is 'flattening out' bureaucracies, drastically trimming middle management and pushing decision-making down to front-line workers.

David Kusnet

The Evening Sun

Wednesday, June 26, 1991

# The Dixon formula: Trim the fat in middle management

MAYOR Sharon Pratt Dixon's plan to eliminate from 1,200 to 2,000 middle managers contains powerful ideas not only for solving the fiscal crisis in her hard-pressed city government, but also for reviving the Democratic Party as something more appealing than its stereotype of free-floating, big-government liberalism.

David  
Kusnet

Dixon's payroll-cutting plan isn't traditional urban liberalism, but it isn't traditional cost-cutting conservatism, either.

Rather than go after low-paid workers and the unions that represent them, Dixon is training her fire on the fat cats in municipal government. Instead of threatening to fire the workers who clean the streets, empty bed pans in hospitals, teach children, maintain government buildings, police the streets and fight fires, Dixon is trying to trim the upper and middle layers of the municipal bureaucracy, managers whose duties are often as dubious as their salaries are generous.

At the moment when the city govern-

ment almost certainly needs to make some painful cuts, middle managers who are often well-paid, well-educated and well-connected, are better situated to find new jobs in the private sector than sanitation workers or hospital workers.

Indeed, Dixon has gone to some lengths to reassure employee unions and social service advocates that her targets are not those who do the real work of city government. She's promised to spare front-line workers and union members, and, indeed, she's asked the City Council to suspend the "bumping rights provision" which could let some senior managers survive by replacing other workers more directly involved in providing public services.

Understandably, city union leaders remain skeptical of a plan to eliminate so many jobs. But Dixon's plan contains powerful ideas, not only for public officials but for public employee unions, for a Democratic Party caught between its honorable historic ties to the union movement and its need to appeal to middle-class voters who doubt they're getting real value for their tax dollars.

From private industry to the public sector, the hottest idea is "flattening out" bureaucracies, drastically trimming middle management and pushing decision-making down to front-line workers. It's an idea which should be congenial to unionists who have always sought more autonomy for workers on the shop floor and have never been fond of meddling middle-management supervisors or overpaid middle-school paper-pushers. Indeed, the idea of worker self-management is central to the agreement between General Motors and the United Auto Workers to build the experimental Saturn car in a new kind of workplace where workers take personal responsibility for quality.

In the public sector, teacher unions and education officials are experimenting with "school-based management," where crucial decisions are made by teachers, not by administrators and bureaucrats. While experiments in such school systems as Rochester, N.Y., and Dade County, Fla., have had their share of difficulty, most observers agree that the new ways allow for more innovation and, ultimately, more excellence, than the old top-down management. And another

important advantage is that school-based management should eventually eliminate many high-paid managers in the school systems' central offices — bureaucrats who haven't been in classrooms since the blackboards turned green.

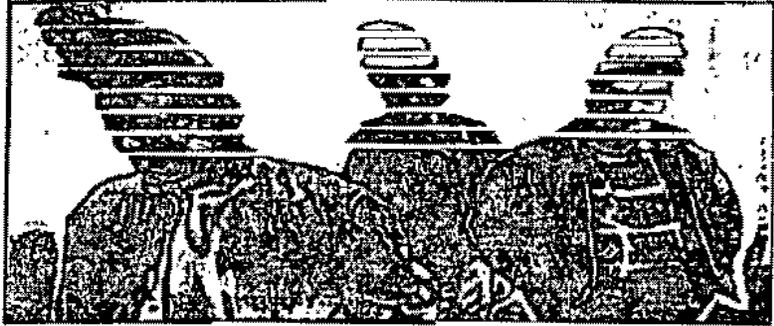
Democrats on the national scene should learn from Dixon and from the school reformers, and start talking about trimming government without going after the hardest working and lowest paid employees. Instead, Democrats and their allies in the public employee unions should hammer out a new philosophy of government that would be embodied not only in union contracts but in a new social contract between government and its employees.

Accountability and excellence would be the watchwords of a new spirit in government that would value front-line workers more than political hacks and high-level managers. Workers would have a high degree of discretion in performing their jobs, provided they showed results. While middle management would be cut back, many of the best would become planners, trainers or expeditors. People wearing public service

would be guaranteed secure careers, not secure jobs, and, if the need for one kind of work diminished, employees would be trained to learn new skills for new jobs. As in Saturn — and as in private industry in Japan and Western Europe — unions would be partners in the process of "re-inventing government." Collective bargaining would be a forum for addressing not only wages, hours and benefits, but how to improve the delivery of public services.

Significantly, Sharon Pratt Dixon won the Democratic primary with her pledge of leaner, smarter government, in spite of — or possibly because of — the fact that the electorate is dominated by government workers. Traditional Democrats and "wing voters" alike may respond favorably to a call for a government with much less fat, but more brains and muscle and heart and soul.

David Kusnet was a speech writer for Walter Mondale, Michael Dukakis and Jerry Wurf, the late president of the American Federation of State, County and Municipal Employees.



# What American labor unions can learn from Polish Solidarity

By DAVID KUSNET

Polish Solidarity leader Lech Walenski's visit to the United States, which includes a speech at the AFL-CIO's national convention, may be not only inspiring but bitter-sweet for American unionists.

Walenski, of course, is one of the most impressive figures of our times — the shipyard worker who leads an independent labor movement that challenged and transformed Poland's communist dictatorship. And America's labor movement has good reason to be proud of the moral and material support it has provided to Poland's Solidarity movement since its founding in 1980.

But while Walenski comes here as a dominant figure in his own society — in fact, Poland's new non-communist prime minister is a former editor of Solidarity's newspaper — America's labor movement has declined from 33 percent of the labor force in 1940 to about 17 percent today and is widely perceived to be losing bargaining power and political clout.

In spite of, or perhaps because of, its historic triumph, Poland's Solidarity movement is now in the unenviable position of sharing responsibility for the mismanagement of a stagnant economy with the communist bureaucracy that suppressed the people's freedom and stifled their courage for the past four decades.

American workers certainly wouldn't want to trade places with their Polish counterparts, but America's labor movement can learn one important lesson from Solidarity: to make clear that it is speaking up, not just for the interests of its members but for those of society as a whole.

That role was forced upon Solidarity, which found itself representing the interests and values of virtually the entire populace against the Communist Party elite and its allies in the military. American labor can play the less heroic but also necessary role of representing most Americans against a corporate elite whose fortunes are linked not so much to the success of our country's economy as to the profit statements of multinational enterprises.

American labor should champion a labor economic nationalism, stressing not protectionist trade policies, but the need for our businesses and our government to invest in American industries and American people. What's needed is to amplify labor's arguments in support of its most popular goals, and to address the needs

of the entire society — something the unions did successfully in the recent battles over plant closing and minimum-wage legislation. By paraphrasing the Rev. Jesse Jackson's old slogan, "Invest in America," labor can accomplish this in three ways:

1. Invest in America's industries. Remember last year's Democratic presidential primaries, when candidate Richard Gephardt warned that Korea's protectionist trade policies were keeping Chrysler's K-Cars out of that country's market? Now, Chrysler is making those K-Cars not in Michigan but in Mexico. This move symbolizes a historic shift in which, as Harvard political economist Robert Rancie has warned, "A lot of American companies are no longer American." Because American workers, unlike American capital, are unlikely to move overseas, American labor can and should be the champion of investment in our country's construction, factories and technologies.

2. Invest in America's people. If America is to compete in the world marketplace by improving the quality of its products, not lowering the wages of its workers, then we'll have to invest in the health, the well-being, and the skills of our people. Support for better public schools, expanded college opportunities, improved day care and universal health insurance all can and should be justified on that premise. And companies such as NYNEX, Telephones and Pizzano Coal should be stretched for trying to place added burdens on their workers by cutting their health benefits.

3. Promote American teamwork. Finally, American labor should promote authentic efforts to give workers a share in decision-making from the boardroom to the shop floor. Significantly, companies from Xerox to Ford — and public school systems from Rockville, N.Y., to Miami, Fla. — have located improvements in their products and services because of power-sharing with employees and their unions.

Armed with these ideas, American unionists may not make history as dramatically as their Polish counterparts, but they will go a long way toward establishing themselves as champions of a sound economic future and of the spread of democratic ideals in the workplace.

(David Kusnet was a speech writer for Jerry Ward, the late president of the American Federation of State, County and Municipal Employees.)

# messiahs create chaos



Eleanor M. News Art Syndicate

In private industry as well as in public education, the trend may be more toward power-sharing rather than power-tripping. The real heroes may be kinder, gentler executives who share respect and responsibility with their subordinates, while the would-be supermanagers who rule through fear may create chaos in the organizations they

seek to lead. For instance, when Fortune magazine recently listed "America's toughest bosses," Frank Lorenzo's name led all the rest for his hardball tactics in building Texas Air into a corporate empire, acquiring Eastern Airlines, Continental and People Express.

Yet Lorenzo's battering of his employees, from top-level executives to machinists and baggage handlers, contributed to Texas Air's finishing 10th out of 10 in another Fortune survey — its ranking of the "most admired corporations" in the transportation industry. And now Lorenzo is locked in a ruinous labor struggle that may well destroy Eastern Airlines, damage his own reputation and drain the resources of Texas Air.

On the other hand, the auto industry has achieved a modest rebound partly by modifying authoritarian management practices and experimenting with worker involvement in decision making. Indeed, the most talked-about innovation in American industry may be General Motors' "Saturn Project": the company's effort to produce a small car to compete with Japanese and Korean models. The new Saturn plant has been designed by a team of 99 managers, engineers, union officials and assembly-line workers. And when the plant opens, work teams will manage themselves and decide such issues as job assignments, schedules, inspection, maintenance, absenteeism and health and safety policies.

Harvard political economist Robert Reich has written that America should think twice about what he calls the "cult of the CEO" and adopt the philosophy of the "team as hero."

Of course, it's easier and more entertaining to make movies about individual heroes than what Reich calls "triumphant teams." But, when it comes to restructuring our schools, our factories and our offices, we'd do better to learn from the automakers in Detroit than the mythmakers in Hollywood.

David Kusnet was a speechwriter for Michael S. Dukakis and Walter F. Mondale. He wrote this article for The Baltimore Evening Sun.

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## David Kusnet

The new film, "Lean on Me," is the latest step in the idolization of Joe Clark, the principal who restored peace and pride at Eastside High School in Paterson, N.J., by inspiring the students, intimidating the troublemakers and brandishing a bullhorn and baseball bat.

Clark had already appeared on the cover of Time magazine, been featured on "60 Minutes" and been commended by President Ronald Reagan. Despite Clark's current real-life difficulties, with "Lean on Me," he becomes not only a newsmaker but an authentic American culture hero.

Clark has deservedly attracted public attention because his methods seem to be the solution to the failure of too many big-city schools to maintain a drug-free and crime-free environment, much less educate their students. But the charismatic high school principal also appeals to a pervasive myth in our popular culture: the notion that failing institutions — from schools to corporations — can be turned around through the inspirational leadership of executive supermen.

In fact, while the media continue to glorify these managerial messiahs, it's debatable whether authoritarianism is the best management style for reviving failing enterprises, whether in education or in industry.

Clark's version of school reform apparently is very much a one-man show, with the principal-as-patriarch imposing his will on teachers and students alike. As portrayed by Morgan Freeman in "Lean on Me," Clark uses his megaphone to bark orders at teachers as well as students. And, according to reports on his tenure at Eastside High, Clark not only expelled some 100 students but also arranged for the transfer of teachers who disagreed with his way of running the school.

Significantly, most of the widely acclaimed experiments at school reform are based on enhancing the professionalism of the teachers, not the power of the principals. In tough urban communi-



ties as diverse as Miami, Cincinnati, Rochester, N.Y., and Hammond, Ind., school reform plans have given teachers a voice in setting policies on budget, scheduling and curriculum. Far from attaining the superman status achieved by Clark, some principals and other administrators have been left wondering what happened to their authority.

*Hartford Cour*

# Solidarity's lessons for American labor

**P**OLISH Solidarity leader Lech Walesa's visit to the United States, which includes a speech at the AFL-CIO's national convention, may be not only inspiring but bitter-sweet for American unionists.

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American workers certainly wouldn't want to trade places with their Polish counterparts, but America's labor movement can learn one important lesson from Solidarity: to make clear that it is speaking up, not just for the interests of its members but for those of society as a whole.

That role was forced upon Solidarity, which found itself representing the interests and values of virtually the entire populace against the Communist Party elite and its allies in the military. American labor can play the less heroic but also necessary role of representing most Americans against a corporate elite whose fortunes are linked not so much to the success of our country's economy as to the profit statements of multinational enterprises.

American labor should champion a sober economic nationalism, stressing not protectionist trade policies, but the need for our businesses and our government to invest in American industries and American people. What's needed is to simplify labor's argu-

ments in support of its most popular goals, and to address the needs of the entire society — something the unions did successfully in the recent battles over plant closing and the minimum wage. By paraphrasing Jesse Jackson's slogan, "Invest in America," labor can accomplish this in three ways.

1) **Invest in America's industries.** Remember last year's Democratic presidential primaries when candidate Richard Gephardt warned that Korea's protectionist trade policies were keeping Chrysler's K-Cars out of that country's market? Now, Chrysler is making those K-Cars not in Michigan but in Mexico. This move symbolizes a historic shift in which, as Harvard political economist Robert Reich has warned, "A lot of American companies are no longer American." Because American workers, unlike American capital, are unlikely to move overseas, American labor can and should be the champion of investment in our country's communities, factories and technologies.

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3) **Promote American teamwork.** Finally, American labor should promote authentic efforts to give workers a share in decision-making from the boardroom to the shop floor. Significantly, companies from Xerox to Ford — and public school systems from Rochester, N.Y., to Miami, Fla. — have boasted of improvements in their products and services because of power-sharing with employees and their unions.

Armed with these ideas, American unionists may not make history as dramatically as their Polish counterparts, but they will go a long way toward establishing themselves as champions of a sound economic future and of the spread of democratic ideals in the workplace.

David Kusnet was a speech writer for Michael Dukakis, Walter Mondale, and Jerry Wurf, the late president of the American Federation of State, County and Municipal Employees (AFSCME).

## Jobs

Continued from Page 1  
"labor team" representing each major craft. Workers decide what supplies and equipment to order, design robots that perform repetitive tasks like painting and even design and build their own vehicles to set standards for outside vendors.

Once running at a multimillion-dollar loss, workers' jobs threatened by plans to contract out work to private companies, the bureau now "contracts in," performing repair work for other city agencies. Workers now find their jobs challenging and their good work appreciated; a welder at the repair shop said that, after several decades on the job, he's finally finding it so interesting he won't retire.

There are other kinds of veterans at the U.S. ElectroGalvanizing Co. in Cleveland—workers who were laid off from traditional steel mills run by troubled steel companies and who are eager to try new ways of working. A joint venture of LTV Steel and Japan's Sumitomo Metal Industries, this minimill makes corrosion-resistant steel by electronically plating it with zinc. Under an agreement with the United Steel Workers, the plant is an experiment not only with new technologies but with new ways of organizing work processes, unlike the traditional steel mill where foremen bark orders at workers, the mill has work teams that make most decisions themselves. After

two years of operation, its steel is in high demand from U.S. auto-makers.

Self-management also provides the competitive edge for Ford's Sylvania, Ohio, plant that makes transmissions for cars and trucks. Suffering massive layoffs and in danger of closing, the plant was turned around with an employee-involvement plan run jointly by Ford and the U.A.W., with workers and managers meeting in unstructured settings to thrash out job-related problems. It was recently selected by Ford to build a state-of-the-art transmission, the E-10D, with self-managing work teams trained in the new technology. During my visit, some workers complained that management still isn't letting them make decisions, but most agreed self-management is a good idea. "We know our jobs, we know what has to be done and we just do it," said a worker in the valve body room where self-management apparently is a reality.

American culture idolizes the entrepreneur, downplaying the contributions of those who actually produce goods and services. But it's the individual worker—not Tucker, John DeLorean or even Lee A. Iacocca—who ultimately has the best understanding of how to do a job better. For a nation striving to revive its industries, the role-model may not be Tucker, the charismatic super-salesman, but Reuther, the most-conscious, quality-minded former tool- and die-maker who also had a better idea for the auto companies. □

# U.S. Workplace Applies New Lessons in Democracy

By David Kaminet

WASHINGTON

**F**rancis Ford Coppola's new film, "Tucker—The Man and His Dream," makes epic drama out of one person's failed attempt to buck the big-three auto companies and build "the car of tomorrow—today!"

Back in 1948, Preston Tucker had new ideas that are standard features now, from fuel injection to disc brakes. The not-so-hidden message of Coppola's auto-biography is that if business had listened to innovators like Tucker 40 years ago, today's America wouldn't be flooded with imports, while laid-off auto and steel workers line up for job flipping hamburgers.

But Tucker wasn't the only visionary who tried to steer the auto industry away from impending disaster. In 1948, United Auto Workers President Walter Reuther forecast a market for small cars and urged U.S. companies to produce them. Ignoring this wise advice, American auto makers surrendered the low-price, small-car sector to imports from Europe and later Asia, contributing to the decline of the auto

David Kaminet, a speech writer for Walter F. Reuther during the 1966 campaign, writes on labor and political issues.



REUTHER SPEAKING AT A PUBLIC MEETING

industry and related industries like steel and rubber.

Forty years later, big business probably still wouldn't listen to mavericks like Tucker. But there are hopeful signs that Reuther might finally command respectful attention. While they haven't become "born-again" believers in industrial democracy, some corporations are sufficiently frightened by foreign competition to allow workers and their unions a voice in decision-making from the board room to the factory floor.

The most ambitious experiments are in the auto industry, where the UAW is gaining the voice in decision-making that Reuther demanded decades ago. Following Chrysler's brush with bankruptcy, two successive UAW presidents have taken seats on its board. At Ford, the most successful new model of the 1980s—the Taurus/Eagle nameplate for Ford/Mercury—was designed in a team process involving assembly-line workers as well as engineers.

The most far-reaching experiment is General Motors' Saturn Project to build a small car to compete with Japanese and Korean models. GM worked closely with the UAW in assembling a team of 90 people, including managers, engineers and assembly-line workers, to design a new plant from scratch and devise a new way to make cars. After two years, they agreed on a system involving teams of six to 15 workers who will decide among themselves on such issues as job assignments, schedules, inspection, maintenance, absenteeism and health and safety. The UAW also has an equal voice in decisions from determining where the parts will be manufactured to setting the eventual price of the product and even selecting the advertising agency.

Meanwhile, other companies and government agencies are exploring ways of letting workers manage themselves. This summer I visited several experiments in shared decision-making, meeting with management and union officials and rank-and-file workers. I found, not surprisingly, that labor-management conflict hasn't disappeared, but I also found pointers for how business and government can run better. Significantly, these experiments were at unionized workplaces where workers already have a collective voice and the confidence to speak out without fear of reprisals.

At a huge repair shop near New York's LaGuardia Airport, workers fix the largest non-military fleet of vehicles in the world: more than 6,500 garbage trucks, sweepers, salt spreaders and other equipment for the city's Sanitation Department. Historically a trouble spot, the department's Bureau of Motor Equipment has been turned around by an imaginative deputy commissioner, Ronald Costino, who relies heavily on the advice of a

Photo by AP/Wide World