

USE OF PREMIUM CLASS AIR TRAVEL GSA's FEDERAL TRAVEL REGULATIONS

- Premium-class air accommodations (such as business or first-class) may be used by any Federal traveler only in the following circumstances:
 - When regularly scheduled flights provide only premium class accommodations;
 - Space is not available in coach-class (and the trip cannot be postponed);
 - Employee is so handicapped or otherwise physically impaired that other accommodations cannot be used;
 - Security purposes or exceptional circumstances make their use essential to the performance of an agency mission;
 - Less-than-premium-class accommodations on foreign carriers do not provide adequate sanitation or health standards;
 - The use of premium-class accommodations would result in an overall savings to the Government based on economic considerations, such as the avoidance of additional subsistence costs, overtime, or lost productive time that would be incurred while awaiting availability of less-than-premium-class accommodations; or
 - Frequent traveler benefits are redeemed
- Only agency heads and their designees may authorize and approve the use of premium-class.
- Authorization for the use of premium-class air accommodations shall be made in advance. (Unless extenuating circumstances or emergencies make this impossible.)
- This policy applies to official travel of civilian employees of Government agencies, including civilian employees of the Department of Defense, excluding employees of the Judicial Branch of the Government.

Source: 41 CFR 301

May 13, 1992

**STATEMENT BY PRESIDENT CLINTON TO THE CABINET
ON GOVERNMENT-WIDE STAFF, SPENDING AND PERK REDUCTIONS**

February 10, 1993

*
Tonight, I am flying to Detroit to hold a town meeting, in which I will explain the reasons we are in an economic mess, and the principles that will guide our economic reform plan. Tough times demand tough choices. I believe that the American people are ready to do their share. But they want to know that we are doing our share. They want to know that we know who pays our way and on whose half we are working.

The American people need -- and demand -- an active government that's on their side. But they don't want a government that wastes their money, that costs more while providing less. During the recent campaign, I pledged a "revolution in government." Yesterday, I announced a reorganization of the White House that will cut our staff by 25 percent. Today, I have called my cabinet together to join me to begin that to overhaul the government as a whole. We have an obligation and an opportunity to change the way Washington does business, and to show that government can work and work with less.

Make no mistake: our government needs revitalization. In recent years, our leaders loudly called for less government,

while quietly presiding over more government. And they paid little attention to better government.

Today I am instructing you, my cabinet, to take several steps to show that we intend to change the way government works.

* First, I am ordering a reduction of the federal bureaucracy by at least 100,000 people over the next four years. At least ten percent of these cuts must come from senior management. These reductions will come through attrition, and should not require widespread layoffs. The federal government is full of dedicated public servants whose hard work is being choked off by a bureaucracy that grows without reason.

Second, I am ordering each federal department and agency to reduce its administrative cost by 3 percent a year, or eleven percent within four years. ~~This show~~ Taxpayer money should be used to provide taxpayer services, not for avoidable overhead that can be eliminated by better planning and innovation.

Third, I am ordering the elimination of hundreds of unproductive and duplicative advisory commissions that have spread like kudzu. Some advisory commissions serve a real purpose, by bringing in outside voices and views. But some have outlived their usefulness, and some may have had little usefulness to begin with. I am asking the Office of Management and Budget to eliminate at least one third of the 700 advisory

~~Over the~~
The OMB calculates that these personnel reduction and administrative cuts will save ~~at least~~ \$9 billion over the next four years.

commissions that were not created by statute. Agencies and departments will be prohibited from creating new commissions without OMB's permission.

These measures will restrain government spending and reduce the federal deficit. But they will do more than that. In recent years, Americans have learned how to do more with less. Thousands of corporations have changed to meet the challenge of global competition. Hundreds of governors and mayors have reinvented their bureaucracies, using entrepreneurial methods to provide public services. The federal government can no longer be the last place that has not changed its methods to meet new needs. It's time to bring these lessons from the

Finally, we must shrink the gulf between the government and the people. Too often, people in Washington convince themselves that success is measured by piles of perks, not results for people. I am issuing three more executive orders that will limit the perks and privileges that have driven a wedge between Washington and the public. First, I am ordering an end to the widespread use of ~~door-to-door~~ ^{home-to-office} limousine service by top ~~executive~~ ^{execu} government officials, and I am ordering that the ~~federal motor~~ ^{executive fleet} pool be reduced in half. Second, I am ordering ~~cabinet officials~~ ^{that the existing rules governing use} ~~to fly on commercial flights, rather than using government~~ ^{of gov't} ~~planes, unless the national security is at stake.~~ ^{be fly} ^{and it} ^{is} ^{lower} ^{of the} ^{price} ^{be n} ^{w/o} Finally, I am ordering the elimination of perks such as below-cost executive dining rooms and free membership in private health clubs.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

March 3, 1993

REMARKS BY THE PRESIDENT
IN ANNOUNCEMENT OF INITIATIVE
TO STREAMLINE GOVERNMENT

Room 450
Old Executive Office Building

10:07 A.M. EST

THE PRESIDENT: Ladies and gentlemen, I think you all know we are here to announce a terribly important initiative in this administration to bring about greater efficiency and lower cost of government.

I want to begin by saying that we intend for this to be a bipartisan and a citizen government effort. And I'm delighted by the concerned members of Congress who are here today with the Vice President and me -- people who have already worked on this issue. I'd like to begin just by acknowledging the presence here of Senators Glenn and Levin, Senator Cohen, Senator Dorgan, Senator Lieberman, Senator Roth, and Senator Krueger; and in the House, Congressman Conyers, Congressman Clinger, Congressman Gordon, Congressman Laughlin, and Congresswoman Pryce and Congresswoman Slaughter. All of them have manifested an interest in the issues we are here to discuss today.

I also want to especially thank the distinguished comptroller of the State of Texas, John Sharp, who's to my right here, for the work that he did with us to put this project together and for coming all the way from Texas to be with us and with his Senator.

Today, I am taking what I hope and believe will be a historic step in reforming the federal government by announcing the formation of a national performance review. Our goal is to make the entire federal government both less expensive and more efficient, and to change the culture of our national bureaucracy away from complacency and entitlement toward initiative and empowerment. We intend to redesign, to reinvent, to reinvigorate the entire national government.

Working under the direction of the Vice President for the next six months, we'll conduct an intensive national review of every single government agency and service. We'll enlist citizens and government workers, and leaders from the private sector in a search not only for ways to cut wasteful spending, but also for ways to improve services to our citizens and to make our government work better.

I'll ask every member of our Cabinet to assign their best people to this project -- manager, auditors, and front-line workers as well. And to put the M back in the OMB, I've asked Phil Lader, who is to my far left, the new Deputy Director for Management at OMB, and a person who has spent his life solving difficult and challenging management and people problems, to take the lead in making our government work better, not only during this six-month period, but permanently for as long as I am President.

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We will turn first to federal employees for help. They know better than anyone else how to do their jobs if someone will simply ask them and reward them for wanting to do it better. We'll ask the public to help us improve services and cut waste by calling an 800 number or by writing to the Vice President, because no one deserves a bigger say in the services government provides than government's customers, the American people. We'll look for ways to streamline our own organizations to reduce unnecessary layers and to improve services to the better uses of technology by giving managers more flexibility and by giving front-line workers more decision-making power. Just as we're trying to do that in the White House, we will try to do that throughout the national government.

When I was the Governor of Arkansas, our state became the first in the nation to institute a government-wide total quality management program. And I can tell you, it works. It isn't easy, it isn't quick. It can make a huge difference, not only to the people, but also to the people who work for the government as well.

We'll look at the good work that has already been done, including many thoughtful reforms proposed by members of the Congress, including the work last year by the House Task Force on Government Waste, chaired by then Congressman and now Senator Byron Dorgan. They discovered, among other things, that the Pentagon had stockpiled 1.2 million bottles of nasal spray. Even with my allergies, I only need half that many. (Laughter.) As we locate such waste and wipe it out, it will be a breath of fresh air to the American taxpayers.

Cutting spending will be a priority. But so is making the system work better for the people who work in government and the people who pay the bills and are served by it. The truth is we can't achieve the savings we want simply by cutting funds. We must also use the remaining funds in a much wiser way. We'll challenge the basic assumptions of every program, asking does it work, does it provide quality service, does it encourage innovation and reward hard work. If the answer is no, or if there's a better way to do it or if there's something that the federal government is doing it should simply stop doing, we'll try to make the changes needed.

Many good programs began for a good reason -- to serve a national purpose or to give the states time to develop an institutional capacity to administer them. But times change and in many cases state and local governments are now better suited to handle these programs. The federal government simply can't do everything and there are many things the states or the private sector could do better.

This performance review will not produce another report just to gather dust in some warehouse. We have enough of them already. That's why I am asking for a list of very specific actions we can take now, agency by agency, program by program. This is hard work. We've been a long time getting to this spot and we can't change the government overnight, but we can continuously improve our operations in ways that reap dramatic results for the people of this country.

Two years ago, when the state of Texas faced an enormous budget shortfall they lost a performance review under the leadership of John Sharp that saved the taxpayers billions of dollars over the ensuing years -- made government work better at the same time.

Last month, Senator Bob Krueger took out an add in The Washington Post just inviting the public to call a waste hotline to help make government work and to help make it 100 percent fat free. He got 200 calls the first day.

Vice President Gore and I think a national performance review is an absolutely necessary beginning because we have too much to do that a wasteful and mismanaged government will not be able to

do. We have to cut and invest at the same time, something that's never been done before. We have to cut and invest at the same time, something that's never been done before. We have to reduce the cost of health care and meet the challenges of an intensely competitive global economy. And we have to do those things with less money than we're spending in many areas today. We have to reduce the largest deficit in our history, as we do in our economic program, or it will literally rob us of our ability to solve problems, invest in the future, or thrive economically.

And most important, the American people deserve a government that is both honest and efficient, and for too long they haven't gotten it. For most Americans, a college loan or a Social Security check represents a common border with the best ideals and goals of our country. We all count to some extent on our government to protect the environment, to provide education and health care and other basic needs. But democracy can become quickly an empty phrase, if those who are elected to serve cannot meet the needs of the people except with government that costs too much or is too slow or too arrogant or too unresponsive.

Finally, let me stress that this performance review, as I said at the beginning, is not about politics. Programs passed by both Democratic Presidents and Republican Presidents, voted on by members of Congress of both parties, and supported by the American people at the time, are being undermined by an inefficient and outdated bureaucracy, and by our huge debt. For too long the basic functioning of the government has gone unexamined. We want to make improving the way government does business a permanent part of how government works, regardless of which party is in power.

It isn't written anywhere that government can't be thrifty or flexible, or entrepreneurial. Increasingly, most government is and it is time the federal government follow the example set by the most innovative state and local leaders and by the many huge private sector companies that have had to go through the same sort of searching reexamination over the last decade -- companies that have downsized and streamlined and become more customer friendly and, as a result, have had much, much more success.

In short, it's time our government adjusted to the real world, tightened its belt, managed its affairs in the context of an economy that is information-based, rapidly changing, and puts a premium on speed and function and service, not rules and regulations.

Americans voted for a change last November. They want better schools and health care and better roads and more jobs, but they want us to do it all with a government that works better on less money and is more responsive. The American people may not know specifically how to do it, although many of them have good particular ideas, but I'm confident our people are willing to try new ways and they want us to experiment. They want us to do things that have worked in other contexts, now in the national government and that's what we are here to do today.

I thank the Vice President for his willingness to lead this effort. I thank the members of Congress who are here and those who are not who are supporting us. And I earnestly enlist the support of the American people and especially the employees of the United States government in this important effort.

I'd like now to introduce the Vice President who will be in charge of this effort of performance review for the next six months for his statement.

END

10:16 A.M. EST

Bruce Reed
Domestic Policy Council
Room 216 OEOB

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

February 10, 1993

REMARKS BY THE PRESIDENT
IN MEETING WITH CABINET MEMBERS

The Cabinet Room

10:33 A.M. EST

THE PRESIDENT: Ladies and gentlemen, I'm going to sign these executive orders, and then I will go over to the microphone and make a statement about each one.

The first order requires by attrition or reduction in federal positions of 100,000. The second order is a reduction in the administrative costs of the present federal government by three percent per year on average leading up to five percent in the fourth year of this four-year term and abolishing several boards and commissions. The third order deals with -- excuse me -- the third order deals with the commissions.

These are memoranda to the department heads -- one deals with perks, one deals with government vehicles, one deals with aircraft.

Members of the Cabinet and staff, tonight I will be going to Michigan and the Vice President will be going to California to hold town meetings with American citizens to talk to them about the economic problems and the budget mess that we have inherited and the priorities and principles we intend to bring to our efforts to change the country and bring about a recovery.

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.

Yesterday I announced the reorganization of the White House staff that will reduce our staff by 25 percent and cut costs by \$10 million per year. Today I have called you, the members of the Cabinet, together to take the next step. To begin the overhaul of government as a whole. The steps we're taking today will save the American taxpayers \$9 billion. They won't be easy but they will make a difference. We have an obligation and an opportunity to change the way government works and to show that government can do more with less.

Our government needs change. For the last dozen years I've heard our leaders call loudly for less government while giving people more government and, perhaps more importantly, while giving almost no attention to better or different government; to new ways in which partnerships could be made with people in the private sector and in state and local governments.

Too often in the last decade people have rushed to defend the power of the few at the top and privileges of the elite not just in the private sector but also in government. Too often when economic security of ordinary Americans has been threatened, government has sat still, refused to lead not even follow, just get in the way. That era has come to an end with our coming to office.

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Today, the Cabinet and I are taking several steps to show that we intend to change the way that government works. But I want to make it clear this is only a beginning, not the end of the process.

First, I am ordering a reduction of the federal bureaucracy by at least 100,000 positions over the next four years. At least 10 percent of these cuts must come from senior management. The cuts must come -- can come from attrition; I see no need for layoffs. These cuts will make our government more efficient and more effective. The government is full of dedicated people whose hard work is being choked off by our own bureaucracy.

Second, I'm ordering each federal department and agency to reduce its administrative as opposed to its program costs by 12 percent over the next four years. With better planning and innovation we can make better use of the money we already have. In many agencies overhead is too high, red tape is too thick and the day-to-day operations of the agencies have not been reexamined in a very long time. I believe government can both care about people and be careful with their money.

Third, I am today ordering the elimination of hundreds of unproductive and duplicative advisory commissions that have spread across this government like kudzu. I'm asking the Office of Management and Budget to eliminate at least one third of the 700 advisory boards and commissions that were not created by Congress. From now on agencies and departments will not be allowed to create new commissions without permission from OMB. We simply cannot allow the federal bureaucracy to beget more bureaucracy.

Finally, we have to shrink the gulf between government and the average citizen. Too often success in Washington is measured not by results but by perks. Today I've issued three directives that will begin to limit perks and privileges that have driven a wedge between Washington and the public.

First, an end to wide spread use of home-to-office limousines by top officials. Second, a reduction and a reduction in the limousine fleets overall by half. Second, I'm tightening the rules for using government airplanes and ordering an inventory of the airplane fleet with an eye toward eliminating unnecessary planes. Many people believe that there are substantial savings here.

Finally, I'm ordering the elimination of such perks as below-cost executive dining rooms and free membership in private health clubs. However, I do want to say to you, as I just told the Cabinet before we came in, this administration was also elected to provide a health care plan for the American people including setting a good example. And one of the ways I want to do that is to keep people healthier. So, I will also encourage every government agency to provide health facilities in any building of any size, as long as they are provided on equal terms to all employees from the building maintenance people to the secretary of the department.

These executive orders are just a beginning but they're a good beginning. We will now move on to really try to find ways to reinvent the way government works and relates to people. How we can empower people more and entitle them less. How we can have more effective partnerships with the private sector and with state and local government. How we can find some of the dramatic productivity innovations that have characterized our finest companies over the last few years.

I'd like to now call upon a few of our Cabinet secretaries to discuss some of the things that they have been doing in their agencies beginning with the Labor Secretary, Secretary Reich.

SECRETARY REICH: Mr. President, eliminating executive perks isn't just about saving money. It's about good management-labor relations, as any good company will tell you. And once we got rid of our executive dining room and our executives actually had to eat in the cafeteria with normal employees, we saw an awful lot of interactions that had not happened before. And everybody, I think, is much to the better.

The good idea you had a couple of days ago with regard to unemployment insurance and trading, well that idea actually happened -- that came up from an employee down in the bottom of the department who had not been heard from for years. I am no longer, in fact, my predecessor was traveling I discovered by first class whenever my predecessor had to travel around the country. I'm traveling coach. Of course, I don't need the leg room. (Laughter.)

THE PRESIDENT: It's easier for you.

SECRETARY REICH: I do want to emphasize we're just at the beginning. I've only been there three weeks and it feels like a longer period of time than that. But, again, there is in my mind an intimate relationship between opening up the doors, eliminating the perks, listening to employees and doing a better job. And we're trying.

THE PRESIDENT: Secretary O'Leary.

SECRETARY O'LEARY: Yes, Mr. President. I've taken a processes look at least my office and asked the question of everybody there what are we doing, why are we doing it, and how can we do it smarter and faster and in a way that invites people in rather than out. As a consequence, I've been able to reduce the secretaries own staff, my own staff by 40 percent. It occurs to me that within the coming year I can probably reduce it by 50 percent.

I've made my first trip just yesterday out into the country. As a consequence, I've reduced the staff required to support me when I'm out in the field by 50 percent. And I've also put out a request to my own people to reduce our fleet by 40 percent and having just heard the new goal, I think I can easily make 50 percent.

Those are just the things that I've done in my office. I think what the results will be is we'll have a faster turnaround time on everything we do. But perhaps more importantly, I've set the standard for everyone else in the Department. And we'll do an orderly examination of processes and we can bring this to the table. I feel encouraged by it and I know we can do it.

THE PRESIDENT: I also appreciate what you've done to make the building more accessible over there.

SECRETARY O'LEARY: Thank you.

THE PRESIDENT: Secretary Cisneros.

SECRETARY CISNEROS: Mr. President, we've acted to act on some of the perks and some of the things we can do immediately -- freeze on promotions and a freeze on all new hires; a cutting of subscriptions to newspapers and magazines, which it seemed were piling up in every reception room and all over the building. Found that there were some 30-odd newsletters that were published by the Department, either for it's own people or for external use, and we're working on consolidating those 30 into those that are official memoranda and those that are required for other kinds of communication. We've reduced the number of cellular phones and pagers and taken a number of measures of that type. Prohibited all

flying by first class, which apparently had been done before and so forth.

But the most important thing, I think, is -- will pay for it over the longer run. Taking a cue from your own themes of reinventing government, we are going to create an effort we'll call reinventing HUD. It will start with a management level goal-setting session on a weekend, a few weeks from now, to look at how we can establish measurable, attainable goals by which we can be held accountable; that we're actually performing the mission of the organization over a period of time. Then what we hope to do is share those goals with the whole Department and have a bottoms-up process with people out in the field and out in the regions and the 13,000 employees that is that organization tell us how we can streamline and reorganize far beyond the Secretary's office, throughout the country of this organization. It is very troubled, it needs to be rethought in some fundamental ways and this reinventing HUD project is a way, not only to do it, but to get some buy-in and some stake-holding from the employees throughout the structure. It is a process that will start immediately.

THE PRESIDENT: Secretary Babbitt.

SECRETARY BABBITT: Well, we've started the reinventing government process and made some interesting findings like several of the other secretaries. I have found a motor pool which looks like sort of the equivalent of an airline. I mean, way too many vehicles, carrying way too many people to way too many unnecessary destinations. We've closed the executive dining room. I was astounded to find that the cafeteria at Interior is actually very good, much better than anything I had encountered during my tenure in Arizona. (Laughter.)

THE PRESIDENT: Well, there goes Arizona. (Laughter.) We only lost it by a point, I thought you could put us over the top and here we go. (Laughter.)

SECRETARY BABBITT: I've taken a look at the management structure and there's way too much top management in Interior. I found, for example, that each assistant secretary had two or three deputy assistant secretaries and what we've done is decided that assistant secretaries ought to be wise enough and good enough to have one deputy assistant secretary.

Perhaps my most interesting discovery was what I would call pony perks. This is in the form of a plan to build a vastly expanded equestrian center at the Manassas National Battlefield in Virginia. It turns out that the National Park Service, which runs the place, was hotly opposed to this line-item in the appropriations budget. And it turned out that it consists of a secretarial plan to build this equestrian center for the convenience of politicians and high-ranking officials and that, in fact, is entirely unnecessary. That particular plan is dead as of today.

THE PRESIDENT: Well, thank you. One of us has had a big problem to deal with in the last few days and my impression is that he's done quite well. I'd like to ask Secretary Espy just to give a report about the crisis he's been dealing with and what his recommendation has been.

SECRETARY ESPY: Thank you, Mr. President. I thank you for allowing me to use the good graces of your office to go to the state of Washington last week. I talked to the Vice President and Les Aspin about going and appreciate the opportunity to make the trip. I spent a day out there talking to some of the families of the children who unfortunately met their death because they ate a tainted hamburger. I gave testimony at the Washington State Senate; I talked to the governor.

And we've done a lot since then. We've talked to the industry representatives, consumer representatives. Tomorrow I meet with whistle-blowers. I'll have something to say about how meat is inspected in these federally certified slaughterhouse plants. And we have a pretty good idea of a short-term and a long-term strategy that we in part recommended and will be recommended to you and to OMB.

We inspect meat like we inspected it in 1930, and we just simply have to make some changes. We know that these pathogens that we talk about cannot be detected by visual observation; we've got to move towards a science-based system and we're beginning to do that. This particularly virulent strain of this E.coli is nothing new. We've know since 1982 that people die from eating this stuff. And I'm just really surprised that we haven't done more since 1982 to move toward a more science-based system. So we've done a couple of things. We've recommended the hiring of more meat inspectors and I'm thankful that you have included as such in your strategy for the economy. I really appreciate it and we really need it because we need to assure the public that what can be seen will be seen.

Secondly, we should talk to the industry about keeping better records. The great part of this is that we were able to contain this meat and detain it because this particular slaughterhouse kept very good records. So, we realized the points at which we could retrieve and we've done that.

Handling labels and care labels because if you cook this meat at 155 degrees, that eliminates most of the problem. And so we need to do that. Then we talked about organic acid washes at the slaughterhouse level just to remove the pathogens on the carcass and the other long-term strategies.

I met yesterday, Mr. President, with a gentleman from the University of Georgia who last year submitted a research proposal to USDA to develop a E.coli culture test that will allow us to aculturate this within less than 24 hours. And this petition was denied by USDA. So, we've asked him to resubmit it. So, we've got a long-term strategy and a short-term strategy and I appreciate the opportunity to let you know.

THE PRESIDENT: Anybody else like to be heard.

Q Mr. President, changing the subject, since Secretary Christopher is going to talk about Bosnia this afternoon, could you at least tell us are U.S. troops a part of the initiative that will be unveiled this afternoon?

THE PRESIDENT: I think I should let Secretary Christopher give his speech first. We have all worked very hard on this Bosnia policy ever since we took office and even before trying to find a way to do more but do it with the support of our allies and through the United Nations. I think I'll let him give his speech and then I'll be glad to answer questions about the policies after he does.

Q Do you think the public --

THE PRESIDENT: I think the public will support the policy that he will outline today, yes. I think they will want us to do more and want us to do it in a prudent way. And I think that that they will support this policy.

THE PRESS: Thank you.

END

10:52 A.M. EST

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

February 3, 1993

REMARKS BY THE PRESIDENT
TO EMPLOYEES OF THE OFFICE OF MANAGEMENT AND BUDGET

New Executive Office Building

11:02 A.M. EST

THE PRESIDENT: Thank you very much, Mr. Vice President. Mr. Panetta, Ms. Rivlin, ladies and gentlemen. I'm really sorry to know that the Vice President has a lavish office in this building. (Laughter.) If it gets any hotter over at the White House he may want to occupy it. (Laughter.)

I want to tell you how very proud I am to be here today; how grateful I am for the enormous amount of work I know all of you have been doing because of the tight timetables we have set on ourselves leading up to the February 17th address to the Congress. Nobody in this country is working any harder than you are to give the promises I made to the American people a chance to take life. And I just wanted to come by here today and say a simple thank you. (Applause.)

For years politicians have run for president and governor and other offices by running against the government. And to be sure, there is a lot to run against; there is a lot which needs to be changed. There are people here in this room today who know more specifically about what needs to be changed than those of us who give speeches about it. But I think it is terribly important, in the midst of all that rhetoric, not to forget that behind that government that needs to be changed there are people who have decided to give their lives to the interest of the United States and its citizens. And they deserve to be honored. And I do appreciate that.

I wanted to tell you today a little bit about why I think I got elected to this job and what I hope, together, we can do, and most importantly, what's behind the enormous and increasingly complex challenges facing this country.

Let me begin by relating a simple experience I had a few months ago, which affected me deeply, involving a man named Benjamin Edwards, a 52-year-old man who lived in Philadelphia. The night of the first presidential debate, he had a viewing party at his house -- but it was a highly unusual viewing party. He was out of work and his electricity had been turned off because he couldn't pay the bills. So his neighbors brought over television sets and lamps and ran extension cords from a nearby apartment because that's the only way they could watch it. About 100 of them did.

And the next day Benjamin Edwards took a bus 15 miles to attend one of our campaign rallies. As I came down the line, he grabbed my hand and told me to win the election because he had to have a job. I told him that if I won the election I'd try to get him a job. Well, he's got a job now because he became somewhat famous as a result of this incident. (Laughter.)

But there are millions and millions of other Americans who still don't. I read an article yesterday in the paper about another unemployed person who had voted for me who had only gotten a form response from the White House. And I told somebody today to

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pick up the phone and call him and talk to him and try to make him feel connected to his government again.

I say this to reiterate something that I think most of you already know, but it's easy to forget here working in the splendid isolation of the Capital City. Budgets are not about numbers, they're about people. They mean jobs and health care, education or training. We can't ever afford to let our people get lost in a blizzard of statistics.

Since the election we've learned even more about the difficulty of the budgets and the difficulty of putting together an economic program that puts people to work in the short run and deals with the long-term problems of this economy.

Just today we got the news about the economic indicators for the month of December being the best in 10 years; and yet the disturbing prospect that a lot of new jobs are not being created. How could this be so? Well, partly because there's been no inflation in the economy and interest rates have been down for some while; people are now beginning to refinance their home, debts, or buy and sell new homes. So that generates a lot of economic activity. And partly because we have an inordinate number of companies in our free enterprise system who have gotten more and more productive and therefore earning more money.

The problem is that a lot of them are doing what we need to do, which is to gradually downsize. A lot of them are not hiring new people, even though their incomes are going way up.

Now, during the '80s that happened to the Fortune 500 companies, which reduced employment by over a couple hundred thousand a year -- all during the '80s. But all those jobs were made up for in the '80s by small businesses hiring new people. And, yet, now small business hiring is dropping, too, as small businesses are loathe to hire new people because they can't afford to pay for health care or because they can't get credit from their local banks.

So we have this anomalous situation where the economy seems to be growing but employment is not, and where more and more middle income workers are working harder and harder every year but their wages aren't keeping up with inflation, and the cost of health care and education are outstripping inflation.

So we have this perplexing dilemma. How can we build on what the free enterprise system is doing that is good, get small business growth going again and increase investment so that we generate more high-wage jobs, so that the economy can grow, not just in the overall statistics but in the real lives of real people. That's important to you, not only because of your mission at OMB, but because how you do is a reflection of how the taxpayers do, since they pay your bill.

So you have an immediate as well as a long-range interest. And the success of what is our economic commitment to do something which the American people have never before had to do -- to increase investment and bring down the deficit at the same time. That is our challenge.

And on February 17 we're going to start anew in an effort to meet that challenge. We've got to turn this country around to build a long-term stable growth of jobs and income. We cannot go 10 more years with insufficient jobs and insufficient income growth for people who are working hard, playing by the rules, willing to become educated and trained in ever new skills meeting ever new challenges.

That is our challenge. And we are doing our best to meet it. Since no one has ever tried to do both these things at once, to get the job base going, which we want to do with a modest stimulus program in the beginning, increase permanently investment in people and jobs and growth and reduce the deficit, it is not always clear exactly what specific decisions we must make. But the general path we have to follow is clear, because if we don't do something about investment, we won't have the kind of high-wage jobs that will shape a good future for ourselves and our children. If we don't do something about the deficit, it will eventually overwhelm our ability to borrow money at affordable rates and to have any money left in the public purse to take care of people in need and to invest in our future.

So we have no choice but to embark on this course, but it is an uncharted course. No one has ever tried to do both things at the same time before. President Roosevelt elected to pursue investments in putting the American people back to work, deflation was so bad he didn't have to worry about the deficit. And before he had to deal with it we were in a world war with full production and a massive deficit that then dropped dramatically as a percentage of our income for the next 35 years for the simple reason that we were growing so fast we didn't have to worry about it. Now we need a new commitment to investment. But we cannot ignore our debt.

We have to remember a few basic things, I think, in putting this program together. The first is that while every American is willing to make a contribution, the contribution we ask of every American must be viewed against what happened to them in the 1980s.

In the 1980s, the middle class paid the bill, while the wealthiest Americans enjoyed the fruits of their labors. Taxes went down on middle class -- went up on middle class Americans while their real incomes went down. Taxes went down on upper income Americans while their real incomes went up.

The expansion of government services, the expansion of all the public programs was basically done on the backs of the people who weren't having any income growth. That means before we ask them to do more, we have to demand that government do everything it can to do with less.

Before I ask working Americans to work harder and pay more, I will ask the economic elite, who made more money and paid less in taxes, to pay their fair share. We have to literally be about the business, as Vice President Gore said, first of reinventing government.

I have been very careful, I will say again, to honor the contributions of public employees. I know that to a major degree, I cannot succeed as President unless you and the people who work in all these other departments believe in our common mission.

I know that for every subject I could bring up that I want to do something about there are 10 employees in this city of the federal government who know more about the details of what ought to be done than I do. I need your ideas and your energy. When I say we're going to reinvent government, we're going to downsize some things, we're going to stop doing other things, we're going to do it in a way that lifts up the influence, the energy, and values the ideas of our best employees; not that grinds them down or uses them as political footballs. I have no interest in doing that to you or to anybody else. I think the American people know you want a change, too. (Applause.)

But let me just give you two or three examples. When I took office, the Labor Department had a nice executive dining room

for its secretary, but not enough money to train unemployed workers. I'm going to propose a stimulus package that has some more money to train unemployed workers; and the Secretary of Labor is now eating in the dining room with the employees. (Applause.)

When I took office, the White House had a telephone system that had been there since President Carter -- (laughter) -- and a switchboard that has been there since the 1960s. They talk about jamming the White House switchboards -- you can do it tomorrow if you want to; it's not hard. (Laughter.)

I could not have a conference call in my office on my telephone, except an unwanted one -- anybody in the central office could punch a lighted button and listen to what I had to say. (Laughter and applause.)

The American people, I think, would be pretty surprised and disappointed that after a dozen years of people who promised to run the government like a business -- they meant a business in the 1950s, not for the 21st century. (Laughter.)

So we are committed to making the kind of structural changes that every major organization in this country has had to make in order to survive. It is not right for us to spend taxpayers' money on antiquated communications systems, on unjustifiable perks, and on a system that cannot be -- cannot be -- justified to the American people, given the times that they're having and the sacrifices we're going to ask of them.

In the next several days, I will be finalizing and announcing plans which will demonstrate a substantial reduction in spending at the White House, reversing many years of growth in services and personnel provided to the President. We're going to rely more on help from people in the departments to run the government, and on a new partnership to move the country forward. And we're going to set an example by saving money for the taxpayers, which will then have to be followed by everybody else in the executive branch -- and I hope in the legislative branch as well.

Second, I'm going to ask, as I said, those who made more money in the '80s and paid fewer taxes to pay their fair share before I ask anyone in the working middle class to pay more. But we have to recognize that together we have to find a way to change the mix of government spending away from so much consumption toward more investment. And at the same time, to reduce the deficit so we can bring interest rates down and bring up long-term living standards. We have no right, frankly, to continue to finance a government budget that is 20 percent debt financed, and will be more debt financed in the years ahead, and leave it to our children to figure out how to live with lower incomes than they otherwise would have. And believe me, it isn't just our children. We're going to be living with the consequences in the very near future. (Applause.)

And I might add something that all of you who work on budgets know, which is that one of the huge dilemmas we face -- and that can't be resolved today in this speech, but I just want to lay it out there -- is one that all of you know. And that is we are spending 14 percent of our income on health care. No other country expect Canada spends more than nine and they're just a little above nine.

And every day we read in the paper another expert, just like there's one today, saying, well, you certainly can't save any money on health care costs in this country. God forbid that you should put any of that in there; you can't do that. If we can't do that we can't fix the deficit, we can't fix the economy, we can't turn America around. And if we could lower the rate of health care spending increase we would save twice as much money in the private

sector than in the public sector, unleashing more money for investment than anything we can do in terms of tax cuts, spending increases, or anything else to turn this economy around. So there's plenty for us to do.

What I want you to know is that I do not believe our problems are insoluble. And one of my major goals is to leave the next president with a new set of things to worry about. (Laughter.) I'm getting bored reading the same problems in the paper, decade after decade, I want people to have to deal with new problems. (Applause.)

I am asking you today to do two things: First of all, to personally invest yourself in this great mission. It is our job in this generation to deal with these problems so that the American Dream can endure. Ultimately, that is why everybody should come to work for the federal government and why everyone's job counts. And I am asking you to remember how terribly difficult life is for many people who pay our bills and pay your salary and mine.

I got an incredibly moving call the other day from a friend of mine, shortly before I took office, in which he said he had just talked to a person who worked in his office who said that -- in bad grammar but compelling truth -- he said this woman came up to me and said, you know, it's scary to be a little people. And it really is.

I want to send a signal to this country that I may not do everything right and I can't do everything that's just popular in the short run, but every day in every way we're trying to set an example for the people that sent us here. We don't want the people to sacrifice their income before the government sacrifices everything it can. We don't want the people who bore the burden in the '80's to make any contributions before people who reaped the benefits of the '80's do their fair share; and that together we really believe that we can make a difference.

If you help me and we work together we really believe we can make a difference. If you help me and we work together, I'm confident that we can.

Thank you and bless you all. (Applause.)

END

11:19 A.M. EST

JOHN GLENN, OHIO, CHAIRMAN

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United States Senate

COMMITTEE ON
 GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-8250

March 24, 1993

LEONARD WEISS, STAFF DIRECTOR
 FRANKLIN G. POLK, MINORITY STAFF DIRECTOR AND CHIEF COUNSEL

Mr. Elmer B. Staats
 5011 Overlook Road, N.W.
 Washington, D.C. 20016

Dear Elmer:

Thank you for your letter regarding the National Advisory Council on Public Service. We have all benefited from your long involvement in government management issues and I appreciate your taking the time to bring this issue to my attention.

While I understand your interest in the mission of the Advisory Council, I do not believe that eliminating the Council was the result of a misunderstanding. The Clinton Administration has a keen interest and belief in the value of public service which is reflected in part by President Clinton's plan to create a national public service corps.

There is certainly no doubt in my mind about the importance of the work of the Volcker Commission. However, I was never quite convinced of the need for a follow-on advisory committee. In many respects, the Advisory Council seems to duplicate the work of the Volcker Commission, the House Post Office and Civil Service Committee, the Senate Governmental Affairs Committee, the Office of Personnel Management, the Merit Systems Protection Board, and the General Accounting Office.

We are facing a very difficult budget situation, one that is going to require all of us cinch our belts a notch or two. The Council's budget has increased well beyond what was originally projected. While the Advisory Council's budget is not large in the overall scheme, I do not disagree with the Administration's decision to eliminate the Council.

Thank you again for writing. I am sorry I could not be of more assistance.

Sincerely,



David Pryor

Administrative Costs includes:

- Travel + transportation of things including moving expenses
- Communications expenses
- printing expenses
- consulting + other contracting costs
- other supplies + materials

Definition provided by Barry Andersson X4630
[Bob Damus, OMB asked him to provide us with the definition]

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News

We Are One Year Old!

Telling the Quality Story in Government

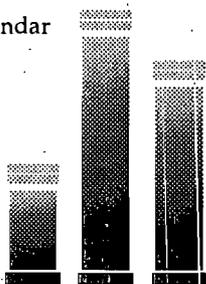
Volume 2, Number 1
February 1993

United States
Office of Personnel
Management

**Federal Quality
Institute**
Leading Our Nation's
Government to World-
Class Service

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- 3 New OPM Guidance
Supports Quality
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Regional Conferences
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- 8 Speaking Out...
Former Union Official
Debra Kolodny
- 10 Total Quality
R•E•S•U•L•T•S
- 11 Improved Bulletin
Board
- 12 Calendar



Nation's New President Is No Stranger to Quality Management

What is President Clinton's background in quality? People are eager to know—the Federal Quality Institute is getting calls. Here's the story from people who know.

It was his early arrival as luncheon speaker at a quality celebration in the little town of Batesville, Arkansas on February 4, 1988 that got our new President involved in quality management. He arrived in time to hear some of the morning program, according to Asa Whitaker, Eastman Chemical Company's Quality Manager.

When the Governor came in, team members were on stage. A young

continued on page 5



Prelude to a Hug: William Jefferson Clinton encircled by people at the Bell Ringing Ceremony, Jan. 17, 1993.

Photo courtesy of Mary Fries, Albuquerque, NM.

QIP Award Recipients Named

Three Defense organizations will receive 1993 Quality Improvement Prototype (QIP) Awards, according to Dick O'Brien, Director, President's Quality Awards Program at FQI.

The three, selected from a field of seven finalists out of 28 applicants, are: Arnold Engineering Development Center, Arnold Air Force Base, TN; Naval Air Warfare Center Aircraft Division, Lakehurst, NJ; and Naval Aviation Depot, Cherry Point, NC. Cherry Point is the first-ever repeat winner, having been named a QIP

recipient in 1988.

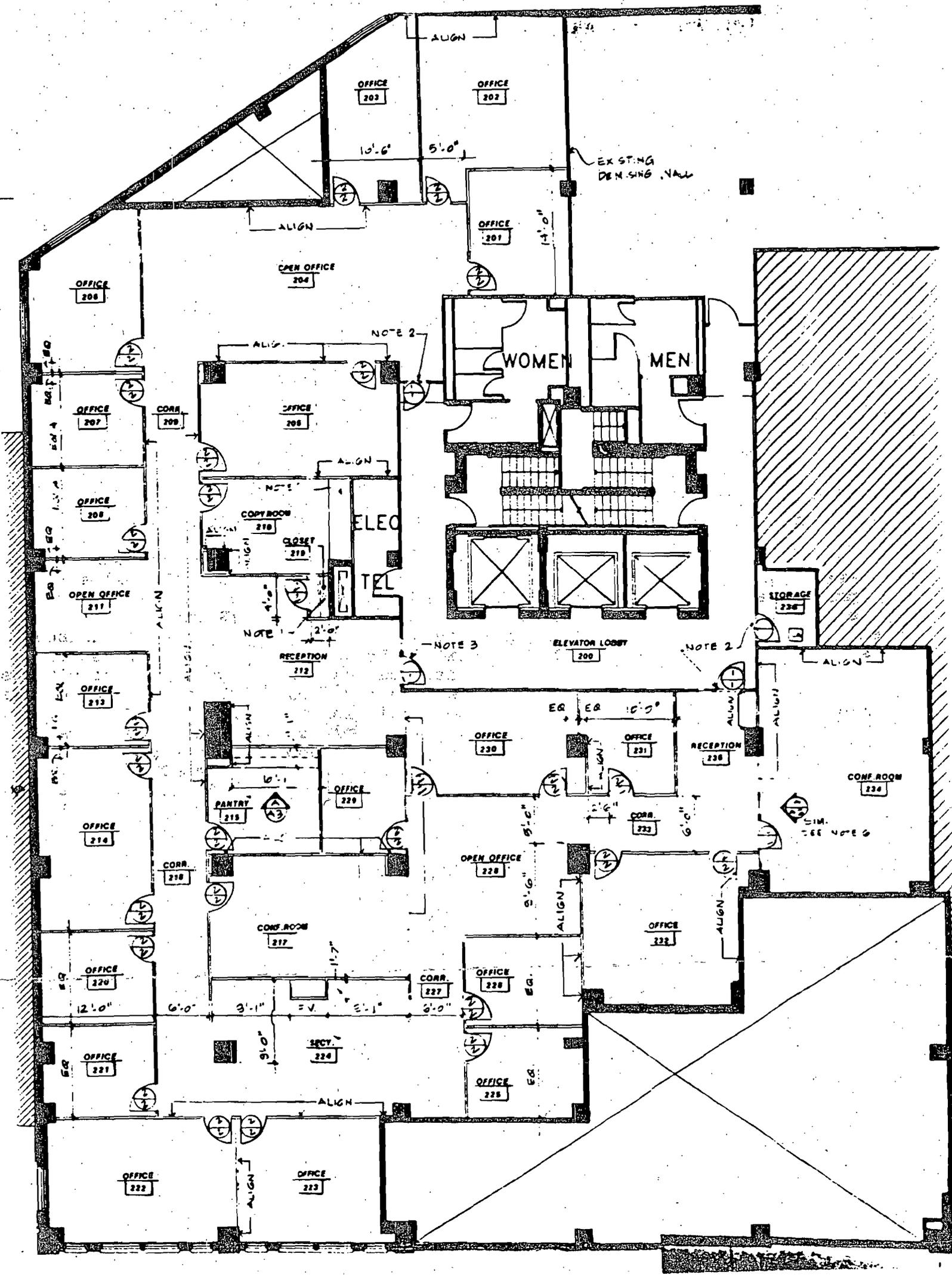
Recipients will be formally recognized at the Sixth Annual National Conference on Federal Quality in Washington, DC, July 20-23, 1993. This year, as in 1990, there will be no Presidential Award for Quality, the program's highest award. Six organizations applied.

For information about the awards, call Mr. O'Brien, (202) 376-5047. Accomplishments of 1993 QIP recipients will be highlighted in future issues. ✚

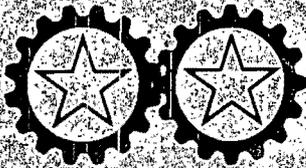
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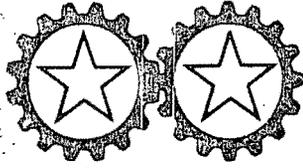
7,363 USABLE SQUARE FEET



Where do you go
to find a *no fee*
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who will stay on
the job and cut
your company's taxes?



AMERICA WORKS



AMERICA WORKS

rebuilding the work ethic

Presenting AMERICA WORKS

Every time an employee leaves your company, you lose thousands of dollars in recruitment, training and support.

Each day one of your staff is absent, you lose valuable time due to unfinished work.

Whenever you rely on traditional recruitment methods or temporary employment services to solve these problems, you just risk the same problems occurring again.

Presenting AMERICA WORKS.

We are an employment company specializing in recruiting and training workers. We have a proven track record filling jobs, whether you need secretaries, data entry clerks, assemblers, inspectors, food service people or just about any other type of worker.

The people we place will show up for work, stay on the job, plus save you money in both employment costs and taxes.

Here's How

We start by learning your business and the characteristics of the employees you seek. Once we are assigned to fill the jobs, we go to work.

We rigorously screen and interview workers, then send you only the most qualified for consideration. If you hire them, we don't disappear like most other recruitment firms. This is when our service really begins.

Increasingly, the Fortune Five Hundreds of the world are investing in their human capital by providing employee assistance services such as day care, training and counseling. Only very large

companies, however, can afford to recognize the value of such services. America Works provides these supports to you and your new employee because that is our business.

Specifically, we will train your new workers and offer to supervise them. We'll help the workers develop strengths, overcome weaknesses and perform under stress. We can take care of external obstacles, like transportation and daycare services, so there will be nothing to interfere with on-the-job performance. All this is free to you.

Better yet, America Works eliminates risks by providing an extended trial period for each worker. During that time, you pay an hourly rate that amounts to *less* than the total payroll costs you would normally incur for that employee. At the end of the trial period of usually four months, if you are satisfied with his or her performance, your new worker becomes a regular employee and goes on your payroll. *You never pay a fee for the hire.*

What You Get

EFFICIENT RECRUITMENT

Because our expertise is in recruiting employees for manufacturers, banks, insurance companies, hotels and all kinds of businesses, we save you hundreds of hours screening candidates to select those who will be right for you. With America Works you end up interviewing only workers who are qualified. Our employees work hard, seek long-term employment, and possess the particular skills you are looking for.

AN EXTENDED TRIAL PERIOD

While our goal is to ensure that every individual you hire through America Works is right for your company, you are never under any obligation. You are not committed to employ a worker until the agreed upon trial period is successfully completed. Only then does the employee go on your payroll.

ONGOING SUPPORT

America Works continues to work with you and the employee during the trial period. At your discretion, we will provide on-the-job supervision, help train workers in new skills, and handle external obstacles. We'll work with your current supervisors, lending them a hand in training and support.

We work with you because our success depends upon your hiring our workers on a permanent basis.

MORE PRODUCTIVE EMPLOYEES

As a result of the program's voluntary enrollment, extensive screening and ongoing training, you are virtually assured of more productive workers. They will be employees who have the right skills and, more importantly, employees who care about their work and the company they are working for.

LESS TURNOVER AND ABSENTEEISM

With America Works' careful selection process, absenteeism and turnover diminish dramatically. Our track record shows that 90 percent of the people we place are still on the job a year later, in positions that often have 100 percent turnover or more.

SIGNIFICANT TAX SAVINGS

We also help you reduce your company's taxes. You become eligible for a Federal Targeted Job Tax Credit of up to \$1,400 when you hire one of our workers. America Works' staff will even handle the paperwork and red tape.

REDUCED EMPLOYMENT COSTS

Of course America Works saves you money in more than tax credits. We cut your recruitment costs, lower your payroll expenses during the trial period, save you time in training and supervision and eliminate the need to repeat investments in these areas by helping you retain employees who are committed. And we *never charge an agency fee or commission* for the placement.

Why It's Possible

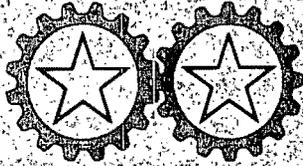
America Works' voluntary program attracts highly motivated and qualified workers from the ranks of the unemployed and public assistance recipients. Therefore, the government is willing to pay us for every worker *permanently* placed. We only get our fee from the government when you hire the worker after the trial period. That means we must get you a worker with whom you are fully satisfied or we forfeit our fee.

This assures an all win situation. You get guaranteed satisfaction. The government gets people off public assistance. A public assistance recipient gets a job. And everyone gets lower taxes.

How Easy It Is

There is more we could tell you here, but the best thing for you to do is get to know us in person. We'll give you a more detailed understanding of our program, show you how we can solve your particular employment needs, share with you our past successes and even put you in touch with your counterparts at other companies using our services.

Give us a call. You'll find there really is only one place to go to find employees who meet all your criteria. America Works.



AMERICA WORKS!

AFTER SIX MONTHS HER CO-WORKERS ARE THROWING HER A PARTY.

Employee turnover is nothing to celebrate. It costs too much in time, money and aggravation. That's why more and more companies are turning to America Works. The workers we place stay on the job.

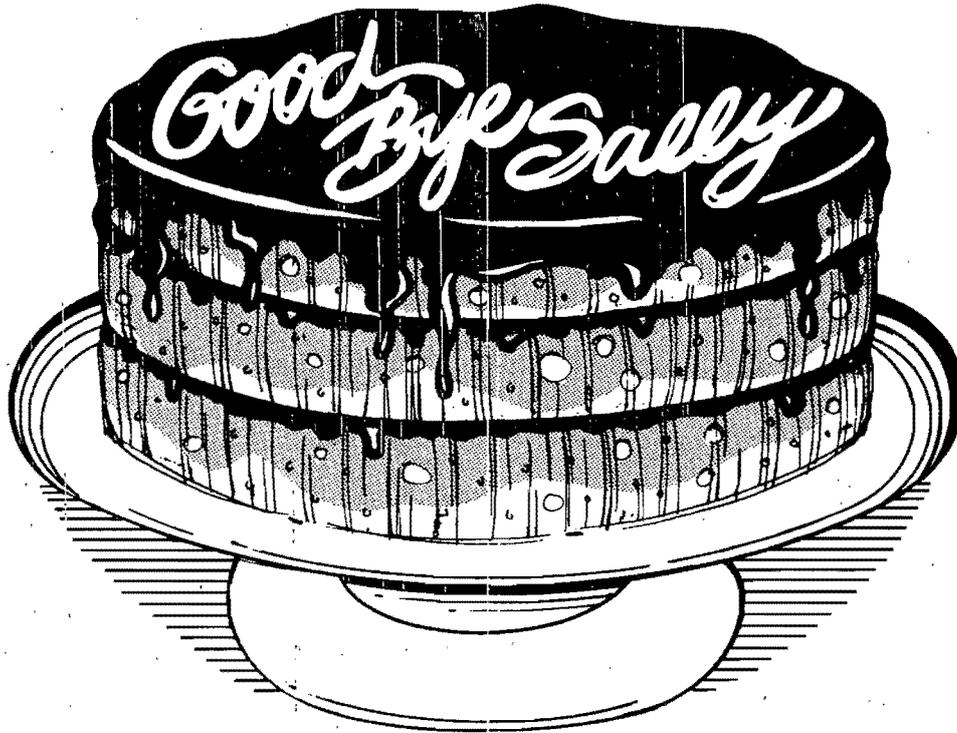
You see, we don't just recruit workers. We test their motivation. Sharpen existing skills. Even take care of transportation and daycare. Assuring that you get employees who genuinely want your job and are able to make long term commitments.

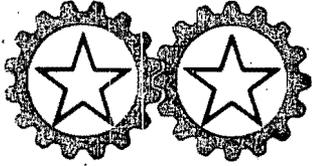
Today, 90 percent of the workers we place are on the job after one year. We have a proven track record filling receptionist, clerk typist, mail clerk and other general clerical jobs...as

well as workers in assembly, food service, home care, health care and a variety of other positions.

Our clients find that we save them significant costs. By reducing absenteeism and turnover and by recruiting skilled employees. In addition, we offer you **substantial savings** while you try out the worker. If satisfied there is **no placement fee** upon permanent hiring.

Call us in New York at (212) 529-2900. Or in Connecticut at (203) 244-2120. We'll show you how America Works can work for you.





AMERICA WORKS

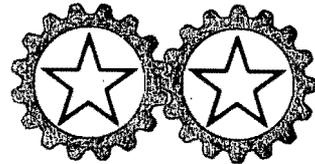
rebuilding the work ethic

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704 Broadway, 4th Floor
New York, N.Y. 10003
(212) 529-2900

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\$5000

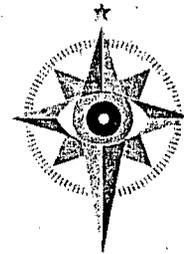
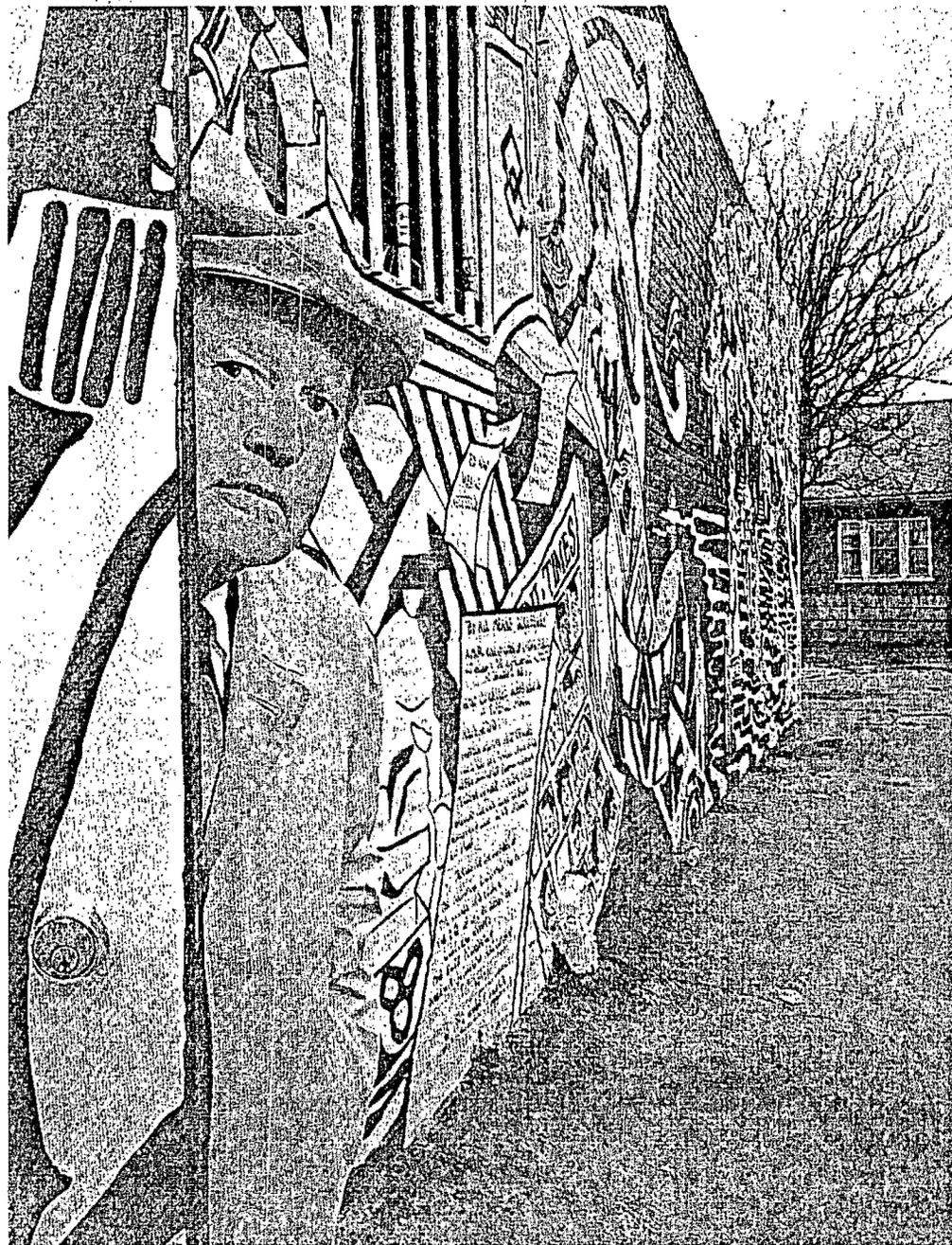
**TO RECRUIT, ORIENT,
TRAIN AND SUPPORT
ANOTHER EMPLOYEE,
AND....**



AMERICA WORKS

FINDING NEW HEROES FOR A NEW ERA

America's abrupt change in values is real. Greed is out. But this isn't the Sixties. Here are some innovative exemplars tackling our toughest problems with market forces. ■ *by John Huey*



OUR HEROES define our times. At the turn of the century, America elected a rough-riding President, Teddy Roosevelt, to spur along its Horatio Alger–fueled dreams of getting the job done, of producing.

But by the dawn of the Jazz Age just 20 years later, the corrupt Harding Administration governed a society whose Gatsby-esque heroes—gangsters and well-born polo players—were best known for consuming. In the wartime Forties, industrialist Henry J. Kaiser epitomized the renewed premium placed on production. But by the Sixties, sybaritic, pajama-clad Hugh Hefner personified the primacy, once again, of consumption. History tells us that these things, with allowances for each era's eccentricities, run in cycles: production and consumption, boom and bust, war and peace, liberal and conservative, Democrat and Republican, yin and yang.

Now, say the people who chart such cycles, we are embarked on a new round, one that holds profound implications for how our lives will unfold well into the next century. "The shift from the Eighties to the Nineties has turned out to be about as abrupt as one can imagine," says Daniel Yankelovich, a longtime analyst of social trends. "There is a yearning out there to rise above partisanship. People are tired of one group of people making points off another. And their intuition tells them that

"We're making the market economy work in the inner city."

RONALD GRZYWINSKI
Shorebank Corp., Chicago

the trouble we're in is moral, that there really is such a thing as decadence." Whatever good may have been accomplished during the Reagan-Bush era, nostalgists for the gilded Eighties are now in the minority. Most Americans aren't likely to remember Michael Milken, Donald Trump, or Leona Helmsley—symbols of that era's excess—any more fondly than they recall those earlier models of excess: Abbie Hoffman, Jerry Rubin, or Timothy Leary.

Historian Arthur Schlesinger Jr. believes that American politics also runs in cycles—of roughly 30 years—that start out activist-liberal, then wind down into conservatism. He says we are now on the cusp of one of those cycles: "Clearly there has been a great change in national mood. These phases are partly generational, but they also occur when the country gets fed up."

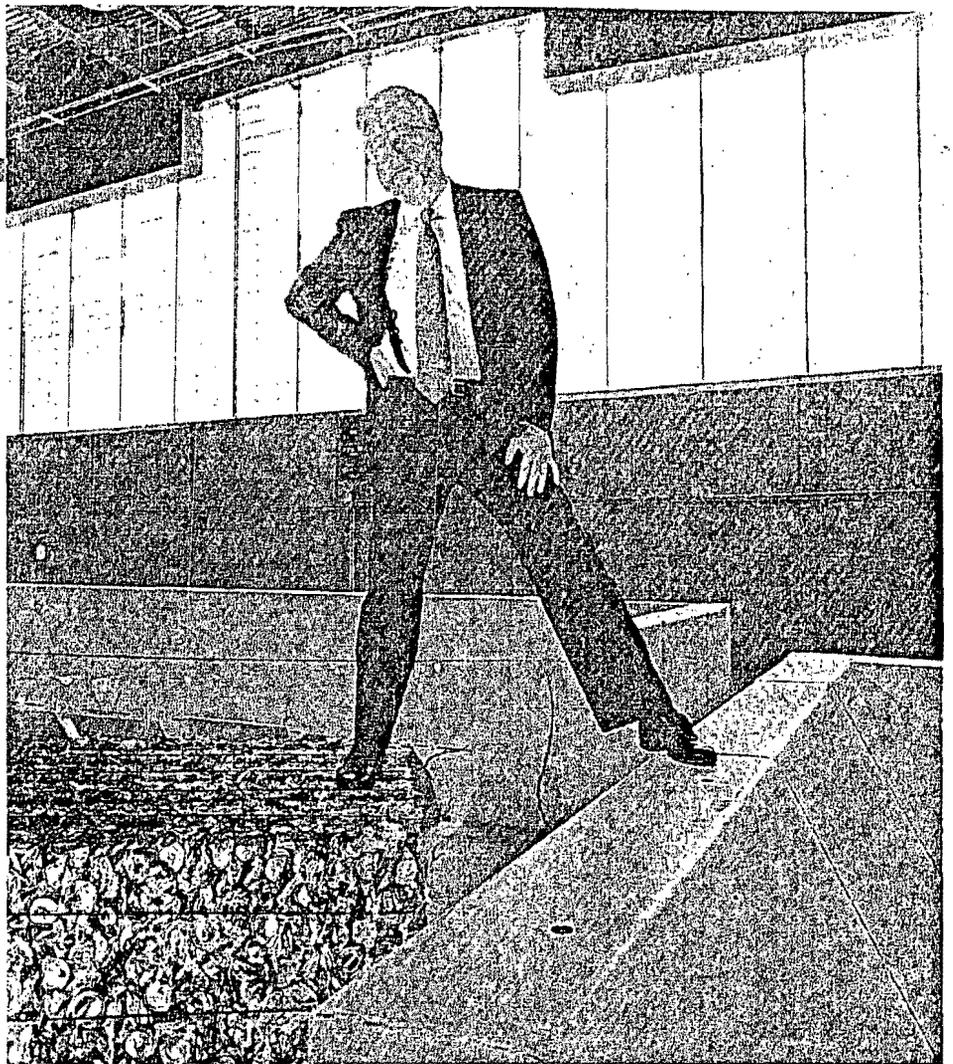
IN THIS CASE, both shoes fit. The baby-boomers have landed, in the person of Bill Clinton, whose inauguration should mark 1993 as the beginning of the next cycle as surely as the inaugurations of Franklin Roosevelt in 1933 and John F. Kennedy in 1961 marked their eras. And as Ross Perot demonstrated so vividly, the country is fed up. Positioning himself as the ultimate "truth teller," Perot appealed to frustrated voters who see businessmen as greedy, workers (other than themselves) as lazy, and politicians as careerists beholden to special interests.

If greed defined the Eighties, ideas, energy, and action so far look to distinguish the Nineties. Says Tenneco CEO Michael Walsh: "This is going to be the decade of character, the 'Do It' Decade." Walsh, 50, sees the ability to make things happen as *the* competitive edge for individuals and companies: "People who can make fundamental changes and wrestle big issues to the ground are going to be the real heroes."

The Eighties had a few business leaders who might be called heroic, notably General Electric CEO Jack Welch. He built the prototypical global company—with 120,000 fewer people on the payroll than when he started. Described early on by FORTUNE as a "sharp-elbows executive," Welch approached personnel cuts in the early Eighties in a manner that earned him the moniker "Neutron Jack." In the spirit of the times, it was a badge of honor. But that was then, when Jack Welch was a regular guest at the White House.

Tenneco's Walsh, an early Clinton sup-

REPORTER ASSOCIATE Andrew Erdman



porter, is now. A curious mix of tough-mindedness and soft-heartedness, Walsh is as emblematic of the new era's values as Welch was of his. The one-time running back on the Stanford football team exudes competitiveness. Like the President-elect, he is a Yale Law School graduate; he worked both as a public defender and as a U.S. attorney. More recently, he has overseen corporate restructurings, first at Union Pacific Railroad and now at Tenneco, so far eliminating a total of 25,000 jobs. He worries about the people losing their jobs. "Layoffs have an enormous, unfair impact on working men and women, middle managers, all kinds of people whose skills are left behind by technology," says Walsh. "In this decade we have to deal with the human, as well as the financial consequences of all this change, and government is going to have to get involved."

One reason we, as a nation, haven't been as hopeful about where we're headed as the statistics might suggest we should be is that we have run short on leaders, or heroes, who can convincingly demonstrate that

"We operate like a private business."

RON JENSEN
Director of Public Works
Phoenix

they care about the rest of us. What we crave is a few good men and women willing to attack problems on whatever front they occur: business, labor, government, education, environment, health care, child development, technology, medicine. It remains to be

seen just how effectively Bill Clinton can fill this role. But his campaign message was very much along the lines of "we're all in this together." In the meantime, some less well known exemplars are out there already, applying fresh, market-oriented solutions to festering problems—and doing what it takes to become the heroes of a new cycle. Worried about urban decay? Meet Ronald Grzywinski:

In the late Sixties, while heading a Chicago bank that financed some neighborhood redevelopment, Grzywinski realized that small-business loans alone weren't sufficient to solve the problems of the Windy City's "under-invested" neighborhoods. So in 1973, he and his colleagues bought the ailing South Shore Bank and transformed it into Shorebank Corp., a publicly held, comprehensive neigh-



borhood development corporation with assets of over \$200 million and annual earnings of around \$2 million.

Today, Shorebank still lends money to mom and pop entrepreneurs and real estate developers in struggling neighborhoods, and its fiscal track record would strike envy in many a less civic minded bank. Last year it lent \$33 million, mostly to minority developers; its average loan loss rate over the past five years is 0.05%, vs. an average rate of 1.32% for all banks. Shorebank's nonbank subsidiaries include a for-profit real estate development company, a nonprofit business training and development center, and a consulting firm. The corporation acquires or renovates about 1,000 apartments a year in seriously deteriorated areas, spearheading the way for small developers—without public subsidies—to follow.

Keith Banks was one of the first Chicago businessmen to benefit from Shorebank's approach. Grzywinski's institution gave him a \$43,000 loan in 1975 to restore a dilapidated South Shore apartment building; he has since gone on to rehabilitate 11 other buildings in the area. Banks also gives renovation and finance advice to other developers looking to

"We put welfare recipients back on the job."

PETER COVE & LEE BOWES
America Works
New York City

get into the rehab market. Grzywinski, 56, a former computer salesman, admits that his venture is inspired by Sixties-style idealism but sees nothing out of the American tradition in its mission. "Our forefathers invested in things like hospitals and universities to take care of public needs. I think our generation is figuring out that it has to create permanent development institutions to take care of today's needs."

TODAY'S GENERATION of leaders has also figured out that many governmental institutions are as badly in need of restructuring as corporate America ever was. David Osborne, co-author of the surprise best-seller *Reinventing Government*, calls for revolutionizing government at all levels in such a way that bureaucrats find incentives to start acting like private-sector entrepreneurs.

Bill Clinton calls the book a must-read "blueprint" for revitalizing government. In the lingo of our times, Osborne describes his blueprint as a "new paradigm" that "is both post-Reagan and post-liberalism. It is activist but much more market-oriented

than in the past. It emphasizes power and choice, *not* big government." In other words, it is not necessary to spend billions solving society's grandest problems to be a hero in this era—you don't have to cure AIDS, save the ozone layer, or make a leap in quantum physics. It's enough to find and implement solutions to local problems. Like Ron Jensen, who figured out a better way to pick up garbage.

Jensen, the 59-year-old head of Phoenix's Department of Public Works, has spent the past 15 years proving that words like "productivity," "competition," and "the bottom line" are as important in the public sector as in private enterprise. A devoted aficionado of business management theory, he pioneered an unusual system of public-private competition to address the city's maintenance needs and saved taxpayers more than \$20 million on solid-waste disposal alone.

His theory was simple enough: Pit the city's workers against private industry in competitive bidding. Originally, his department lost Phoenix's garbage contracts to Browning-Ferris Industries, which agreed to hire most of the city workers whose jobs it had replaced. (Jensen redeployed the rest, though he says that flexible unions and high employee turnover helped the transition.)

To win the contracts back, Jensen started running Public Works more like a competitive enterprise, introducing cost-control accounting procedures, forming customer service teams, and awarding incentive bonuses to employees whose ideas improved productivity. Says Jensen: "Today we know the cost per house per month of garbage collection; we know the cost per mile of vehicle maintenance; we know the cost per hour of running heavy equipment."

It took Public Works six years to win back all five garbage districts from the private sector. It lost one this fall, when Waste Management reclaimed the North District with a very low bid. "I'm sure it's a money-losing bid," says Jensen. "But we'll learn from them just like they learned from us, and we'll bring the cost down again."

At the heart of such success stories lies a willingness to ignore traditional borders, a trend of great interest to those trying to divine what comes next for corporate America. "All kinds of boundaries are collapsing: social, political, economic, informational," says Steve Weiss, chairman of Quest & Associates, a marketing think tank serving clients like Coca-Cola, GM, and Anheuser-

Busch. "That's why things are going to be so different."

Weiss cites examples that run from the mundane to the complex. Shoppers used to line up for department store sales; now a whole new channel of distribution—warehouse clubs—has broken down the border between retail and wholesale. People used to watch Ed Sullivan every Sunday at 8 P.M. on CBS; now the arrival of VCRs and cable stations has all but obliterated any boundaries governing when and where we watch what. Government leaders used to operate within discrete social, political, and economic boundaries; today we recognize that their efforts must all be part of an integrated policy. "As the old silos collapse, the new heroes are going to be people with ideas," says Weiss.

MANAGEMENT guru Peter Drucker would agree. In his forthcoming book, *Post-Capitalist Society*, he maintains that the central means of production in our economy is no longer capital, natural resources, or labor. "It is and will be knowledge," he says. "Instead of capitalists and proletarians, the classes of the post-capitalist society are knowledge workers and service workers." The challenge is to create more knowledge work, while maintaining the dignity of service work.

At the same time, we must get those who don't work at all boosted at least to the level of service jobs. Lee Bowes and Peter Cove are addressing that challenge by putting welfare recipients to work.

A wife-husband team, Bowes, 41, and Cove, 52, run a private for-profit firm called America Works Inc., which places welfare recipients in long-term private-sector jobs. Unlike a traditional employment agency, their 20-person firm in New York City subjects candidates to from one to eight weeks of screening, orientation, and training before sending them to interviews. They teach such basics as workplace demeanor and appearance, as well as word processing and basic computing. Even then, the candidate isn't hired right away.

After placement at a company, job candidates remain on welfare and Medicaid for four months, during which time they receive a small dispensation from their employer via America Works. The hiring company pays no benefits and only a small service charge to America Works during this period. Meanwhile, America Works staff members run in-

terference for the job candidates to help smooth the transition from public assistance to self-support. They arrange day care, schedule welfare case worker meetings, even pick up welfare checks—anything to avoid interference with their charges' work schedules.

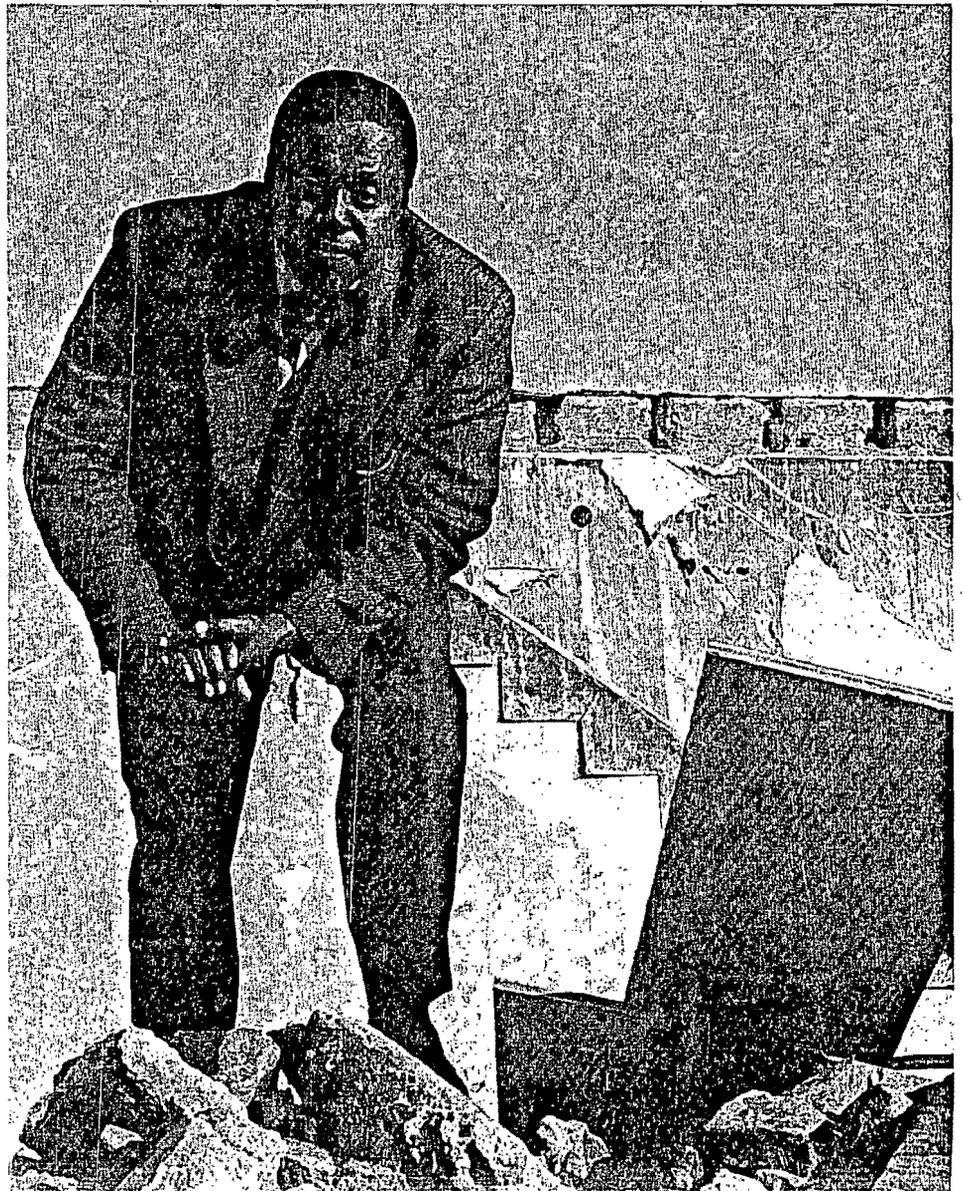
If a candidate proves herself capable and willing, she goes off public assistance and on to full salary and benefits after four months. The average starting salary for clients placed by America Works is \$15,000 a year. America Works gets a placement fee from the state of between \$4,000 and \$5,300. Its reps, who receive a commission based on the number of people they place, communicate regularly with their clients' supervisors for up to a year. Including a \$1,400 tax credit to which the hiring

company is entitled, it realizes a savings of up to \$4,000 over the fees it would pay to a conventional placement firm. The big winner is the taxpayer, given that the typical welfare case costs the government \$23,000 a year.

So far, America Works has found employment for some 4,000 welfare recipients in New York and Connecticut. A government study has shown that 85% are still on the job at least one year after being placed. Cove believes it would be feasible for large industrial corporations to adapt America Works' principles and create workable in-house placement systems. "Contrary to popular belief," he says, "most people don't want to be on welfare. Trouble is, there aren't enough incentives to get them off." *continued*

"It was unacceptable to have so many kids falling through the cracks."

WARREN VALDRY
Young Black Scholars
Los Angeles



That a successful small company could be launched purely on the idea of getting people off welfare seems paradoxical, but it says a lot about today's evolving social compact between business and the rest of society. Just because people still want to crusade against poverty doesn't mean we're returning to the antibusiness Sixties. The lessons of the boy wonders—Bill Gates and Steve Jobs—weren't lost on many who lived through the Eighties; today just about everybody is an aspiring entrepreneur. Here's the zeitgeist: It's okay once again to pursue a liberal objective, but it's much better, maybe even heroic, if you have an idea that earns

you money, maybe creates jobs, and saves taxpayers' dollars. Like Bowes and Cove and Jensen.

Those who pursue such ideas—call them social entrepreneurs—now feel they are about to stop paddling upstream and, in fact, become mainstreamed by the

confluence of the two great currents that have run through American domestic politics since F.D.R.'s time: to spend or not to spend on social causes. The last great social spender, Lyndon Johnson, left office a quarter of a century ago. Jimmy Carter, despite his liberal image, "did not really believe in government," argues Arthur Schlesinger, who notes that although Clinton does, his actions will be severely limited by the deficit legacy of his predecessors. Ironically, what seems destined to develop is a much more intimate relationship between government and big business, aimed at addressing many of our overarching problems.

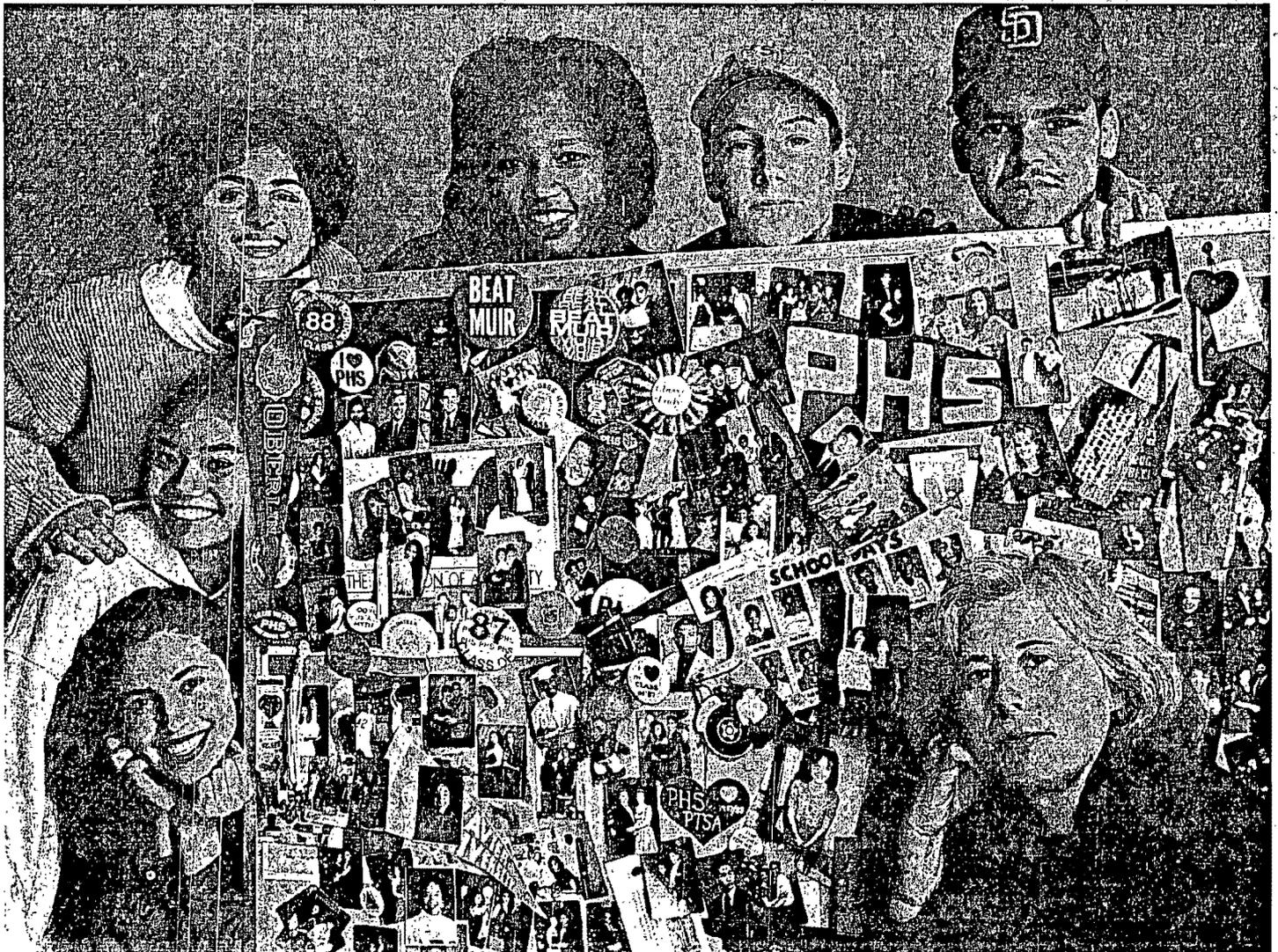
"How go our urban schools, goes our nation."

JUDY CODDING
Principal
Pasadena High School

Michael Walsh isn't afraid to say that government has a clear role to play in helping America manage change, from retraining workers to downsizing the Defense Department to devising a new health care system. "I have never bought the simple-minded view

that there's a tremendous chasm between business and the more institutionally collective side of ourselves that we call government," says Walsh.

If government should have a greater responsibility toward business and its victims, a growing number of leaders also believe that it is in the long-term interest of business to assume more responsibility toward society. It has been less than a decade since Peter Ueberroth, the former baseball commissioner and travel agent, achieved fame by staging a profitable, market-driven Olympics in Los Angeles. Now he heads an organization whose name is sadly self-explanatory: Rebuild L.A. Ueberroth, a conservative Orange County resident, says he seeks investment, not charity, and his aim is to revitalize the riot-torn areas of America's most sprawling megalopolis by proving to business that it can make money in the inner city. Across the continent in Georgia, Jimmy Carter—driven more by his religious mind-set—is recruiting companies to get involved with his Atlanta Project, an ef-



fort to attack a whole host of urban ills.

Perhaps the most ambitious of these self-styled urban reformers is James Rouse, the 78-year-old developer whose for-profit creations include the planned community of Columbia, Maryland, and a whole generation of downtown-reviving Festival Marketplaces such as Baltimore's Harborplace and Boston's Faneuil Hall. His latest project is an all-out attempt to revitalize the blighted 72-square-block area of Baltimore known as Sandtown. Rouse provided the leadership to help organize the neighborhood into task forces addressing such issues as education, family support, community spirit, health care, and crime and safety, and some redevelopment already has begun.

Rouse doesn't mince words. "I see the central cities not just as a disaster, but as a severe threat to the survival of our civilization," he says. "If we don't change these dreadful conditions—joblessness, homelessness, drugs, crime, school dropouts—the erosion of our way of life will eventually leave us unable to compete, and this country will go right down the chute." Rouse says those who have chosen to abandon the cities don't understand how big a threat urban decay poses—morally, economically, and financially. "The cost of these conditions is around \$750 billion a year, yet there's a pervasive state of mind that nothing can be done about them," he says. His Sandtown goal is to demonstrate that it is not only possible, but economical, to transform the conditions of poverty.

ALL THESE contemporary crusades have one element in common: persuading disparate groups of people to work together as teams. "Participation" is the watchword these days, says Sara Little Turnbull, the 78-year-old director of the Process of Change Laboratory at Stanford University's graduate school of business. "The best companies are those that do fresh new things with teams. The great leaders of tomorrow will be the ones who understand how to get everyone to participate. Unless we find a way to empower people to want to get together, the participation is going to happen anyway—only it may

"The great leaders of tomorrow will be the ones who understand how to get everyone to participate."

be unpalatable for society."

There are few better examples of Turnbull's beneficent participation than that mounted by Warren Valdry, a 55-year-old Los Angeles real estate developer.

As president of 100 Black Men of Los Angeles, a consortium of upper-middle-class African Americans dedicated to putting something back into the community, Warren Valdry was already a "participant" in 1985 when he read a report that disturbed him. It showed that less than 4% of California's annual 23,000 African American high school graduates had the grade average and college-prep courses necessary to attend the state's public university system. "I felt it was unacceptable to have that many kids falling through the cracks," he says. So he founded the Young Black Scholars program.

Working with teachers in L.A. County to identify 2,000 black high school freshmen who had "shown some promise," the program created a support network that included afternoon and weekend tutoring workshops in writing, algebra, and taking standardized tests. To further motivate the kids, YBS holds a yearly "Slam-Dunk" awards dinner; guests have included such celebrities as Bill Cosby and Sidney Poitier.

In 1990, 1,700 of the Young Black Scholars graduated from high school; of those, some 1,300, or 65% of the total, had earned a B or better average. Most are now attending 133 different colleges and universities around the country, some of which have YBS support groups. And YBS has launched programs for three other classes of freshmen.

One Hundred Black Men footed the original \$250,000 cost of the program, which has since attracted the support of state, corporate, and philanthropic sponsors. Valdry is convinced that forming academic support and motivational groups is more important than merely finding college funds for black urban youth. "Dammit," he says. "Don't just have another scholarship fund-raiser. Get their minds ready!"

If "giving something back" is a component of heroism these days, Daniel Yankelevich has spotted two more elements that seem closely related: "breaking the mold of self-centered careerism to do something you think is important," and

"sacrificing something important for principle—like money or comfort."

Moving to a job as principal of a traumatized inner-city school in California from her cozy job as head of the public high school in privileged Bronxville, New York, probably qualifies Judy Coddling, 48, on both counts.

Coddling came to racially mixed, financially strapped Pasadena High in 1988, she says, because she believes that "how go our urban schools, goes our nation." And what she found wasn't going well: a 36% dropout rate, rampant problems with reading and writing, drugs, teen pregnancy. Knowing that "adolescents need to feel connected," Coddling took steps to "personalize" education.

First, she reorganized the 2,200 students into five units called houses, each with its own humanities, math, and science teachers, student advisers, and secretaries. One house is specifically geared to bilingual students. Each morning students meet with their house advisers to discuss whatever seems relevant to their education: home problems, academic questions, peer pressures.

Two years ago, with an eye toward her students' postgraduate life, Coddling forged an unusual alliance with the local printing industry and created the Graphic Arts Academy of Pasadena High. Students who enroll in this division receive community college credits and are promised a job with a printing company upon graduation. Those who don't choose this route must work jointly with their family and house advisers to make firm plans about where to go after high school, be it college, the military, or a job. Coddling doesn't want her kids to meet the typical fate. "Most kids," she says, "walk out of urban high schools and onto the streets or into dead-end, hamburger-flipping jobs."

She has achieved some results to crow about. Daily attendance has increased to 92% from 68%; only 25% of the students get grades of D or below, vs. 50% when Coddling arrived; and Pasadena High now ranks around the 35th percentile on standardized math and reading tests, up from the 20th percentile.

All of these new heroes are fairly ordinary people making extraordinary progress on problems that many among us deem hopeless. They have a lot in common: Ideas. Action. Character. A capacity for sharing leadership. Teamwork. Respect for market forces. Sacrifice. Participation. Just the qualities needed to renew America. **E**

FINDING NEW HEROES FOR A NEW ERA

America's abrupt change in values is real. Greed is out. But this isn't the Sixties. Here are some innovative exemplars tackling our toughest problems with market forces. ■ by John Huey



OUR HEROES define our times. At the turn of the century, America elected a rough-riding President, Teddy Roosevelt, to spur along its Horatio Alger-fueled dreams of getting the job done, of producing:

But by the dawn of the Jazz Age just 20 years later, the corrupt Harding Administration governed a society whose Gatsbyesque heroes—gangsters and well-born polo players—were best known for consuming. In the wartime Forties, industrialist Henry J. Kaiser epitomized the renewed premium placed on production. But by the Sixties, sybaritic, pajama-clad Hugh Hefner personified the primacy, once again, of consumption. History tells us that these things, with allowances for each era's eccentricities, run in cycles: production and consumption, boom and bust, war and peace, liberal and conservative, Democrat and Republican, yin and yang.

Now, say the people who chart such cycles, we are embarked on a new round, one that holds profound implications for how our lives will unfold well into the next century. "The shift from the Eighties to the Nineties has turned out to be about as abrupt as one can imagine," says Daniel Yankelovich, a longtime analyst of social trends. "There is a yearning out there to rise above partisanship. People are tired of one group of people making points off another. And their intuition tells them that

"We're making the market economy work in the inner city."

RONALD GRZYWINSKI
Shorebank Corp., Chicago

OFFICE OF THE VICE PRESIDENT
WASHINGTON

DATE:

TO:

FROM: Nancy L. Mitchell
Associate Director
The Council on Competitiveness

FYI

Comment

Action

Prepare a GIANT POSTER
w/THE LOGOS OF ALL THE
BOARDS & COMMISSIONS WE'RE
ZEROING OUT.

HRM Magazine

ON HUMAN RESOURCE MANAGEMENT

Formerly Personnel Administrator

JULY 1991 Vol. 36, No. 7

EXPANDING THE TALENT SEARCH

From Welfare to Work Force

by Beth Rogers

By exclusively recruiting and training welfare recipients, America Works is able to succeed where many nonprofit organizations have failed.

America Works solves problems that plague U.S. society today. The privately owned organization founded by Peter Cove finds workers for hard-to-fill entry level positions, reduces the number of people on welfare—and profits from it.

Started six years ago in Hartford, Conn., by Cove and his wife Dr. Lee Bowes, America Works now has a second location in New York City. Together, the two America Works facilities have managed to take some 2,000 people off welfare, at an estimated savings to taxpayers of \$20 million. More remarkably, America Works has been able to succeed in areas where nonprofits have failed and to make money off it.

America Works operates much like a temporary employment agency but with more monitoring. The company exclusively recruits welfare recipients, many of whom have never worked before, and teaches them basic interviewing and job skills in preparation for entry-level positions in the private sector. Employers contract America Works' services for four months and are sent several applicants to choose from. During that time, an America Works staff worker visits the employee on site several times weekly, providing support and guidance, and acting as a mediator between employer and employee if necessary.

For these services the employer pays America Works an hourly fee (about \$7) and America Works pays the employee wages of approximately \$3.75 an hour plus benefits. At the end of four months, the employer has the option to hire the employee full time. Roughly 70 percent of the employees are retained.

Beth Rogers is a Washington, DC-based freelance writer.

Newsweek

JUNE 29, 1992

Taking Welfare Private

Some states turn to more efficient for-profit firms

The weary women who enter the barren, windowless building on Los Angeles's South Figueroa Street find inside, to their surprise, a little oasis of civility—plants, cookies and coffee, and polite managers who escort them to their appointments. This is a welfare office: Yes, but one with a unique ambition—to prove that the private sector can manage the most intimate and abrasive of government function: the public dole. Private welfare offices like the MAXIMUS, Inc., operation are the latest in delicate political experiments. Liberal skeptics once squelched any notion that profitmaking firms could perform sensitive welfare functions. But that was many budget cuts ago. Today red tape and urban woes, dramatized by the Los Angeles riots, have forced frazzled government officials to listen to anyone with an M.B.A. The entrepreneurial rush is on: from California, where MAXIMUS has cleared a \$1 million profit moving welfare clients into training and jobs, to New York, where America Works produces annual revenues of \$2 million (while getting 68 percent of its clients off welfare). MAXIMUS operates in four states and is growing. Lockheed IMS, a unit of the aerospace firm, is looking to cash in on Massachusetts's jobs program. They advertise their ability to help more clients for less through better computer programs, more flexible staff and fewer archaic work rules that bind government bureaucrats. "Welfare rolls could be cut by a third with aggressive job programs," says MAXIMUS chief David Mastran. Government officials seem pleased. New York Gov. Mario Cuomo saluted America Works when it placed its 1,000th client, a woman on welfare for seven years, in a job. The state paid the firm

the equivalent of only five months of welfare checks, Cuomo says, "and we only pay if America Works is successful."

Private companies, to be sure, account for only a small portion of the nation's massive welfare bill—\$22 billion for Aid to Families with Dependent Children this year alone. And to grow much more, such companies must face opposition from welfare and union officials—like Paul Boldin, coordinator of social services for the American Federation of State, County and Municipal Employees (AFSCME), who question the private firms' saving claims: "There are often no independent bodies verifying what they do," he says.

Company officials disagree. They cite Daniel J. Alesch of the University of Wisconsin at Green Bay, who shows a local county cut welfare costs in half by turning to a private group. Los Angeles County says MAXIMUS saved it \$2.2 million; Lockheed IMS says it saved Colorado's child-support payment program \$5 million. Another example: a welfare mother costs the government about \$23,000 a year, but New York pays America Works only \$5,300.

Those figures are hard for even liberal politicians and union leaders to ignore. Peter Cove, America Works founder, and his wife, Lee Bowes, chief executive officer, say the company has won over stubborn critics by proving that welfare recipients can get work. A similar transformation has taken place in Los Angeles, where MAXIMUM once had to rely on a conservative majority of county supervisors to protect its contract. Today the liberals are back in power, but the company is still in business on Figueroa, trying to persuade welfare mothers, just as it has persuaded lawmakers, to reach out to a wider world.

High Hopes

Peter Cove and Lee Bowes make employment dreams become reality.

It was a dusky late afternoon in December as Peter Cove strolled through Harvard Square with Michael Dukakis, who was about to enter his second term as governor. At the time, Cove headed a nonprofit program that arranged employment for welfare recipients, and Dukakis wanted to learn more about it. Cove proudly reported that his agency had landed jobs at a leading bank for 300 of its clients; a year later, 90 percent of them remained on the bank's payroll—and off welfare. Candidly amazed, the governor asked, "They really *do* want to work don't they?"

In relating that story, Cove clearly doesn't mean to knock Dukakis, who later changed many voters' attitudes on welfare. "That's the great myth—that they don't want to work," says Cove. "In fact, most would love to work, but they face enormous barriers."

To help lift those barriers, Cove, 49, has launched America Works, an employment company that finds jobs in the private sector for more than 700 welfare recipients a year. Run by his wife, Lee Bowes, 38, America Works has two bases—one in New York City, the other in Hartford, Connecticut—which function as separate corporations. Together, the firms take in annual revenues of almost \$4 million. After a shaky start six years ago, America Works now operates at a profit, and 68 percent of its clients leave the welfare rolls within four months of their first day on the job.

By John Birmingham

Brother, Can You Spare a Job?: Each year at America Works, Peter Cove and Lee Bowes's New York-based employment company, hundreds of welfare recipients are counseled and then placed in private sector jobs.



Confident he can repeat that performance, Cove hopes to establish branches in three more cities, beginning with Chicago, in 1991.

The Clients, mostly black or Hispanic women, attest to the effectiveness of the program. "It gave me a sense of self-esteem, which is what I needed at the time," says Ruth Avery, a mother of four living in Brooklyn, who recently moved up to a supervisor's position at Comstock, a stock photography company. Two weeks after coming to America Works, Jeanice Young was interviewed by American International Group, an insurance firm: now she's a file clerk, with a starting salary of \$14,300. "It feels good," says Young, who grew up on welfare in the Bronx. "I have a feeling of stability that I didn't have before."

America Works attracts clients by word of mouth, recruiting, direct mailings and through classified ads in local newspapers. The program opens with a five-day workshop, designed to build confidence for job interviews. Perfect attendance is mandatory. After that, a second workshop enables clients to brush up on their office skills, while addressing such practical concerns as child care, housing, and transportation. The aim, however, is to channel clients into the work force as quickly as possible.

Employers give the job applicants a four-month tryout before actually hiring them. During this period, America Works acts like a temp service, typically paying the worker (who still receives some welfare benefits) \$3.75 an hour, and collecting \$6.50 an hour from the employer. But unlike other agencies, America Works closely monitors each client's progress, sending a "corporate rep" to the work site at least once a week to provide counseling and support.

"That's really the key for us," says Bowes, an employment specialist with a Ph.D. in sociology. "In those first four months, a person can make it or break it. So we manage the whole process, for both the worker and the employer. Nowhere do you need good management as much as you do at the entry level."

Bowes adds that welfare recipients sometimes misread subtle, unspoken cues in the workplace. "At one law firm, we placed a

mail clerk who was extremely outgoing," she says. "At first, people loved it, but by the third week, he was spending too much time chatting. So our staff person followed him on his rounds, showing him when he was being appropriately friendly and when he was overdoing it."

Though America Works bills itself as an "all-win solution," it reserves a truly inenviable deal for the government. Each time one of its clients is fully weaned from welfare, the company charges the state a flat \$5,000. That translates rapidly into savings for the state. In New York, for example, the annual cost of welfare benefits for a family of three comes to roughly \$12,000. A year after being hired, more than 90 percent of America Works' clients are still employed. Thus, the state's return on investment is better than two to one.

Yet welfare officials tend to consider the program warily, according to Cove. "You'd think it would be an easy sell, but it isn't," he says. "We often run into political resistance. Or they simply don't have the money—they have the money to keep people on welfare, but not to get them off. That's just the way the government works."

Despite his entrepreneurial bent, Peter Cove is well versed in the ways of the public sector. A native of Boston, he began his career in 1965 working on Lyndon Johnson's War on Poverty. Later, he was assistant director of a foundation in New York, "putting someone else's money where my mouth was." In the mid-1970s, Cove took charge of a Massachusetts nonprofit agency which tested "supported work" for the disadvantaged. That served as a model for America Works.

"One of the lessons we learned—and I don't think the country has learned it yet—is that education and training, per se, are not the answer for welfare recipients," says Cove. "These are people who failed in the education system. They don't want more training; it's too abstract. What they want is access to success, which a job will give them. Once they have that, they'll go back to get the education they need to move ahead."

In 1978, Lee Bowes, already a veteran in

the field, joined Cove's agency. Soon she and Cove concocted the idea of moving the program into the private sector, where jobs were better and more plentiful. In 1984, the year they were married, Cove unveiled America Works in Hartford, while Bowes stayed on with the nonprofit agency. From the outset, the new company showed great vigor in getting people off the dole. But it was, unfortunately, a financial calamity.

"Peter got snookered by the high-powered lawyers and accountants, who cost a lot of money and gave him all kinds of bad advice," says Bowes. "The company incurred too much unnecessary debt."

Early attempts to clone the program also fared badly. One was in Ohio where America Works became, in Bowes words, "a little political football." Another, in upstate New York, looked highly promising, but the state wouldn't budge beyond a \$300,000-a-year contract, for the business to continue, it needed a \$750,000 commitment from the government. Eventually both operations shut down.

Things turned around in 1987, after a mutual friend introduced Cove to Abe Levovitz, a former tallow manufacturer with a no-nonsense approach. Levovitz gave America Works fresh backing and perhaps more important, sound financial advice. Until then, the company had billed the state on a line-item basis, being reimbursed for expenditures along the way. To Levovitz, this seemed like an incentive to waste money. "I told Peter, if you have confidence in the product—that is, your ability to take people off welfare—sell the finished product," says Levovitz, who now has a day-to-day role in managing the company's finances. "Then you can offer the state a guaranteed return."

The next move was to New York. Two years earlier, one of Cove's former associates had founded an employment agency called New York Works, which was now in trouble. Levovitz agreed to finance a takeover of the company, on the condition Bowes run it. With \$200,000 in start-up capital, she and Cove rebuilt the agency—and its reputation—as America Works.

"They've done very well," says Michael Dowling, deputy secretary to New York

governor Mario Cuomo. "Some people here were skeptical at first because we don't generally provide these programs through private, profit-making companies. But given their success, we fully plan to continue doing business with them."

A visit to America Works' airy, unadorned offices on Manhattan's lower Broadway reveals one secret of that success: From the reception area to the workshops, the clients are treated with seriousness and respect. The entire operation radiates efficiency. Yet there is none of the impersonal atmosphere associated with government agencies.

The New York base has 15 full-time employees. It also maintains a part-time "telemarketing" staff of about 12, whose task is to pore through the help-wanted sections of local newspapers, looking for entry-level jobs that offer at least \$5 an hour plus benefits. Whenever they find one, they call the prospective employer to set up a meeting for an America Works sales rep. The sales pitch emphasizes cost savings (employers pay no hiring fees and are eligible for tax credits), the "try before you buy" philosophy, and the motivation of the clients.

That motivation is most evident on Friday, graduation day for those in orientation. Antoinette Franklin, the spirited leader of the workshop, conducts mock-job interviews. "When you get comfortable with them, you sound great. When you get uptight, it works against you. So *breathe* out that anxiety. . . And Stacy, if you could smile just a *wee* bit, I'd have to give you a 10—and I don't give 10s."

Toward the end of the morning, Franklin announces that it's break time, then leaves the room. The job seekers don't seem ready for a rest, however. Instead, they readjust their chairs and practice interviewing each other.

Which would hardly surprise Peter Cove. "Do they want to work? You bet they want to work," he says. "If they didn't, I'd go out of business. And we're doing very well, thank you. I would rest my case on just that."

John Birmingham is a frequent contributor to Continental Profiles.

CITY & STATE



CRAIN'S BUSINESS NEWSPAPER FOR STATE AND LOCAL GOVERNMENT

OCT. 5 - 18, 1992

Privatization for welfare

Firms find jobs rather than train

By GARY ENOS
Staff Writer

By breaking from the past, a handful of state and local government officials hope to break the cycle of poverty that suffocates welfare recipients.

Traditionally protective of their role in managing welfare clients, some government agencies are now enlisting for-profit firms to motivate, train and in some cases find jobs for those on public assistance.

Some of these private service providers say their presence amounts to government's admission that its training-heavy approach to managing welfare recipients has failed.

"Two-thirds of the welfare clients we see already have been in government-sponsored education and training programs before," said Peter Cove, founder of America Works, a New York-based company that works with clients in New York and Connecticut. "The key to success is getting people into jobs quickly, and letting them feel the rewards."

States that have hired private firms to assist some of their Aid to Families With Dependent Children (AFDC) recipients include Connecticut, Massachusetts, New York, Texas and Wyoming. Los Angeles County also has contracted out a portion of its welfare program.

The private efforts vary according to how much of the welfare function a government farms out, but most work on a performance-based model: Contractors are paid on the basis of how many of their clients get hired, and how long those people stay employed.

In New York, America Works and two other contractors provide training and placement services for AFDC clients, said Reinaldo Cardona, director of employment programs with the state Department of Social Services. According to Mr. Cardona, contractors generally are paid at three intervals: when they enroll a

client into their program, when the client is placed in a job and when the worker has completed several months of employment.

Contractors receive little or no money for assisting welfare recipients for whom they are unable to find work.

Mr. Cove said New York pays his company \$5,700 for every welfare client hired, with most of that money received after the worker has completed a four-month trial period with an employer. The balance is received after the client has remained with the company for an additional three months.

The \$5,700 compares favorably to the estimated \$20,000-\$23,000 it costs in federal and state money to keep a family of three on welfare for one year, Mr. Cove said. Of course, states are not assured that any welfare client will remain employed and off public assistance in the long term.

Officials in the states report they are pleased with their efforts to contract out a segment of their programs. But few believe a state could ever turn over its entire welfare operation to a for-profit entity.

"This type of program is good for people who are more job-ready than the typical AFDC recipient," said Claudette Beaulieu, public information officer with the Connecticut Department of Income Maintenance. "It's not as good for someone with major language barriers, or someone who lacks basic education."

Because some privately-run programs offer only a short training period before finding a client a job, private firms are less likely to assist those who need a great deal of training, Ms. Beaulieu said. Also, because contractors sometimes receive no money unless a welfare recipient is hired, they tend to choose clients who are closest to being job-ready.

Mr. Cove disagrees somewhat, saying that most welfare clients do not need more training.

"People on welfare don't see the relationship between money and education," Mr. Cove said. "Once they have a job, they begin to see that, when they notice the person next to them is moving up faster than they are."

An official with Maximus Inc., a private welfare firm based in Falls Church, Va., says social-services departments can define any goals they wish in contracts with private service providers. The real advantage is that they can bring about these outcomes at a lower cost through the private market.

"We can offer flexible compensation to our employees, and we have a lean organization," said Jack Svahn, president of the firm's government services group. "I can tell you that nobody in our company has a secretary."

Maximus provides a variety of training and placement services for welfare clients in Massachusetts, Texas, Wyoming and Los Angeles County. In both Texas and Wyoming, Maximus received a contract after outbidding, among others, the states' own job placement agencies, Mr. Svahn said.

"In fact, 98% of our staff has worked in government before," Mr. Svahn said. "It's not the people in government who are impeding success; it's the government environment."

Programs run by Maximus range from a pilot effort in Massachusetts, where Gov. William F. Weld would like to contract out a variety of state services, to an intensive project in Los Angeles County, where the company provides training for anyone who has been on welfare for more than 36 months.

As governments venture toward the private market for one of their most proprietary functions, they will have to take steps to ensure they can track former clients once they leave the welfare rolls.

Few long-term studies have been done to examine how many former welfare clients stay employed or return to the public dole after going through one of these private programs.

Mr. Cardona of the New York social services agency says his state is unable to follow clients' progress unless they resume collecting AFDC checks.

Yet such analyses will be essential to determining whether privately run welfare services belong in government's recipe for true welfare reform.

Problems with the Welfare System

Cove sees America Works as privatizing aspects of welfare that have been mired down in a bureaucratic bog.

"The institution of welfare was not built to get people jobs and to ask it to do it now is a little bit like asking a fish to fly. The institution was built to provide the children of single parent homes with shelter and sustenance. There are many institutional impediments within the welfare system," he says.

Each year America Works only receives funding to take 245 people off welfare rolls in New York City, Cove thinks they could easily handle 1,000-2,000. Although they acknowledge the benefits of the America Works program, institutions such as the New York Department of Welfare are not providing funding as much as Cove would like.

"It's not a lack of support. It is endemic to the way in which funding for welfare and getting people off welfare is structured. If you work in the welfare system you are not rewarded for getting people jobs, you are rewarded for keeping the cases legitimate."

For example, Cove says, in Connecticut, \$1.2 billion a year goes to welfare, while only \$10 million goes toward the long-term effort of trying to help people find jobs.

The government helps to foster a feeling that welfare recipients are damaged goods by giving private enterprises subsidies for hiring them.

"In essence," he says, "the government is saying 'take my poor person on welfare, and companies are hiring them only because they feel it's a socially correct thing to do'."

Cove has turned the tables on that mindset by demonstrating that not only are many welfare recipients hungry for work but that hunger translates into more dedicated workers when they are given an opportunity.

pitching prospective employers, even though they're competing with other placement agencies, in-house personnel departments and government programs. Cove estimates they turn 60 percent to 70 percent of sales calls into job orders.

"It's a very easy sell once employers understand what you're doing. We never sell welfare recipients, we never sell government, we don't really sell do-good although it comes up. We sell the service and the service is to reduce turnover, make hiring easier, increase productivity and save money, and also provide human resource talent to the work place from the outside, which a company might not even have or be able to afford."

"Try before you buy" is one favorite America Works motto and is the primary reason companies use America Works as opposed to trying to hire people directly. "The fact is that this gives companies an opportunity to try out someone to see if they work . . . they won't have to hire them until they see if they're productive or not, and they don't have to put them on their benefit package," says Cove.

Employers retain full control with the option to terminate employees any time they wish. Because of this guaranteed no-risk arrangement, America Works has managed to do better than other employment agencies during the current recession.

A good number of people on welfare want to work but slipped through the cracks somehow, perhaps because they had no one to guide them through the system. Cove says, "There's a myth in this country that people on welfare are there because they don't want to work. It was exemplified as a visual when Reagan at a press conference waved the help wanted section of *The Washington Post* and said, 'Don't tell me people on welfare want to work.' He was exemplifying a myth. We have that myth because we are a society that (wrongly) believes the private sector can and will provide the jobs for those that want to work. So if you can't get a job and you're not working, you're probably a bum."

The work ethic of the average welfare recipient may be given short shrift by much of society, but many companies are now finding that they prefer hiring people who have been on welfare. "When I go out to employers and ask them

why they use our services," says Cove, "when they could go through the government or not-for-profits and get them for free they say, 'you send us people who are ready to work, who are motivated,'" says Cove.

Satisfied employees

American International Group, an insurance company, has hired close to 50 people through America Works. "They did not do this as a humanitarian gesture. They found it good business to hire welfare recipients," Cove notes.

Ellen Flamholz, director of human resources at Brownstone Studios, a direct-mail house for women's apparel and accessories located in Manhattan, has hired 12 to 14 America Works applicants (of whom 10 are still with her) over the past four years to fill such positions as customer service representative. Flamholz had hired welfare recipients before through a government-sponsored organization called Work Incentive Program (WIN) but was not satisfied with the caliber of the workers.

Although both WIN and America Works were presumably drawing from the same pool, the difference in training is what seemed to set them apart. The people Flamholz hired through WIN often didn't show up or were late. America Works' pre-employment pro-

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AMERICA WORKS

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* | gram, which does not tolerate tardiness, appears to lay the groundwork for setting standards. Flamholz also says that the support employees are given during the first four months is crucial because making the transition from welfare to work is not always smooth, and Brownstone does not have the resources to babysit their employees.

Flamholz says that using America Works saves her time from screening scores of job applicants. She finds that America Works employees, although not necessarily better workers than the norm, are more dedicated than average.

"It's like the old saying 'you don't know what you have until you lose it.' So when these people get it back again they don't take it for granted. Finding people who want to work is three-fourths the battle," she says.

Flamholz says of the people who have been sent to her: "The percentage of problems I've had is probably a little less than the general population. They are not problem-free, but then again no employee is problem-free."

At the moment, America Works has no imitators. "We're number one in a field of one," Cove says. The business plan is replicable and they've targeted other cities such as Chicago for expansion. Cove anticipates that more state governments will contract their services as they become more aware of the benefits and as they change their mindset to paying for the finished product instead of the process. "If it was just up to the private companies buying our services we would be in every major municipality in this country," says Cove. "They love it."

"We are a time saver and a cost saver and a more productive vehicle for hiring for companies. As a human resource manager looking toward the future we're precisely at the cutting edge; we're saving dollars, we're reducing turnover, we're getting people into the work force who are more productive and more stable, and we're providing that linkage into the work force 2000." ■

File Reinvesting Govt

Top of the News

BUDGETS



SHARP: REPLICATING CORPORATE METHODS TO WRING OUT GOVERNMENT INEFFICIENCY

THEM'S PRETTY FANCY ACCOUNTING TRICKS, PARDNER

Texas John Sharp's budget-twisting ways are influencing Washington

Texas Comptroller John Sharp has won plenty of accolades for his two-year crusade against waste and inefficiency in his home state. That includes plaudits from President Clinton, who has launched a "searing" audit of the federal government, a strategy closely modeled on Sharp's Texas Performance Review. Now, Sharp and some aides have begun shutting to Washington to help Vice President Al Gore formulate Clinton's audit program.

Maybe, though, the Administration should take a closer look at Sharp's results. Yes, his staff of 100-plus auditors has struck fear in the hearts of state bureaucrats. And legislators in 1991 did adopt more than half of his \$4.2 billion in budget-cutting recommendations, allowing Democratic Governor Ann W. Richards to escape Texas' biennial budget crunch without imposing an income tax. **LEDGER-DEMAIN.** But a closer look at Sharp's reviews should shake the faith of anyone counting on Clinton's budget bulldogs. Most of Sharp's savings in the name of government reform are really accounting sleights of hand and revenue increases from higher fees, tuitions, delayed tax credits, and the like.

Of the \$2.4 billion in savings and other measures eventually approved by legislators from Sharp's first plan, \$700 million at most will come from spending reductions, says Jared E. Hazleton at the Center for Business & Economic Analysis at Texas A&M University. And

one study by the state auditor's office says lawmakers had achieved just \$99 million in actual cuts as of last September, halfway through the budget cycle.

Sharp himself claims cuts of more than \$400 million for the year. Surely, his efforts have brought results, from consolidating the state's dozen or so health and human service agencies to eliminating \$500,000 worth of decorative plants. More important, the audit may have changed the way government monitors itself. Sharp's team, staffed by mid-level CPAs and bureaucrats, replicated the "reengineering" approach that many corporations have employed to wring out inefficiencies.

But many reckon the process, even if comprehensive, will at best delay the state's day of financial reckoning. Most

of the big-money items start with the words "defer payment" or "accelerate collection," says James P. Oliver, executive director of the bipartisan Legislative Budget Board, which draws up the first draft of the state budget. For instance, Sharp's 1991 recommendations included delaying a payment of \$234 million to the teachers' retirement fund by a day to knock it into the next budget cycle. Legislators who know anything about finance should know they're building in problems for the future, warns Oliver. **LEAST RESISTANCE.** Texas representatives already are wrestling with an estimated \$3 billion to \$5 billion deficit for the two-year budget cycle starting in 1994. To help close the gap, a second Sharp audit released in January turned up an additional \$4.5 billion in spending cuts, fee increases, and accounting maneuvers (table). Again, he's casting a wide net. The 460 proposals include capturing additional federal matching funds (\$1.4 billion) and cutting out free meals for prison guards (\$11 million).

Sharp confirms that about half his recommendations involve accounting changes or added revenue collection, reflecting in part an effort to win over lawmakers by proposing more palatable measures early on. "Legislatures are a lot like rivers," he says. "They take the path of least resistance." He predicts legislators will adopt more of the proposed cuts and consolidations in 1995 rather than resort to a state income tax.

Not everyone is convinced. Sharp is camouflaging major increases in state expenditures by talking about efficiency improvements, snipes Texas Republican Party Chairman Fred Meyer, who notes that the state budget has jumped from \$48 billion in 1989 to a proposed \$67 billion in 1993.

Not that folks don't appreciate Sharp's thinking. "Even with the smoke and mirrors, it's an effort worth making," says state Representative Talmadge Heflin, a Houston Republican who acknowledges Sharp could save Texas \$1 billion in two years. Says Raymond C. Scheppach, executive director of the National Governors' Assn., "Texas has done a much more comprehensive job" than the other 30 states involved in performance reviews.

So far, Sharp's act is playing well in Washington. Gore's team, under the day-to-day care of Sharp deputy Billy Hamilton, is shackled up a block from the White House and plans to unveil its proposals this fall. But in a town so accustomed to budgetary tricks, Sharp's model is likely to be judged once again more for the savings it promises than for how it proposes to get there.

By Peter Burrows in Dallas

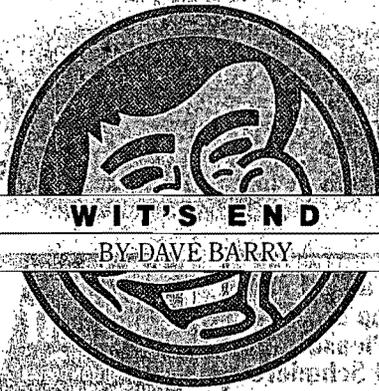
SMOKE 'N' MIRRORS

John Sharp's 1994-95 Texas budget plan relies more on accounting devices and taxes than on spending cuts.

	BILLIONS
Postponed expenditures	\$1.0
Accelerated revenue collection	0.3
Taxes/other new revenue	0.2
One-time revenue increases	0.6
Additional federal funds	1.4
Spending cuts	1.0
TOTAL IMPACT	\$4.5

DATA: CENTER FOR BUSINESS & ECONOMIC ANALYSIS, TEXAS A&M UNIVERSITY

DAVID BURNETT/CONTACT



WIT'S END

BY DAVE BARRY

Flush With Money

OKAY, MIDDLE-CLASS TAXPAYERS! April 15 is right around the corner! Time for your Tax Relief!

Remember? Last year, during the election campaign, William Jefferson John F. Kennedy Abraham Lincoln Clinton went all over the country saying in one of his most sincere voices, that he was going to give Tax Relief to middle-class taxpayers (defined, technically, as taxpayers whose annual income does not exceed the amount that the new administration spent replacing the drapes in the Oval Office).

So, middle-class taxpayers, you elected him, and now it's time to get what's coming to you! According to the Internal Revenue Service, here's all you have to do: When you get to the blank space on your 1040 form labeled "AMOUNT YOU OWE," instead of writing a number in there, you put the international symbol for the middle class, which is a stick drawing of a little person trying to read the fiber content on a cereal box. Then simply mail in your return, and within four to eight weeks, you should receive a minimum of 10 years in prison.

That's right: It turns out that you're NOT going to get Tax Relief, at least not in the immediate future (defined, technically, as "your lifetime"). President Clinton had to reassess his position on this particular promise, and for a very solid reason: He's just another suit-wearing weasel!

No! Strike that! The reason President Clinton had to reassess his position is that, after he got elected, he learned about a shocking development. To avoid suffering a shock-related medical injury, please be seated while I reveal this development to you.

The federal budget deficit is very big. Of course most normal people and

household plants were already aware of this. But apparently Mr. Clinton, busy performing his many duties as a presidential candidate—formulating policies, making promises, practicing the saxophone—did not find out until after the election, when his top aides sat him down and told him about it.

AIDES: Mr. President, it turns out that the federal budget deficit is very big.
CLINTON (shocked): No!

AIDES: Also, the pope is Catholic.
CLINTON: This is unbelievable!

In the interest of the president's cardiac safety, they decided to hold off on telling him about the Easter Bunny.

So anyway, you middle-class people can forget about Tax Relief. But you will be pleased to learn that President Clinton has come up with a new post-election

million, but what with one thing and another—you know how it is with plumbing projects—it wound up costing \$23.4 million. God alone knows what it will cost the taxpayers when, inevitably, we have to send a Space Plumber up there to fix it. ("Okay, that's gonna be \$3.4 million an hour, plus \$12.1 million every time Vinny here goes back down for coffee.")

Of course it is not the business of us taxpayers to question such expenditures. We're too stupid to understand our own tax forms, let alone decide on the need for a high-tech orbiting commode. Likewise we are in no position to wonder about the following news story from the Charlottesville (Va.) Daily Progress, which was sent in by several taxpayers, and which I swear I am not making up:

University of Virginia medical researchers have embarked on a four-year constipation investigation employing video games to help children better control their bowels. With a \$1.2 million grant from the National Institutes of Health, researchers will try to teach children how to ease the passage of bowel movements and determine how success affects family and school life.

The story states that, in this study, children will learn how to control their bowels by operating "a video game, controlled with the aid of electrodes attached to the child's . . ." Okay, never mind where the electrodes are attached. Suffice it to say that you'd have to pay me at LEAST \$1.2 million to attach them.

The point is that the government needs your money for many vital activities, and you need to just forget about Tax Relief, and start thinking in terms of sacrifice. Remember: If your government can buy electrodes for researchers at the University of Virginia, it can also buy them for the IRS. ■



idea, which is sacrifice. Of course we're talking about an equal sacrifice, wherein everybody will carry his or her fair share of the burden, as follows:

- YOU will, one way or another, pay more money to the government.
- THE GOVERNMENT will spend it on critical programs such as the space toilet.

A number of taxpaying readers sent me articles about the space toilet, which goes inside the space shuttle. The toilet was originally estimated to cost \$2.9