

The Thomas A. Roe Institute for Economic Policy Studies

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**THE NATIONAL PERFORMANCE REVIEW:
FALLING SHORT OF REAL GOVERNMENT REFORM**

"The federal government is not simply broke; it is broken."

—The National Performance Review¹

INTRODUCTION

When Vice President Al Gore released the recommendations of The National Performance Review (NPR) on September 7, Americans were told this was a blueprint for "reinventing" government. The six-month-long, government-wide investigation was intended to produce a plan to "make government work better and cost less."

The report does contain hundreds of specific recommendations. Gore claims these will:

- ✓ Streamline government programs and make them more efficient;
- ✓ Trim the civil service by a total of 252,000 federal workers and make the bureaucracy more accountable; and
- ✓ Improve government services and make agencies more responsive to taxpayers.

Over five years, the Clinton Administration says, these measures will save taxpayers \$108 billion: \$29 billion from itemized program savings, \$8 billion from new revenues, and the remaining savings from other unspecified improvements in efficiency.

Although many of the National Performance Review's recommendations sound ambitious, a closer look at the report reveals that the Administration has avoided the tough actions needed to deliver on its promise of structural reform.

To be sure, reforming the civil service and instituting better financial standards will mean some improvement in the way the government functions. But tinkering with the process of

1 The National Performance Review, *Creating a Government That Works Better & Costs Less*, September 7, 1993, p. 1.

government, rather than addressing the substance of what government does, is not radical reform. Moving paperwork more efficiently through programs that should no longer exist, or which are beyond repair, is not reinventing government. Moreover, for Gore to deliver on many of his proposed reforms, the Administration will have to confront powerful congressional committees that have thwarted similar reforms in the past. It is not at all clear that the White House is prepared to do that.

The true tests of the Clinton Administration's seriousness in reshaping Washington's landscape thus lie ahead.

Example: The NPR rightly identifies Congress as the major cause of many problems in government and the biggest stumbling block to instituting reforms. **But will the Administration push hard to move its recommendations through Congress?**

Example: The NPR says it wants to make government more consumer-friendly by requiring bureaucrats to be more courteous. **But will the Administration enact measures that would empower taxpayers to punish agencies that fail to deliver the promised level of service?**

Example: The NPR says introducing market mechanisms into government will lead to greater efficiency and accountability, and lower costs. **But is the Administration prepared to overcome congressional opposition to serious privatization measures of the kind used by local governments and many foreign countries?**

Example: The NPR says reducing Washington's micromanagement of state and local governments will foster innovation, creativity, and neighborhood-based solutions. **But will the Administration be able to persuade Congress to devolve functions to the state and local levels?**

The Administration must go well beyond the mainly process-oriented prescriptions contained in the NPR report if it is really serious about reforming government. In particular, three steps are needed to get to accomplish a real reform of the federal government:

Step #1: Eliminate all unnecessary programs. The Administration should determine which programs have outlived their usefulness, or engage in activities that simply should not be done by government at all. These programs should be eliminated.

But while there are scores of programs which fit these categories, the NPR could find only three of any significance—the Wool and Mohair Subsidy program, and the Honey Subsidy program, and the curiously named Essential Air Service program.² And the NPR's answer to duplication and fragmentation is not to eliminate programs with overlapping functions, but to create seven new programs and councils to coordinate these duplicative efforts.

Step #2: Use federalism to move services closer to taxpayers. The Administration should determine which government programs should be run by lower levels of

2 Note: Congress began work to eliminate these three programs well before the release of the NPR report.

government rather than by the federal government. These should be transferred to state or local governments.

The NPR admittedly chose not to transfer any federal functions to a more appropriate level of government because of likely political opposition in Congress.³ Instead, the NPR merely makes two modest proposals to remove some red tape from lower tiers of government. It recommends giving local governments greater flexibility to consolidate funds from small federal grants. And it recommends consolidating 55—out of over 600—federal grant programs into six broad “flexible grants” to states.

Step #3: Use privatization to bring market discipline to government services. The Administration should determine which programs are private in nature and best delivered by private enterprises or nonprofit organizations. The appropriate privatization technique should then be used to deliver these services.

The NPR’s authors clearly understand that because government programs are monopolies, they are impervious to the market penalties that force innovation and efficiency in private firms. But instead of recommending the full privatization of many government functions, the NPR would place just a few government activities in protected competition with private firms or other government agencies. Such limited measures would merely create more entities like the U.S. Postal Service—private in appearance, but shielded from real market forces.

The National Performance Review report does contain a number of sound recommendations that can and should be adopted immediately. But the report should not be hailed as a road map for reinventing government. Accomplishing that worthy goal will take far more sweeping actions, and a greater willingness to confront the political opposition, than the NPR is prepared to contemplate.

THE COMMISSION’S MANDATE

When President Bill Clinton announced he was appointing Al Gore to head the National Performance Review, the White House claimed the NPR would:

challenge the basic assumptions of every government program, by asking the hard questions that government has dodged for too long: Does the program work? Does it waste taxpayer dollars? Does it provide customer service? Does it encourage innovation and reward hard work? If the answer to these questions is no, can the program be fixed — or is it no longer needed?⁴

In releasing the task force report, however, Gore admits that his review stopped short of the promised critical appraisal of programs needed to downsize government. Said Gore, the National Performance Review “focused primarily on *how* government should work, not on *what* it should do. Our job was to improve performance in areas where policymakers had already decided government should play a role.”⁵ But as President Clinton pointed out, overhauling

3 National Performance Review, p. 39.

4 White House press release, March 3, 1993.

government includes reaching the conclusion that government should not be undertaking some programs.

Vice President Gore established three benchmarks for his commission's proposals:

- 1) **Does the proposal make federal programs work better and, as a result, will programs be more responsive and accountable to customers of government services?**
- 2) **Does the proposal lead to a smaller, more efficient bureaucracy?**
- 3) **Does the proposal produce a more streamlined government, free from outmoded or obsolete programs, or programs that simply do not work?**

Holding the recommendations to Gore's own standard shows the report, unfortunately, did not live up to its promise.

WOULD THE PROPOSALS MAKE GOVERNMENT MORE CONSUMER-FRIENDLY?

The Administration clearly understands that two key elements are needed to empower customers of government services in the same way the competitive economy empowers them:

First, consumers must have the freedom of choice in both services and the means of delivery; and,

Second, consumers must have a method of redress to punish the company—or government agency—that fails to deliver the promised level of service.

The NPR urges the President to direct departments and agencies to take steps to give consumers these powers. But although the NPR's authors seem to understand the essence of consumerism—choice and redress—the report's recommendations do not reflect this understanding. For instance, instead of proposing voucher systems, which for some services would allow customers to choose from among a variety of vendors, the NPR wants to establish “coordinating councils” to act as intermediaries between customers and government agencies.

Typical of this misunderstanding of choice, the NPR would create a new quasi-government business enterprise to “solve” the confusion caused by some 150 different federally funded education and training programs. Gore proposes creating a nationwide system of one-stop, career development centers open to all Americans. But a genuine consumer-based solution to the duplication within education and training services would be to “cash out” all of these programs and use the money to fund vouchers that those who need training could use where they chose. This is similar to the approach taken to providing veterans education. The government did not set up a nationwide chain of veterans education centers; instead it offered veterans the G.I Bill, which could be taken to any institution of higher education—public or private.

Similarly, the NPR would not give real redress when an agency failed to perform its obligations to its clients or customers. To be sure, the NPR proposes service or performance standards for a number of agencies, including the U.S. Postal Service and the Internal Revenue

5 National Performance Review, p. ii [emphasis in original].

Service. But the NPR does not specify what penalties the Postal Service will suffer if mail is not delivered within a specified time.

Significantly, it did not take a government commission to require private overnight delivery companies to give customers full refunds if a package was not delivered by 10 a.m. Competition did that, not directives.

NEEDED: A CITIZEN'S CHARTER

Gore should have journeyed to the United Kingdom to see how agencies can really be forced to serve ordinary citizens. Britain's Citizen's Charter, established by Parliament in 1991, lays down precise standards of service for a range of agencies. The government developed a set of 26 individualized charters detailing performance standards taxpayers should expect from particular programs and—just as important—specific remedies should these programs fail to meet the standards.

Some examples:

The Tenant's Charter. If a public housing authority does not provide a standard level of quality service, the tenants are entitled to compensation or can be given the power to transfer management to a private landlord.

The Parent's Charter. This Charter outlines the specific performance guarantees that parents should expect from the public school system. Parents are entitled to complete information concerning their child's education and the quality of their school. Quality rankings are released each year by the government and published in major newspapers and made available at local libraries. Parents are also allowed to transfer their children to schools they feel are of superior quality.

CAN THE BUREAUCRACY BE MADE EFFICIENT?

The National Performance Review identifies several problems that have long plagued the federal civil service. Among the most pervasive: excessive layers of middle management, a lack of accountability, poorly trained workers, inefficient procurement, and a lack of performance goals or standards.

To remedy these long-standing ills and to initiate serious civil service reform, the NPR recommends that several actions:

- ✓ Eliminate 252,000 positions over a five-year period, saving an estimated \$40 billion;
- ✓ Introduce flexible performance management and reward systems to improve agency pay for meritorious work; and
- ✓ Adopt reforms to simplify the procurement system.

While these suggestions are welcome, and would lead to some improvements in efficiency, several recent actions taken by the White House call into question the Administration's determination to carry out these worthwhile reforms. For example, just days before the release of the NPR report, on August 25, the Office of Personnel Management (OPM) proposed new regulations which would move civil service reform in exactly the opposite direction of the NPR's recommendations.

PRINCIPLES OF THE CITIZEN'S CHARTER

The purpose of the Citizen's Charter is to empower individuals as consumers of public services by establishing mechanisms and procedures for public services that give citizens rights similar to those they have in dealing with private businesses. Under a Charter system every citizen is entitled to expect the following from their government:

LOW COST, QUALITY SERVICE

The government should provide the highest quality services at the lowest possible cost.

COMPREHENDIBLE STANDARDS

Specific and explicit standards for every government program and function should be developed. These standards should be published and prominently displayed for public consumption.

ACCOUNTABILITY

Programs and employees should be held accountable for failure to comply with the defined performance standards. Clearly defined penalties for performance failures should be developed and disseminated to the public.

CLEAR PROCEDURES FOR REDRESS

Every federal program should develop standardized procedures for citizen complaints and specific remedies for citizens if the government service fails to live up to standards.

OPENNESS

The operations of the government should be as public as possible. There should be no secrecy about how public services are run, how much they cost, who is in charge, and whether or not they are meeting their standards. All of this information should be provided in clear, layman's language.

CHOICE IN SERVICE

Whenever feasible, the government should provide choice to taxpayers. Citizens should not be "stuck" with only a monopoly service.

NON-DISCRIMINATION

Services should always be available regardless of race or sex. As well, all government services should benefit the widest possible spectrum of citizens and avoid reaping inordinate benefits on a select few.

ACCESSIBILITY

Government services should be run to suit the convenience of citizens — not staff. Taxpayers should expect courteous and efficient customer service from public servants.

Source: *The Citizen's Charter: Raising the Standard* (London: Her Majesty's Stationery Office, July 1991).

While the NPR report recommends merit-based performance standards, OPM's proposed new rules would emphasize seniority, especially among non-veterans, in retention policies for federal employees.⁶ These new rules not only contradict the NPR's recommendations, they would substantially reverse the efforts of both the Carter and Reagan Administrations to upgrade the importance of employee performance in personnel policy. The OPM rules would make it even more difficult for managers to retain top performers during reductions-in-force or the consolidation of federal agency functions.⁷

If the NPR's lofty promise of a more efficient civil service is to be believed, the Administration should withdraw these proposed regulations and instead modify reduction-in-force regulations to allow managers more authority to base retention or release decisions upon performance rather than seniority. Federal managers must be able to apply the same standards of excellence to their employees as a private sector firm would use when reducing its work force.

6 Veterans are afforded hiring preference by civil service hiring rules.

7 Mike Causey, "Good News, Bad News," *The Washington Post*, August 25, 1993. p. B2.

Another new regulation now being considered by OPM will make the PR's promised merit-based performance standards even less believable. This regulation will establish a two-tiered quality rating system, under which employees will be ranked on a "pass/fail" basis, with no other performance descriptions applicable.

Under the current system, which was established during the Carter Administration, employees are ranked on a five-step performance chart. This rates worker quality as "outstanding," "exceeds fully successful," "successful," "below successful," or "unsuccessful." OPM's proposed "pass/fail" ranking would remove a strong incentive for employees to perform above a merely acceptable level.

Equally disturbing, the NPR report itself recommends the creation of a new employee-management organization that could undermine the Carter-Reagan reforms. Establishing a National Partnership Council, says the NPR, would lead to better employee-management cooperation by giving the public employee unions a greater say in restructuring government.

Far more likely, a Partnership Council would be a bureaucracy-driven brake on reform. In particular, the Council would be a vehicle for career bureaucrats to frustrate change.

But beyond these OPM regulations and the shortcomings of particular proposals, the NPR report also fails to provide serious answers to many of the problems it identifies.

Example: The Commission's recommendations would fail to ensure that its proposed work force reductions are measured. To prevent deceptive reporting of personnel reductions, such as counting cuts among temporary employees rather than strictly full-time employees as part of the overall reduction of the permanent work force, OPM must be required to report monthly on the number of full-time equivalent (FTE) employees in each agency. This will enable the Administration and the public to measure real progress in reducing the size of the federal work force.

Example: Although the NPR has recommended many useful procurement reforms, the Administration needs to take tough action to make sure agencies use private contractors whenever they are appropriate and save money. Executive Order 12615 and OMB Circular A-76 already require agencies to use private contractors when that would save taxpayers' money. But these directives are widely ignored or frustrated through congressional action such as minimum staffing requirements and explicit prohibitions on agencies even studying possible savings from privatization. If the federal government is to sharpen its efficiency, the Administration must fight for repeal of these congressional prohibitions.

Example: The report makes no mention at all of the Ramspeck Act. This 1940 Act allows political appointees to bypass civil service entry requirements, and "burrow" into the career civil service in the early days of each new Administration. The Clinton Administration should urge Congress to repeal the Ramspeck Act, since it undermines the independence of the civil service.

WILL OBSOLETE AND FAILED PROGRAMS BE ELIMINATED?

The most disappointing portion of the NPR report is the chapter entitled "Cutting Back to Basics." Reading this chapter makes it clear that Gore's team is not serious about carrying through on the President's promise to eliminate wasteful or unnecessary programs. The title of the chapter lulls the reader into inferring that the NPR will get tough on obsolete programs, eliminate scores of programs that duplicate others, and dismantle programs that simply do not

