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Divider Title: FEMA

Office of the Director
Federal Emergency Management Agency
Washington, D.C. 20472

December 10, 1996

MEMORANDUM FOR: The PRESIDENT

THROUGH: Leon E. Panetta
Chief of Staff

FROM: James L. Witt
Director

SUBJECT: Agency Accomplishments and Second Term Goals

It has been my pleasure to serve as Director of FEMA and with your leadership and support to keep your commitment that in their time of need, during disasters, people could count on their government to be there to support them. This memorandum summarizes the changes and accomplishments we pursued in order to keep this commitment to the American public.

More importantly, the second part of this memorandum outlines what we propose to do in the future to keep people and communities from becoming victims of disasters, thereby reducing the costs and impacts of these events on our Nation.

FEMA ACCOMPLISHMENTS, 1993-1996

In the past four years, the employees of the FEMA have accumulated a long list of accomplishments. As a result, the Nation's emergency management system is stronger and better equipped to meet the needs of the American people when disaster strikes.

FEMA accomplishments have occurred in two priority areas: (1) streamlining agency functions and (2) responding to natural and man-made disasters.

STREAMLINING AGENCY FUNCTIONS

We initiated the "Renewal of FEMA" in April 1993. This effort involved all FEMA employees and was designed to better serve the Agency's internal and external customers.

The first step was the articulation of the Administration's vision for the Nation's emergency management system and a clear mission statement for the Agency emphasizing an all-hazards approach.

The Vision for Emergency Management - "Partnership for a Safer Future

The Nation's emergency management system is built on a partnership of local, State and Federal governments, voluntary agencies, business and industry, and individual citizens focused on saving lives and property and reducing the effects of disasters regardless of their cause.

The FEMA Mission

The Mission of the Federal Emergency Management Agency is to: "Reduce the loss of life and property and protect our institutions from all hazards by leading and supporting the Nation in a comprehensive, risk-based emergency management program of mitigation, preparedness, response, and recovery."

These provided the foundation for the Agency's first ever, Strategic Plan published in December 1994. FEMA adopted five mission-associated goals and one organizational goal which were endorsed by the Agency's employees and customers alike. These became the guiding principles for our actions over the past four years. The FEMA Strategic Plan is currently being updated to reflect our second term goals.

The second step taken in FEMA's renewal was the reorganization of Agency functions. Guided by a group of FEMA employees, and implemented within six months, the reorganization announced in November 1993 changed the organizational structure of the Agency from a programmatic alignment to a functional alignment. The new structure consolidated all disaster assistance programs into one directorate, all preparedness, training and exercise functions into another directorate and, for the first time ever, created a mitigation directorate designed to reduce the costs of disasters.

The Reorganization also resulted in the following organizational changes:

* Eliminated two directorates
* Eliminated two layers of management
* Doubled the supervisors to employees ratio
* Established FEMA Labor-Management Partnership Council
* Reduced FEMA Operating Accounts from 47 to 8 elements
* Reduced internal regulations by half
* Applied all FEMA resources to the all-hazards mission

The renewal of FEMA is almost complete. However, our efforts to operate more effectively and efficiently and to put our customers needs first are an essential principles that guide our ongoing operations. Some ongoing activities that support the strengthening of the Nation's emergency management system include:

* Providing Customer Service training for all FEMA employees (This program recently received a customer service "Star" award from the National Performance Review)
* Initiating private sector/industry partnership opportunities
* Implementing FEMA's Community Relations Outreach program during disasters
* Implementing a new employee performance evaluation system
* Expanding training and educational opportunities for FEMA employees
* Successfully implementing NPR and NPR2 recommendations
* Implementing the first Agency-wide financial management and accounting system .

One activity that has been especially effective has been the implementation of Performance Partnership Agreements (PPA) with each of the 56 States and Territories. These agreements give State emergency managers more flexibility and support in developing plans and operations that effectively address the hazards that threaten their State. The PPA and the efforts of FEMA Regional Offices around the country have played critical roles in strengthening our partnerships with State and local emergency managers.

In conclusion, the "Renewal of FEMA" initiated in April 1993 has embraced the principles and practices of the National Performance Review and provided FEMA employees and programs with the organizational support needed to fulfill FEMA's mission.

RESPONDING TO NATURAL AND MAN-MADE DISASTERS

In no other area of FEMA's operations has the "Renewal of FEMA" had a greater impact than in FEMA's response and recovery efforts. In the past four years, FEMA employees have responded to 165 Major Presidential declared disasters, the most active four year disaster period in our Nation's history.

In each disaster, FEMA employees have delivered compassionate service to disaster victims swiftly, efficiently and effectively. Customer surveys conducted by FEMA indicate that over 80% of those individuals who apply for disaster aid have given FEMA a favorable rating and with FEMA's assistance, have been able to rebuild their lives.

Numerous internal changes in FEMA's disaster operations are responsible for these favorable results including:

* Establishing a rapid response capability with teams deployable within 4 hours of an event
* Expanding telephone registration capabilities for victims

* Working with State and local emergency partners to redeploy response and recovery resources and personnel
* Overhauling and computerizing the disaster assistance application process
* Establishing a National disaster finance center which expedited delivery of disaster assistance checks
* Applying technological advances such as the ACE computerized inspection capability to streamline housing and rebuilding issues.

Each of these initiatives allowed FEMA to dramatically cut the time it takes disaster victims to register and receive disaster assistance. No longer do people stand in line waiting to complete a paper application form that takes weeks to process. Now people register for assistance by telephone and FEMA disaster relief gets to victims in days instead of weeks.

Not only are FEMA's external customers better served but FEMA is providing assistance at less cost and with more accountability. For example, in one disaster in California, exclusive use of teleregistration for registering applicants for disaster assistance saved over $45 million compared to setting up disaster assistance centers as was done in the past.

By providing disaster assistance faster and more efficiently, individuals and communities can recover and rebuild quicker and reduce the personal and economic losses that are caused by disasters.

Another area where changes instituted in the past four years have made a difference in FEMA's efforts in responding to disasters is the critical element of communications. FEMA initiated a series of innovations that resulted in speeding emergency information to disaster victims. These innovations include:

* Establishing a FEMA world wide web site on the Internet, which during was providing critical information to over customers.
* Establishing the "Recovery Times" an information supplement included in the major newspapers in the impacted areas.
* Establishing the "Recovery Channel", a cable network with Nation-wide access.

FEMA's efforts to improve our disaster response and recovery have not gone unnoticed. The Congress, the press and the American public have been forthcoming in their praise for FEMA employees and what they have done to help individuals and communities to recover from disasters. Many of the changes that have been instituted in the past four years have won prestigious awards.

For example, in 1996 a FEMA program won an Innovations in American Government Award from the Ford Foundation and the Kennedy School of Government at Harvard for adapting Cold War defense research to speed its response time after natural disasters. FEMA's ACE inspection palm pad, which has received a Hammer award from Vice President Gore, was selected as a Semi-Finalist for this same award in 1994. The overhaul of the disaster assistance application program was recognized by the Public Employees Roundtable as the Federal category winner of their Excellence in Government Award in 1995.

The "Recovery Channel" was awarded a Federal Technology Leadership Award in 1995. The "Recovery Times" was awarded a Toth Award as the Best Newsletter of 1995 by the Public Relations Society of America. The FEMA World Wide Web site - Emergency Lane on the Information Highway was a 1996 National Finalist for a National Information Infrastructure Award.

CONCLUSION

In the past four years, the employees of FEMA have accepted the challenge of renewing FEMA. They have worked hard to reshape FEMA into a customer driven agency that provides swift, cost-efficient disaster relief allowing the American people and their communities to recover quickly and effectively from disasters. The "Renewal of FEMA" continues and the success of the past four years has laid a solid foundation for FEMA to do even more to protect the American people from disasters.

FEMA: THE NEXT FOUR YEARS

In the past four years, the American people have experienced some of the most costly disasters in our Nation's history, costing billions of dollars in taxpayer funds as well as billions in insurance and private sector losses. Establishing public trust and keeping President Clinton's commitment that the government would be there when the public was most in need, in the aftermath of disasters, was our goal. This has been accomplished.

Now our focus must be on preventing people and communities from becoming victims of disasters, and in so doing, dramatically reducing the costs of disaster assistance. In the next year, our goal will be to promote community responsibility by establishing disaster resistant communities in high risk areas across the Nation. To accomplish this goal, FEMA will focus on three major areas of activity:

Establishing and funding a Pre-Disaster Mitigation Fund
Implementing a Public/Private Partnership for Emergency Management
Overhauling FEMA Public Assistance Programs

Each of these initiatives will serve to strengthen the nation's emergency management system and will enable communities to implement mitigation programs that will dramatically reduce the risk the Nation's communities face and the costs of recovering from disasters.

Pre-Disaster Mitigation Fund

Working with the Congress and other partners in the Administration, FEMA plans to establish a pre-disaster mitigation funding program. This program will provide financial incentives for communities in high-risk areas to undertake mitigation actions to protect their vulnerable infrastructure and buildings before disaster strikes.

For example, communities could use this funding to move structures out of the floodplain or to seismically- retrofit bridges in high risk earthquake zones.

Congress gave FEMA a start on this program when it appropriated $2 million in FEMA's FY97 budget to initiate planning of this effort. To make the program viable, we need to greatly expand the amount of funds available for pre-disaster mitigation projects and to work with our State and local partners to ensure that worthy projects are identified and developed.

These types of projects are the only way that individuals, businesses and communities can adequately protect themselves and their property from the damage caused by disasters, reduce Federal costs for disasters and ensure a quick economic recovery.

A Public/Private Partnership for Emergency Management

Even with a solid source of funding, in a constricting budget environment, there will never be enough government funding available to make all of our communities disaster resistant. The only way this will happen is if we look to other partners to join our efforts.

Most disasters severely impact the economy of a community. Businesses are damaged or interrupted, cost for workman's compensation increase and major revenue losses and bankruptcies often follow. It is in the vested interest of the business community to be concerned about the viability of their community to withstand a major disaster yet this constituency has not been an active part of the emergency management partnership.

Just as FEMA has worked to strengthen our partnership with other government and volunteer agencies, we are also seeking partnership opportunities with the private sector. While the business community has been generous in the past in supporting disaster relief efforts with donated goods and services, until now there has never been a coordinated effort to include the business community in the nation's emergency management system.

Roundtables that FEMA held in the past year with representatives of the business community, particularly from the insurance, banking and financial industries were very enthusiastic about partnering with FEMA to reduce the impacts and costs of disasters.

To date, FEMA is exploring opportunities with the business community in :oring emergency management conferences, training programs and joint disaster ises and public awareness campaigns. In the coming year we will work with :s private sector organizations to make them a critical part of the our disaster ınt community program. They will be critical players as we implement the model ·mmunities to use in formulating and implementing this concept at the local level.

Along with our other partners, (State and local governments, non-profits, teer agencies, educational institutions, etc) communities will identify the risks to ɔmmunity and would include operating procedures for response activities, short- ɔng-term recovery planning, executing training and exercise programs.

Most importantly, they would identify and set priorities on the mitigation cts needed to make the community disaster resistant. The business community :e able to provide a unique expertise and talent in soliciting financing of these cts along with available government sources.

The Public/Private Partnership for Emergency Management will help foster this of comprehensive planning and involvement by the full range of groups and duals needed to produce and effective disaster resistant community.

Another facet of this partnership, and tied closely to the pre-disaster mitigation is our plans to work closely with the Congress and the insurance industry to der options to make available a comprehensive, all-hazards insurance program :ghout the nation. Any such program must be affordable , support both the umers and the industry's needs and limit Federal involvement.

At the same time, if properly structured, could have a significant impact on :ing disaster costs. If the program is affordable accessible and customer-driven, spread purchase could shift the burden of individual disaster costs away from the al government. Additionally, it could provide a source of revenue for funding te and public pre-disaster mitigation projects in communities.

We have held preliminary meetings with leaders in Congress and the insurance ıtry and believe that a comprehensive bill that provides adequate protection for consumers and the industry is a real possibility.

hauling FEMA Public Assistance Programs

As we work to establish disaster resistant communities, natural disasters will inue to happen. The aftermath of a disaster provides important opportunities to ove that communities ability to reduce costs from the next disaster.

Two-thirds of all FEMA disaster assistance spending goes to rebuilding the c infrastructure (i.e. schools, roads, bridges, etc.) damaged or destroyed by sters. In the next year, we will undertake a restructuring of FEMA's Public stance program. The focus of this review will be to dramatically streamline the procedures and processes in this program to significantly reduce the time for community recovery.

In the past, it was not unusual for FEMA to still be working in communities 10 years after the disaster happened because of the delivery of the public assistance program. This was not acceptable and as a first step we made it a priority to expedite the closing out old disasters, . We all recognize the quicker a community is rebuilt, the faster the economy recovers and rebuilding the public infrastructure is always a key factor.

We are redesigning this process to cut red tape and unnecessary bureaucratic processes, decrease administrative burdens, have it be customer-driven, and give more flexibility to the applicant to incorporate mitigation measures in the rebuilding process. This will allow us to better serve our State and local customers, make the program more accountable, reduce Federal costs from that disaster and reduce future costs through good mitigation.

To make disaster-resistant communities a reality requires strong leadership and a strong commitment by our partners in the Administration, in Congress, at the State and local level and in the private sector. FEMA is committed to providing the leadership direction and support. As a part of this commitment, Director Witt will embark on a series of Town Hall Meetings in communities in high-risk areas around the country ready to participate in this program. These meeting will be designed to bring together our partners, to focus public attention and promote community responsibility. Only, with a combination of public and private resources can truly comprehensive emergency plans be developed and communities be protected.

CONCLUSION

In the next four years, FEMA will embark on an ambitious and unprecedented campaign to prevent people and communities from becoming the victims of disasters thereby reducing the impacts and costs of disasters. At the core of this campaign is the development, funding and implementation of mitigation projects that protect individuals, businesses and communities from the hazards they face. The Pre-Disaster Mitigation Fund will provide the mechanism and the resources to make these projects a reality. The Public/Private Partnership for Emergency Management will finally bring the business community a full partner in our Nation's emergency management system and increase the resources available to strengthen our mitigation efforts. FEMA's overhaul of the Public Assistance program will ensure that FEMA disaster funds are spent wisely and effectively to better the communities we serve.

With your support and the support of Congress, I believe we can accomplish these goals and promote safer, more economically sound communities for the people we serve all across this Nation.

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Divider Title: OPM

UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT
WASHINGTON, D.C. 20415

OFFICE OF THE DIRECTOR

DEC 6 1996

MEMORANDUM FOR THE PRESIDENT

THROUGH: KITTY HIGGINS
ASSISTANT TO THE PRESIDENT
AND SECRETARY TO THE CABINET

FROM: JAMES B. KING Jim King
DIRECTOR

SUBJECT: **Accomplishments and Goals**

Pursuant to your request at the last Cabinet meeting, the attached document outlines OPM's accomplishments during your first term and our goals for your second.

It has been an honor serving you. Thank you for this opportunity to share some of the things we have achieved under your leadership and our vision of federal human resources management for the next century.

EXECUTIVE SUMMARY
OF OPM ACCOMPLISHMENTS

OPM, the U.S. Office of Personnel Management, has two primary goals. The first is leadership in developing federal personnel policies that protect and enhance the merit system of government and the veterans preference law. The second is to represent the President's interests, as well as those of federal employees, in effective human resource management in the Executive Branch.

Since January 1993, at your direction and that of the Vice President, and in partnership with the National Performance Review, OPM has carried out a series of reforms that have reshaped the agency and provided governmentwide leadership in the Administration's effort to reinvent government.

Among the highlights of OPM's reinvention are:

• SPENDING DOWN A THIRD: From Fiscal 1993 to Fiscal 1997, OPM's S&E (Salaries and Expenses) budget has been reduced from $118.4 million to $87.3 million -- 33 percent in constant dollars.

• WORKFORCE CUT BY HALF: OPM's total "on-board" workforce has been reduced by more than 45 percent, and the number of fulltime employees has gone down by 52 percent. During the same period, the entire federal workforce declined by about 11 percent, and the Department of Defense downsized by 16 percent.

OPM'S ON-BOARD WORKFORCE

	4-1-93	9-30-96	Change
All Employees	6944	3801	-45.3%
All Supervisors	787	301	-61.8%
GS 13-15 Supervisors	497	182	-63.4%
SES Employees	57	42	-26.3%

• CLOSING REGIONAL OFFICES: OPM abolished its five regional offices -- in Atlanta, Chicago, Dallas, Philadelphia and San Francisco -- thus eliminating 82 headquarters jobs and saving an estimated $5 million a year.

• HELP TO EMPLOYEES: While downsizing by more than 45 percent, OPM has carried out an aggressive program of career-transition assistance for departing employees, one with a success rate of more than 96 percent, and has helped other agencies try to do the same.

• PIONEERING PRIVATIZATION: As part of this downsizing, OPM created the federal government's first Employee Stock Ownership Plan, or ESOP, helping seven hundred government investigators start their own private enterprise. In a related move, OPM helped 144 of its training specialists move to top-level training jobs in the private sector. Both groups received comparable pay and benefits in the private sector.

• EXECUTIVE PROGRAMS: The privatization of most staff training made possible a new focus on the core function of executive training, and fostering a corporate-style executive corps, through the OPM's Federal Executive Institute, two Management Development Centers, and a revitalized governmentwide Senior Executive Service.

• MERIT SYSTEM PROTECTION: As part of a renewed focus on protecting the merit system -- of which veterans preference is a vital part -- OPM created the Office of Merit Systems Oversight and Effectiveness. This office carries out on-site inspections that when necessary mandate changes to correct abuses in hiring, promotion and pay.

• LEADERSHIP IN BUYOUTS: OPM has provided governmentwide leadership in the recent buyout program that made possible voluntary departures by more than 30,000 nondefense employees during the Administration's historic downsizing. These buyouts are not only less costly and disruptive than layoffs, they are also a more humane way to reduce the federal workforce.

• STREAMLINED HIRING: In carrying out the National Performance Review (NPR) mandate to reform federal hiring procedures, OPM has made the hiring process easier for people seeking jobs and faster for agencies. We have delegated hiring and examining authority to the agencies, converted our Employment Service to a self-supporting, fee-for-service operation, and closed eleven local job information centers, and reduced the size of others, for a total of 179 positions abolished. Yet, thanks to automation, we have improved customer service. It has never been easier for people to find out about, and apply for, federal jobs, than it is today.

• SLASHING RED TAPE: OPM eliminated the outdated, confusing 10,000-page Federal Personnel Manual and the infamously complicated Standard Form 171 job application. OPM also replaced 20,000 pages of job-classification standards with a single CD-ROM at a fraction of the cost.

• BALANCING WORK AND FAMILY: OPM has provided governmentwide leadership for the many family-friendly programs, such as telecommuting, leave-sharing and flextime, that have emerged during the Clinton Administration. OPM has also provided leadership in efforts to stop workplace violence.

• PARTNERSHIP AND VETERANS: With the OPM Director serving as its chair, the agency has provided leadership and staff support to the National Partnership Council. OPM has also given strong support to veterans preference, and we have seen the percentage of veterans hired during the Clinton Administration increase by 50 percent over the three previous years.

• POLICY LEADERSHIP: OPM has revitalized the Interagency Advisory Group of Personnel Directors (IAG), which now plays a vital role both in advising OPM and in implementing reinvention policy, particularly in the crucial area of career transition. The IAG worked with the Department of Labor and District of Columbia, Virginia, and Maryland employment officials to start three career-transition centers for federal workers in the Washington area.

This report will describe these and other reforms, and will outline OPM's plans for the next four years.

1. DOWNSIZING AT OPM

The Workforce Restructuring Act of 1994 mandated a reduction of the federal civilian workforce by 272,900 positions in five years. It was clear that attrition was the best way to downsize, but it was equally clear that attrition alone was not likely to meet this ambitious goal of a 12 percent reduction.

The Clinton Administration believed, as a matter of compassion and good government, that involuntary reductions in force (RIFs) should be used only as a last resort. OPM set out to find alternatives to RIFs and thus help turn this belief into reality.

We assumed leadership in passing and implementing governmentwide buyout legislation. Buyouts are more humane than involuntary separations; they cause less disruption in the workplace; and they are also less expensive. In most cases, buyouts cost less than the severance pay and related expenses that accompany RIFs.

In addition to attrition and buyouts, OPM recognized that privatization offered another way to downsize in a humane manner.

There had been much talk about privatization in the 1980s but not much action. However, starting in 1993, as part of a continuing self-evaluation, OPM officials looked closely at the agency and asked if it was doing work that could as well be performed outside of government. Our attention soon focused on two units, investigations and training, that were supposed to be self-sufficient but had been losing money for years.

In December of 1994, the you and Vice President announced that both units would be privatized as part of the continuing, governmentwide downsizing.

The two units contained talented employees and OPM officials urged both to consider an Employee Stock Ownership Plan (ESOP) that would enable them to continue their work in the private sector as part owners of employee-owned companies. In the past, agencies have often contracted out everything from food services and trash collection to the development of top-secret weapons systems, but for an agency to help its workers start their own private-sector company was a bold new departure.

It developed that most members of the training staff were less interested in an ESOP than in the offers they were receiving from leading private-sector companies. OPM therefore helped them negotiate a contract by which the highly respected, non-governmental USDA

Graduate School offered jobs to 134 of its about 200 training specialists with comparable salaries and benefits. Ten other training specialists were hired by the Brookings Institution, and virtually all the remainder joined other private training firms.

The privatization of the investigations unit unfolded quite differently. The unit carried out background investigations for other agencies and was supposed to be self-supporting, but it had been losing money since the mid-1980s and had fallen more than $35 million in debt, both because of changing market conditions and management that allowed the crisis to continue far too long.

To stop the financial hemorrhaging, we carried out a reduction in force that eliminated 443 jobs.

Then, in December of 1994, the decision was made to privatize the remainder of the unit. Some of the investigators resisted this decision, but those who accepted its reality expressed interest in an ESOP.

Early in 1995, OPM contracted with ESOP Advisers, Inc., for a feasibility study. They reported back that an ESOP was feasible but only if the new company was given a three-year, sole-source contract to perform federal investigations.

OPM contracted with a leading bank to act as trustee for its employees, and the bank worked with a prominent law firm to see that the ESOP protected the employee's interests. OPM officials, worked to ensure the security, integrity and quality of the new company, which was called US Investigations Services, Inc., or USIS.

Early in May of 1996, 706 members of the investigations staff received job offers from USIS and 681 accepted those offers. USIS officially began operations on July 7 as the federal government's first ESOP.

The majority of these employees are doing virtually the same work at USIS that they were previously doing for OPM, and at comparable pay and benefits. The difference is that they are no longer on the federal payroll and that USIS is free to seek nongovernmental work, which should be the key to its financial success. This pioneering privatization, according to an independent study by a private consulting firm, will save the taxpayers more than $25 million in its first five years.

It is too soon to claim success for USIS, but its prospects are excellent. We at OPM believe it can be a model for other privatizations as the downsizing of government continues.

Major staff reductions: Because of the privatization of OPM's training and investigations units, as well as attrition, buyouts and some RIFs, the agency's total, on-board workforce has been reduced since 1993 from about 7000 to 3800, or 45 percent. This is the highest rate at any federal agency. In terms of full-time on-board employees, the reduction exceeds 52 percent. Yet the agency continues to carry out its mission with no loss in the quality of customer service.

Budget Savings: Since 1993, OPM's S&E (salaries and expenses) budget has decreased from $118.4 million to $87.3 million, 33 percent in constant dollars. Moreover, OPM's total operating budget for Fiscal 1993, $451.7 million, has decreased -- in constant 1993 dollars -- more than $118 million, with about $43 million of that in S&E alone.

Delayering: In keeping with the NPR mandate to end top-heavy management, OPM reduced its number of supervisors by 62 percent: from one for every 7.8 employees to one for every 11.3 employees and reduced the number of GS-13 to 15s by more than half.

Regional Offices Closed: One important part of OPM's downsizing was the elimination, in 1995, of its five regional offices in Atlanta, Dallas, Philadelphia, Chicago and San Francisco, with an estimated saving of $5 million a year. These offices had contained senior officials working on staffing and personnel oversight, and their elimination was in keeping with the NPR's call for delayering of management. OPM also eliminated eleven of its regional service centers, and downsized others, in the process eliminating another 179 jobs. We know of no other agency that has moved so aggressively to streamline its field structure. Yet thanks to automation and a determination to "work harder and work smarter," there has been no compromise in customer service.

Career Transition: One of OPM's highest priorities has been to provide career-transition assistance to employees who were leaving the agency. This included help with resumes and other job-search skills, counseling with personal problems, and job placement. Working with OPM's employees and their unions, the agency has helped at least 96 percent of its outgoing employees find new jobs or otherwise achieve a successful transition.

2. STREAMLINED HIRING

The 1993 Report of the National Performance Review concluded that the federal government's hiring system was too centralized, too complex and too rigid -- so much so that it often drove away potential employees. The report called for a system that was decentralized, agency-based, market-driven, more flexible, more automated, more user-friendly and less complicated. At the same time, the NPR recognized the absolute necessity of preserving the merit system principles that guarantee fairness in personnel decisions wherever they are made.

OPM's Employment Service (ES) manages federal policy on hiring, promotions and separations. During the Clinton administration, ES has been entirely reinvented:

• ES has used automation to speed the hiring process and reduce operating costs. It has never been faster or easier to apply for a federal job than it is today.

• The ES staff has been reduced by a third, from about 1200 to 800 employees and its operating costs are the lowest in thirty years.

• ES has delegated hiring authority to the agencies, with OPM maintaining oversight of merit system principles and veterans preference while ES continues to provide staffing services to agencies when requested.

• ES has become an entrepreneurial, market-based operation, which pays its own way by selling to other agencies such staffing services as processing applications, administering tests, and rating applicants for promotion.

From the job-seeker's point of view, the reinvented federal hiring process is more open and user-friendly. Federal job information is no longer distributed by mail and posted on bulletin boards. Today, computerized job information is updated daily and available around the clock. About six million people seek this information each year.

Job-seekers have several options for obtaining data:

Computers: In September 1996, OPM introduced USAJOBS, its first World Wide Web site on the Internet. People can also use several hundred touchscreen computers located around America. Some access job information through a modem on their home or office computer. Using computers, people can download and print the text of vacancy announcements and other application materials.

Telephones: The most common access is still the telephone. Until 1994, job applicants too often got busy signals or incomplete information. Today, OPM's Career America Connection uses synthesized voices to give current job information to as many as one hundred callers at a time. Announcements and applications can be mailed or faxed to callers the next business day.

It is also easier to apply for federal jobs. Now that OPM has eliminated the dreaded SF-171 application form, which took hours to complete, applicants can simply submit a resume. Most agencies now use job-specific questionnaires that can be completed in fifteen minutes. For some jobs, people can respond to the questionnaire on-line, for others they can respond by telephone, and for still others they can use a form that can be mailed or faxed in for automatic scanning.

Not only is it easier to apply for federal jobs, it is more fair. Automation makes it possible to consider many more applicants. The new questionnaires are more fair and objective; when they are used, the number of appeals from people who think they've been unfairly treated drops from one in ten to one in ten thousand.

For federal agencies, the hiring system is now in their hands. They have full hiring authority for all jobs except Administrative Law Judges. OPM's Employment Service now provides staffing services only at an agency's request and only on a fee-for-service basis.

Agencies thus have a choice: to conduct their own hiring or to contract with OPM to perform all or part of it for them. This has introduced a new element of competition into the process: in an era of tight budgets, agencies can decide which route is more cost-effective for them.

Thus far, most agencies have found that OPM, with its expert staff and advanced technology, can do the job faster and at less cost than they can do it themselves. During Fiscal 1996, almost every agency contracted with OPM to conduct at least part of its hiring. These contracts added up to $13 million worth of business and that figure is expected to increase.

Agencies have benefitted in many ways from OPM's automated staffing services:

• The Immigration and Naturalization Service (INS) uses OPM to develop and administer telephone questionnaires to about 7,000 applicants each month for jobs as Border Patrol agents. This program screens out people who are ineligible and schedules the rest for immediate testing. INS saves time and money by not testing those who are ineligible, as often happened in the past.

• INS also uses OPM to administer computerized tests to determine whether applicants have the aptitude to learn Spanish. In the past, hundreds of trainees dropped out of the Border Patrol Academy because they could not learn Spanish, and each dropout cost the government $17,000. Since OPM's computerized tests began, the dropout rate has gone down by 76 percent.

• The Defense Commissary Agency and the U.S. Patent and Trademark Office, both Performance Based Organizations, use OPM's services to quickly screen applicants for jobs as cashiers and patent examiners. Other agencies use OPM to screen applications for internal promotions and competitive examining.

OPM worked with an interagency task force to develop the Employee Express system. This revolutionary system empowers employees to key-enter changes to their personnel and payroll records. These include changes in their address, state and federal tax withholding, home address, direct salary deposit and allotments. The system interfaces with agency computers to update payroll records.

OPM began testing Employee Express on May 1, 1995, in a pilot project that included 12 agencies and 110,000 employees. The agencies hailed the new program and other agencies asked to be included. This success has led to an expansion of the program to include changes in Thrift Saving Program and Federal Employees' Health Benefits records. Future expansion may include the ability to make changes in savings bonds and city tax withholding. The project now includes 26 agencies and a half-million employees and is still growing.

The potential savings are enormous. An estimated 60 percent of the work handled in personnel offices is the kind served by Employee Express, so the system can save millions of dollars in staff costs each year even as it improves service to employees. It is another dramatic step toward a government that works better and costs less.

The effective use of technology is central not only to downsizing government without lost productivity but to building the smaller, smarter, more effective government of the 21st century.

Today, federal hiring is faster, more open, more customer-friendly, more competitive, more decentralized, and more cost-effective than ever before. Insofar as ease and flexibility of application are concerned, the federal government is second to none in its ability to compete for the best talent in the job market.

Even as reinvention has downsized government personnel staffs, technology has pointed the way to the "paperless personnel office" of the 21st century. OPM will continue to improve these systems and to develop new systems. The paperless personnel office, thus far a goal, in time will become reality.

3. PROTECTING THE MERIT SYSTEM

As OPM has reinvented itself, we have never forgotten our primary mission: to protect the merit system of government employment.

Nearly all the 1993 NPR recommendations involved moving hiring authority from OPM to the agencies and to line managers within the agencies.

These reforms have raised a basic question: how, amid rapid and widespread decentralization, can the principles of merit-system fairness -- including veterans preference -- be maintained across government? How can we be sure that all agencies treat their employees fairly and equally with regard to hiring, pay, promotions and benefits? For even as OPM has delegated hiring authority, it has not given up its responsibility for protecting the merit system. Today's OPM must strike a balance between flexibility and decentralization on the one hand, and sound management and adherence to core merit principles on the other.

OPM's Office of Merit Systems Oversight and Effectiveness was established early in 1995 to help achieve this balance.

The new office consists of the Office of Merit Systems Effectiveness and the Office of Merit Systems Oversight. The two offices have complimentary roles in advancing and protecting the merit system. Both assume that the vast majority of federal managers want to follow merit-system principles but sometimes need help in understanding and meeting those goals.

The Office of Merit Systems Effectiveness works with agencies to help them find effective ways to police themselves with regard to fairness. Since self-assessment is at the heart of accountability, OPM has developed an analysis tool using data collected from the agencies. This tool arranges data to show agency-specific and governmentwide patterns in performance ratings, hiring, average pay grades, and related data, which can be used to identify potential problems.

The Office of Merit Systems Effectiveness also oversees demonstration projects that test new approaches to personnel management. Two of its pioneering demonstration projects -- at the Naval Air Warfare Center near China Lake, California, and the National Institute of Standards and Technology -- have tested such innovations as "broad-banding" (more flexible approaches to pay systems) for fifteen years and have been made permanent by Congress. Other proposed demonstration projects will test innovations in simplified job classification, "pay for performance" systems, and skill-based pay systems.

The Office of Merit Systems Oversight has a three-part approach to carrying out its mission.

First, its one hundred evaluators -- who comprise fully two-thirds of the new office's workforce -- conduct on-site evaluations of at least seven federal agencies each year to ensure that they are following the law with regard to hiring, pay, promotion and related personnel decisions.

The reviews are planned and conducted in cooperation with the agencies involved. Problems the evaluators might typically encounter include inadequate public notice of job openings; inflated performance appraisals; misclassification of jobs; complaints about employees who get away with poor performance; and managers who are uninformed about merit principles.

During Fiscal 1996, OPM carried out reviews at the Departments of the Air Force, Justice, State, and the Treasury, and at the General Services Administration, the Equal Employment Opportunity Commission, and the Federal Emergency Management Agency. Evaluators made about 125 on-site visits to these agencies.

During Fiscal 1997, evaluations are being conducted at the Departments of Agriculture, the Army, Commerce, and Veterans Affairs, and the Environmental Protection Agency, the National Aeronautics and Space Administration, the National Archives, and the Securities and Exchange Commission.

Second, the oversight staff carries out governmentwide studies of personnel policies. During Fiscal 1996, the oversight staff paid special attention to the Federal Workers' Compensation program and the use of special salary rates and delegated examining activities in the agencies. This systems-based approach stresses early detection of problems over after-the-fact compliance reviews.

The oversight office's third role is to investigate allegations of specific merit-system abuses. When problems are found, OPM is prepared to use its legal authority to obtain prompt corrective action. For example, at one agency, when top-level promotions were being made by what employees protested was an "old boys" network operating on a "backroom" basis, OPM -- having found merit in the allegations -- declared a moratorium on promotions until reforms were in place.

In other examples, the oversight office has:

- Required agencies to give priority consideration and, in some cases, employment to veterans who were not initially given the consideration required by law.

- Stopped the improper use of retention allowances at one agency and froze its authority to make such payments until proper procedures were put in place.

- Identified staffing irregularities, serious record-keeping problems, and the improper use of performance and time-off awards, which were then corrected by agency management.

OPM uses both the carrot and the stick to protect the merit system. We work cooperatively with agencies when we can, and use our legal powers when we must. We realize that a staff of 150 cannot police a government of nearly two million; instead, we must rely heavily on education, persuasion, and the good intentions of the vast majority of federal managers to see that the law is enforced. We know, too, that an occasional, well-publicized action against abuse can have a "chilling effect" on others who might be tempted to stray from the straight and narrow.

4. SERVING AMERICA'S VETERANS

OPM enforces the veterans preference law through programs in both its Office of Merit Systems Oversight and its Employment Service. OPM is proud that since 1993, at a time when government has been getting smaller and fewer people are being hired, the percentage of jobs going to veterans has substantially increased.

The percentage of veterans hired for full-time permanent federal government jobs in Fiscal 1990, 1991, and 1992 -- 17.3 percent, 17 percent, and 23.6 percent -- averages 19.3 percent for those three years.

The percentage of veterans hired for the same kind of jobs in Fiscal 1993, 1994, and 1995 -- 30.8 percent, 33.3 percent, and 31.3 percent -- averages 31.8 percent for those three years.

Thus, the percentage of veterans hired for full-time permanent jobs in the first three years of the Clinton Administration rose by more than fifty percent -- from 19.3 percent to 31.8 percent -- from the three previous years.

In Fiscal 1994, of 37,892 new hires, 12,610, or about a third, were veterans. That same year, there were more than 566,000 veterans in the federal workforce. It is also true that veterans are more strongly represented in the highest levels of government, and that veterans make up a higher percentage of the federal civilian workforce than they do of the non-federal workforce.

These and other statistics show that, despite federal downsizing and the aging of America's veterans, the veterans preference law, the Veterans Readjustment Act, and special programs for severely disabled veterans are demonstrably helping veterans achieve a leading role in the federal workforce. OPM is proud of this record and will continue vigorously to enforce the veterans preference law and to seek other ways to better serve veterans.

5. FEDERAL EMPLOYEE BENEFITS

The federal government is the nation's largest employer and we can be justly proud that we provide our first-rate workforce with first-rate benefits in such areas as health insurance and retirement.

During the national debate over health care reform, the Federal Employees Health Benefits Program (FEHBP) was often cited as a model of efficient, low-cost care. OPM's Retirement and Insurance Service (RIS) administers both FEHBP and the federal retirement programs -- and both are acknowledged national leaders in cost per capita, cost containment and customer service.

Even as we take pride in these programs, it is important to remember that they are not entitlements, but are earned benefits that help the federal government attract and retain its workforce. Federal employees contribute an average of 28 percent of the cost of their health benefits.

Since 1993, OPM has steadily improved its customer service to the more than nine million present or former employees and other beneficiaries who are covered by the federal retirement, health, and life insurance programs. We have provided this improved service at a time when the staff assigned to these programs has been reduced by 10 percent.

The Retirement and Insurance Service serves federal employees and retirees on matters of great importance to them, and it faces a continuing challenge to give prompt, courteous service while dealing with a high volume of inquiries.

Each year since 1993, RIS has processed an average of 170,000 new retirement and surivor benefit claims, 1.1 million written and telephone inquiries, and 3.3 million customer-service requests from retirees. Customer service surveys show that between 80 percent and 90 percent of these individuals are satisfied with the service they receive.

The 1996 survey of FEHBP enrollees revealed that 87 percent of fee-for-service customers and 85 percent of HMO users are satisfied with their health plans.

During the past four years, RIS has reduced the time it takes to place new beneficiaries in payment status from nine to five days, and lowered employee and survivor annuity processing times by 18 percent and 33 percent, respectively.

Since 1993, RIS's annual telephone inquiries have increased from 680,000 to 882,000 -- and better service is being provided with a smaller staff.

To a great extent, improved service has resulted from greater reliance on automation and electronic record-keeping.

OPM has developed the toll-free Annuitant Express telephone system for federal annuitants to use to change their tax withholding and to request forms. The 24-hour-a-day system began operation in January 1996 and by mid-April -- the income-tax season -- it had received more than 200,000 calls. Annuitant Express provides service that was virtually impossible in the past. The service is highly popular with users and has been expanded to provide for health-benefit changes, with other features to be added in 1997.

We are proud that our Office of Retirement Programs has been chosen by the Vice President to be one of the Peformance Based Organizations that will test innovations in flexible hiring and in rewarding individuals and agencies on the basis of their success in meeting their goals.

In an era of reinvention, OPM's health, insurance and retirement programs are models of excellence in economy and customer service.

6. THE FAMILY-FRIENDLY WORKPLACE

An OPM secretary, fighting breast cancer but determined to work as long as possible, telecommutes from her home.

A gravely ill employee receives six months of leave time, donated by fellow workers, thanks to the Federal Leave Sharing Program.

A new mother, wanting to spend more time with her child, considers quitting her government job, but instead arranges to share her job, fifty-fifty, with another mother in the same situation.

An OPM employee and his wife travel to China to adopt their first child, helped by the ability to use sick leave for adoption purposes. Upon returning to the U.S., they learn that their daughter needs open-heart surgery -- and they also learn that their government health-insurance covers their daughter and her pre-existing health condition.

All these are examples of the Clinton Administration's family-friendly policies that have done so much to help workers balance the demands of work and family.

The National Performance Review called for a more family-friendly federal workplace, and the You issued a memorandum directing executive agencies to create such a workplace.

Your memo ordered OPM to encourage the growth of family-friendly programs and we have done so in our own workplace and through our Work and Family Program Center, which provides leadership and technical assistance to other agencies in support of pro-family policies.

Today, fully half of all federal employees take part in alternative programs that involve something other than a traditional five-day, eight-hours-a-day, 40-hours-a-week, 8:30-to-5 workweek. Many report to work earlier -- or leave later -- which enables them to more easily meet family needs, and also cuts down on rush-hour gridlock. Federally-sponsored child care centers serve more than 200,000 children a day, many of them on military bases.

Across America, agencies have begun hundreds of innovative family-friendly programs, such as services for nursing mothers, state-of-the-art fitness centers, anti-smoking campaigns, eldercare programs, marriage counseling, and programs for workers' teenage children.

OPM's annual Director's Awards honor outstanding family-friendly programs. For example, in 1996 one of the honorees was the National Security Agency, in Fort Meade, Maryland, which operates the state's largest licensed child development center.

The point of these programs is not that the government is doing its employees a favor. In this era of downsizing, if a smaller workforce is to maintain and expand productivity, we must have a motivated workforce, and workers who have positive feelings about their jobs are more likely to be productive than those who do not. Family-friendly programs are not only humane, they make good sense on the bottom line.

7. WORKFORCE PARTNERSHIP

From the outset, it was clear that reinvention could not succeed without the active support of federal workers. It was also clear that, in 1981-92, federal management-worker relations had reached an all-time low.

To improve this situation, and to pave the way for reinvention, on October 1, 1993, you issued the Executive Order that created the National Partnership Council.

The membership of the Council includes the Director of OPM, as chair, the Deputy Secretary of Labor, the Deputy Director for Management of OMB, the chair of the Federal Labor Relations Authority, the Federal Mediation and Conciliation Director, the president of the American Federation of Government Employees, the president of the National Federation of Federal Employees, the president of the National Treasury Employees Union, and the secretary-treasurer of the Public Employees Department, AFL-CIO.

You directed the Council to support the creation of labor-management partnerships in the workplace. The Council was also directed to work with the President's Management Council to implement the NPR's recommendations throughout the Executive Branch.

With this top-level support, workplace partnership councils have developed rapidly throughout the government. In the fall of 1996, at the third anniversary of the Executive Order, literally hundreds of local councils were at work. The number of bargaining unit employees in organizations covered by partnership agreements has reached 850,000, or 69 percent of employees represented by unions.

Many local councils have reported that partnership has produced impressive results. The reality of a new Administration with different attitudes toward working women and men has often led to progress. New attitudes, new communications, and new candor often resulted in disputes being resolved in days that previously had dragged on for years. There are many reports that the number of lawsuits, unfair labor practices complaints and workers compensation claims have dropped substantially.

But to start talking again is only the first step. Other goals include saving money, improving customer service and efficiency, and empowering employees to get results. The reality of downsizing has often added a sense of urgency to partnership, as unions and management have worked together to save jobs, and in some cases to save entire offices. Still, much remains to be done, at every level, if partnership is to reach its potential for success.

The National Partnership Council presented annual awards to outstanding partnership efforts. The 1996 honorees included:

• The U.S. Mint, in Philadelphia, has saved the taxpayers nearly a million dollars a year with a series of reforms, the most dramatic of which involves the thirteen billion pennies the Mint produces each year. In Fiscal 1994, the dies used to produce these coins made about 700,000 pennies before they had to be replaced. Under reinvention, teams found ways to improve those dies, so that their longevity rose from 700,000 to more than 1.2 million pennies. As a result, the Mint-wide system uses 20,000 fewer dies a year and saves nearly a million dollars.

• Partnership also made a dramatic impact at the Department of Education's Collections Service, where, from Fiscal 1993 to Fiscal 1996, collection of overdue student loans increased from $174 million to $862 million with the average number of dollars collected by each employee rising from $734,000 to $3.64 million.

These are just two examples, among hundreds, of what can happen when management and workers put aside past differences, start listening to one another, and take renewed pride in their achievements.

SUMMING UP

From the first, we at OPM took seriously the National Partnership Review's mandate for change. The result has been OPM's governmentwide leadership not only in staff downsizing, but in buyouts, privatization, automation, partnership, merit-system protection, and the elimination of red tape. We have made hard decisions and learned to do more with less. If the process has sometimes been painful, it has nonetheless been necessary, and our reward has been to see OPM lead the way toward the government of the future.

The rest of this report will outline OPM's plans for continued leadership during the second Clinton Administration.

OPM PRIORITIES FOR 1997-2000

This is a time of profound change in the federal government. During your first Administration, a historic downsizing of the federal government was begun. Today, our government is some 11 percent smaller than it was four years ago, but thanks to the reforms championed by the Vice President's National Performance Review, it is more productive, not less. In the next four years, we must continue the job of shaping a government that is not only smaller, but smarter, more corporate in outlook, yet no less compassionate as it works with its employees and serves the American people.

Even as OPM maintains its historic commitment to the merit system and to veterans preference, we must provide leadership as we confront the changes that are occurring in the federal workforce and promote needed reforms. OPM's perspective must focus not only on the budget -- the cost of government -- but on the urgent question of how we recruit -- and sustain -- the outstanding workforce that the taxpayers demand and that we must have to meet the challenges of the 21st century.

Today, for the first time in more than seventy years, many government employees feel that they have the freedom to leave government if there is demand for them in the private sector. In the past, talented federal employees often felt tied to their jobs by "golden handcuffs" -- excellent health and retirement benefits if they stayed in government, which would largely be lost if they left before retirement.

Today, thanks to the Thrift Savings Plan, about half of government employees have what amounts to a 401(k) retirement plan to take with them if they choose to leave government. Their health coverage, too, thanks in part to Clinton Administration reforms, is more portable. Thus, many of our most valuable employees, whose skills are much in demand in the private sector, no longer face the economic obstacles to leaving government that once existed. Unless we recognize this reality, and deal with it creatively, just as a major corporation would, we are in danger of seeing the federal government become a training ground for certain executives and scientists who leave to join the private sector.

This is both a challenge and an opportunity. We have already begun to make changes. The Performance Based Organizations (PBOs) that the Vice President has been developing, with their emphasis on individual accountability for senior executives, will offer financial rewards for those who are successful in meeting their goals and permit action against those who are not. We need more of this kind of flexibility as we continue to reinvent government.

We must also recognize the need for a major program of retraining to meet the challenges of a smaller government, in which every employee must know more and do more. Too often, when budgets are tight, training is the first place managers look for cuts -- but that would be an extremely false economy as we build the government of the future.

In this section, I will outline some of the ways that OPM will seek to meet these challenges.

1. PAY AND BENEFITS

Along with stabilizing employee benefits, we must find more effective ways to manage and use the limited amount of money we have to pay federal employees. This is difficult and often controversial because several objectives must be met. Pay policies must contribute to recruiting and retaining the best possible employees; they must be perceived as fair by the nation at large; they must be linked to employee and organizational performance; and they must be flexible enough to use to improve workforce performance.

The current pay system for most of the government's white-collar workforce was created almost fifty years ago. Since the early 1970s, pay adjustments have been based on surveys conducted by the Bureau of Labor Statistics to determine the pay disparity (the so-called pay gap), if any, between federal pay and the private sector. Over the years, this calculation has often been criticized as not credible. Since the 1960s, the law has also authorized the use of higher rates of pay ("special rates") for locations and/or occupations where it has been difficult to attract and keep employees.

This process was revised by the Federal Employees Pay Comparability Act of 1990. That law provided a mechanism for locality pay adjustments, but the resulting locality pay rates do not vary by occupation within an area even though pay disparities often result. As a result, some occupations are underpaid and some are overpaid.

To achieve better pay policies, we must address specific problems with the current pay system:

- We must reform the special rates program to ensure that it is used effectively to address local and/or occupation-specific recruitment and retention problems, and to ensure that special rates can be ended when they are no longer justified. At present, because of the way the law is written, once an employee receives a special rate, it usually costs more for the agency to end it than to let it continue, and special rates often last for the duration of a career. Special rates must be attached to a particular job, for particular reasons, not to a person who keeps them indefinitely.

- We must evaluate the needs for COLAs of certain employees for whom the General Schedule pay system may not be adequate, including those in areas outside the continental U.S. such as Alaska, Hawaii and Guam. We must also assess the cost and effectiveness of the current locality pay system. The concept of locality pay is valid, but the statutory requirements for a single adjustment, regardless of occupation, leads to serious problems of equity and credibility.

One dimension of the pay problem is misclassification of positions. The General Schedule system covers about 1.5 million employees. Positions are classified as one of 15 grade levels. Overgrading -- classifying a position at a higher grade than its duties justify -- thus results in salary costs that are higher than they should be. OPM conducted a study this year of the classification accuracy of a sample of two hundred non-supervisory GS-12 administrative positions. We found that 19 percent of them were overgraded and none was undergraded. If we project these findings to include all similar GS-12s across government, we estimate that this overgrading costs the taxpayers an extra, unjustified $150 million each year for GS-12s alone, and far more when we consider all fifteen grade levels.

As a result of these disturbing findings, we have started a major study of classification accuracy, the first since 1983. This study will measure governmentwide classification accuracy, estimate the costs of misclassification, and produce recommendations for reform. These inflated costs affect the downstream costs of retirement benefits and COLAs that are part of this system.

We must also provide agencies with greater flexibility within the context of a governmentwide classification and pay system, which would allow agencies to adopt a broadbanded classification and pay system under governmentwide criteria established by OPM, if they wished, and by eliminating the current step structure within the General Schedule pay system. Pay must become more performance based and advancement within a pay band should not be automatic.

Some of these actions would require legislation, and we will work with appropriate stakeholders to develop a fair, equitable, and flexible compensation system for Federal employees -- a system that reflects the real costs of an employer who is fair but not Santa Claus.

The pay issue cuts both ways. We do not want to overpay people, or tolerate less than satisfactory performance, but we must treat fairly the vast majority of employees who work hard and earn their pay and their benefits. At a time of budget cuts and deficit reduction, it is imperative that we preserve and stabilize federal employee benefits. These are not entitlements but earned benefits -- part of a necessary package that will help attract and retain a skilled, motivated workforce.

At the same time, we must continue to look for savings. One possibility is in sick leave. Federal employees now receive 13 days of sick leave per year, it can be carried forward from year to year, and upon retirement unused sick leave, for workers covered by the Civil Service Retirement System (CSRS), is counted as service credit in compting retirement benefits. In 1995, the most recent year for which we have figures, the average retiree under CSRS had accumulated 240 days of unused sick leave, which resulted to an additional $600 a year on his or her annuity. There were about 90,000 CSRS retirees that year, so the total cost of this accumulated sick leave was about $54 million, and it will be much more during the course of their retirements.

Sick leave is not an entitlement and should not be treated as one. It was created to protect income during bona fide illnesses and medical emergencies. Reform proposals have included ending the year-to-year carryover and instead providing a short-term disabilities plan to deal with legitimate emergencies beyond this time. We intend to make a comprehensive review of the current annual leave and sick leave system to determine whether it meets the needs of agencies, employees -- and taxpayers -- in a cost-effective manner and to see what savings might be realized.

Finding a way to meet employee needs while making a fundamental change in the calculation of benefits provides an extraordinary opportunity to work in partnership with the federal employee unions.

Our goal must be to create a sense of partnership with employees by stabilizing pay and benefits. Each year, as the federal budget is debated, employees must not see their compensation package put on the table as a bargaining chip. Our civil servants deserve better. Government should give multi-year agreements to its employees and keep commitments to former employees by stabilizing their annuities and benefits just as we do Social Security.

2. MANAGING A PRODUCTIVE WORKFORCE

In many ways, despite political attacks on government, the standing of federal employees has risen during this administration. The fact that reinvention and downsizing are underway has begun to receive public and media recognition. Your support and recognition of federal employees have been a major factor. Your eloquent remarks after the

Oklahoma City bombing reminded Americans that federal employees are not "faceless bureaucrats" but are real people with real lives, important work to perform, and real blood to shed. Those remarks -- and others in your most recent State of the Union Message and on Election Night -- as well as your firm stand against those who would close down our government, have been deeply appreciated by our civil servants.

Unfortunately, there will always be those who create negative stereotypes of civil servants and attack them for political purposes. Related to this is the fact that a disproportionate amount of attention focuses on a small minority of federal employees who perform poorly, whether because of bad behavior or a lack of skills. They make up perhaps one to as many as five percent of the workforce, but critics of government focus on these few "bad apples" and they therefore harm the reputations of the vast majority of federal employees who perform the essential work of government.

We believe more can be done to address the issue of poor performers -- not only the perception, but the reality. A smaller, reinvented federal workforce cannot afford to carry those individuals who aren't productive or are disruptive. The federal government offers its employees good pay and benefits, and we have a right to expect no less than fully satisfactory performances in return.

Agencies must do more to hold all managers accountable for setting standards, for counseling and developing employees, for recognizing outstanding employees, for resolving problems at an early stage, for accurately evaluating employees, and for identifying poor performers and dealing with them as appropriate, including separations, downgrades and reassignment. Agencies must provide better training and support to managers who need help in dealing with poor performers.

It is well known that today many government supervisors give almost every employee an "outstanding" or "exceeds fully successful" rating because they don't want to face the hostility of those who resent being rated at less than that. We need managers who are not afraid to be honest in telling employees what is expected of them. Every supervisor should be held responsible for the ratings she or he gives -- if they are demonstrably wrong, that supervisor's own ratings and future prospects should be diminished.

Some legislation can be helpful. We must streamline the process for taking action against poor performers, eliminate appeal rights for employees who do not earn in-grade pay increases -- they are not an entitlement -- and extend the probationary period for certain positions from one to two or even three years. We must also improve the adjudicatory process and make maximum use of alternative dispute resolution. We need legislation that will simplify the number of legal appeals available to employees -- one clear, fair method should be available to all employees, instead of the three or more that now exist. The Administration has worked in partnership with federal employee unions on these issues and must continue to do so.

Too often, performance management has lost credibility, particularly with regard to inflated performance ratings and widespread use of cash awards. Too often, the performance management system has become a supplemental pay program of awards and bonuses for people to do the job they were hired to do.

However, agencies are using recent OPM reforms -- including the deregulation of performance appraisal and incentive awards -- to help restore that credibility. This new flexibility permits agencies to design performance management systems that fit their own agency culture, rather than having "one size fits all" systems imposed from above.

Another important priority in the next four years is the effective implementation of the Government Performance and Results Act (GPRA), whereby agencies must improve the ways they measure the results of their work. GPRA is a major, multi-year effort. Like reinvention itself, GPRA focuses on holding agencies and employees accountable and removing barriers to productivity and results.

The implementation of GPRA is entering a crucial stage as agencies prepare the strategic plans that are due to Congress and OMB by September 30, 1997. These strategic plans will be supplemented by annual performance plans that will provide specifics in terms of the skills, organization and technology needed to achieve performance goals.

This process of change can only succeed if agency leadership makes a firm commitment from the top down.

OPM and OMB are working together to help agencies meet GPRA goals. OPM will support agencies in assuring that managers are properly trained to develop clear measures of results, to hold employees accountable for achieving those results, and to recognize those achievements. Awards programs must reward results rather than process. Linking additional compensation to reaching clearly-defined goals should give managers an important tool to motivate better performance.

To support GPRA, we propose a governmentwide effort to improve performance management. OPM will gather and evaluate data and explore system changes, managerial changes and employee accountability, and we will offer guidance to help agencies meet their GPRA goals. At the same time, OPM will continue to provide technical assistance to agencies, hold needed conferences and workshops, and help managers better achieve improved performance management.

Your direct support and that of the Vice President can do much to bring about the success of GPRA. This could be expressed through meetings with senior executives as well as statements at Cabinet meetings and meetings of the President's Management Council. We also believe that the White House or OMB should issue instructions to see that new appointees are fully briefed on GPRA and its status within their agencies. OMB and OPM would follow up with appropriate information and training.

In seeking government that works better and costs less, OPM intends to focus on its "real" operating costs and to be honest and realistic when computing the costs of government. It is not enough to focus on payroll costs -- they are important but far from inclusive. The rent we pay to house our workforce, as well as utilities such as electricity and telephones, are substantial and are often compounded by inflated "square footage costs" based on ill-defined overhead costs. Many of these costs are not market-driven and tend to become permanent. As budgets shrink, they increase as a proportion of total costs. If government is to cost less, we must give agencies increased flexibility to shop in the marketplace for the best values in terms of office space and other services. Meanwhile, it is crucial that the overhead costs on current facilities and services be held to a minimum.

The public sector bears certain extra costs which the private sector does not: costs imposed by statutory or regulatory requirements, in pursuit of public policy goals in addition to efficiency. For example, extra costs related to informing all citizens of job opportunities, requiring agencies to follow special hiring and layoff procedures to ensure just treatment of the nation's veterans. Similarly, government procurement policies are designed to give everyone a competitive chance, to support particular kinds of business, such as small businesses and minority businesses, and to produce a contract award that reflects best value.

3. BALANCING WORK AND FAMILY

As this report makes clear, we take pride in the many new programs that have started or expanded in the past four years to help federal employees balance work and family, such as the Family and Medical Leave Act, the Family Friendly Leave Act, telecommuting and alternative work schedules. While we should not back away from our commitment to family-friendly programs, we must recognize that these programs are part of a total workplace system that seeks to support its employees in a positive way. **Family-friendly policies help us recruit and retain a well-qualified workforce and use them in ways that enhance productivity.**

OPM will continue to help agencies meet those goals. The Federal Employees Family-Friendly Leave Act, which permits federal employees to use their sick leave to deal with illness or death in their families, as well as their own illnesses, expires in December 1997. We will survey agencies and make a recommendation in June as to whether it should be made permanent.

4. PROTECTING THE MERIT SYSTEM

As stated earlier, OPM's reinvention has produced a new focus on our traditional role of protecting the merit system of government. Both the delegation of hiring to the agencies and such management innovations as Performance Based Organizations present new challenges to OPM in its role of protector of the merit system. Downsizing also requires close oversight to ensure that it is carried out with absolute fairness -- for veterans and for all workers.

We tend to take the merit system for granted. But if we go back to the 19th century, we see that many of our greatest presidents -- Jefferson and Lincoln among them -- operated under a spoils system that both complicated their jobs and over time undermined public faith in government. In those days, jobs were bought and sold like used cars and each change in administration resulted in an almost total turnover among federal employees. We are not going to return to that era, but we must beware of policies and practices -- even those that are well-intended -- that could create a public impression that career civil service jobs are awarded unfairly or on the basis of politics.

OPM is the trustee of the merit system. We created the new Office of Merit Systems Oversight and Effectiveness to meet the new challenges of merit-system oversight in this era of change. Among our goals for the next four years are to evaluate the merit-system integrity of the thirty major federal departments and agencies by 2000 and to complete studies of all major federal personnel systems. Vigilance by this office can go far toward protecting merit-systems principles across our large, diverse, and fast-changing federal government. It was, for example, this office which conducted the recent report that revealed the loss of $150 million a year by the overgrading of GS-12 positions.

5. THE CHALLENGE OF DIVERSITY

The Clinton Administration has made dramatic advances in diversity in the federal workforce and we must continue this progress. This is particularly true with regard to Hispanics, the one minority we know of that is consistently under-represented. (It should be noted that the underrepresentation of Hispanics at least in part results from the fact that only U.S. citizens can in most cases be hired for federal jobs, but the government is required to base its representation rates on surveys that include residents who are not citizens.) OPM intends to broaden its outreach and recruitment programs to find more minority candidates for our workforce. We believe that a more diverse workforce is a stronger and more productive workforce.

OPM also intends to expand the Presidential Management Intern program to 400 participants a year in 1997, the 20th anniversary of this important program. This can only be done with the help and support of the President's Management Council, and it has made that commitment.

It is worth noting that some people thought downsizing would harm the move toward diversity but this has not happened. Buyouts provided needed incentives for older, mostly white male employees to retire, and new opportunities arose for women and minorities to advance within the context of the merit system.

OPM will of course continue vigorously to enforce the veterans preference law and to seek to improve the excellent record on hiring veterans that was achieved in the first term.

6. WORKPLACE PARTNERSHIP

The authorization of the National Partnership Council expires September 30, 1997. You must decide if it should be continued. My own view is that it should, and that its membership should be expanded to include the political leadership of other large, Executive Branch departments, and it should become a forum for discussions of wage and benefits issues such as those mentioned above. However, we must also recognize that problems are developing that must be dealt with. The biggest problem looming ahead is that partnership is too often being used as a negative tool rather than a framework for positive action.

Since the Council was established in October 1993, more than 70 percent of the federal government's one million bargaining unit employees have become members of agency partnership councils. Among partnership participants, more than 80 percent regard it favorably and more than 70 percent believe that partnership has improved customer service and effectiveness. The Council, in its three reports to you and at its annual awards ceremony, has highlighted and amplified the collaborative accomplishments of labor and management in saving money and improving performance.

For the future, the Council will focus on improving the effectiveness of labor-management partnerships in our balanced-budget environment by: strengthening the abilities of partnerships to support reinvention, performance-based organizations, and the Government Performance and Results Act; overcoming barriers to success in partnerships experiencing difficulties; and developing a high-performing work force to carry out the work of a high-performing government.

OPM will continue to champion strong and effective labor management partnerships to continue the support of the federal workforce and their union representatives.

7. OFFICIAL TIME

The longstanding practice of granting some federal workers "official time" to work on union activities has recently been questioned by some members of Congress and is likely to become an issue early in 1997.

Union activities conducted on official time by federal employees have been authorized for 18 years under the Civil Service Reform Act of 1978 and are, I believe, a valid administrative expense. This time is used to carry out the representational activities that unions must by law provide to all employees covered by collective bargaining agreements -- that is, about 59 percent of the civilian federal workforce. We believe that the proper use of official time saves the taxpayers much more than it costs, in part because it prevents long, acrimonious and costly dispute resolution. The number of Unfair Labor Practices complaints filed during the past four years decreased dramatically.

At present, there is a lack of data on how much official time is used. Starting in 1992, during the Bush Administration, and continuing to the present, OPM has not tracked official time. It is, however, managed by supervisors within the various agencies. They are charged with balancing the agency's business with the need for labor representation. This is in keeping with the move toward decentralized government and, again, we believe this practice has been important to labor-management partnership and should have resulted in more workforce productivity, not less. However, it now may be necessary to require that each agency track the use of official time so we will have the information to answer legitimate questions that are raised.

8. LEADERSHIP FOR THE FUTURE

A strong executive corps is essential to manage the reinvented government of the future. The National Performance Review pointed out that the Senior Executive Service should reflect a "corporate culture" -- should provide a cadre of leaders whose strategic vision and commitment to public service transcends their commitment to a specific agency's interests. This goal has not yet been realized.

We are developing initiatives to strengthen SES and bring it closer to its original vision. We will present these to the President's Management Council early in 1997. These initiatives will cover such areas as SES qualifications and selection procedures, executive mobility, and reduction in force placements. We believe that addressing these issues is important, but beyond that a more basic reinvention of SES may be needed.

One major problem is that SES now includes many positions for individuals who are high-level technical specialists and program managers rather than general executives. These are valuable people and it may well be necessary to pay them above the GS-15 level. However, their roles do not require broad executive qualifications and we cannot expect them to move easily across government as SES executives should be able to do. We expect to propose legislation to deal with this by redefining the types of positions in the SES.

A more immediate need is to end the requirement that SES members must be recertified every three years, in addition to their regular annual performance reviews. This requirement was created by Congress in 1991 as part of a major pay increase that went to the SES. It is widely viewed by agency managers as a time-consuming, paper-intensive process that duplicates the annual appraisals and leads to less productivity rather than more. We will propose that this law be changed before the third triennial recertification period in 1997.

Finally, let me note that SES members, like all federal employees, have deeply appreciated the support you have given our civil service in speeches and in the stands you have taken against those who would shut down or cripple our government. It would be greatly appreciated if you could find other opportunities, including the SES's annual Rank Awards, to meet with and recognize these leaders who have such an important role to play in our reinvented government.

9. OTHER INITIATIVES

There are a number of other challenges that OPM will confront in the next four years. They include the following:

Judicial Review: OPM will seek legislation to strengthen its ability to seek judicial review when we feel the Merit System Protection Board or a federal arbitrator has erred on a matter of importance to the entire federal workforce. The importance of such appeals was seen earlier this year in the case of ***King v. Frazier***. Frazier had engaged in blatant sexual harassment of women in the workplace. However, an arbitrator ruled in his favor on the grounds that Frazier didn't know what he was doing was wrong. We appealed to a federal court and established that it is what Frazier did, not what he thought, that was wrong and deserved punishment. This ruling is now a major tool to combat sexual harassment in the workplace -- if we had not been able to appeal the arbitrator's original ruling, great harm would have been done.

Hatch Act Reform: In the Hatch Act Reform Amendments, Congress authorized OPM to grant exemptions from certain restrictions on federal employees taking part in local elections. The exemptions were authorized for Virginia and Maryland communities adjacent to Washington, D.C., but a more exacting standard was set for granting an exemption in the District of Columbia. We will seek legislation to have the same standards apply for the District and neighboring communities.

Reimbursable Services: It is in the interest of the Administration for OPM to maintain the capacity to provide centralized, reimbursable services. OPM-provided services in examining, automation and other areas have usually proved to be more cost-effective than those each agency can provide on its own -- that is why they contract with us for services. OPM will continue to be a leader in providing reimbursable services such as our career-transition assistance program, automated job application and testing systems, and organizational change and performance improvement services.

Workplace Giving: The Combined Federal Campaign (CFC) was created to replace multiple fund-raising appeals in the federal workplace with one consolidated campaign, limited to a few weeks each year and conducted on a nonpartisan basis. Recently the program has been attacked by some members of Congress, who have proposed limits on the number and type of charitable groups that can participate in the CFC. This has been attempted before and both Congressional Democrats and the courts have supported an inclusive, not an exclusive, approach to the CFC. OPM will oppose any efforts to limit or reduce the scope of the CFC program. We support inclusiveness with regard to nonprofit organizations as they are defined by the Internal Revenue Service.

SUMMING UP

This report has summarized the leadership role OPM has taken in your first term and our vision of what must be done in the second term with regard to federal workforce issues. The challenges are great. This Administration is both reinventing and downsizing the vast federal establishment and at a time of serious budget limitations. We believe, however, that our goals can be met. OPM has demonstrated how one small agency can reduce its size by half and its costs by a third, and refocus its mission, with no loss in productivity. We believe others can do the same. It is indeed possible to have a government that works better and costs less -- that phrase can be a reality -- and we at OPM will do all that we can to support you and the Vice President in this historic undertaking. We share your commitment that the American people deserve no less.

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Divider Title: USIA

DIRECTOR

December 6, 1996

MEMORANDUM FOR: THE PRESIDENT

FROM: JOSEPH DUFFEY

SUBJECT: AGENCY ACCOMPLISHMENTS 1993 - 1996

USIA began nearly four years ago to reassess its understanding of mission and goals in light of the changed international scene in a post Cold War era and the issues of national security and national interest appropriate to new and changed conditions.

That effort has resulted in organizational changes and a clearer, more focused sense of our mission: to promote the national interest and national security of the United States of America through understanding, informing and influencing foreign publics and broadening dialogue between American citizens and institutions and their counterparts abroad.

USIA is today a more agile organization, more prepared to respond quickly to the strategic needs of the international affairs community. All of our activities -- field missions, exchanges and training programs, broadcasting, information dissemination -- today see their roll as working to advance and support the foreign policy priorities set forth by the President and Secretary of State, working directly with media and opinion makers in every region of the world.

USING PUBLIC DIPLOMACY TO MANAGE FOREIGN AFFAIRS PRIORITIES

In times of crisis, rapid distribution of information becomes essential. USIA's services, including international broadcasting in English and 51 other languages, and long-standing contacts with local media around the world, make this possible. USIA's international public opinion research lays the necessary groundwork for developing strategies for influencing opinion. Building on this framework, USIS posts -- sometimes on hours notice -- set up filing facilities, organize press events, and deliver transcripts and background materials into the hands of key media and opinion makers in any country where a crisis occurs, or where the President, the Vice President, the Secretary of State, and other officials travel. USIA's flexible response and strong infrastructure allow it to respond to both immediate, short-term crises, as well as ongoing trouble spots with targeted programs informing and influencing public opinion. Once stabilization occurs, USIA remains on the ground, anchoring peace and providing a foundation for democratization through professional and educational exchange programs, and media training initiatives.

BOSNIA

At the onset of the Dayton accords, USIA greatly increased its existing information dissemination capabilities in the region. Between 1993 and 1996, Voice of America (VOA) expanded its programming in Serbian and Croatian from 10 ½ hours to 32 ½ hours weekly and created a daily Bosnian feed which was delivered to independent media outlets throughout the region. By August of 1996, surveys indicated that 14 percent of Bosnians listened to VOA at least once a week. All three services carried major Presidential announcements on the crisis as well as reliable information to counter the inflammatory radio broadcasts being used by combatants to incite violence. USIA worked to create a tradition of objective and balanced news reporting by training Bosnian journalists in Western media standards -- both by providing fellowships for training in the United States and by supporting American experts to provide on-site training in Bosnia.

On the eve of the US troop deployment to Bosnia, USIA began conducting public opinion surveys in Bosnia. These comprehensive reports on Bosnian attitudes, including opinion toward the provisions of Dayton, the implementation of peace, the presence of IFOR troops in the country, and the recent elections have been used throughout USG policy-making organizations to determine a roadmap for action in the troubled area. Given the dynamics of managing the Bosnian crisis, USIA has also tracked opinion among publics in neighboring Balkan countries (Serbia, Croatia, Montenegro, Macedonia, Bulgaria, Romania and Slovenia) and among key ally publics (France, Germany, United Kingdom, Turkey, Spain and Italy) to examine support for Dayton and IFOR troop participation, including opinion toward NATO air strikes and the UN peacekeepers.

Prior to the April 1996 Brussels Donors Conference on Bosnian Reconstruction, European apathy raised fears that donations would not meet targets. USIA worked to raise public consciousness by ensuring that major European media organizations and influential officials had access to senior US policy makers. USIA's officers placed opinion columns in European newspapers written by the head of the US delegation. USIA also scheduled press events and TV interviews for members of the US delegation, resulting in widespread media attention to US views. In the end, donation targets were met. With the establishment of peace in the region, USIA has focused on establishing a democratic culture in Bosnia. Also early 1996, drawing on successful programs in other countries in the region, USIA in conjunction with the Council of Europe and American NGOs, initiated a civic education action plan for Bosnia. In just six months, USIA adapted and translated a proven civic education curriculum and trained hundreds of educators who are now teaching the program in nearly one third of Bosnia's middle schools. Within one year of the program's inception, USIA expects that all of Bosnia's middle school students will be learning the basic concepts of democracy.

HAITI

In early 1993, as rumors circulated of an impending exodus of Haitians fleeing repression, USIA ensured that information about US policy reached the island despite the fact that military pressure frequently silenced Haitian radio from broadcasting accurate information about the United States. USIA obtained permission from the President of the Dominican Republic to broadcast -- via Dominican radio stations along the Haitian border -- VOA's Creole transmission of President-elect

Clinton's message promising to restore democracy and urging Haitians not to risk their lives by fleeing the island in makeshift boats. Long-standing contacts with the Dominican press made it immediately possible to relay the broadcast via phone lines, an action that helped reassure the Haitian people about US policy and prevented loss of life. Throughout this period, VOA's Creole service, with a listenership of 37 percent of the adult population of Port-au-Prince and Cap-Haitien, continued to provide full coverage of all US policy statements about Haiti and President Aristide's pronouncements via short-wave and satellite.

Beginning in late 1993 as a military action became increasingly likely, USIA organized a series of twice-daily press briefings, one for international media and the other for Haitian media. These standing-room-only press conferences enabled USIA to disseminate U.S. views and policy on topics critical to the stability of the region. Throughout 1993 and 1994, these conferences countered charges that the United States (along with other countries) was punishing the Haitian people through the U.N. embargo by highlighting U.S.-sponsored humanitarian relief projects in Haiti. USIA's press conferences continued for a full year until President Aristide returned to Haiti.

After the arrival of the Multi-National Force (MNF), USIA redirected its media efforts to serve as a liaison with MNF representatives for briefings and press statements. In the newly created stability, USIA immediately organized programs to train journalists how to operate in an open, democratic system and to train government press officers how to conduct business and interact with the media. Democratization efforts continue, with the planned introduction of a civic-education curriculum into Haitian high schools.

MIDDLE EAST PEACE PROCESS

USIA has promoted the Middle East peace process through the continuous dissemination of information about relevant US policy, assisting fledgling Palestinian democratic institutions, and promoting regular exchange programs that bring Arabs and Israelis together in Washington and in the Middle East region.

Recognizing the need for Palestinians to have confidence in their nascent judicial system, USIA drew on a range of Agency programs, such as exchanges, speakers and broadcasting, to promote rule of law. USIA's efforts have helped to enhance due process and improved the administration of criminal and civil court cases under the Palestinian Authority. A USIA-sponsored program enabled Palestinian jurists to draft a working document on judicial reform now being used by the legal community and the Palestinian Authority. As USIA helps to reinforce the legal system, it strengthens the legitimacy of the Palestinian Authority and helps it to defeat the challenge from rejectionist groups.

Palestinian journalists have benefitted from USIA programs designed to increase journalistic professionalism and news-gathering abilities. By providing equipment and training, USIA helped the Palestinian Broadcast Corporation develop from the ground up. Other results of USIA programs include the first Palestinian committee formed to protect journalists' rights and a bill, drafted by participants of a USIA exchange program, that would establish press and broadcast rights.

USIA has primary responsibility within the US government to fulfill Section VI of the Oslo Accords, promoting people-to-people contact and normalization. USIA exchange programs have been effective in fostering initial contacts among Arabs and Israelis and encouraging program alumni to maintain contact. For example, Arab and Israeli alumni of a Citizen Exchange program on the environment have agreed to establish a regional "Forum for Environmental Education" and plan to hold their first meeting in Cairo in January 1997.

PROMOTING AMERICAN ECONOMIC INTERESTS

Success in the global marketplace has led to a blurring of the division between the international and the domestic. USIA has responded by increasing its public affairs support for American economic projects and policies in an effort to foster a more open climate accepting of US goods and services overseas. In conjunction with the Department of Commerce, US Trade Representative, Department of the Treasury, Department of Agriculture, and other agencies, USIA's public affairs and public diplomacy tools have focused on such vital areas as trade liberalization and deregulation, economic cooperation, and intellectual property rights, as well as building support for and confidence in NAFTA, the World Trade Organization and the re-designed $100 bill.

Fostering business partnerships and an American presence in the newborn markets of the Newly Independent States and post-Apartheid South Africa was the impetus behind two of USIA's major events in 1993 and 1994 that have become the basis for ongoing, trade-related Agency programming. Beginning with USIA's first major domestic conference, held in St. Louis, *Partnership for Progress* brought together American business leaders with the emerging entrepreneurs of Russia and its neighbors from the former Soviet Union. The people-to-people economic link continues to thrive through the Business for Russia (now Community Connections) Exchange program. Thus far the program has placed 1500 young Russian entrepreneurs in internships in 28 US cities as just one part of USIA's continuing effort to introduce the NIS region to free market economies. Next, USIA sponsored *Investing in People*, the US-South Africa Conference on Democracy and Economic Development, held in Atlanta. Just weeks after the first all-race elections in South Africa, USIA brought together top business and government leaders from both countries to ease South Africa's economic transition and promote a US role in building a stable South African economy. Vice President Gore's and South African Executive Vice President Thabo Mbeki's presence at this Atlanta event became the basis for the cultural and economic ties that eventually led to the creation of a US-South Africa Binational Commission, of which USIA is an active participant.

In defense of American corporations who lose billions of dollars in revenue each year due to widespread disregard for intellectual property rights (IPR) and copyright laws, USIA vigorously supports the proliferation and enforcement of appropriate laws in all regions of the world. Although many of USIA's efforts, especially in such countries as China, are targeted to long-term goals, the Agency recently witnessed the adoption of landmark legislation in such countries as Brazil and Qatar, where we have launched particularly high-profile IPR campaigns. Workshops for economic leaders, print materials, speaker and exchange programs, broadcast information and digital video conferencing and media briefings continue to resonate in these countries, as well as Europe. In all cases, USIA has collaborated with representatives of American industry and USG officials from other agencies to reinforce this important message.

In the global marketplace, a crisis -- or the perception of a crisis -- must be contained before it spreads. Coordinated use of the tools of public diplomacy and traditional public affairs has allowed USIA and its USIS posts abroad to react quickly and efficiently when American economic interests are at stake. For example, during the 1994-1995 devaluation of the peso, USIS Mexico coordinated a series of information, speaker and exchange programs to highlight US assistance and discuss economic modernization and interdependence. This March in Cairo, USIA launched a major media campaign to counteract erroneous rumors that threatened America's $1 billion share of Egypt's wheat market, winning full retractions from two major papers and praise from the US Wheat Growers Association. And behind the scenes in Geneva, USIS worked with USTR during the 1995 Japan Auto negotiations to stall the media from reporting the start of a US-Japan trade war long enough beyond the negotiated deadline for Ambassador Kantor to achieve a breakthrough agreement. Collaborations such as these are dwarfed by the crisis that was averted through USIA assistance to the Treasury Department for the year prior to the unveiling of the re-designed $100 bill. USIA printed over eight million informational brochures and posters in 20 languages for distribution in nearly every country. The effort was especially crucial in Russia, where an extraordinary amount of individual savings are stashed in the form of US $100 bills.

A key component of USIA's arsenal of public affairs initiatives that promote American economic interests is broadcasting. Because the consumer of US goods is more often an individual or company, rather than a government, the Voice of America (VOA) and WORLDNET Television continue to increase the amount of direct programming that promotes business and tourism in the US. In addition to programs covering practically every American industry from car wash automation to state-of-the-art computer hardware and software products, WORLDNET has promoted tourism in the US through numerous acquired series that have highlighted the tourist attractions of every state, including major national parks and natural attractions. VOA English continues to produce two 20-minute business newslines every weekday which promote awareness of activity in US financial markets and US corporations. Other programs also focus on innovations in US industries, technology and other related fields. Most of this programming is translated by VOA's 51 other language services, many of which originate additional programming focusing exclusively on bilateral trade issues. The growing number of affiliate stations linked with VOA and WORLDNET illustrates the need for reliable, balanced news about the US and its economy -- broadcast in the languages of the world -- that goes beyond what is provided by the commercial media.

INTERNATIONAL ADVOCACY FOR ADMINISTRATION INITIATIVES

As the principal agency for publicly advocating U.S. interests worldwide, USIA formed partnerships with various federal agencies to promote the Administration's priorities. For example, with the Department of Justice and FBI we created anti-crime and anti-terrorism information and advisory programs for radio broadcast on VOA and as a homepage on the Internet. We employed various public diplomacy strategies in Asia to create wider backing for non-proliferation. In all cases, USIA communications and information programs built or broadened support for the Administration's major international initiatives by identifying and engaging influential sectors in societies around the world.

The central multilateral issue affecting the European alliance and relations with Russia has been NATO's future composition and role. Many USIA exchange and information programs throughout Europe and the NIS strengthen America's position on European security. USIA's NATO Tour Program brought influential journalists, politicians and other opinion leaders on visits to NATO and U.S. commands. Since 1993, 40 groups (about one-third the total number) were from Central Europe and Russia. NATO tours address policy issues in detail and are tailored to each group. As a result, the specific interests and concerns of Czechs, or Russians or Bulgarians have been addressed. In addition to the NATO Tour program, USNATO and many Western European posts have conducted conferences featuring USG officials.

Counteracting the illegal importation and use of narcotics is an enduring domestic concern. Targeting source and transit countries, USIA collaborated with DEA to create the public affairs program, "Developing Greater Awareness about the Dangers of Illegal Drugs." A Spanish-language television documentary on this theme appeared on about 50 television stations throughout Latin America and the Caribbean. In Caracas, we launched a major anti-narcotics initiative with locally produced TV spots aired daily nationwide. We worked with the government of Panama to create a National Drug Awareness Center. Our polls indicate that these informational and exchange programs are having an impact: Latin Americans increasingly support international cooperation in counter narcotics measures and are more aware of the perils of the drug trade.

To counter nuclear proliferation, since 1994 USIS Seoul has implemented a public diplomacy strategy building support for the 1994 Agreed Framework that freezes North Korea's nuclear program. Subsequent studies have shown that Korean public opinion has been crucial in implementing the framework, creating the Korean Peninsula Energy Development Organization, and establishing a structure for engagement with North Korea. As part of the broader US goal of promoting nonproliferation and stability in South Asia, USIA created a highly successful dialogue series (now funded by the Ford Foundation) which twice yearly brings together influential Indian and Pakistani elites to discuss major divisive issues. Supplementing this process are the Traveling Seminars that alternate between Indian and Pakistani venues and introduce a widening spectrum of these societies to conflict management. Indian Foreign Minister J.K. Gujral participated in the first Traveling Seminar and endorsed the concept of people-to-people exchange between India and Pakistan in 1996.

USIA programming in Northern Ireland intensified in 1996 to the point that over one-third of all USIS visitors to the US from the United Kingdom were from Northern Ireland -- compared to just 25% in 1995 and a small percentage of the total in 1991. It was in 1995 that USIS began a constant presence in Belfast, with the addition of a Foreign Service National position. USIA offices in London and Dublin also devote significant exchange program resources to bring key leaders to the US, including a joint visit by the mayors of Belfast and Dublin in 1995. Several exchange programs brought together Catholics and Protestants.

Promoting conflict resolution among the Greek- and Turkish-Cypriot communities has been a priority for USIA throughout the past four years. Starting in 1993 -- and for the first time since the island was partitioned in 1974 -- USIS Nicosia has organized programs bringing together cultural elites, government officials and opinion leaders from both sides. These programs are the primary diplomatic instrument in US efforts to reach a fair and lasting settlement. More than 5,000 Greek- and Turkish-Cypriots have taken part in 26 major programs. As in other countries and societies, USIA is effectively the only organization which can organize such programs.

In China, we seek to advance reform and modernization in the Chinese legal system by providing access to American legal experts and expertise. USIA's two programs with US Supreme Court Justice Anthony Kennedy supplemented extensive support from the Fulbright and International Visitor programs. Other efforts include publication of American legal texts by the China Book Translation Program, and grants for legal exchange projects with the National Committee on US-China relations, the Asia Foundation, and the Committee for Legal Education Exchange with China. In 1995, an American law professor completed two terms as "legal professional in residence" with the People's Supreme Court of China.

In Africa, USIA assisted numerous African governments in drafting new constitutions. The constitutions of Namibia, Uganda and South Africa reflect this influence. Simultaneously, US constitutional experts conducted seminars on constitutional law, and African members of constitutional commissions have visited the US to study government. Speakers from the American Bar Association, the Department of Justice, and other entities have participated in our Rule of Law Initiative. Through this program, judicial experts address five major themes: court administration, training jurists, strengthening bar associations, civic education on constitutional rights, and women in the legal professions.

In Vietnam, USIA initiated a Fulbright program which focuses exclusively on development of market economy institutions. Through the program, American lecturers travel to Vietnam, and over 100 students have studied in the US. The one year-old USIS post in Hanoi has played a significant role in advancing US interests. For example, USIA, in cooperation with the Department of Commerce, recently recruited an American expert in commercial law who conducted workshops with Vietnamese lawyers and economic specialists engaged in drafting a commercial code for their country. USIS Hanoi has also provided press and public affairs support for efforts to resolve MIA/POW questions.

USIA addresses human rights in Cuba largely through its Radio and Television Marti services. The Martis also ensure that the Cuban people receive accurate information about the United States, the world, and their own country. These efforts have included live coverage of Congressional hearings on the embargo, the sinking of the "13 de Marzo" boat, and the Helms-Burton bill, among others. Other key coverage has included President Clinton's direct Cuban Independence Day messages to the Cuban people, and State Department announcements on Cuba policy and the activities of US Envoy Stuart Eizenstadt.

TV Marti continues to broadcast an expanded schedule, initiated during the 1994 Cuban rafter crisis. In addition, the Office of Cuba Broadcasting (OCB) began developing and implementing plans for the congressionally-mandated conversion of TV Marti's broadcast system from its current VHF transmission to UHF transmission, in accordance with the 1996 Cuba Liberty and Democratic Solidarity Act. Testing of the transmission system should begin in early 1997.

On April 26, 1996, you signed into law the 1996 Omnibus Appropriations bill. This law included a provision mandating the relocation of Radio and TV Marti's headquarters from Washington, DC to South Florida. OCB developed a four-phase plan to implement the relocation, with phases one and two to be completed by the end of 1996 and phases three and four by June of 1997.

Corruption weakens social and political development throughout the world. USIA launched the first concerted effort to deal with this issue in Latin America in 1993 with a major anti-corruption conference in Quito. This initiative was followed up with a seven-part series of teleconferences on different aspects of corruption and two multi-hour teleconferences in 1994 and 1996 that linked countries throughout the region in discussing ways to combat corruption. USIS Brazil held a nationwide conference in 1995 on "Democracy, Effective Government and the Struggle Against Corruption." USIS posts in Argentina, Peru, Costa Rica and elsewhere have sent dozens of lawyers, judges and public administrators to the United States on programs intended to improve the functioning of their justice systems. They have returned to their countries to launch major criminal investigations, lead judicial reform efforts and launch innovative programs. In Argentina, for instance, an alumni of USIA's International Visitor program began a prosecutorial investigation into bribery case that led to the dismissal or resignation of several government officials; in Costa Rica, International Visitor alumni have established a program for alternative dispute resolution and a national ombudsman's office that defends citizens' rights.

Promoting civil society and democracy through civic education has become a major pillar of USIA programming. USIA's widespread international civic education programs aid new and emerging democracies to move beyond building the structures of democracy to creating a true democratic culture. We have found great receptivity to this notion in classrooms and council chambers alike. With partner organizations including the European Union and the Council of Europe, the USIA-supported CIVITAS initiative is an agreed means for furthering political security through democratization in the US-EU Transatlantic Agenda of December 1995.

USIA organized two international conferences on democracy and civic education. A June conference for Western and Eastern Europe and the NIS took place in Prague, and a hemispheric meeting was held in Buenos Aires in October 1996. Both brought together civic activists and education experts to discuss means to strengthen democratic values, civic participation and free market economies. The conferences focused attention on the need to develop a culture of citizenship and created a coalition of public figures, teachers, private sector representatives and NGO leaders committed to the idea of education for democracy. We are working with conference participants in implementing projects in individual countries that will develop the ideas discussed at the conferences.

WOMEN'S ISSUES

USIA staff led the American press team during the United Nations Fourth World Conference on Women in Beijing and provided full and effective public affairs support to the official U.S. delegation and the Congressional delegation. In addition, we facilitated the exchange of information between the official delegation, the NGO Forum participants and their members back home. USIA provided an Internet home page and distributed much needed written conference material to delegates and NGO Forum participants. Both Voice of America and WORLDNET provided extensive coverage of the conference. Such Mandarin-language broadcasts were vital because Chinese news agencies did not cover major conference issues, including the First Lady's key-note speech.

One of many USIA publications of use to women is "Finding Your Public Voice, A Media Guidebook for Women". Originally written for use at the Beijing Women Conference, this USIA booklet has become the basis of worldwide media workshops for women's organizations. Another publication, "A World View of Women: Social, Political, and Economic Attitudes" issued by our Office of Research and Media Reaction, is a special global report featuring attitudes from sixty-one countries.

USIA issued a diversity charter and commissioned a Diversity Taskforce to seek and encourage participation in our activities by women, racial and ethnic minorities, the physically challenged, and those of low and moderate incomes. The agency found that it is sponsoring 66 single regional projects and one multi-regional project on women's issues; and that girls comprise six out of every ten Youth Exchange participants. The agency also encourages many individuals on its International Visitors programs to meet with members of the President's Interagency Council on Women.

USIA has been and still is working closely with the President's Interagency Council on Women. The Agency helped plan and organize the Council's September 28, 1996 "The UN Women's Conference One Year Later" satellite conference. Also, we are working with the Department of Education on their "International Leadership Forum for Women with Disabilities Conference" set for June 16-20, 1997.

EXCHANGES

USIA exchanges and training have been overhauled during the past four years in order to more effectively support Administration priorities and policy within dramatically changed international and domestic environments. In 1992, many of our cultural and educational programs still reflected the Cold War modality of large, sprawling, USG-centered programs which prospered in an East versus West mentality. Near complete is an historic transition and creation of a new paradigm that firmly establishes the relationship between government and the private sector as it effects foreign affairs. This new partnership recognizes the increased engagement by the American public and non-governmental organizations in post-Cold War foreign policy -- especially the expanding role of local, state and regional institutions in economic and cultural activities. With more players in the arena, USIA also has shifted from merely a provider of resources to become more of a catalyst that can successfully facilitate the targeted use of private or other public funds in the advancement of US foreign policy priorities.

REINVENTION

The need for public diplomacy is a constant. The importance of public diplomacy, however, is ever expanding as countries and publics continue to become interconnected through innovative technology and communications. As the primary practitioner of public diplomacy in the US Government, USIA has a responsibility to utilize the newest and most creative approaches to public diplomacy at our disposal. We have done just that, through a combination of restructuring or dismantling obsolete elements, aggressive outreach to relevant publics and -- most importantly -- firmly positioning USIA on the information superhighway.

BUREAU OF INFORMATION

USIA's most comprehensive restructuring was the dissolution of the Bureau of Policy and Programs and the subsequent creation in 1993 of a new Bureau of Information (I). Built in the true spirit of *Reinventing Government*, the I Bureau was created to take full advantage of the Information Revolution, as well as streamline and de-layer Agency operations. Taking a strategic approach, by creating a bureau 30% smaller than its predecessor, also avoided the havoc of an across-the-board three percent cut for the entire Agency.

Approximately 200 positions were trimmed in the transition from the old to new bureau. It was the combined efforts of more than 100 employees, comprising USIA's Restructuring Partnership Team, that developed a blueprint for implementing the necessary reductions. Traditional hierarchical structures were replaced by a decentralized, team-based, customer-oriented organization, reducing the labor-management ratio from 3:1 to 11:1. Employees were made accountable and empowered to take risks, and produce ever more timely products and services. For example, the Agency discontinued the publication of its regular, glossy, print magazines and created "Electronic Journals," which are distributed to wider audiences via electronic means. The result is more timely and focused information about the US economy, society and policy, as well as issues of democracy and other global issues. In 1994, the Vice President awarded USIA a *Hammer Award* recognizing the Agency's leadership in reinvention with the creation of the Bureau of Information.

RECONFIGURING OVERSEAS OFFICES

Our overseas posts (USIS) are staffed by foreign service officers who serve as the spokespersons for US diplomatic missions and manage highly targeted programs of information and educational exchanges. Over the past two years, USIA has begun deploying field resources based on new global and regional realities in which economic factors and the stability of fledgling democracies are increasingly at the forefront of US national security. USIA's overseas operations -- which provide the crucial human connection with foreign publics -- have experienced a 14% cut in foreign service officer staffing and a 16% cut in foreign national staffing in fiscal year (FY) 1996 alone. Forced to abandon the principle of universal presence, USIA reduced its overseas operations after a rigorous analysis of each posts's contributions to US foreign policy. The process was a dynamic model for allocating resources which can adjust more easily to ever changing circumstances and exploits modern technologies wherever possible.

CONSOLIDATION OF BROADCAST OPERATIONS

The International Broadcasting Act of 1994 significantly changed America's global broadcasting operations. The legislation consolidated -- for the first time -- the responsibilities for all non-military USG international broadcasting, including USIA's Voice of America, Radio and TV Marti, and WORLDNET television, as well as the independent grantees of Radio Free Europe/Radio Liberty, and the new Radio Free Asia.

Consolidation has resulted in savings of over $400 million during the 1994-1997 period, including a 31% reduction in staff and the elimination of over 400 direct broadcast programming hours via short- or medium-wave transmitters. These cuts were not taken across the board, however. Taking into account the end of a bipolar world and an increase in regional conflicts and terrorism, we increased broadcasting and opened new relay stations in Asia, the Middle East, and Africa, while closing stations in Europe. All engineering and technical operations of VOA and Radio Free Europe/Radio Liberty also have been integrated. Overlapping programs in the same language have been eliminated, while each operation's program strengths have been retained. New relationships with affiliate stations and cable networks have increased listenership and reduced costs.

TECHNOLOGY

Technology will play a vital role in keeping the United States in the forefront of international communications. USIA's strategic plan envisions the creation of a two-way, high-speed worldwide digital information platform that will serve all agency divisions in the 21st century. In the interim, innovative use of the Internet has expanded USIA's reach overseas. Our award-winning sites on the World Wide Web, new electronic journals, and database search capabilities offer people in a growing number of countries the latest information about the United States. Also in the late stages of development is USIA's Digital Library, which will be a hybrid CD-ROM product containing archival and current information supporting USIA mission objectives. Long-standing USIA products, such as the daily wire service of key documents and background articles, are posted on the Internet almost hourly. Wide-ranging information technologies are used across the Agency to perform traditional program functions more economically -- and often more quickly.

CUSTOMER SERVICE

Audiences served by USIA products range from foreign publics, opinion makers and government contacts, to USG officials in Washington and embassies overseas, to interested non-governmental or private entities within the US. As such, how we better serve our audience depends on the purpose behind the product, as well as which sector requires additional outreach.

As an authorized processor of visas for exchange and training opportunities in the United States, USIA has just inaugurated a new 24-hour telephone customer service line. Updated daily, the automated service provides status reports on individual visa applications, and frees Agency lawyers to concentrate on processing requests -- thus expediting the handling time for each case.

USIA also holds a unique position in the USG as the official pollster and analyst of media reaction from around the world. During the past four years, inter-agency distribution of USIA's media reaction *Early Report* has increased more than four-fold -- thanks in part to expanded e-mail delivery and redesigned reports -- while distribution of the *Daily Digest* (also media reaction) has more than tripled to reach over 1000 readers. Readership of USIA public opinion results has also grown from a handful of State Department officials to nearly 150 foreign policy experts and nearly all USIS posts. All these documents are also available to readers on the Internet.

PARTNERSHIPS

Agency elements in Washington and overseas have stepped up efforts to leverage shrinking resources with private sector support to maintain the high quality of our programs and exchanges. Major American corporations, such as Anheuser-Busch and Coca-Cola have become underwriters for USIA-sponsored cross-cultural events. Warner Music has sponsored the world tour of the acclaimed African-American photo exhibit called "Songs of My People."

The US Government's flagship educational exchange initiative, the J. William Fulbright Program, celebrated its 50th Anniversary in 1996. More than 120 celebratory events were held around the world, in addition to events at 70 US colleges and universities. With its solid foundation in binational commissions, the Fulbright Program has been a model for the expansion of partnership opportunities. For example, executive directors from more than 50 nations with Fulbright binational commissions were mobilized in past years to support USIA's intensified efforts to seek cost-sharing with host governments and the private sector. Non-USIA funding of the Fulbright Program has increased to a level of 47%; well near our goal of parity. In fact, 14 countries now shoulder a larger share of the cost of the binational Fulbright Program than the United States.

In an effort to expand their reach and increase the quality of programming, USIA broadcast elements also have embraced partnership with the private sector, as well as other USG agencies. Since 1993, the Voice of America has launched joint programs with -- among others -- the Disney Corporation and the Smithsonian Institution. WORLDNET is working with the Department of Education, Immigration and Naturalization Service, five state governments, and a private television production house to bring to the world a new series of dramas designed to teach English.

Internally, where USIA employees are considered the custemoer, a major change has taken place with a shift to a more collaborative approach to the decision-making process. Customers, among many others, have become involved in developing policies and implementation strategies for everything from family friendly policies (e.g. telecommuting, flexible workplace, job sharing, etc.) to the Agency's strategic and performance management plans. The quality, creativeness, and innovation of this collaborative decision process has been a great asset for the Agency in achieving "change".

EQUAL EMPLOYMENT OPPORTUNITY

One of the first actions taken by me after arriving at the agency was to elevate the Office of Civil Rights into an independent agency element. The office has now implemented a 10-point plan to ensure steady progress toward increasing diversity in our work force. The plan articulates the personal accountability of managers and supervisors for achievements in equal opportunity, and includes specific affirmative action objectives in annual performance evaluations. It institutes a mentoring program, and underlines the importance of family friendly policies. The Office of Civil Rights provides an advisory, referral and counseling service; conducts diversity, sensitivity and communication skills training for all Agency managers and supervisors; and requires open briefings after each promotion cycle to report on the impressions of the promotion panels and answer questions from employees, while being careful to maintain employee privacy.

LOOKING AHEAD - ON THE THRESHOLD OF A SECOND TERM

It seems clear that the arena of international relations will continue to be shaped by the changing dynamics of communication technology, global economic trends, and domestic concerns of publics in nations around the world. On the one hand, the transformations wrought by the information and communications revolution will be as profound in their consequences as was the Industrial Revolution of the last century. On the other, nations and peoples around the world will still be contending with the many far-reaching consequences of the end of the Cold War. There will be continued growth in democratic practices and a marked shift in power to individuals and publics and away from centralized government authority. These phenomena have presented American leadership with new challenges and forced upon all of us a reassessment of the way in which we engage the world.

The world also will be a more varied and fragmented place as peoples and governments go their own individual and idiosyncratic ways, as cultural, political and ethnic disputes long suppressed or masked by the Cold War come to the fore. Now that the nations of the world are no longer arrayed along one great ideological divide, many more and different voices will be heard. It will be a world where America will need to cooperate as well as lead; listen as well as speak. We will have to be acutely aware of other people's values and beliefs while always ensuring that they know and understand ours. Our policies will have to be more complex and informed. We will need to engage to a much greater extent the talents and resources of our own society and citizens.

Whenever trouble erupts around the world, USIA will support US national security interests with all of the instruments of public diplomacy--rapid information dissemination, promotion of Administration policies, influencing of key foreign publics, marshaling of allied and multilateral support, opposition to hate broadcasting, assessments of public opinion.

USIA will advance American prosperity and economic strength through the promotion of trade and open markets, the defense of intellectual property rights, and the spread of information about the fundamentals of free and open economic systems.

America's fight against international crime, terrorism, illegal narcotics, degradation of the environment and the proliferation of weapons of mass destruction will be increasingly aided by focused and sophisticated public diplomacy efforts.

Our field posts and bureaus will continue to be in the forefront of partnership with the private sector. Not only will we benefit from the private sector's experience and expertise but we will increase our ability to leverage shrinking federal dollars.

We will expand the scope of our major initiative in the field of civic education, one that strengthens the foundation of democratic institutions. In war-shattered Bosnia, for example, our Civic Education project provides an opportunity for citizens of all political persuasions and all ethnic backgrounds to come together and make common cause. This program has introduced a civics curriculum into Bosnian schools as a way to increase ethnic tolerance among Bosnia's future leaders.

Creative, cost-effective new programs in Russia and the NIS will continue to bring together representatives of those societies crucial to the long-term development of democratic institutions and free markets with Americans and American organizations and businesses who have relevant experience and expertise.

We will expand on our ground-breaking work in pre- and post-Apartheid South Africa, including through the Gore-Mbeki Commission, to help forge a new US-South African relationship.

USIA is around the world on the Internet and has established its first posts in cyberspace. We will continue to lead the foreign affairs community in innovative use of new communications and information technology to support US national interests around the world.

The International Broadcasting Bureau will continue to pioneer creative means to provide information about the United States to the world. The importance of the Voice of America's role in providing information to denied areas and in supporting US efforts to bring peace to troubled areas of the world will be undiminished.

In Asia, USIA's broadcasting will be joined by the programs of Radio Free Asia as new language services are brought on line to provide people living in information-controlled societies with accurate, objective news and information.

We also will contribute to a new direction in US-Chinese relations through diverse but focused exchanges and other programs which engage Chinese individuals and organizations with their American counterparts.

I am proud of USIA's record of achievement and responsiveness in serving the US national interest. I firmly believe that the Agency is well-positioned to address the foreign policy challenges of the 21st century. It is an agency that promotes American values and gives the highest priority to citizen engagement at a time when the world needs values and engaged citizens more than ever.

Clinton Presidential Records
Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Divider Title: GSA

General Services Administration
Washington, DC 20405

December 6, 1996

Attached, GSA's report on the accomplishments of the first four years and a preview of our goals for the next four.

Please note that the detailed specifics of the first four years are included in a a separate package.

Please let us know if you need further information.

Dave Barram

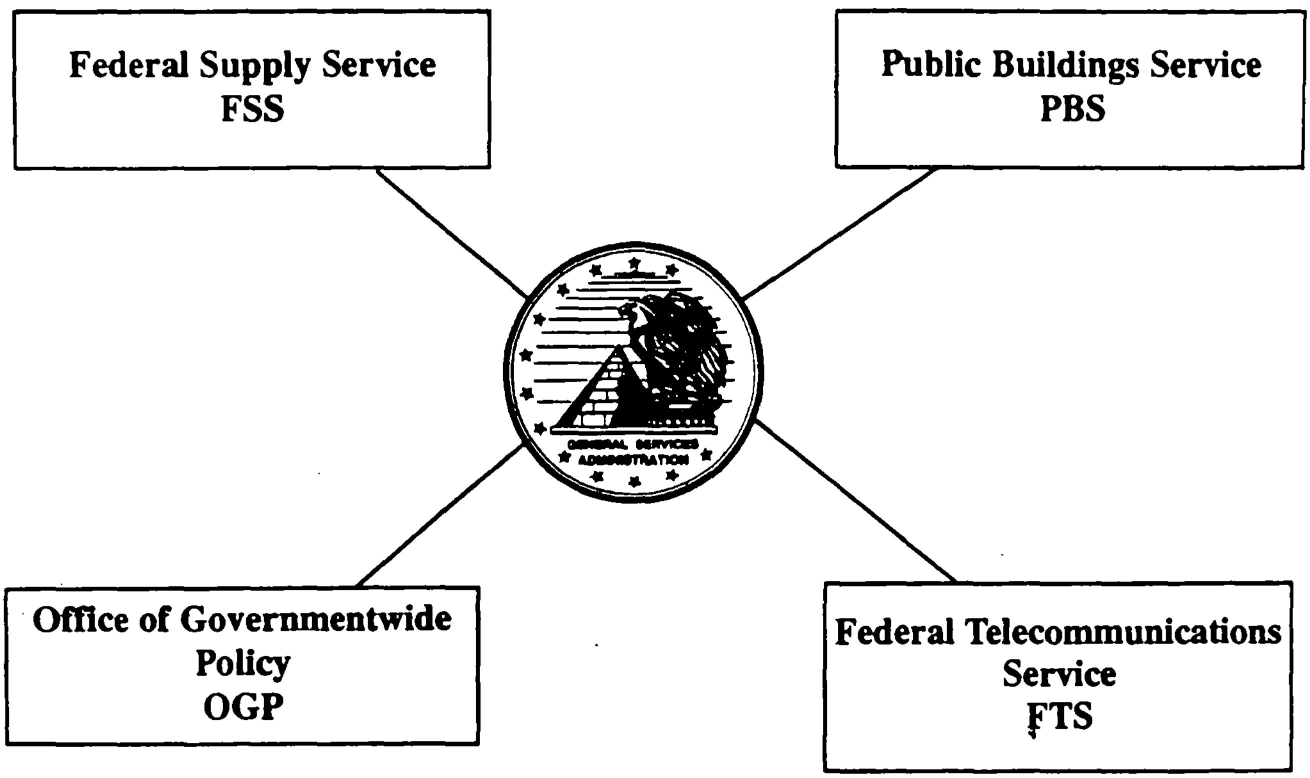
Federal Recycling Program Printed on Recycled Paper

The General Services Administration

This is *not* your father's GSA

We are not your daughter's GSA yet, either.
But, we are getting closer to what we should be as
this decade comes to an end.

AS WE END 1996, WE LOOK LIKE THIS



First a little recent history . . .

REINVENTING GSA: 1993-1996

- Downsizing
  from 20,248 to 14,477 employees
- Becoming a revenue-based organization
  98.5% of $13 billion budget is reimbursable
  only $155 million in appropriated funds
  contracting out for over 89% of goods and services

CHANGING THE WAY WE DO BUSINESS

- Opening GSA to private sector competition
  adopting a market orientation and a marketing theme: Can't Beat GSA
  delegating leasing authority: Can't Beat GSA Leasing, *October 1996*
  negotiating the best prices available—saving over $2.5 billion in FY 1996
- Eliminating excess regulation, paperwork, supervision through new laws
  JFMIP travel reform saves $785 million a year, and eliminates 1930s-era long-distance call certification
  ITMRA creates CIOs, makes local telecommunications nonmandatory
  Federal Acquisition Reform Act (FARA) streamlines procurement processes
- Analyzing GSA's 16 business lines
  Federal Operations Review Model (FORM) analysis conducted 1994-95
  benchmarked against the private sector, GSA is good to excellent
- Innovating through 15 Reinvention Laboratories
  technical innovations —> GSA Advantage!™
  new real estate practices —> Can't Beat GSA Leasing, GORE *auctions*
  environmental efficiencies —> "smart" Federal Building in San Francisco
  improved Federal procurement —> FAST *program*

AMPLIFYING THE ADMINISTRATION'S MESSAGE

- Reinvigorating American cities: Executive Orders 12072 and13006
  locating Federal agencies downtown
  public-private partnerships: the Good Neighbor *program, September 1996*
- Supporting public education
  donating surplus computers to schools
- Providing family-friendly workplaces
  three new quality child care centers bring total to 105 Federally-managed
  40 agencies participate in Telecommuting program
- Supporting small and disadvantaged business
  small, women-owned and minority-owned businesses get 47% of GSA contract obligations
- Protecting the environment
  recycling saves millions of dollars in landfill costs and recovered materials
  GSA's recycled paper costs less than "virgin" paper
  GSA named Energy Organization of the Year for conservation efforts

CAN'T BEAT GSA RESULTS!

Each part of GSA is ready for 1997

FEDERAL SUPPLY SERVICE (FSS)

Our second largest department helps get $27 billion of supplies from commercial vendors to Federal agencies.

It focuses on providing its customers with a wide selection of goods and services, at low cost and with quick delivery — at best value, if you will.

FSS is, and behaves like, a provider of choice. FSS people know that they must be good to get business and stay in business.

FEDERAL TELECOMMUNICATIONS SERVICE (FTS)

Our smallest service is managing telecommunications -- the most complicated activity in American commerce.

It is complicated for at least six reasons: (1) the new telecommunications bill forever changed the rules; (2) the Federal Government will be the largest customer of telecommunications; (3) State and local governments will almost certainly piggyback on the Federal contracts; (4) the private sector providers are in a major merger/alliance frenzy; (5) the underlying technology is changing about as fast as companies can create products (services); and (6) because all of our customers (Federal agencies) expect the lowest cost and most outstanding service.

And, one more reason. We want agencies to make their own choices. We all need to balance that freedom with the cost and service benefits we can leverage from the huge volume of the combined Federal demand.

PUBLIC BUILDINGS SERVICE (PBS)

Our largest service has awakened, as a sleeping giant, to drive itself toward a provider-of-choice world.

In 1996, our 700 leasing professionals and 1800 building alterations professionals experienced a conversion. They became providers of choice, good enough to win the business and confident enough to let their customers choose them. By doing that with the largest part of PBS, we have cast the die. There is no turning back. Very soon, the rest of PBS will have enthusiastically accepted the new style–*we're good and we want you to choose us to do your real estate.*

OFFICE OF GOVERNMENTWIDE POLICY (OGP)

And we are clear about the value of our Office of Governmentwide Policy.

As 1996 ends, we are getting our sea legs about how to connect agencies across the government in smart and productive ways in order to develop Governmentwide policies and bring exciting new ideas into being.

RESULTS!

At GSA, we face the future–confident and ready

CHANGING GSA'S CULTURE TO WORK BETTER AND COST LESS

GSA is in the midst of a revolutionary change in our culture. We are moving from the old style of regulate/avoid mistakes/maintain control to a new style that thrills customers/takes risks/encourages individuals to make decisions.

We will complete the evolution of PBS to a full provider of choice. Our Office of Governmentwide Policy will become the catalyst for innovative and productivity-enhancing cross-Government programs in areas like smart cards, the expansion of electronic commerce and the move toward the paperless Government. FSS and FTS will continue to show how Government entities can "work better and cost less."

By the end of 1997, GSA will be working as one team dedicated to our customers and to leading the whole Federal Government.

PROVIDING THE WORK ENVIRONMENT OF THE FUTURE

Just as the railroads should have seen themselves in the transportation business rather than the railroad business, we need to see ourselves in the business of providing the most effective, innovative, and productive work environments for Federal employees.

We will make our customers' relationships with us easy and efficient, exciting and inviting. We will provide the best value our customers can get anywhere. And, we will show them the best way to vault into the kind of work environment they need to accomplish their unique missions while delivering on the Administration's promise to the taxpayers that Government will work better and cost less.

We will lead the evolution to a time when 30-60% of Federal employees' work time will be spent away from the office. The work space will change and the tools and technology used will change to make it work. GSA will be the guide.

We will base our culture and our business operations on five driving notions:

1. **Speed**
2. **Partnerships**
   with agencies, vendors, courts, downtowns, historic centers
3. **Best value**
   low product cost, prompt delivery, customized products
4. **Innovation**
   prototype new environments at GSA, anticipate customers' needs, deliver tomorrow's requirements today
5. **Learning**
   customers, suppliers, our own skills

Can't Beat GSA Results

GSA ACCOMPLISHMENTS: 1993-1996

The First Four Years in Review

GSA has effected a fundamental change in the way it does business, moving from a process-oriented shop to a market-driven agency. This dramatic shift in the way GSA does business is the result of the mandate from the Clinton administration to downsize and become a fully competitive, revenue-based organization. The agency has met both objectives.

Today's GSA employs the smallest workforce in the agency's history. Since 1993, GSA has streamlined its workforce through buyouts and attrition from 20,248 employees to an all-time low of 14,477 by January 3, 1997. This smaller staff is strongly focused on customer service, contracting with the private sector when necessary to accomplish its mission quickly, intelligently and within budget. The agency has been such a leader in cutting red tape and reducing operating costs that it has been call the "bellwether" agency for reinventing Government by the Washington Post.

At the same time, GSA has moved to a revenue-based organization. IN FY 1996, over 98% of GSA's $13 billion budget came from reimbursable funding, with the Federal agencies that do business with GSA paying the agency directly for services delivered. The agency received only $155 million in Congressionally appropriated funds.

Given the 98.5 to 1.5 split between customer-generated revenue and Congressional appropriations, it has become increasingly clear to GSA leadership that the agency must find ways to thrill its customers. Simply making them happy will no longer do.

Changing the Way We Do Business

Market-oriented practices were put in place with the opening of GSA to competition from the private sector. FSS began the trend in the late 1980s. PBS has continued by delegating its leasing authority to agencies, which may choose between GSA and commercial brokers for leasing services. The only significant GSA service that is still mandatory is FTS2000 long-distance telephone service. Despite limited competition, FTS2000 provides the most cost-effective long-distance service available, as reported to Congress by the General Accounting Office and FTS. FTS expects to provide non-mandatory local phone service in the near future.

In FY 1996, the agency developed a marketing theme -- *Can't Beat GSA Results*. Each of the services carries the banner for their individual programs, i.e., *Can't Beat GSA Leasing, Can't Beat GSA Space Alterations, Can't Beat GSA Advantage!*, and *Can't Beat GSA Customer Service*. The theme is at once an internal challenge for employees and an external promise of excellence for our customers.

Finally, one of the most innovative steps taken by GSA in FY 1996 was the separation of its Governmentwide policymaking functions from service delivery. The Office of Governmentwide Policy (OGP) brings together individuals from affected agencies to help write the Government policies their agencies must follow. With OGP's leadership, they look for cost-effective ways to deliver services, while reducing regulations and empowering employees.

OGP is also taking the lead in enhancing electronic commerce in the Federal Government, providing continuity and a focus of activity for Government card services, electronic benefits services, and technological developments related to electronic commerce.

GSA's Impact on Worklife and the Community

While GSA has changed its culture in the last four years to become increasingly flexible and customer-focused, it has not lost sight of its mission to provide the most effective, productive work environments for Federal employees and its responsibility to amplify the Clinton adminitration's policies. The following specific programs support both mission and policies:

Locating Federal Agencies Downtown. Supporting Executive Orders 12072 and 13006, GSA is actively promoting the revitalization of urban downtown areas by exercising its influence and authority to locate Federal agencies in Central Business Areas, particularly in historic buildings and districts. GSA has been creative in forging partnerships with City governments and other local interests, realizing early successes in cities like New Haven, CT, Detroit, MI, and Portland, OR.

GSA's *Good Neighbor* program supports public-private partnerships. Launched in September 1996, the Good Neighbor program, a new public-private partnership with urban downtown associations, allows GSA to pay for services provided, when asked by local organizations, and enhances the business community's efforts to maintain the vitality of America's cities. It is one of the agency's most successful initiatives and more than 20 cities have requested agreements to date.

Donating Surplus Computers to Schools. Under the Administration's *Computers-to-Schools* initiative, Executive Order 13999, GSA donates its surplus computer equipment to schools and educational systems in Empowerment Zones and Enterprise Communities. In FY 1996, GSA made donations to schools in Tacoma, Boston, Chicago, Philadelphia and the District of Columbia, and helped transfer excess equipment from other agencies to needy school systems across the country.

Providing 24-Hour On-Call Emergency Assistance. GSA often plays an important role when natural disasters or other emergencies call for a Federal presence. It provides supplies, equipment, space and contracting services for relief operations related to natural disasters or military actions around the world. In FY 1996, GSA

In September 1996, GSA's prices for recycled copier paper dropped to five cents a carton *less* than "virgin" paper, reversing the price trend and providing added incentives to use recycled paper. Use of recycled paper will mean additional cost savings for Federal agencies, which spend $63 million per year on copier paper through GSA. If all of it were made with recycled fibers, the five-cent-per-carton savings would total $1.3 million.

Federal Building Security. In the wake of the bombing of the Alfred P. Murrah Federal Building in Oklahoma City on April 19, 1995, GSA conducted a nationwide security review that recommended the implementation of 8,334 new security measures in all Federal buildings. GSA is spending more than $240 million on security measures such as closed circuit television, metal detectors and X-ray machines, and barriers to keep vehicles away from high-risk buildings. It is also hiring hundreds of new officers for the Federal Protective Service.

Child Care. GSA opened three child care centers in FY 1996, bringing the total to 105 quality child care centers in Federal office buildings. GSA-managed child care centers, which currently serve more than 6,500 children, are available to Federal employees and others in the community. Our goal is to have each center professionally accredited by the National Association for the Education of Young Children. In FY 1996, 54 of the 105 centers were accredited, with the remaining centers expected to gain accreditation within two years. This 51% accreditation rate far exceeds the national statistics that show fewer than 5% of all child care centers are accredited.

Telecommuting. GSA has established 15 telecommuting centers nationwide to make it easier for Federal employees to do their work despite weather, natural disasters or exceptionally long commutes. These centers are open seven days a week, 24 hours a day. In FY 1996, they were used by 40 Federal agencies. The seven pilot centers operating in Maryland and Virginia will grow to 18-20 in FY 1997, as the number of agencies participating in telecommuting grows to 48.

Employee Resource Center. The GSA Employee Resource Center provides training and outplacement support to Federal employees. Its resources are used by GSA employees and those of other Federal agencies. In the December 1995 issue of *Government Executive* magazine, the Center was recognized as a model resource center in an environment of Federal downsizing.

Consumer Information Center (CIC). Widely known for its Pueblo, CO, mailing address, the CIC distributed 7 million publications in FY 1996. The Center's free quarterly catalog lists 200 free or low-cost publications on health, food, money management, Federal benefits, housing, the environment, travel, cars, and education. The CIC also maintains an Internet site and electronic bulletin board containing not only the catalog, but also full texts of popular publications and other information of interest to consumers. Together, these electronic sites were accessed 2.4 million times during the year.

Clinton Presidential Records
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Divider Title: SSA

SOCIAL SECURITY

Office of the Commissioner

Memorandum for the Honorable Leon Panetta

From: Shirley S. Chater Shirley S. Chater
Commissioner of Social Security

SUBJECT: Social Security Issues, 1997-2000

I believe the attached Accomplishments Report is a strong document, depicting strong leadership that has resulted in significant achievements over the past four years. It is a record of which we all can be justifiably proud.

You also asked that I outline what I believe to be the major challenges facing Social Security during the next four years. They can be briefly categorized in two areas: policy issues and workload issues.

Both categories have a common touchstone: quality customer service to the American people. SSA is among the most visible of Federal government agencies, with more than 1,600 sites across the country. For many Americans, SSA employees are the Federal government officials with whom they are most likely to personally interact in their lifetimes as they apply for Social Security numbers, request earnings statements or file for retirement, survivors or disability benefits. The public thinks of these experiences as they make personal evaluations of the efficiency and effectiveness of the Federal government.

The Social Security program is the most successful of all domestic federal government programs. It is also among the largest, affecting virtually all Americans--more than 142 million workers who pay into the system and more than 43 million beneficiaries who receive monthly benefit payments.

Our commitment to quality customer service at SSA also has meant assuring people that faith in the future of this program is justified. The huge demographic shifts that the country will face when the large generation of baby boomers begin to retire in 2010 will test our ability to maintain public faith in the future of the Social Security program and is paramount among our policy issues.

Social Security Issues, 1997-2000

POLICY ISSUES

-- **Long-Term Solvency:** The release of the Advisory Council Report on Social Security's solvency is expected soon. The Social Security Board of Trustees, which is comprised of members of the President's cabinet and two public members, estimates that the trust funds are solvent through 2029. But the large cohort (76 million) of baby boom generation retirements looms ahead, beginning in about 2010. This will create financing problems in about 33 years. As a result, significant policy questions are being raised relating to privatization, means testing, raising the retirement age, and adjustments to the Consumer Price Index, among others. During the campaign, the President spoke of his preference for establishing a bipartisan commission to address both Social Security and Medicare issues. Media attention to solvency issues can be expected to intensify, and legislative proposals on Medicare and Social Security are likely to be advanced. Throughout the country, two observations are evident: a great deal of misinformation exists about the Social Security program, and little consensus has developed about what should be done to solve the long-term financing problem. As a result, the President may find it difficult to establish a bipartisan framework that can bring forth a political consensus on this complex and exceedingly sensitive subject in the near term. Clearly, however, if decisions are made sooner rather than later, the less difficult the choices will be. That is the fundamental challenge facing the President, and will be a significant issue throughout the President's second term.

-- **Public Education Campaign:** SSA has inaugurated a national public education campaign as a foundation for further public discussion of topical Social Security issues, such as long-term solvency. The goal is to expand the number of people who have an accurate, working knowledge of the program. The agency's multi-media campaign has to date focused on basic facts about Social Security, with particular emphasis on the family aspects of the program, particularly survivors and disability protection. This ongoing campaign will now shift its focus to providing the public with a deeper understanding of both financial and social principles on which Social Security has been built. For some time, media attention has been focused on the program's long-term solvency. Concern about this issue is, of course, the principal reason for the public's declining public confidence in Social Security. The Advisory Council report will increase media attention about privatization proposals--and public anxiety about Social Security's future. As these proposals enter the public debate, it is important that people have sufficient information to place such proposals in a meaningful context. SSA will therefore seek to provide objective criteria against which proposals may be evaluated.

-- **Growth in the Disability Rolls:** The Social Security disability insurance (DI) and SSI disability programs have experienced significant growth (approximately 65 percent) over the past 10 years. As a result, program costs have escalated drastically, from approximately $28 billion a decade ago to approximately $66 billion last year. Program growth has contributed to escalating costs in the Medicare and Medicaid programs as well (due to automatic eligibility for these benefits when DI or SSI benefits are provided). SSA's Listings of Impairments (our regulations that govern conditions of eligibility) are revised periodically, and the two listings governing areas of greatest growth (mental and musculoskeletal) are scheduled for revision over the next few years. As SSA begins to revise the listings, it is likely the subject will generate a great deal of controversy. In addition, given recent GAO and CBO attention to this area, Congress is likely to examine these programs in greater detail, culminating in a number of legislative proposals.

-- **Disability Redesign:** Disability claim workloads now consume more than 50 percent of agency resources. The effort to redesign the disability determination process is critical to SSA's long-term ability to meet workload demands. The agency's goal is a simplified, more efficient, less labor-intensive process, taking a system designed for the 1950s and replacing it with one equal to the challenges of the 21st century. The disability redesign project is a long-term initiative expected to run through 2001. A number of regulations will be developed to address certain policy issues, and legislation will probably be needed to address such issues as medical evidence requirements and requirements for Federal review of State determinations. Redesign will likely receive increasing attention, particularly by the House Ways and Means Committee, as changes to the current process are instituted.

-- **Return to Work:** SSA has been studying ways to develop cost-effective strategies to increase the number of disability beneficiaries who return to work. Very few Social Security disability beneficiaries ever leave the rolls to return to work. Our efforts focus on maximizing the employment potential of young people with disabilities. More and more young people are entering the disability program rolls with the result that many will face a life of dependency. The agency is working with a broad array of stakeholders, other Federal agencies and experts to develop effective "return to work" strategies. GAO has also become increasingly interested in "return to work" initiatives over the last 18 months, benchmarking our success in returning disabled individuals to the workforce against efforts of other countries. Agency initiatives, together with wider public attention about "return to work" issues, are likely to generate new legislative proposals by both the Administration and Congress.

-- **Social Security Number:** The Social Security number (SSN) is used by SSA to record earnings covered by Social Security and/or Medicare and to process and pay claims for Social Security and SSI benefits. But in today's society, the SSN is rapidly becoming a universal identifier. Countless other organizations, both public and private, also use the SSN for identification and administrative purposes. For example, beginning with the 1995 tax year, all dependents claimed on a Federal tax return must have an SSN. Credit card companies routinely use the SSN as an identifier. The Welfare Reform legislation established a pilot project in which SSA must develop a prototype of a counterfeit-resistant Social Security card that is durable and provides individuals with reliable proof of citizenship or legal resident alien status. SSA is also required to report on the workload implications of issuing a counterfeit-resistant Social Security card for all individuals over a 3-, 5-, and 10-year period. The report and facsimile of a prototype card are to be submitted to Congress in July 1997. SSA intends to look at some of the broader issues of the number's use as well. Personal privacy and security issues can be expected to surface in both Congress and the media as a result of this study.

-- **Electronic Service Delivery:** SSA has assumed a leadership role among Federal agencies in offering electronic service options to our customers. In addition to reaching Americans who are computer literate, outreach efforts have been made to public libraries and community associations, as well as corporations. In 1997, SSA plans to test transmission of Social Security business over the Internet, such as requests for the Personal Earnings and Benefit Estimate Statement (PEBES). SSA also plans a demonstration project in which small employers can report employee wage information over the Internet. Issues raised by this customer service delivery effort include customer privacy and authentication, and the legal questions about electronic signatures.

-- **Fraud and Abuse:** In a program which provides cash benefit payments totalling more than $360 billion a year to about 49 million Social Security and SSI beneficiaries, the possibility of fraud exists. Under the Independent Agency legislation, the agency's Inspector General's office was created. The agency is committed to significantly increasing its investigative capacity, and has taken steps over the past year to begin that process. In addition, agency plans call for intensifying current efforts in border fraud, SSI fraud, disability program fraud and SSN fraud. SSA will soon be using a newly legislated tool for fighting fraud--imposing civil monetary penalties. Increased media attention to our investigations can be expected, and it is likely that a number of legislative initiatives will be proposed by SSA.

-- **Official Union Time:** Under a law which has been in existence for more than 20 years, SSA pays the salaries of employees who participate in official union activities. Activities include bargaining and grievance procedures, but do not include membership solicitation and partisan political activities. Currently, about 145 employees out of a workforce of 65,000 perform full-time union duties. Last year Congressional hearings about federal employee unions focused on SSA and AFGE. Legislation prohibiting payment for union activities from the Trust Fund passed the House last year, but was deleted in the Senate. The issue is likely to surface in 1997.

WORKLOAD ISSUES

-- **Disability Workloads:** The Social Security disability program pays benefits to more than 4.2 million disabled workers and to 1.6 million dependents; the SSI program pays benefits to 5.1 million disabled individuals. In recent years, SSA has experienced unprecedented increases in both Social Security and SSI disability workloads. In addition to the approximately 3.5 million disability claims filed in FY 1995, appeals workloads, which are largely generated from disability claims, have grown significantly. In FY 1996, about 550,000 hearing requests were filed, nearly a 70 percent increase since 1991, and a 140 percent increase over levels a decade ago. By 2001, the number of disability claims and hearings filed annually are projected to be between 5 and 10 percent higher than they are now. One measure of agency efficiency in processing disability claims is the ability to pay or deny initial claims in a timely fashion. The agency's goal has been to take action on disability claims within 60 days of filing date. Currently, SSA meets this standard in about 50 percent of Social Security disability claims and in about 27 percent of SSI disability claims. In FY 1997, SSA has set goals of 55 percent and 30 percent, respectively. Further improvements in this or other efficiency measures will require a substantial commitment of resources, as well as success of the agency's disability redesign project (see earlier discussion of disability redesign in policy issues).

-- **Welfare Reform:** Under Welfare Reform legislation passed earlier this year, two categories of SSI beneficiaries are affected. Children must meet a more stringent eligibility standard to qualify for SSI, and many noncitizens will not be eligible for SSI. Children who do not meet the new eligibility standard will lose benefits by July 1, 1997, or the month after their case is reviewed (whichever is later), unless they appeal. It is estimated that SSA may review up to 300,000 cases over the next year. The welfare reform legislation also prohibits payment of SSI benefits to noncitizens except for certain, specific categories of noncitizens. Noncitizens who do not meet the new eligibility criteria will lose benefits by August 22, 1997, one year after welfare reform was enacted. It is estimated that SSA may redetermine approximately one million individual cases over the next year. Reviewing these cases represents a substantial workload for the agency in 1997.

-- **Drug Addicts and Alcoholics (DA&A)**: Legislation enacted last year prohibits Social Security and SSI eligibility for individuals whose drug or alcohol addiction is the major reason for their disability. Approximately 200,000 beneficiaries are affected and were notified earlier this year. SSA has been reviewing cases of individuals who have requested a review. Approximately half of all 200,000 cases appealed, and CBO estimates that as many as 75 to 80 percent will return to the rolls under another disabling condition. For those not qualifying under another condition or who did not appeal their notice earlier this year, benefits are scheduled to terminate in January 1997. This will likely generate news stories, particularly in the early part of 1997.

-- **Eligibility Reviews**: SSA expects to conduct about 700,000 continuing disability reviews (CDRs) in FY 1997, a substantial increase from the more than 500,000 conducted in FY 1996 and the approximately 300,000 in FY 1995. CDRs are required to be conducted every 3 years, unless medical improvement is not expected. But this standard has not been met for some time now. After the 1980 legislation requiring mandatory periodic review of disability cases, the emphasis on CDRs resulted in an initial cessation rate for benefits of 40-50 percent between 1981-1983. Ensuing controversy resulted in an eventual moratorium on CDRs while new regulations were developed. With the start of the 1990s, the agency experienced a surge in initial disability claims and resources formerly used for CDRs were diverted to initial claims. As a result, tremendous CDR backlogs grew and the agency now has approximately one million overdue CDR cases. The Administration pursued special funding last year which provides for SSA to conduct approximately one million CDRs per year. CDRs are an important pillar of program integrity. But the CDRs also represent a tremendous workload over the next four years. Congress also will watch closely SSA's efforts in this area, as will advocates who fear a return to the benefit cessation rates experienced in the early 1980s. For every 100 CDRs conducted, SSA estimates no more than six to ultimately result in a loss of benefit payments.

-- **Earnings Statements**: By October 1999, the agency must begin sending an estimated 123 million Personal Earnings and Benefit Estimate Statements (PEBES) to all eligible individuals age 25 and older. These statements provide a report of the life-long earnings record maintained by SSA on each worker covered by Social Security, and an estimate of the worker's potential future

Social Security benefits. SSA began issuing first-time statements to individuals age 60 or older in FY 1995--approximately 7.1 million. The last fiscal year added about 5 million individuals age 57-60. The rapid increase to 123 million statements will also generate "fallout" workloads of earnings corrections and related inquiries over the next four years. This program is important to public confidence and bolsters public awareness of what benefits the program provides.

-- **800 Number:** Every year, more and more people use SSA's 800 number as their entry point for requesting services. Calls received by the SSA 800 number are expected to increase from 62 million in FY 1995 to 78 million in FY 1997. In FY 1995, about 74 percent of all callers were able to get through within 5 minutes; for FY 1997, SSA has established a goal of 95 percent. SSA began major changes in operation of the 800-number system in January 1996 and in the first nine months of the year reached a 5-minute access rate of 90 percent. The agency expects to devote considerable attention to this measure of public service in the years ahead. As the public's preference for teleservice continues to grow, the agency will have to further shift resources to this area if it is to maintain public service quality standards.

-- **Technology:** Technology is the building block for SSA's efforts in continuing to provide world-class customer service, while at the same time coping with ever-increasing workloads. The agency maintains earnings records for more than 142 million wage earners and pays Social Security benefits to more than 43 million individuals. Maintaining such vast amounts of data requires investments in state-of-the-art information technology. The single most important initiative on SSA's information technology agenda is the acquisition and installation of an Intelligent Workstation/Local Area Network (IWS/LAN) infrastructure. This initiative will provide front-line employees with computer tools necessary to do their jobs in the years ahead, speeding claims processing and improving overall telephone service. The President and Congress have provided SSA with $1.1 billion over a five-year period to make these investments which are critical to workload challenges the agency faces. Budgetary support for continued automation investment funding is needed to provide ongoing capital support to the agency's technology infrastructure. This issue will be a central part of SSA's yearly budget and appropriations hearings on Capitol Hill over the next few years.

-- **Payment Cycling:** Since the first monthly Social Security benefits were paid in 1940, all program payments have been scheduled for the beginning of the month--usually the third of the month. SSA now pays more than 43 million Social Security beneficiaries each month. This has created tremendous workload "spikes." As part of SSA's reinventing government efforts, the agency proposes that it begin cycling payment dates for all new beneficiaries, but make no change for current beneficiaries. Payment cycling would help SSA "level" workloads and improve public service. Payment cycling would affect those individuals filing applications after May 1, 1997 (the first payments would be made in June). While this change would not pose any substantial workload increases, the change could generate media attention if payment cycling is implemented in late spring of 1997.

-- **Mandatory Direct Deposit:** Under legislation passed last year, all new Social Security and SSI benefit payments must now be made through direct deposit, unless recipients certify that they do not have a bank account. Current beneficiaries in both Social Security and the SSI program will be required to utilize direct deposit by January 1999, unless they meet an exception standard as specified in regulations to be issued by the Department of Treasury. This change has implications for a number of Federal agencies, particularly Treasury and SSA. Department of Treasury charges will be reduced from approximately 42 cents per check to 2 cents per direct deposit issuance. For SSA, about 22 million beneficiaries will need to be converted to direct deposit. SSA will face a major challenge in communicating this requirement to the 22 million check recipients and in taking action to enroll them in the direct deposit program over the next two years.

-- **Immigration Reform Legislation:** Legislation enacted last year requires that the Attorney General conduct several employment verification pilot projects in at least five of the seven states with the most undocumented workers. SSA's role in these pilot projects will be to verify, within three working days, the SSN of prospective employees and whether the SSN presented is valid for employment. Legislation also requires the Department of Health and Human Services to establish a National Directory of New Hires to help collect child support enforcement judgements against parents who move out-of-state. As part of this initiative, SSA is required to verify the SSN, name and date of birth of everyone appearing in the national directory, along with the employer identification number. In addition, States are required to begin issuing more counterfeit-resistant birth certificates within three years of the establishment of standards for these birth certificates. SSA may be asked to establish that standard. Immigration issues can be expected to remain a high-profile public policy concern in the next few years.

-- **"Year 2000" Project:** The advent of the 21st century poses enormous challenges for the data processing community, both in the public and private sectors. The reason is that many computer programs store and use only the last two digits of a year and assume that the first two digits are 19. Problems arise when it becomes necessary to use dates in two different centuries. There is no automated way to review software for this problem and each "line" must be examined individually to see if a change is needed. At SSA, there are more than 30 million lines of software now in use. Initial estimates indicated that tremendous staff resources, at an estimated cost of approximately $30 million, are needed to make software changes. SSA has been in the forefront of government organizations dealing with this issue, and at OMB's request the agency heads a Federal interagency committee on the "Year 2000" project. SSA expects to have all changes made by January 1, 1999, a year ahead of the deadline.

Social Security Administration: Major Accomplishments Under Commissioner Shirley S. Chater

1993-1996

Socia Security Ad ı ˙nistration:

Major accomplishments under Shirley S. Chater, 1993-1996

The Social Security Administration (SSA), with more than 1,600 sites across the country, administers one of the largest and most complex of federal government programs. Social Security provides social insurance coverage to more than 142 million workers and their families. The program pays retirement benefits to more than 30 million Americans, disability benefits to about 6 million disabled workers and their families, and survivors benefits to more than 7 million family members of deceased workers. SSA also administers the Supplemental Security Income (SSI) program, which provides benefits to approximately 6.5 million people who are aged, blind or disabled and who have little or no resources.

In FY 1996, the Social Security and SSI programs paid a total of more than $360 billion in benefits to the American people. Under the leadership of Commissioner Shirley S. Chater, SSA has realized the following significant accomplishments in the administration of both of these programs.

Leadership

- Managed SSA's transition from the Department of Health and Human Services to an independent agency; transition characterized as "seamless" and among best ever by the General Accounting Office

- Represents agency at President's Cabinet meetings—first Commissioner of Social Security to regularly do so

- Chairs interagency Customer Service Workgroup for President's Management Council

- Serves as a member of the Social Security and Medicare Boards of Trustees

- Secured significant increases in Congressional funding for agency's administrative budget in an era of scarce resources, representing more than a 33 percent increase over four years

- Established as agency's priority goals 1) world-class customer service delivery, 2) enhanced public confidence in Social Security, and 3) creation of a supportive work environment for employees

- Created first agency Business Plan to guide agency priorities and business processes

- Established Accountability Report to track financial and productivity measurements; Accountability Report recognized as a model document by the Office of Management and Budget

- Established agency performance reporting standards years in advance of requirements under Government Performance and Results Act

- Instituted process to strengthen agency's policy office

- Signed milestone partnership agreement with American Federation of Government Employees

World-Class Customer Service

SSA is dedicated to providing world-class service to all of the people it serves. Commissioner Chater has defined world-class service as that which is equal or superior to service provided anywhere in the public or private sectors. The following agency achievements support that goal:

- Earned highest customer service ratings of either "good" or "very good" from three out of four survey respondents for employee knowledge, skills, courtesy, waiting times and overall service
- Developed and posted customer service standards in all SSA offices across the country and began issuing reports to customers on SSA's performance in meeting those standards
- Provided service to 9 of 10 customers within 10 minutes of appointment in 1996
- Received highest overall rating for 800-number service among public and private organizations renowned for service (rating by Dalbar and Associates, an independent financial services firm)
- Improved responsiveness of agency's 800-number service by increasing the percentage of callers reaching an SSA representative within 5 minutes, on all but the busiest days, from 74 percent in FY 1995 to 90 percent over the first 9 months of 1996
- Established a toll-free telephone number to handle calls from 6.7 million employers nationwide to deal with wage reporting questions, and instituted new procedures to simplify wage reporting by employers through electronic means
- Led effort to redesign disability determination process to improve both the timeliness and accuracy of disability decisions
- Cut average processing times for initial disability cases for 3 consecutive years
- Increased the number of disability hearings held from 357,000 in FY 1992 to 581,000 in FY 1996
- Streamlined the disability hearing decision drafting process, reducing backlogs from 48,000 in FY 1995 to 11,000 at the end of FY 1996
- Piloted joint SSI outreach program to homeless veterans with Department of Veterans Affairs
- Cut average processing time in half for Social Security number requests
- Piloted "one-stop service," making it possible for individuals to apply for assistance from several government agencies/programs with a single interview and application form
- Signed three new international Social Security agreements with Ireland, Luxembourg and Greece, and amended four earlier agreements to improve U.S. citizens' foreign benefit rights
- Created agency Internet site; more than 500,000 people have visited the site during FY 1996, and the number grows at a rate of approximately 30 percent a month

Enhancing Public Confidence

Public confidence in—and support of—Social Security are critical factors in maintaining the efficacy of the program. While support for the program remains high, confidence is declining. SSA is working to enhance public confidence in Social Security. Under Commissioner Chater, SSA has:

- Issued more than 7 million first-time Social Security benefit estimate statements to eligible individuals age 60 or older in 1995; in 1996, statements were sent to people age 57-59; and beginning in 1999, every worker age 25 and older will receive a statement each year
- Developed educational program on Social Security for the American public, including national and local speaking engagements, meetings with editorial boards, and local radio and television appearances
- Inaugurated national public information campaign specifically on the survivors and disability programs; public service announcements received $4 million worth of donated broadcast time
- Produced and distributed more than 15,000 "Teacher's Kits" to secondary school teachers to explain basic facts/philosophy of Social Security; Teacher's Kits have been widely praised by educators
- Provided research and analysis to quadrennial advisory council studying long-term financing
- Provided technical support to Congress on Social Security solvency issues, disability program reform, and other issues
- Strengthened outreach/information efforts to working women and divorced women
- Conducted more than 500,000 case reviews during FY 1996 to ensure continuing eligibility for current disability program beneficiaries—the largest number of such case reviews in more than 10 years
- Established a national task force on prevention of fraud and abuse and held SSA's first national fraud conference
- Implemented plan which will increase the number of agency investigators fighting fraud
- Established national fraud hotline
- Obtained agreements with this country's 3,500 state and local jail systems to stop payment of benefits to prisoners
- Tightened qualifications for more than 6 million Social Security and SSI program representative payees, i.e., volunteers who manage benefit payments for individuals unable to manage their own finances
- Maintained low administrative costs for Social Security—less than 1 percent of benefit payments

Supportive Work Environment

In order to deliver world-class service to its customers, the agency must have a professional, dedicated workforce. To meet this goal, under the leadership of Commissioner Chater, SSA has:

- Achieved SSA's highest-ever representation of minorities and women in management positions
- Received lowest number of equal employment opportunity complaints since 1992
- Reduced the number of unfair labor practice charges filed in the agency, resulting in potential average annual savings of $7 million
- Established periodic meetings between top agency officials and advisory boards representing viewpoints of agency minorities, women and employees with disabilities
- Held first agencywide diversity conference for employees
- Increased hiring of bilingual employees from one-third to one-half of all new hires in last two years to better serve SSA's growing, non-English-speaking populations
- Held agency's first security conference to toughen measures to protect both employees and the public following the Oklahoma City tragedy
- Committed $1.1 billion over 5 years toward increased computerization of agency offices in order to make employees more efficient and productive in serving the public
- Instituted "interactive video teletraining" for employees, an intra-agency television classroom that provides live simultaneous training to various worksites across the country and reduces agency training costs
- Instituted new, direct employee communications practices, i.e., electronic broadcasts from Commissioner to employees on important issues

"Our pledge is to fulfill our responsibilities to the working men and women who look to Social Security to help safeguard their financial future. This is our pledge as an agency—and it is my commitment as Commissioner."

Shirley S. Chater
Commissioner of Social Security