COMMITTEE FOR EDUCATION FUNDING

DATE 6/16/95

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TO: Mike Cohen

FROM: Al Sumberg

The Committee for Education Funding
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MESSAGE: Mike: Here is the CEF list I referred to yesterday at the meeting. Al

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Jay Dickey	AR-4th
Phil English	PA-21st
Harris Fawel	IL-13th
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Gary Franks	CT-5th
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TALKING POINTS

Terminating the Department of Education

FY 1996 House Budget Resolution

Here is what the Clinton Administration's Budget Director wrote about education:

"Improving education will take bottom-up reform. Presidential speeches and photo opportunities, national testing and assessment, Federally funded experimental schools, even new grants spent in accordance with Federal guidelines, can make only marginal contributions to fixing the schools. Education in America will not improve significantly until states and communities decide they want better schools. Making education more effective will take parents who care, committed teachers, community support, and accountable school officials. An 'education president' can help focus media attention on schooling, but he risks diluting state and local responsibility by implying that Washington can actually produce change." — Alice M. Rivlin, *Reviving the American Dream.*

¶ The FY 1996 Majority Budget plan restores state and local control of education and eliminates the Federal interference in schooling.

¶ Under the plan of the House Republican freshmen, remaining education programs would be moved to other agencies. Currently, only 44 percent of education programs are administered by the Education Department. The other 56 percent are spread among 30 other Federal agencies.

- Elementary and secondary education funding would be moved to HHS.
- Job training programs would be moved to the Department of Labor.
- Civil rights would be moved to the Department of Justice.

¶ Of all the funding for elementary and secondary education throughout the United States, only 6 percent of it comes from Washington.

¶ The Republican plan would preserve most of the major education programs: Title I basic grants for disadvantaged students, Impact aid for "a" students, special education, vocational rehabilitation, funding for Historically Black Colleges, Pell Grants, Campus Based Student Aid, and unsubsidized student loans.

¶ The plan also creates a new $800 million Governors' Reform Block Grant.

¶ But the proposal eliminates 150 education programs that are duplicative or ineffective. Included in the plan would be the following:

- **Eliminate Funding for Goals 2000.** Education Reform will be achieved by encouraging innovation and rewarding results. Goals 2000 increases funding for bureaucracy and imposes new regulations on states and localities — exactly the wrong approach.

- **Eliminate Funding for Title 1 Concentration Grants and BIA Set-Aside.** Funding for the Title 1 program, which provides supplemental funding to assist low-achieving students, has doubled over the past 10 years. However, according to the Education Department's Biennial Evaluation Report: "Comparisons of similar cohorts by grade and poverty show that program participation does not reduce the test score gap for disadvantaged students. Indeed, Chapter 1 student scores (in all poverty cohorts) declined between the third and fourth grades."

- **Fund Impact Aid at President's Level.** The Administration's proposal would limit funding to military and Indian "a's," whose parents both live and work on Federal property, and targets the assistance to more accurately reflect the local education contribution.

- **Eliminate Duplicative School Improvement Programs.** This proposal would eliminate funding for the following: Education Infrastructure; Inexpensive Book Distribution; Arts in Education; Instruction in Civics; Christa McAuliffe Fellowships; Magnet Schools Assistance; Education for Homeless Children and Youth; Women's Educational Equity; Training and Advisory Services; Dropout Prevention Demonstrations; Ellender Fellowships; Education for Native Hawaiians; Foreign Language Assistance; Training in Early Education and

Violence; Charter Schools; Technical Assistance for Improving ESEA Programs; and Family and Community Endeavor Schools. Although many of these programs have useful goals, they are generally too small to be effective on a national scale.

This proposal anticipates that many of these activities will be eligible for funds under a new Governors' Education Reform Block Grant. The Administration's budget reduces categorical programs in the Department of Education by 68.

- **Consolidate School Improvement Programs and Drug-Free Schools into Governors' Block Grant.** This approach will achieve two general principles articulated by the Administration in their proposal to restructure the Perkins Act: "*flexibility*, allowing states and localities to implement . . . systems that respond to local needs, instead of Federal 'set-asides' and other requirements and *consolidation*, ending program proliferation by merging separate formula and discretionary programs into a more coherent, integrated program."

- **Discontinue Capital Contributions.** The President's fiscal year 1995 Budget recommended discontinuing funding for Capital Contributions for Perkins Loans, saying: "Federal Direct Student Loans and Federal Family Education Loans, together with new Perkins loans funded from $6 billion in existing institutional revolving funds, will provide adequate sources of capital for new student borrowing."

  This proposal *would not* affect the two other campus-based programs, the work-study program and supplemental education opportunity grants. This proposal also would not reduce the Perkins loan cancellation payments, nor would it eliminate the $6 billion loan revolving fund.

- **Eliminate State Incentive Grants and State Post-Secondary Review Entities.** Today, all 50 states and the District of Columbia offer this kind of assistance. For this reason, the National Performance Review recommended terminating this program. Critics have argued that the program is poorly focused and overly burdensome.

- **Eliminate Duplicative Higher Education Grants.** This proposal would eliminate funding for the following: the Fund for the Improvement of Postsecondary Education; Alaska/Hawaii Native Culture and Arts; the Eisenhower Leadership program; Minority Teacher Recruitment; Minority Science Improvement; Innovative Projects for Community Service; International Education and Foreign Language Studies; Cooperative Education; Law School Clinical Experience; Urban Community Service; the student financial aid database and information line; and the Mary McLeod Bethune Memorial Fine Arts Center. Most of these programs have either largely achieved their original purposes or could be supported more efficiently by other funding sources. The Administration's own budget reduces the number of categorical programs in the Department of Education by 68, including six of the programs listed above.

- **Phase Out Aid to Institutions over Two Years as Proposed by the President.** The Committee agrees with the Administration that the best way to support institutions of higher education become fniancially self-sufficient is through investing in student financial assistance. According to the Administration: "Tuition revenues from a student receiving financial aid may be used for 'developmental' purposes, such as those currently supported by Part A, as well as the endowment-building activities currently supported by Part C."

- **Phase Out all Special Interest Scholarships.** The Committee agrees with the Administration's efforts to "eliminate a number of smaller, categorical programs that are administratively burdensome and duplicative of the broader student financial aid programs." In addition, the Committee notes that numerous merit scholarships already are provided by private groups, state governments, and universities.

- **Eliminate Funding for TRIO Programs.** Although the programs have strong support, their effectiveness has been questioned in a number of studies. According to the Department of Education's Biennial Evaluation Report: "Upward Bound participants were more likely to enter college and earned more credits than non-participants, but within 18 months after high school graduation, differences in post-secondary persistence were no longer significant . . . There were no systematic differences in rates of college graduation or credits earned."

- **Eliminate Wasteful Education Research Programs.** This proposal would eliminate funding for the following: Research; Educational Technology; Star Schools; Ready to Learn Television; Telecommunications Demo for Mathematics; Fund for the Improvement of Education; Javits Gifted and Talented Education; National Diffusion Network; Eisenhower Regional Consortium; 21st Century Community Learning Centers; the National Writing Project; Civics Education; and the International Education Exchange. Most of these programs have largely achieved their original purpose, were created to benefit specific special interest groups, or could be supported more efficiently by other funding sources. The Administration's own budget reduces the number of categorical programs in the Department of Education by 68

- **Reduce Department of Education Administration Account by 30 Percent.** As the size and scope of the Department of Education is reduced over the coming year, the costs of running the Department can be significantly decreased.

- **Terminate Bilingual and Immigrant Education.** Numerous studies have shown that heavy reliance on the pupil's native language can delay English proficiency. Eliminating Federal funding for bilingual education — a mere 3 percent of the total money spent on bilingual education — could free local school districts to offer the most effective programs for their students.

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Restructuring Federal Labor and Education Programs: Organizational and Management Issues

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Contents

Introduction

In the midst of the government-cutting, deficit-reducing campaigns in Washington, an intriguing proposal has surfaced to consolidate the Department of Labor with the Department of Education and the Equal Opportunity Employment Commission. Any organizational restructuring inevitably raises critical problems. The merger proposal, prepared by Rep. Steve Gunderson (R-WI) and George Goodling (R-PA), also raises special problems: in combining the missions of three very different agencies; in developing the organizational structure to do the job; and in managing what would prove to be a very difficult transition.

This analysis of the restructuring proposal proceeds in four sections:

- *Generic problems.* What general issues does this proposal, like all restructuring proposals, raise?
- *Special issues.* What special issues are raised by the Gunderson-Goodling plan?
- *Transition issues.* If Congress were to pass the merger plan, what transition issues would surface?
- *Conclusion.* What should we make of this proposal? The paper concludes with issues that managers of the restructuring will have to solve, and what issues the restructuring proposal frames for the existing departments even if Congress does not pass the plan.

Restructuring Government: Generic Problems

Reorganization and restructuring have always been irresistible impulses for public managers. Some organizational structures, quite simply, make government's job work cheaper and more effectively than others. Consolidating related programs in a single agency can improve coordination and reduce costs. Devising the right field structure can make government programs much more responsive.

Organizational structure, however, matters about much more than efficiency and effectiveness. Structure is an important symbol. The Veterans Administration was elevated to a cabinet-level department principally to signal the priority, both political and managerial, that decision makers wanted to give to veterans affairs. The same is true of the creation of the departments of Energy and Education in the Carter administration. On the other hand, the Republican Congress now proposes to eliminate the Commerce, Education, and Energy departments, in large part to demonstrate their commitment to cutting government.

Reorganization plans can also serve as valuable smoke screens to deflect debate on painful policy problems. Many of the restructuring proposals at play during 1995 substitute for the truly important, more fundamental, but politically untouchable question: What do we really want government do? The answer, of course, is that citizens often want government to do just what it is doing, but they want the job done with fewer tax dollars and less intrusion into their lives.

Reformers often propose restructuring as a way of doing just that without thinking through whether they can deliver on their promises.

The long history of government organization and reorganization, in the United States and in other governments around the world, teaches several fundamental lessons. First, *organization matters.* Despite recurring efforts to transform government through procedural changes — from civil service reforms and radical budget proposals like zero-based budgeting to people-based efforts like total quality management — managers continually return to organizational structure as an essential building block of government performance. Whether we seek to centralize or decentralize government management, to make bureaucracies tall or short, critical mechanisms like communication and coordination hinge on structure.

Second, *no one form of organization is demonstrably superior to others.* If it were possible to find the "best" organizational structure, we would have discovered it long ago. Different structures have different advantages. Centralized bureaucracies enhance uniformity of policy; decentralized bureaucracies make it easier to adapt broad policy to local conditions. It is impossible to do both simultaneously, so managers have to confront the hard choices that different organizational forms present.

Third, *restructuring is never a once-and-done job.* Every organizational structure solves some problems (such as eliminating duplicative programs) while creating others (such as reducing responsiveness to an agency's customers). No organizational strategy is therefore very stable. Managers must tackle the problems that the current strategy creates. And because every organizational pattern creates problems, every strategy generates new demands for reform. What is important, therefore, is that we think carefully about which problems we most want to solve and which ones we are willing to tolerate. If we are not careful about making sure that we address the right problems, we will surely lurch inadvertently into new ones that could prove even worse that the ones we are trying to solve.

Strategies of Organization

The leading restructuring proposals today attempt to consolidate related functions. For example, the Heritage Foundation's report, *Rolling Back Government*, seeks to reduce the federal government to just five departments.[1] After devolving some programs to state and local governments, privatizing others, and eliminating some altogether, Heritage uses function-based consolidation as its basic building block. The General Accounting Office's (GAO) January 1995 report, *Budget Function Classification*, has proven an invaluable handbook for reorganizers.[2] It charts which federal departments share which functions, and therefore what opportunities exist for consolidation. Even beyond the Departments of Education and Labor, GAO also found that at least 13 other agencies manage 65 additional job training programs.[3]

Functionally based organizations, however, are not the only and certainly are not always the best choices. In a classic analysis for President Franklin D. Roosevelt's Brownlow Committee, which established the modern presidency, Luther Gulick argued four things. First, he argued that there traditionally are four different patterns of organization: *purpose* (or function, such as supporting higher education or conducting job training); *process* (such as accounting, planning, contract oversight, or grants management); *persons or things* dealt with (or customers, such as

11

mine workers or elementary school students); and *place* (such as the West or inner cities). Second, he argued that managers have only these four choices. There are no other options. Third, he concluded that leaders can emphasize only one pattern. It is impossible, for example, to organize by both purpose and place. One scheme inevitably must receive precedence. Finally, he contended that each pattern presents important advantages but also certain, predictable disadvantages. No one organizational scheme therefore ever can solve all problems. Choosing the best pattern is a problem of deciding which advantages to emphasize and which disadvantages to accept.

The federal government has predominantly, but not exclusively, been organized by purpose. We have departments for labor, education, revenue collection, foreign affairs, national defense, commerce, housing, energy, and human services. The Department of the Interior is predominantly place-based; it could be aptly renamed "the Department of the West." The Department of Veterans Affairs is customer-based. It is organized to serve the needs of veterans.

Now, it would be possible to restructure federal departments along different lines. The Department of Veterans Affairs, for example, could be restructured by purpose. Its health care functions could be transferred to the Department of Health and Human Services (HHS), its educational functions to the Department of Education, and so on. But Congress long ago decided to consolidate serves for veterans in a single agency. There is an obvious political logic in the decision; veterans are a large and powerful interest group. There is also a strong organizational logic. Organization by customer promotes one-stop shopping. A single office can more easily coordinate diverse services for veterans than a series of different offices staffed by different departments ever could. On the other hand, as numerous studies have pointed out, the quality of veterans services sometimes suffers because functional experts are not in charge of delivering them. The political base for the department, moreover, tends to strengthen political support for services organized specifically for veterans. That makes it harder to cut those services or to shift resources among competing claims.

Even though we have chosen to make function the primary building block of government in the United States, most departments deal with the tradeoffs by building other units, based on other principles, in their subdivisions. Most departments, for example, have process-based units (including auditing, legal, accounting, and procurement offices). That improves the effectiveness of such units by gathering related workers together. Most departments have area-based units (including field offices) to improve coordination about the functional pieces of the department. And a few departments have units devoted to the needs of particular customers (such as offices for the elderly and children within HHS) to improve coordination and foster responsiveness.

Reformers have always sought the "perfect" form of organization. Like the search for the Holy Grail, however, they have spent enormous energy in a fruitless quest. The shifting patterns of organization, moreover, reflect deeper transformations in political values. "Executive branch structure is, in fact, a microcosm of our society," Harold Seidman and Robert Gilmour, two of our shrewdest students of administrative structure wrote. "Inevitably it reflects the values, conflicts, and competing forces to be found in a pluralistic society. The ideal of a neatly symmetrical, frictionless organization structure is a dangerous illusion."[4] The merger proposal needs, therefore, to be seen in the light of lasting administrative challenges and changing political values.

Saving Money through Restructuring

All reformers, moreover, are lured by government's version of the Grail's promise: If only the right form of organization could be found, we could save large amounts of money without sacrificing services. This search, however, has almost always frustrated reformers. There are many reasons to restructure government, but saving money is not one of them.

The idea seems so simple. We ought to be able to find related programs, consolidate them, eliminate redundancies, and cut out duplicative administrative layers. That ought to permit lower spending and fewer government employees. It seems so logical, in fact, that the straightforward argument has long attracted followers from all parts of the political spectrum.

The only problem with the argument is that it is not true.[5] The long-standing and overwhelming evidence, quite simply, is that restructuring in itself rarely saves much money. It is such a compelling argument, however, that we must continually struggle to re-learn the old lessons. "We have to get over the notion that the purpose of reorganization is economy," Franklin Roosevelt told two distinguished students of American public administration in 1936. "I had that out with Al Smith in New York," he said. "The reason for reorganization is good management."[6]

Restructuring can improve the effectiveness of government programs. It can improve coordination among related government programs. It can make government programs more responsive. It can make it easier for government workers to do a better job. But restructuring rarely saves money. The old lesson is simple: *If we want to reduce government spending, we must choose to have fewer programs.*

A study of sixteen state government ~~reorganizations, for example, found that only~~ three produced lasting reductions in employment and ~~budgets.[7]~~ At the federal level, reorganizers rarely stop to assess the likely savings before they press ahead. Where they have estimated spending reductions, the amounts have typically been puny. A 1978 analysis of the potential for reorganizing federal community and economic development programs, for example, estimated that the change would save only four one-hundredths of one percent of the program's budget.[8]

The reasons are simple. First, restructuring imposes large transition costs. Physical space must be reconfigured, employees must be transferred, new phone and computer systems must be established, and so on. These steps are neither cheap nor easy.

Second, if the same programs remain in place, they still ~~have to be managed effect~~ively. Most government agencies begin ~~restructuring~~ badly stretched and stressed. Restructuring neither removes the stress nor, in itself, removes the job to be done. If processing a grant application, conducting an inspection, or monitoring a requires a certain number of hours, restructuring in itself would not change the costs of performing government's core functions. Savings typically are possible only at supervisory levels. But supervision of many government programs, especially those managed by grantees and contractors, is often abysmal already. Further reducing supervision is to invite fraud, waste, and abuse. The savings from eliminating top-level managers, such as department secretaries and deputy secretaries, are trivial.

Third, all restructuring efforts create unintended consequences, and all unintended consequences impose costs. If reformers are both smart and lucky, they will have planned carefully enough to anticipate and solve most — but not all — likely problems. If not, unanticipated problems can swamp anticipated savings. The Postal Service's investment in high-speed sorting equipment has markedly improved the mail system's productivity, but it has also created enormous personnel problems. The work can often prove mind-deadening. The stress of coping with spiraling volume and cost pressures has, sometimes tragically, stressed postal workers.

To repeat: Truly significant savings come about only by choosing to have less government. Restructuring offers, in itself, only modest savings at best and substantial unanticipated costs at worst. There are many reasons to consider restructuring federal agencies, but saving money is not one of them.

What Restructuring Can — and Can't — Do

Although it is folly to hope that restructuring can produce significant budget savings, it can accomplish other important objectives.

First, restructuring can define powerful symbols. The decision about which governmental activities ought to be cabinet departments is a *political, not an administrative one*. There is no administrative principle that tells us whether we should have fourteen, or four, or twenty-four cabinet departments. All we can say from the administrative point of view is that different administrative arrangements have different implications. From the political point of view, however, we can say that we believe (strictly speaking, the Congress and the president believe) some functions are so important that they deserve a seat at the cabinet table. Why should Energy be a cabinet department but the Environmental Protection Agency not? The answer is political and symbolic, not administrative. Cabinet status conveys a higher level of political importance.

Second, restructuring can provide managers with more flexibility. The private sector is tending to restructure itself into shorter organizations with larger spans of control to achieve better operational flexibility, and the government is following suit. "Taller" organizations have more levels, which tend to make communication harder, but each supervisor oversees fewer subordinates, which tends to make supervision easier. "Shorter" organizations trade a broader span of control (more subordinates for each supervisor to oversee) for fewer levels and better communication. If we consolidate related federal agencies, we will decrease the president's span of control but we will also increase the range of responsibilities that department secretaries must manage. Likewise, within restructured departments, we must decide how "short" or "tall" to make them, and in the process we must sort through the same issues: balancing control with flexibility. Granting more flexibility makes it harder to steer agencies; strengthening steering reduces the flexibility of those doing the rowing.

The further we push activities down into the bureaucracy, the more indirect oversight tends to be. High-level agencies tend to receive greater scrutiny. Lower-level agencies, government corporations, privatized agencies, or programs conducted through state and local governments all tend to receive less. Consolidating agencies therefore tends to decrease the president's span of control, but it could also lessen his leverage over activities now occurring deeper in the bureaucracy. This will place even more importance on the Office of Management and Budget's reviews. Of course, increasing managers' discretion is a cardinal principle of

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modern management reform.[9] The growing complexity of government problems requires managers to be more flexible and creative in solving them. The problem is that increasing flexibility requires the creation of new strategies for promoting accountability and ensuring that the narrow interests do not gain control over governmental policy.

Third, restructuring can provide more coherence to programs now spread across the government. The most important but difficult work in administration today is coordinating programs across agency boundaries. The Commerce Department must coordinate its international efforts with the State Department and its domestic development with the Labor Department. In job training, GAO found that 15 different federal agencies operate job training programs, and that the number of programs has risen to 163.[10] We surely do not need 163 job training programs. But it is just as clear that we do not need just one. One of the reasons that we have so many job training programs is that most were not created as job training programs, per se, but as veterans programs, or welfare programs, or education programs, or as programs to solve other problems. If we consolidated all programs into a very small number, we would give up much of the diversity in the federal government's approach. Furthermore, given the many reasons for which programs are created, it is often deceptively difficult which should be the "core" department into which the programs should be consolidated. The puzzle is finding the right balance between consolidation to improve efficiency and over-consolidation that hurts the responsiveness of programs.

Private Sector Experiences

The private sector, of course, has substantial experience in restructuring. The last decade, in particular, has seen a frenzy of corporate reorganization. This experience underlines the need for caution and careful planning in pressing ahead with government restructuring.

Virtually everyone agrees that government needs to be run better and that the private sector provides a model. But hardly anyone ever looks carefully at what the private sector really teaches. In fact, government has developed a nasty habit of embracing private sector reforms just as the private sector has begun to abandon them as unworkable. Many reformers are now holding up the private sector's downsizing experience as a model. But "you can't shrink to greatness," one veteran private sector downsizer says he has now discovered. Cutting too far, too fast risks creating "corporate anorexia."[11]

In fact, a thorough examination of the private sector's experiences over the last decade with restructuring reveals several important points.

First, restructuring has become a permanent feature of private management. Most private sector companies have restructured over the last decade, and many managers expected they could do so once to solve their problems. However, in a global survey of companies, the Wyatt Company, a marketing and public relations consulting firm, discovered that two-thirds of companies expected they would continue, or even increase, their restructuring into the twenty-first century. Restructuring efforts "are becoming a permanent process in businesses throughout the world."[12]

Second, most restructuring efforts have failed to achieve their ambitious goals. Some reports suggest that up to 70 percent of private sector reengineering projects fail.[13] A 1993 Wyatt survey of 531 American companies found that "few companies achieved their profitability and expense reduction goals through restructuring, and morale and motivation among the surviving employees suffered."[14] Six in ten companies did reduce their costs, but four in ten did not. Fewer than half of the companies that also tried to achieve other goals, including increasing profits and employee productivity, managed to achieve them.[15] In fact, Wyatt concluded, "More often than not, the results fell dramatically short of corporate restructuring goals."[16]

Third, the failures have shared common roots. Unsuccessful companies failed to plan their restructuring carefully. Managers failed to think strategically about what they wanted to accomplish or how they would implement the changes. They tended to view restructuring as a way to rescue their operations. They spent little time explaining changes to employees, building support for them, or helping to define where the company ought to go. Morale of the survivors, not surprisingly, plummeted, and productivity suffered as a result.

Fourth, successful companies likewise have had much in common, as Figure 1 shows. The main barriers they faced were inside the company. Successful managers developed a coherent strategy for where they wanted to take the company. Indeed, a study by Coopers and Lybrand, a management consulting firm, found that top managers' "vision was, hands down, the strongest predictor of success in gaining measurable results."[17] Successful managers treated their employees humanely. Successful companies involved employees in shaping the change. They kept employees fully informed about what was happening around them and allowed "people to participate in shaping their destinies."[18] Some companies even went as far as to allow employees to help decide which jobs would be eliminated and which would be saved.

Successful companies, furthermore, conducted extensive training for the employees who remained. These steps helped employees deal with the survivor syndrome, helped build morale, and improved productivity. On one hand, "employee resistance to change most frequently accounted for their lack of success." On the other hand, company officials said that a low level of employee involvement was a mistake they would not repeat.[19] In particular, successful managers did not allow "restructuring" or "reengineering" to become a euphemism for "layoff."[20]

In short, companies that tried to disconnect their restructuring from all of their other fundamental processes and problems failed. Companies that tried to use it as a tourniquet to stem financial bleeding failed. Managers who tried to impose it on employees failed. Those who succeeded built restructuring into more fundamental change. In fact, restructuring often recurred; two-thirds of the organizations in one survey made more cuts the next year.[21] Managers who believed they could downsize once, solve their problems, and return to normal quickly discovered they were soon back at it, but with even bigger problems to solve. Restructuring, taken on its own as an end in itself, led to failure.

Merging Labor and Education: Special Issues

The Gunderson-Goodling plan proposes to consolidate three existing agencies — the Department of Labor (DOL), the Department of Education (DOEd), and the Equal Employment Opportunity Commission (EEOC) — into a new Department of Education and Employment.[22] The existing cabinet secretariats, and the commissioner structure of the EEOC, would be consolidated into a single secretariat. There would be a secretary, deputy secretary, and special offices for the following functions: public, congressional, and intergovernmental affairs; management and budget; chief financial officer; policy and evaluation; adjudication; general counsel; and inspector general.

The plan would create three functional assistant secretaries:

- *Assistant Secretary for Workforce Preparation and Policy.* This bureau would be comprised of units from DOL, DOEd, and HHS. It would be responsible for education and job training programs and would have three offices: for basic education; for higher education; and for workforce preparation and lifelong learning.

- *Assistant Secretary for Civil Rights.* This bureau would be comprised of units from EEOC, DOL, and DOEd. It would be responsible for enforcement of civil rights laws.

- *Assistant Secretary for Workplace Policy.* This bureau would be comprised principally of units from DOL responsible for workforce regulation and inspection. It would have two offices: for workplace safety and modernization (including the functions of the existing Occupational Safety and Health Administration and the Mine Safety and Health Administration); and an office for employee benefits (including the functions of the existing Wage and Hour Division and the Pension and Welfare Benefits Administration).

This plan focuses several issues sharply.

Budget Savings

Rep. Steve Gunderson, one of the foremost proponents of the merger, argues forcefully that "We can only ensure that our workforce preparation system will be effective if it is organized and coordinated out of one Department." He adds, "It is essential that we serve the dual imperatives of eliminating duplicate or unnecessary spending while developing a more efficient and effective delivery system."[20]

Congressman Gunderson identifies two central aims, which in practice are frequently unconnected: delivering services better; and spending less money for the services. In fact, the merger proposal could have one of many different consequences. The government could spend the same amount of money but improve the quality of services. It could spend less money but deliver services at the same level. It could spend less money and lower the level of service. And, with skillful management, the government could spend less money while improving service delivery.

There are two critical points here. First, more services for less money is only one of many possible outcomes. Second, it is the hardest ~~result to~~ achieve. As the private sector has repeatedly demonstrated, the drive to spend less can often undercut the performance of an organization and, in the long run, prove more expensive.

The savings identified from the proposed merger come from several sources. First, the merger would produce administrative savings. One cabinet secretariat would be eliminated, which would reduce spending for salaries and support. In addition, support functions throughout the merged agencies could be consolidated. Second, the merger would eliminate some programs and reduce spending in others. Third, reducing program spending would permit further administrative savings. If programs are cut, the government would need fewer (or no) managers to run them. Finally, the merger could produce improvements in effectiveness that would lower the costs and increase the quality of services.

Several important points must be made about these savings. First, the administrative savings from consolidation are real. If two cabinet departments are combined, two administrative superstructures would be combined into one. Second, programs could be reduced or eliminated without merging the departments. One is not a precondition for the other. Congress could make any cuts it desired in any programs without changing the organizational structure. Third, while the merger's proponents hope for performance improvements, these improvements are only hypothetical. It is hard to separate them from other changes after the fact; it is impossible to estimate them beforehand. That is why the Congressional Budget Office refuses to score planned performance improvements as savings until they are realized.

In his testimony before the House Economic and Educational Opportunities Committee on June 7, 1995, Congressman Gunderson estimated that his merger plan would produce \$23.1 billion in savings from fiscal years 1996 through 2000. Table 1, based on Congressman Gunderson's estimates, a GAO study, and the author's analysis, shows where these savings would come from. Just over \$1.5 billion in savings over five years, less than 7 percent of the total, would come from administrative savings produced through the consolidation. More than half of the administrative savings would come through elimination of duplicative offices in the secretariart. The vast bulk of the savings, \$21.6 billion (93 percent) would come through eliminating programs. The results of this analysis are scarcely surprising. Savings through administrative consolidation inevitably are modest; and the truly significant savings come through eliminating programs.

Table 2 shows how these outlay reductions would affect different parts of the proposed department. Compared with outlays in FY 1995, the largest reductions in FY 2000 spending by far would come in the regulation of workplace safety (a 25 percent cut), which would be administered through the new Office of Workplace Safety and Modernization; and in job training programs (an 18 percent cut), which would be administered through the new Office of Workforce Preparedness and Lifelong Learning. The merger anticipates the congressional Republicans' plans to devolve most responsibility for job training to the states through block grants, and in the process to reduce spending for these programs substantially. It also anticipates a major reduction in federal regulation and supervision of the workplace, especially through the current Occupational Safety and Health Administration.

The merger plan thus is far more than an organizational restructuring. It represents a major change not only in the federal focus on two key policy areas but also a shift in responsibility for achieving results. It would be unrealistic to expect to restructure the departments without cutting programs simultaneously. It would also be unwise to cut programs substantially without restructuring the agencies administering them. Combining the organizational with the policy changes, however, makes it much harder to tell them apart and to plan effective for either of them.

Personnel Reductions and Organizational Consolidation

The merger also anticipates substantial reductions in staffing, averaging 20 percent ~~combined with current~~ staffing levels. If this reduction were achieved, GAO estimates, the merger would produce outlay reductions of $1.6 billion over five years (including savings for administrative costs connected with programs reduced or eliminated). As Table 3 shows, the impact of these reductions varies widely across the proposed department. Departmental administration, not surprisingly, would be reduced by 40 percent from the current level. Large reductions would also come in the workforce preparation and lifelong learning office (28 percent) and smaller reductions would come in the workplace safety and modernization office (10 percent).

GAO noted that there were at least two strategies for producing the workforce reductions. If the full reductions were to take effect in FY 1996, 3,355 positions would have to be eliminated. Because it would be impossible to achieve such a large reduction through attrition alone, the new department would have to implement additional reductions in force (RIFs). RIFs impose substantial short-term costs, for buyouts or other payments to RIFed workers. To cover these costs, GAO estimated that the department would have to eliminate an additional 1,100 positions, for a total reduction of 4,455 positions.

If the reductions were to be spread more gradually over three years, the number of positions that would have to be eliminated would be slightly smaller, 4,024. In addition, the reductions could more easily be managed through attrition and additional cuts would not be needed to finance the RIF. And, as GAO pointed out, "Such an approach would allow more time for strategic planning to identify appropriate functions to be eliminated and revision of administrative processes. This approach is typically the one followed by successful private-sector organizational that downsize." This second alternative would require a 9 percent staffing reduction in the first and second years, followed by a 7 percent reduction in the third year.[24] If attrition and voluntary separations did not reduce staffing to these levels, RIFs would be necessary, and this would increase the costs.

There are several important points to be made about the workforce reductions proposed in the merger plan.

• *Workforce levels versus tasks.* Successful private-sector downsizing programs have first determined the job to be done and then matched the job with the number of workers and the skills needed to do it. The merger plan, however, does exactly the reverse. It reduces the number of workers and assumes that the job can be done. This assumption is perilous and has no basis. Quite simply, no one can know if the assumptions would hold until after a merger would implemented. Moreover, they might prove to be too large or too small. The only way to determine how significantly an organization's workforce can be reduced is to begin by analyzing carefully the job it must do.

The only thing about which we can be sure is that reducing the existing workforce by one-fifth – through attrition, RIFs, or both – would produce a workforce ill-suited to the new tasks. Such huge changes, let alone such a big workforce reduction, unsettle workers. Those with the best opportunities elsewhere often leave. A RIF process can cascade through an agency, with more senior workers bumping workers with less seniority but, often, with skills better matched to the job to be done. The constellation of skills produced through such a process never mirrors what organizations had before the process started and rarely matches well the new challenges to be faced.

The proposed merger, moreover, would create substantial new challenges for the department. It would require developing a fresh and energetic vision for lifelong learning. It would require building stronger partnerships with state governments to manage job training programs. It would require establishing a new strategy for workplace safety. And it would require finding a way to do all of these things with less money.

Accomplishing these tasks with fewer people would require the recruitment, retention, and retraining of a skilled workforce. Doing this amid a downsizing process that would dispirit the department's workers would prove an even bigger challenge. The process of downsizing the workforce by 20 percent would neither produce the needed workforce and will surely make the job of building it harder.

• *Departmental management.* The biggest challenge of the new department's managers would be to construct ~~and motivate~~ its work~~force to~~ tackle these problems. This is a task of extraordinary complexity. The staffing of the secretariat, moreover, would be reduced by 40 percent, compared with existing levels in the separate agencies. The new department's managers would not be able to manage as the separate programs are now being managed. The essence of leadership at the new department would therefore be the task of defining its mission and how to achieve it.

• *Support activities.* The proponents of the merger assume that substantial savings can be realized by consolidating support activities. Unquestionably, the new department could save money by consolidating functions like computer support, travel, procurement, inspector general, and human resources. But if most of the work now associated with the separate entities continues, and that is the case under any of the proposals under consideration, most of the workers now supporting that work would continue to be needed. It would be impossible to simply consolidate all of the work now being done in two or three support offices into one existing office without expanding its current workforce.

• *Critical staff functions.* In addition, Congress has mandated that each federal department implement sweeping new reforms, including the Chief Financial Officers Act and the Government Performance and Results Act. These reforms impose huge challenges on the executive branch departments. There are two little-recognized facts in these reforms: No one really knows how to implement them, since they lie beyond the edge of current management technology in the federal government; and building the capacity to do so would challenge the department's staff, require significant training, and redefine the culture of the organization.

In short, the personnel and organizational changes sharply define more central issues: the need to shape a new mission for the restructured department; to build a new workforce to manage it; to motivate the workforce in the face of daunting challenges; to rise to new responsibilities, like the Chief Financial Officers Act (CFOA) and the Government Performance and Results Act (GPRA); and to cope with all of these issues with a scrambled workforce, transformed policy strategies (including devolution through block grants), and slimmer resources.

Field Offices

The argument about administrative savings continues with the assumption that many of the existing 1,200 field offices now responsible for labor and education programs could be consolidated or closed. Congressman Gunderson argued that "it is simply inconceivable that a modern, efficient department that takes full advantage of the information revolution, and is cognizant of the proper limits on federal authority, would require the 1,200 field offices that are a part of these 3 agencies."[25]

It is unquestionably the case that, following a merger, many field offices could in fact be consolidated. Duplicative offices managing inspector general, payroll, personnel, and other basic functions could unquestionably be joined. There is also a real opportunity to reduce duplication in the confusing array of existing job training programs.

But several basic facts confound the assumptions that consolidation, in itself, could produce big savings in the field offices. First, the existing organizations have vastly different field structures. The Department of Education currently manages most of its activities from Washington through only ten district offices. In fact, xx [data forthcoming] percent of its staff is located in headquarters. The Department of Labor, on the other hand, relies far more on an extensive field structure of more than 1,000 field offices. Of its staff, xx percent is in the field. EEOC has 50 field offices. This is simply not a case of similar top-to-bottom frameworks, where duplicative structures could be merged. Consolidating the field structure would require the skillful melding of very different operational patterns. 600

Second, different functions require different field organization. Grant making currently dominates DOEd, and headquarters administration dominates. On the other hand, despite substantial programs for job training, regulatory activities dominate DOL and EEOC. Regulation requires not only legal activity at headquarters but also a substantial inspection and litigation function in the field. Table 4 shows that of the 1,232 field offices that would exist if all current offices continued in a new department, exactly half manage civil rights and workplace safety. These two functions are so different that, even if they were housed in the same office, it is inconceivable that the functions could be merged.

A merged department would not require all of the existing field offices. But bold assumptions that enough of them could be closed down, without hurting performance, to produce substantial savings are simply unrealistic. Many of the programs, especially in civil rights and workplace safety, are already seriously understaffed. They might well need more staff and better technical support rather than less and, therefore, they present scant opportunity for significant savings.

A merger would demand that the new department's managers carefully chart a new field office strategy. Some existing offices could be consolidated to improve staff support and lower overhead costs. Some existing support personnel could be eliminated. But the job has to proceed with an eye first to the job to be done, and with a clear sense of how different the jobs are that the new department would have to tackle. The field operations cannot be consolidated based on unproven, unexplored assumptions.

Culture

Merging DOL with DOEd and EEOC would also create substantial problems in melding three very different bureaucratic cultures into one. Reformers frequently ignore the existence and importance of bureaucratic culture, but it is unquestionably a real and important influence on the way agencies operate.

To those who do perceive it, "culture" frequently is a fuzzy concept with many different meanings. We can break through disagreements about definitions to a key idea: Organizational culture is the set of beliefs and routines that typically guide an organization's actions.[26] Culture constitutes the "unwritten rules of the game." Attempt change that conflicts with those unwritten rules, and failure and frustration results. That is the lesson of reform in American companies. Consultant Peter Scott-Morgan surveyed 350 major companies. Virtually every one had launched major change, and 80 percent of them anticipated more big changes in the next few years. But only 17 percent of the managers were satisfied with what they had done. Nearly 40 percent were unsatisfied, and almost 70 percent found "unanticipated problems and unintended side effects." The reason was that the reforms conflicted with the unwritten rules of the game. Pressing blindly ahead, Scott-Morgan found, was a "shortcut to a coronary."[27]

Surface similarities among the three agencies are deceptive. All three agencies currently manage two functions: They regulate the health, safety, and working conditions of workplaces; and they distribute grants, especially for job training and education. Merging related functions, in the conventional wisdom, ought to permit improved coordination and elimination of redundancy programs. In practice, however, the three agencies have very different cultures, or unwritten rules of the game.

There are three ways the cultures differ. First, despite the apparent similarities, different *functions* in the three agencies have produced different cultures. All three agencies have regulatory responsibilities, but the legal and administrative paths they follow vary substantially. EEOC investigates violations of civil rights laws in the workplace. DOL and DOEd have their own regulatory responsibilities: DOL for workplace safety, wage and hour violations, and the security of pension programs; DOEd for civil rights guarantees for equal protection of students and teachers. But DOEd invests most of its administrative energy in making grants for elementary, secondary, postsecondary, vocational, special, rehabilitative, and other educational programs.

DOL makes grants as well, especially block grants to state governments for job training programs. But the dominant culture of DOL is regulatory. Rulemaking and investigation of regulatory violations occupies most of the time of most DOL employees. Moreover, this regulatory activity is very different from that of EEOC. By law, EEOC must accept *every* charge of discrimination.[28] In DOL, regulatory strategies vary substantially. Mine safety inspectors must check every mine every year, but inspectors for the Occupational Safety and Health Administration cannot do more than examine a sample of the nation's other workplaces. The culture of different DOL regulators and inspectors therefore differs substantially within the department. It differs significantly from the EEOC culture, and the dominant regulatory cultures of EEOC and DOL is very different from the grant-making culture of DOEd. Merging such different cultures would violate the unwritten rules of the game and create huge problems in developing a single, effective voice for the new department.

Second, the three agencies rely very differently on their *field offices.* DOEd has an extremely limited field structure, with just ten regional offices. It is a headquarters-dominant organization, in part because of the regulatory functions it performs but more because its grant programs are most easily administered from Washington. The regulatory and enforcement programs of EEOC and DOL, on the other hand, make them relatively more field-dominant organizations. EEOC has field offices in just over 50 cities. DOL manages its regulatory and enforcement programs through about 1,200 field offices. The reason for the difference is simple. Grants can be managed from headquarters. Potential grantees can submit applications to a single office, which coordinates the review, decides which applications are successful, and approves the issuance of checks. The enforcement of multiple and complex regulatory programs, on the other hand, requires large a network of field offices. Mine inspectors, quite naturally, need to be located close to mines. The same is true of inspectors of workplace safety, minimum wage violations, and pension program administration.

Different work has quite naturally created different field operations. Such distinctively different work would continue in a new department; it would be impossible to make the field structures uniform and still accomplish the mission. And the very different field structures have bred different cultures whose integration would pose a major problem for the new department.

Finally, the three agencies serve distinctively different *customers.* EEOC and DOL focus primarily on individuals. Job training, workplace safety, monetary, and civil rights issues all revolve around individual persons who need training or who might be injured, physically or economically, by workplace conditions. DOEd, on the other hand, deals primarily with institutions, especially schools, school districts, colleges, and universities. Improving the education of students is its mission, but the department tends to work with those who, in turn, work with the students. EEOC and DOL have developed a heavily individual-focused culture that permeates the attitude of its employees; DOEd has an institution-based culture.

It is inconceivable that a merged department could produce a uniform view of its customers. In fact, proposals to consolidate job training programs and devolve more authority to the states in block grants would only sharpen the cultural differences between the regulators and the grant administrators. Like the conflicts buried in the very different functions and field structures of the existing agencies, the differences over customers create very different approaches to problems. These differences in turn would create stark challenges for the new department's managers.

If in fact the three agencies are merged, or if any other agencies are combined, managers need to begin by understanding several things. Employees in each existing agency has their own unwritten rules of the game. These rules are the natural product of employees' adaptation to the problems they have faced. Because different programs produce different problems, employees would have adapted differently. So the merger different agencies is likely to force together employees who not only pursue different missions but more subtly operate under different unwritten rules.

Faced with dramatic change, managers too often believe they can either impose new patterns on their employees or assume that they can treat all employees the same. Either course is a route to failure because it violates the unwritten rules of the game. Even worse, managers too often attempt to reengineer themselves out of these problems. The strategy transforms the top level of the organization but fails to penetrate to the front lines because it does not resonate with the existing patterns of behavior. That, in fact, is the searing lesson of the failure of many private sector reengineering efforts over the last decade.[29]

This is neither a case for avoiding change or for handcuffing top managers to the barriers in the existing system. It is, however, a case for understanding that reform must take account of the existing culture and recognize that fundamentally different cultures cannot simply be merged without creating conflict. It is a case for recognizing that different missions require different approaches, and that these different approaches create different cultures. Recognizing the role and importance of culture is the first step to transforming it. And transforming it would ultimately be a critical job for the new department's top management.

Devolution

There is, finally, an unintended irony in the proposal to consolidate federal responsibilities for education and job training policy into a new strategy for lifelong learning. The proposal has surfaced in the midst of an equally sweeping plan to devolve federal responsibilities to state governments. Successfully managing a merger would require both Congress and the department's new managers to define a new federal role and to integrate a sweeping range of pieces, from early childhood education through job training and lifelong learning. The block grants, however, anticipate shifting most or all such strategic decisions to the states.

This is not an either/or choice. Improved coordination of programs at the national level would certainly make state-based decisions more productive. But there are underlying puzzles that now lie unanswered. Would the move to block grants really allow federal managers to achieve that coordination? How much money would a reconfigured department have to spend? Where would critical decisions rest? And what would be the core mission: Developing a fresh federal program for lifelong learning, or transferring policy responsibility to state and local governments?

The existing departments would have a very difficult time sorting through these issues. If a consolidation were to occur in the midst of a transition to block grants, the potential for confusion in defining the new department's mission would be enormous. And this uncertainty would, in turn, further sharpen the mission-based conflict over cultures, grant making versus regulatory, that a merged department would have to resolve.

Merging Labor and Education: Transition Issues

Merging the three agencies, including two large and complex departments with surprisingly varied missions, would prove extremely difficult. To do so while downsizing the workforce would add even more problems. To cope with some of these problems would require investment in new technology which would prove difficult in an era of ever-tighter budgets and a stark focus on cutting spending. A newly merged department would have to solve a series of extremely tough issues.

Reductions in Force

Achieving the administrative savings anticipated in the Gunderson-Goodling plan would require eliminating about 4,000 positions. As noted earlier, there are two options: eliminating all of the positions in a single year, or staging the reductions over several years.

Fast-track reductions might seem the quicker route to saving money, but this strategy would most likely require deeper cuts than could be achieved through voluntary separations and buyouts. That, in turn, would require an involuntary reduction-in-force, which by civil service rules triggers a host of problems. Severance payments would have to be made to workers who involuntarily left federal service. Those payments would drive up the short-term cost of the workforce reduction, which would in turn require the elimination of even more jobs to pay for the added cost. In addition, any RIF sets in motion a cascading process of "bumping," in which workers with higher seniority who lose their current positions can "bump" lower-seniority workers in other jobs. The process is extremely disruptive. It can produce highly over-qualified, poorly motivated workers in many positions. It also can put the entire workforce, from top to bottom, on edge, since even workers not RIFed can find themselves bumped out of their current jobs.

Private sector experience has shown how dangerous and disruptive such big cuts can be, both to the individuals involved and to the organization. Indeed, a survey showed that successful companies treated employees, both those leaving and those remaining, in a humane manner. In fact, this was second only to a clear sense of mission in shaping success.[30] A global study showed that productivity improvement came best to companies that created employee commitment to company goals and involved employees in decision making.[31] Companies that downsized first and asked questions later were the ones most likely to fail.

Voluntary separations — from early retirement, buyouts, and resignations — offer a less disruptive path. This strategy has a better (but not a certain) chance of avoiding the disruptive RIF process. If taken over a multi-year period, it would allow the department to adapt more gradually to such wrenching change. GAO, moreover, has estimated that a multi-year reduction would actually require the release of fewer workers to achieve the same spending reduction.

There are, in short, two basic paths to reducing the workforce and thereby achieving the administrative savings forecast in the Gunderson-Goodling plan. Reducing the workforce over a multi-year period is the easiest and most effective route. It is, moreover, the route that private sector experience shows conclusively is less disruptive to performance.

That is not to suggest, however, that even a multi-year strategy would not significantly harm performance. There are several critical performance issues that the merger plan does not consider.

- *Size.* The private sector shows that success results from deciding first what job has to be done and then designing the organization so it can best do it. The merger plan approaches the issue precisely in reverse: It redesigns the ~~organization first and then~~ asks managers to do the best job they can. ~~The~~ target for a 20 percent reduction in administrative costs has absolutely no foundation in practice or analysis. Indeed, the job the new department would be asked to do has yet to be defined. The block grant and regulatory reform debates suggest that it might be very different from the existing agencies. It is, quite simply, impossible to design an organization or build its workforce without first deciding what it has to do. To begin with an arbitrary assumption about its proper size is to handicap in it doing its job. The result might turn out to be too small, or too large, but it surely would not be just right.

- *Capacity*. It is a certainty, moreover, that the downsizing necessary to meet the 20 percent assumption would not produce the workforce with the skills needed to get the job done. Such downsizing naturally creates strong incentives for anyone who can leave to do so. These are typically the employees with the most experience and the greatest skills. Even voluntary separations leave random holes throughout the organization, depending on who takes early retirement or buyouts. The result of such downsizing initiatives, even if approached humanely, is to produce organizational swiss cheese: A workforce poorly matched to the task, and workers stressed by tackling greater responsibility with less help.

- *Recruitment and retention*. The job of redefining the government's role in education and the workplace would be a complex and difficult task. It would require highly skilled workers; in many cases, the skills would be different from those of existing workers. The downsizing would make it impossible to hire new workers with the needed skills; make it less likely to retain those workers best equipped to handle these new challenges; and make it harder to create a productive work environment.

In short, the one certainty of the proposed merger is that the workforce that would emerge from the process would be a poor fit for the job to be done. Private sector experiences teaches that success comes from fitting the organization to the job to be done, not struggling with new tasks and an organization arbitrarily constructed.

Facilities

The Gunderson-Goodling proposal anticipates that a merged department would be able to save significant money by consolidating offices. However, it would be very hard to fulfill this assumption for either headquarters or field offices.

In Washington, the headquarters buildings of all three agencies are already filled to capacity [check]. There are no analyses that suggest what share of the employment reduction would occur in headquarters, though a fair assumption would be that headquarters would suffer significantly more than the 20 percent reduction scheduled for the three agencies overall. Even a large reduction, however, would probably not allow the three agencies to be combined in any of the existing buildings. Closing the EEOC offices at 1801 L Street, NW, is a medium-term possibility, if sufficient office space can be found in one of the existing departmental buildings. But for many years, the new department would have to operate out of at least the two existing buildings, the DOL building at 200 Constitution Avenue, NW, and the DOEd building at 400 Maryland Avenue, SW. The two buildings are about a mile apart. Transportation among departmental offices would be a major burden and coordination among employees would prove difficult. So, too, would be the job of building a departmental identity, which is a significant part of the idea for proposing the merger. Unless these problems were surmounted, the promise of consolidation would soon prove empty.

To achieve the operating savings and programmatic restructuring assumed in the proposal, moreover, it would be necessary physically to consolidate related units. That would require, in particular, integrating the civil rights functions (the EEOC, DOEd's office of civil rights, and DOL's office of federal contract compliance) and the job training functions (with program offices from DOL, DOEd, and HHS). These moves would, in turn, dislocate other offices that would have to be moved to accommodate the consolidated units. Unless offices performing related functions were consolidated, the promise of the merger would not be met. But if the consolidations were launched, they would unleash a long chain of moves for other departmental employees. Coordinating these changes would require significant time, skillful logistical planning, and a significant budget for renovation and relocation.

The real driving force for the merger is the assumption that a merged department would be able to consolidate a significant number of its more than 1,200 field offices. This assumption, however, covers two different issues. One is the possibility that the merger would allow duplicative field offices to be consolidated. In reality, this is a dim hope at best. It would certainly be possible to consolidate existing field offices for departmental management, support activities (like human resources and travel), congressional relations, and public affairs. In such a consolidation, it might well be possible to have fewer employees do the work for the new department and to close existing offices that perform the same function. However, since DOEd has only 10 field offices and EEOC just 50, DOL's existing field structure would continue to be the anchor for the new department. Consolidation of duplicative offices, in itself, would offer little hope for significantly reducing the new department's field structure.

The other is the possibility that the new department's mission could be reformulated and, with that reformulation, some of DOL's existing field structure could be streamlined. Careful strategic planning might produce some fresh ways of organizing the department's field operations. Indeed, that might well be possible without the merger. Reducing the number of field employees might require closing some field offices. Moreover, a major move to block grants for job training, and an accompanying reduction in federal oversight of the states, could allow the department to close some of its field offices responsible for these programs.

Most of the new department's field offices, however, would remain in its regulatory and investigations functions. A strong field structure would be necessary to ensure the new department's effectiveness, and there would be only modest opportunities for further consolidation. To begin with, regulatory responsibilities for civil rights and workplace economic and safety issues are very different. The same offices and the same inspectors could scarcely be interchanged. Moreover, there is considerable evidence that federal inspections and legal actions in these areas are already too thin to ensure compliance with the law. Reducing the number of field offices would further weaken that compliance.

A merger of the three agencies would certainly allow some consolidation of field operations. Co-location of offices in the same building could help reduce overhead costs. But it is unlikely to dramatically reduce the number of field offices, unless the legislation that field officials are charged with administering is repealed or significantly changed.

Most important, if the agencies are consolidated, the field operations would have to be organized to promote efficient management of the department's programs and responsiveness to the department's customers. Marginal cost savings would matter little if wage and hour inspectors became less accessible, if mine safety experts were moved further from the mines, or if the department's lifelong learning managers lost touch with citizens trying to educate themselves. Organizing the department from the top down so that it works better from the bottom up ought to be the principal aim of restructuring. Arbitrary standards of neatness or assumptions about across-the-board cuts, imposed from above, could dramatically weaken the department's ability to perform.

The move toward block grants for job training programs raises a subsidiary issue that must be incorporated into the field office strategy. Despite the rhetoric of block grant proponents that the federal government needs simply to devolve authority to state governments, it is inconceivable that the federal government could simply walk away from program oversight. At the very least, there would continue to be civil rights requirements (recipients will not be allowed to discriminate in the use of the money), broad programmatic restrictions (the money, for example, would have to be used for job training as opposed to government salaries or highway construction), and accounting standards (recipients would have to report at least generally on how the money was spent).

The block grant approach raises two critical restructuring issues. First, the balance between federal control and state discretion will dictate how the field offices would have to be organized. Even a modest federal oversight role would require a field office structure; the more extensive the federal oversight, the larger the field office role would have to be. Moreover, the history of previous federal block grant programs is of quiet but steady increases in oversight and, hence, of field office responsibility. The organization and role of the field offices would have to be structured with this role in mind, and in anticipation of future tightening of federal oversight.

Second, devolution will take place in the midst of the requirements of the CFOA and GPRA. It is unlikely that the creation of block grants would obviate these requirements. These requirements, in turn, will demand both new managerial skills and a strategy for overseeing the financial management of the block grant programs. The strategy would have to be incorporated into the broader strategic plan for any merger or restructuring plan. The legal requirements of CFOA and GPRA, coupled with the inevitable tensions of devolution, will create important if fuzzy implications for restructuring the agencies.

Technology

The assumptions about saving money in this proposed merger, as is usually the case, hinge on assumptions that some current workers can be replaced through improved productivity and better technology. That is indeed possible for the Gunderson-Goodling proposal, although there can be only wild conjecture about how many employees an investment in information technology might replace. No computer can replace mine safety inspectors or determine if discrimination has occurred — and such workers would constitute a large share of the workforce of the proposed department. Moreover, many planned policy changes would increase the need for modernization of computer and accounting systems. Administration of the block grants that Congress is now considering would require skillful management of large quantities of information.

A careful technology audit could identify where strategic investments could improve the new department's technology. Finding the money to make the investment, however, is a different matter. The federal budgetary process is especially poorly suited to dealing with investment decisions. There is no capital budget to separate decisions with long-term implications from short-term operations. Technological investments tend to have a peculiar cost structure: They require substantial up-front spending in return for long-term savings, often far in excess of the up-front investment. In a budgetary system that scores spending on an annual outlay basis, there is little incentive to make big investments unless those investments yield immediate and large returns. The system is rigged against investment in technology. But without needed investment, the burden on surviving workers will be even greater.

Training

Many of the Gunderson-Goodling reforms would also require a significant investment in employee training. The proposal envisions, in particular, new approaches to lifelong learning, job training, workplace safety and civil rights. It is one thing to promulgate such fresh strategies. But to make them stick, the department's employees will require training to understand fully the new ideas and to incorporate them into their day-to-day work. Federal Express, for example, radically redefined its own operations only to discover that its management ranks were hemorrhaging: Skilled managers were leaving the company. A survey of managers who left the company revealed that many of them did not feel they were equipped to perform their new role. The solution, FedEx concluded, was to invest in and improve its management training program.[32]

The merger anticipates a new departmental culture, but no culture supporting the more fundamental changes will emerge without training. Building support for training, however, is even worse than for technology. There is virtually no political support for spending money on bureaucrats for any reason. That is peculiarly short-sighted. Private sector experience inescapably teaches that real change builds on front-line managers, and that these managers need strong support and aggressive training if bold ideas are to be translated into action.

Timing

The private sector also teaches a lesson with tough political consequences: The faster an organization's leaders impose change, the harder it is to build the organization to accomplish what they intend. Rapid change upsets the routine of employees, introduces painful uncertainties, and makes it harder to deliver high-quality services. This is not a defense of the status quo, an argument against seeking fundamental change, or a brief for worker obstructionism. It is, quite simply, a recognition of an unavoidable reality. Changes cannot be imposed on an organization or its workers. Change must be managed in ways that make employees allies of the reform.

~~Breakneck~~ change that depends on RIFs creates extra barriers to real reform. ~~As GAO~~ has shown, a more ~~gradual transition~~ to a new departmental structure could produce the same savings with far less damage to the organization. Timing is everything, for both human resource and other issues. Personnel changes must be carefully integrated to questions of space and technology. These changes in turn must be connected carefully to new program goals and structures. They must be bolstered by training and leaders' support.

Most important, decision makers must realize that they can neither simply impose a change nor assume that, once a change is announced, they can leave the details to the managers. As corporate leaders point out, major restructuring of an organization is not a one-time only event. *It is a process that never ends.* Too often, private managers have viewed restructuring — downsizing, process reengineering, reorganization, or consolidation — as once-and-done decisions. This perspective encourages both employees and managers to adopt a "this too shall pass" attitude and to encourage them to think they can simply wait tumult out. It makes both employees and managers reactive and passive, which in turn fails to enlist them in the campaign to solve the problems that launched the change to begin with.[44] Less successful organizations have allowed workers to play defense; more successful organizations have encouraged them to shape actively the transformation that organizations need.

That requires a stark recognition that a change of this magnitude is a long-term event requiring a long-term commitment. It requires a careful strategic plan that defines the job to be done, how to configure the new organization to do the job, and which parts of the job need to be done first. The fiscal reality is that no organizational restructuring can, by itself, produce meaningful budget savings in any time frame that is politically relevant. That scarcely prevents decision makers from proposing major reforms, from losing interest once the job proves harder than expected, or from doing what has to be done to promote success. Negotiating through these cross pressures requires a keen sense of timing: What is reasonable to accomplish when, and what has to be done in which order to get the job done.

Leadership

The debate over restructuring federal labor and educational programs too often slips into issues of process and structure. A look at the long list of federal functions and the large number of federal agencies responsible for each one quickly leads to proposals to solve the "problem" through consolidation. It is not always clear that creating similar programs to attack related problems is wasteful. Nor is it possible to eliminate waste solely through procedural and structural solutions.

In the end, organizational problems are people problems. And solving these problems requires people-based solutions. There are many disparate parts to this puzzle. But they resolve themselves to a basic decision: Who will be in charge of making the consolidation proposal work? The problem is one that requires supremely skillful leadership, a leadership based in part in defining the new mission, in part in devising processes and structures to support it, and most critically part in motivating employees to make the reforms work.

None of these steps is possible without leadership. And that leadership inevitably would fall to the secretary and top staff of the new department.

Coordination of Unconsolidated Programs

No matter how sweeping and successful the Gunderson-Goodling consolidation might become, it can never pull together *all* of the federal government's programs related to labor and education. The Department of Commerce manages related information programs. HHS distributes grants for a vast array of social services that support both education and job training. The Department of Interior's Bureau of Indian Affairs has its own education program, and NASA distributes grants for space education. Congress's own Library of Congress, of course, is one of the nation's real educational treasures.[34] GAO estimates that seven different major departments and agencies, a host of independent agencies, and the legislative branch all have a piece of the education, training, and support functions.[35] Most, but certainly not all, of them would be housed in the new department.

This reflects a basic fact of administrative life that has acquired fresh importance as society has gotten more complex. There is no way to draw bureaucratic boundaries to encompass all approaches to any given problem. The Bureau of Indian Affairs, for example, focuses its education programs sharply on the needs of native Americans. Indeed, the bureau's officials view the programs less as an educational program (that is, one organized functionally) than as a native American program (that is, one organized to benefit customers). Its educational programs could be consolidated in the proposed department only by sacrificing its special focus on an especially needy population.

The proposed department might give more focused federal attention to education and labor programs. The proof will be in the results. But it never can pull together *all* education and labor programs. No matter how successful the consolidation might prove to be, the new department will still have to solve the same problems facing the current agencies: How to coordinate activities with other agencies performing closely related functions. We can never reorganize our way out of this dilemma. And as social problems become more complex and the solutions more interrelated, this problem will only grow. A critical element of planning for the consolidation, therefore, must also be tackling those problems that consolidation can never solve.

Conclusion

The proposed merger of DOL with DOEd and EEOC raises massive issues within which the proposal does not even begin to deal. It might be attractive to consolidate related functions and develop a new philosophy for the federal role in labor and educational issues. There is little assurance in the proposal, however, that the consolidation in itself will save substantial amounts of money, that it will improve service delivery, or that it will build the foundation for a truly fresh definition of the federal role.

The proposal, like most restructuring proposals afoot in the capital, builds largely on symbols: fewer departments, reductions in staffing, cuts in programs. The goal seems at the core to be demonstrating that government, by some measure, is "smaller." There is little in the restructuring program itself that will produce a smaller government. Any significant reductions are the product of program reductions or eliminations, which could occur independently of the restructuring. Coupling the reductions with the restructuring not only makes it hard to differentiate the real issues. It also makes it far harder to create the administrative structure required to fulfill the mission the Congress defines.

Decisions about which agencies ought to have cabinet rank and which ones ought to be [illegible] such [illegible] for the [illegible] ative [illegible] political [illegible]

[illegible] happens if [illegible] issues does [illegible]

[illegible] ve a series [illegible]

- [illegible] natural [illegible] ging the [illegible] then the [illegible]
- [illegible], not [illegible] grants? [illegible] eloping [illegible] else.
- [illegible] ld [illegible] al and [illegible]
- [illegible] ide [illegible]
- [illegible] ency will [illegible] the [illegible] to be [illegible]

[illegible] also an even [illegible] on an even [illegible] st. [illegible]

[illegible] debate [illegible] concern [illegible]

- [illegible] training

programs? However many job training programs we ought to have, there seems to be a strong consensus that more than 150 is too many. That consensus really speaks to two different issues: Making the job training system more seamless to its customers, both state governments and citizens receiving training; and reducing the overlap that can drive costs up. A careful look at the motivation for the merger proposal can help provide a base for rethinking both the mission and operations of the programs.

- *Coordination II.* What is the connection among the regulatory, information collection, and grant making pieces of the current agencies? The merger debate has revealed substantial concern about integration of the existing elements.

- *Performance.* Why not close the programs down? What value do they currently add? Supporters of the existing structure have found some elements within the three agencies hard to defend. The reason, quite apart from the merits of individual programs, is that the existing agencies have little evidence on the effectiveness of existing programs. GPRA, however, provides a way of strengthening information about results and thereby improving the debate. Regardless of what happens to the merger proposal, an aggressive strategy to do what GPRA demands would improve the management and function of the existing agencies.

- *Structure.* Why do we need so many field offices? That is the strongest concern many merger proponents voices once they move into the details of consolidation. Indeed, the existence of 1,200 field offices creates the appearance of enormous redundancy. DOL, which has by far the most extensive field office system, needs to revisit the question of how best to organize its field staff to fulfill its mission.

The core issue uniting all of these questions is the critical role of leadership. Top leaders — political appointees and the senior career civil servants — shape the sense of mission driving federal departments. They define the culture and create many of the incentives that bring the culture to life. The merger proposal thus most sharply raises the question of what role federal executive branch leaders ought to play and how they can play it to improve the effectiveness of their agencies.

Notes

1. Scott Hodge, ed., *Rolling Back Government: A Budget Plan to Rebuild America* (Washington: Heritage Foundation, 1995).

2. General Accounting Office, *Budget Function Classification: Relating Agency Spending and Personnel Levels to Budget Functions*, GGD-95-69FS (January 1995).

3. General Accounting Office, *Federal Reorganization: Congressional Proposal to Merge Education, Labor, and EEOC*, HEHS-95-140 (June 7, 1995).

4. Harold Seidman and Robert Gilmour, *Politics, Position, and Power: From the Positive to the Regulatory State* (New York: Oxford University Press, 1986), p. 15.

5. For a superb analysis, see Craig W. Thomas, "Reorganizing Public Organizations: Alternatives, Objectives, and Evidence," *Journal of Public Administration Research and Theory,* vol. 3 (1993), pp. 457-86.

6. Quoted by Seidman and Gilmour, *Politics, Position, and Power*, p. 13.

7. Kenneth J. Meier, "Executive Reorganization of Government: Impact on Employment and Expenditures," *American Journal of Political Science*, vol. 24 (1980), pp. 396-412.

8. Lester M. Salamon, "The Question of Goals," in Peter Szanton, *Federal Reorganization: What Have We Learned?* (Chatham, NJ: Chatham House Publishers, 1981), p. 66.

9. See David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector, from Schoolhouse to Statehouse, City Hall to the Pentagon* (Reading, MA: Addison-Wesley, 1992).

10. GAO, *Federal Reorganization: Congressional Proposal to Merge Education, Labor, and EEOC*; and General Accounting Office, *Multiple Employment Training Programs: Major Overhaul Needed to Reduce Costs, Streamline the Bureaucracy, and Improve Results*, GAO/T-HEHS-95-53 (January 10, 1995).

11. Bernard Wysocki, Jr., "Some Companies Cut Costs Too Far, Suffer 'Corporate Anorexia,'" *Wall Street Journal*, July 5, 1995, p. A1.

12. Wyatt Company, *The People Factor: A Global Study of Human Resource Issues and Management Strategies* (Washington: Wyatt Company, 1995), p. 2.

13. James Mechling, "Reengineering: Part of Your Game Plan? A Guide for Public Managers," Governing 7(1994), pp. 41-52

14. The Wyatt Company, *Best Practices in Corporate Restructuring: Wyatt's 1993 Survey of Corporate Restructuring* (Washington: Wyatt Company, 1994), p. 9.

15. Ibid., p. 10. See also two other surveys. The American Management Association, "AMA Survey" (September 27, 1994) found that only half of the companies surveyed reported improved profits after downsizing, and only one-third reported improvements in worker productivity. AMA did find that profits tended to improve two to three years after restructuring. In a different study,

Pitney Bowes Management Services found that 70 percent of the Fortune 500 companies it surveyed reported increases in productivity, but only 61 percent had an increase in efficiency and just 42 percent increased their profits. See "Reengineering Among the Fortune 500" (Stamford, CT: Pitney Bowes, October 10, 1994).

16. Wyatt Company, *Best Practices in Corporate Restructuring*, p 5.

17. Coopers and Lybrand, *Best Practices of Improvement Driven Organizations: How Today's Performers Produce Results* (Arlington, VA: Coopers and Lybrand, 1995), p. 3.

18. Wyatt Company, *Best Practices in Corporate Restructuring*, p. 31.

19. Ibid., p. 40.

20. General Accounting Office, *Reengineering Organizations: Results of a GAO Symposium*, NSIAD-95-34 (December 1994), p.9. GAO conducted a June 1994 symposium of executives from five companies with acknowledged expertise in reengineering and published the results of the discussion in this report.

21. American Management Association, *1994 Survey on Downsizing and Assistance to Displaced Workers* (New York: American Management Association, 1994).

22. Details released on the plan vary. This description is drawn from Gunderson's testimony before the House Committee on Economic and Educational Opportunities, June 7, 1995.

23. Congressman Steve Gunderson, "The Proper Federal Role in Workforce and Workplace Policy: Creating a Department of Education and Employment," Testimony before the House Committee on Economic and Educational Opportunities (June 7, 1995), pp. 2-3.

24. GAO, *Federal Reorganization*, p. 12.

25. Gunderson, Testimony, June 7, 1995.

26. Edgar H. Schein advances this definition in *Organizational Culture and Leadership* (San Francisco: Jossey-Bass, 1987), p. 6.

27. Peter Scott-Morgan, *The Unwritten Rules of the Game* (New York: McGraw-Hill, 1994), pp. 5-7.

28. Testimony of Linda G. Morra, U.S. General Accounting Office, *EEOC: Burgeoning Workload Calls for New Approaches*, T-HEHS-95-170 (May 23, 1995), p. 1.

29. James Champy, *Reengineering Management: The Mandate for Leadership* (New York: HarperBusiness, 1995).

30. Wyatt Company, *Best Practices in Corporate Restructuring*, p. 40.

31. Watson Wyatt, *The People Factor: A Global Study of Human Resource Issues and Management Strategies* (Washington: WatsonWyatt, 1995), pp. 5-6.

32. Champy, *Reengineering Management*, p. 160.

33. Wyatt Company, *Best Practices in Corporate Restructuring*, p. 45.

34. General Accounting Office, *Budget Function Classification: Agency Spending by Subfunction and Object Category, Fiscal Year 1994*, AIMD-95-116FS (May 1995), p. 23.

35. General Accounting Office, *Budget Function Classification: Agency Spending and Personnel Levels for Fiscal Years 1994 and 1995*, AIMD-95-115FS (April 1995), p. 13.

List of Acronyms

CFOA	Chief Financial Officers Act
DOEd	Department of Education
DOL	Department of Labor
EEOC	Equal Employment Opportunity Commission
GAO	General Accounting Office
GPRA	Government Performance and Results Act
HHS	Department of Health and Human Services
RIF	reductions in force

Figures and Tables

Source for Figure 1: Wyatt Company, *Best Practices in Corporate Restructuring* (Washington: Wyatt Company, 1994), p. 40.

Figure 1

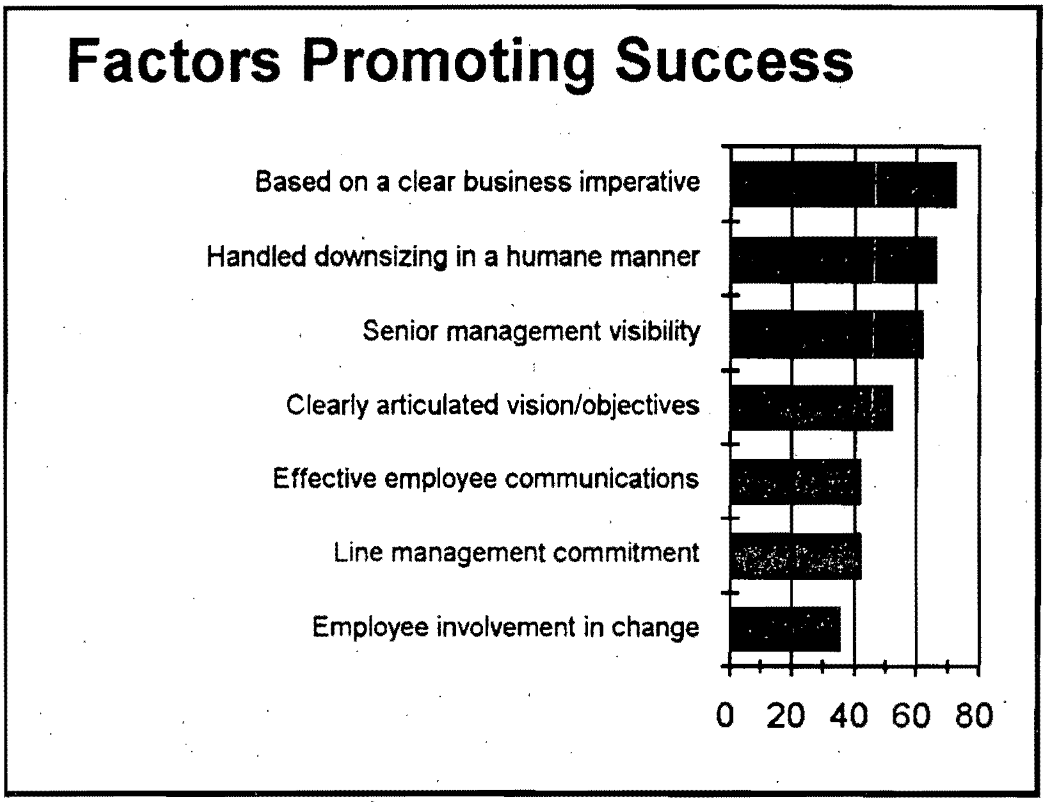


Table 1

Estimated Savings: Goodling/Gunderson Merger Plan

Five Year Estimates, FY 1996–2000
Dollar amounts in millions

Total savings			$23,100 (100%)
Administrative savings from consolidation			1,520 (6.6%)
Compensation, benefits	990		
Other (rents, utilities, etc.)		530	
Savings from program elimination			21,580 (93.4%)
Administrative savings	140		
Program reductions		21,440	

Estimates based on testimony by Congressman Steve Gunderson, House Committee on Economic and Educational Opportunities, June 7, 1995; General Accounting Office, *Federal Reorganization: Congressional Proposal to Merge Education, Labor, and EEOC* Letter Report, HEHS-95-140 (June 7, 1995); and estimates by the author.

Donald F. Kettl/UW-Madison/Madison WI

Table 2

Proposed Outlay Reductions
for
Department of Education and Employment

estimates based on combined outlays for existing departments
dollar amounts in millions

	FY95	*FY00*	*%cut*	*5-yr savings*
Secretary	555.8	419.6	-25.0	694.5
Secretariat support	485.6	441.9	-9.0	218.5
Asst.Secy. for Workforce Preparation and Policy				
. Office of Basic Education	16,600.0	15,600.0	-6.0	4,900.0
. Office of Higher Education	13,900.0	13,800.0	-0.7	364.0
. Office of Workforce Preparation and Lifelong Learning	12,000.0	9,800.0	-18.3	13,000.0
Asst. Secy. for Civil Rights	359.7	359.7	0.0	0.0
Asst. Secy. for Workplace Policy				
. Office of Workplace Safety and Modernization	594.3	444.8	-25.2	629.0
. Office of Employee Benefits	441.6	410.2	7.1	157.0

Source: Testimony of Congressman Steve Gunderson, House Committee on Economic and Educational Opportunities, June 7, 1995; and calculations by the author.

Table 3

Staffing Reductions

	Percent reduction	FTE reductions 1 yr	3 yr
Departmental administration	40%	1,578	2,009
Bureau of Education and Employment Statistics	5%	133	149
Education/Workforce Training/ Lifelong Learning Admin.	28%	964	1,112
Office of Workplace Safety and Modernization	10%	655	729
Office of Employee Benefits	1%	25	25
TOTAL	20%	3,355	4,024
Additional reductions required to cover RIF expenses		1,100	
GRAND TOTAL		4,455	4,024

Source: General Accounting Office, *Federal Reorganization: Congressional Proposal to Merge Education, Labor, and EEOC* Letter Report, HEHS-95-140 (June 7, 1995), p. 90.

Table 4

Office	*Number of staff*		*Percent*	*No.of*	[illegible]			
	Hdqrtrs	*Field*	*in field*	*Fld.off.*	*DOL*	[illegible]	[illegible]	[illegible]
Program Administration	4,604	2,403	34%	214	x	x		
Civil Rights	2,530	2,111	45%	125	x	x		
Basic Education	596	255	30%	22		x		[illegible]
Higher Education	834	647	44%	10		x		
Workforce Training	745	1,062	59%	295	x	x		[illegible]
Workplace Modernization	895	5,650	86%	491	x			
Employee Benefits	1,375	1,625	54%	75	x			
TOTAL	11,579	13,753	54%	1,232				

Source: General Accounting Office, *Federal Reorganization: Congressional Proposal to Merge Education [illegible] Letter Report, HEHS-95-140 (June 7, 1995).*

THE NEW YORK TIMES, SUNDAY, JULY 16, 1995 P-15

Department Of Education Spared, Again

Opponents Win Cuts In Several Programs

By WILLIAM H. HONAN

WASHINGTON, July 13 — The Department of Education, which has come under intense fire in recent weeks from Congressional conservatives who want to dismantle it, has survived for another year, though the reprieve apparently exacted a price.

The House majority leader, Dick Armey of Texas, who scorns the department as an example of "trickle-down incompetence," acknowledged last week that he could not muster the votes this session to pass either of two bills to abolish the department.

Nancy Landon Kassebaum, the Kansas Republican who is chairman of the Senate committee that oversees the Education Department, agreed that it had survived the latest challenge. "I didn't vote for a separate Department of Education, but now that we have it, the task is to make it efficient," she said.

Since President Carter took part of the old Department of Health, Education and Welfare to create the department 15 years ago, conservatives have sought to scuttle it. But they were not able to mount a serious threat until Republicans took over Congress last November. Once that happened, they not only generated support for abolishing the Education Department, but movements were also begun to close the Energy and Commerce Departments.

Conservatives are disturbed by what they see as the Federal Government's using education as a way of reaching into state and local affairs. They are uncomfortable with many of the department's programs — including holdovers from President Lyndon B. Johnson's "Great Society" — to promote desegregation and uphold women's rights.

The latest proposal to abolish the department was introduced several weeks ago by Representative Joseph Scarborough, a freshman Republican from Florida. His plan would have killed the department outright and would have shifted only a very few programs to other agencies. The measure attracted 109 co-sponsors, including Mr. Armey, Tom DeLay, the majority whip, and Bob Livingston, chairman of the Appropriations Committee.

The Scarborough bill also had the support of the conservative Christian Coalition, an umbrella group whose Contract With the American Family denounces the Department of Education for undue interference in state and local affairs.

Defenders of the department argued that the control of education continues to be local, that national standards are voluntary and that the department is an important advocate for improving education, particularly for impoverished students.

While moderate Republicans joined with Democrats to save the department, the survival under the House plan would cost about $3.9 billion. Last Tuesday, the House Appropriations Subcommittee ended more than 50 of the department's programs and reduced budgets for many others. Those cuts go before the full committee and eventually will be considered by the House.

The House bill would eliminate Goals 2000, a $403.4 million-a-year program designed to help states upgrade training for teachers and develop more rigorous courses.

Title I funding for Education for the Disadvantaged, which provides support for students experiencing academic difficulties in financially strapped schools would be reduced by $1.2 billion, or 17.9 percent. Financing for bilingual education would decline by 50 percent to $103 million. Vocational and Adult Education would be reduced by 23 percent to just over $1 billion.

Marshall Smith, Under Secretary of Education, estimated that the cut in Title I would affect 1.1 million students, including 67,800 in New York City. And he said that cuts to the Safe and Drug Free Schools program would reduce service to about 44 million children.

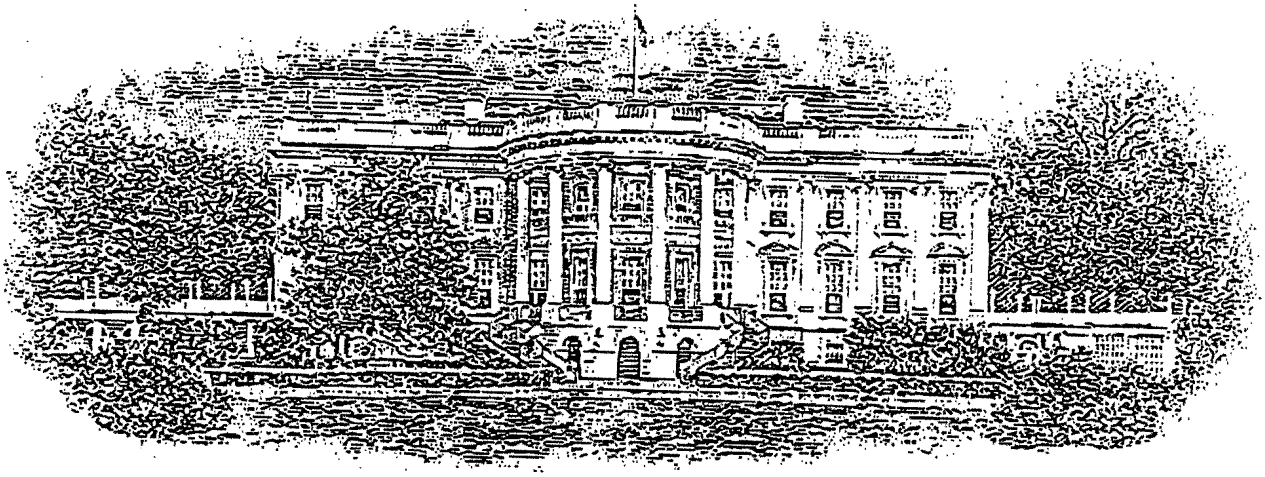
These cuts, cited as part of reducing the deficit, can be explained by the political predicament of Congressmen like John Edward Porter, a moderate Republican from Illinois who is chairman of the House Appropriations Subcommittee.

Mr. Porter, who was challenged in his last two Republican primaries by a far more conservative candidate, realized that if did not vote to abolish the department, he needed a defense against the inevitable charge that he had gone soft on government spending. So he led the drive to cut the department's budget by almost $4 billion.

Last week, he spoke warily about the matter. "I'll support the department unless somebody finds a way to save a huge sum of money by getting rid of it," he said.

The next phase of the battle will see supporters rally to reduce the Porter cuts, and they take comfort in the presumption that the Senate will be less vehement about the department than the House.

The White House



FAX COVER SHEET
DOMESTIC POLICY

DATE: July 14, 1995 TIME: 5:30 pm

TO: Frank Holleman c/o Connie
Please distribute to Mike Smith; Leslie Thornton; Kay Kahler;
Kay Casstevens; Terry Peterson; Michael Cohen; Susan Frost.
Thanks

PHONE: 401-3011 FAX #: 401-2098

FROM: Jeremy Ben-Ami; Gaynor McCown; Mike Schmidt
Domestic Policy Council

PHONE: (202) 456-2216 PAGES AFTER COVER: 2

COMMENTS: Please read ASAP!

MEMORANDUM

TO: ALL EDUCATION STRATEGY GROUP

FROM: Jeremy Ben-Ami
Gaynor McCown
Mike Schmidt 45 65 56)

DATE: July 14, 1995

RE: Action Plan and Division of Responsibilities

Please find below an action plan which was agreed to at today's meeting. If you have any questions, additions, or changes, please fax us at 456-7028.

Thanks.

Task	Responsible Person	Due Date
Plan and organize meeting on state-by-state numbers on the effects of Republican budget cuts in education; plan release of numbers for late next week	Ken Apfel (OMB)	Meeting to be held on Monday 7/17/95
Change the regular Thursday 5:00 meeting with education groups to Tuesday in order to brainstorm other possible events (in addition to the state-by-state release and the AFT speech)	Susan Frost (DOE)	Meetings to be held on Tuesday 7/18/95 and Tuesday 7/25/95; meetings return to their regular time thereafter
Brainstorm further ideas re: how to help out the legislative efforts of Rep. Obey	Ken Apfel Gene Sperling	Obey needs something before the bill hits the floor at the end of next week
State-by-state Release Coordinate the efforts of Legislative Affairs re: distribution on Capitol Hill	Michael Schmidt (DPC)	Submit plan to Jeremy Ben-Ami by Monday 7/17/95
State-by-state Release Coordinate the efforts of Intergovernmental Affairs re: distribution to state/local officials	Emily Bromberg	Submit plan to Jeremy Ben-Ami by Monday 7/17/95

<u>State-by-state Release</u> Coordinate a strategy for regional media coverage of planned events	Lori McHugh Media Affairs Gaynor McCown	Submit plan to Jeremy Ben-Ami by Monday 7/17/95
<u>State-by-state Release</u> Coordinate outreach to non-DC education groups and/or local chapters of DC groups	Michael Schmidt Susan Frost DOL National Service	Submit plan to Jeremy Ben-Ami by Monday 7/17/95
<u>July 28 AFT Speech</u> Speak to intergovernmental reps and coordinate local events on 7/28/95 to revolve around the AFT speech	Emily Bromberg	7/19/95
<u>July 28 AFT Speech</u> Contact educational groups and perform group outreach	Susan Frost OPL Michael Schmidt	7/19/95
<u>July 28 AFT Speech</u> Contact opinion leaders and press offices	Michael Schmidt to coordinate with relevant press offices	7/19/95
Examine the calendar carefully to ensure it is accurate and <u>comprehensive</u>; report all additions/changes	ALL PARTICIPANTS	ASAP