

THE G·A·O

A QUARTERLY SPONSORED BY THE U.S. GENERAL ACCOUNTING OFFICE

JOURNAL



TALENT HUNT

Paul Volcker on the crisis in the public service

WHAT'S IN A LABEL?

Christopher Jencks, Lawrence M. Mead, and Isabel Sawhill on the underclass

HOUSING AND THE HOMELESS

New approaches to a growing problem

THE G·A·O

JOURNAL

NUMBER 5
SPRING 1989

A QUARTERLY SPONSORED BY THE U.S. GENERAL ACCOUNTING OFFICE

C O N T E N T S

FROM THE COMPTROLLER GENERAL	3
THE NOT-SO-QUIET CRISIS <i>An Interview with Paul Volcker</i>	4 138540
REFLECTIONS ON CSRA'S FIRST DECADE <i>Alan K. Campbell</i>	9 138533
THE ISSUE OF UNDERCLASS <i>A discussion featuring Christopher Jencks, Lawrence M. Mead, and Isabel Sawhill</i>	15 138534
TOWARD A REALISTIC ANTI-DRUG STRATEGY <i>John L. Viallet and Ronald G. Viereck</i>	23 138535
HOUSING AND THE HOMELESS	
• THE CRISIS IN AFFORDABLE HOUSING <i>Robert A. Barbieri and Dennis W. Fricke</i>	28 138536
• A BROADER VIEW OF SHELTER <i>Langley C. Keyes</i>	34 138537
• PUBLIC-PRIVATE PARTNERSHIPS <i>James W. Rouse and F. Barton Harvey, III</i>	38 138538
INFORMATION TECHNOLOGY AND GOVERNMENT OPERATIONS <i>Frank Reilly</i>	42 138539
Benjamin J. Friedman, <i>DAY OF RECKONING:</i> <i>THE CONSEQUENCES OF AMERICAN ECONOMIC POLICY</i> <i>UNDER REAGAN AND BEYOND</i> , reviewed by Harry S. Havens • Richard P. Nathan, <i>SOCIAL SCIENCE IN GOVERNMENT: USES</i> <i>AND MISUSES</i> , reviewed by William Murrie Clevenger • Merton C. Bernstein and Joan Brodshaug Bernstein, <i>SOCIAL SECURITY: THE</i> <i>SYSTEM THAT WORKS</i> , reviewed by Donald C. Snyder • Tim Metz, <i>BLACK MONDAY: THE CATASTROPHE OF OCTOBER 19, 1987 . . .</i> <i>AND BEYOND</i> , reviewed by Patrick Dynes •	48

54

Alan K. Campbell

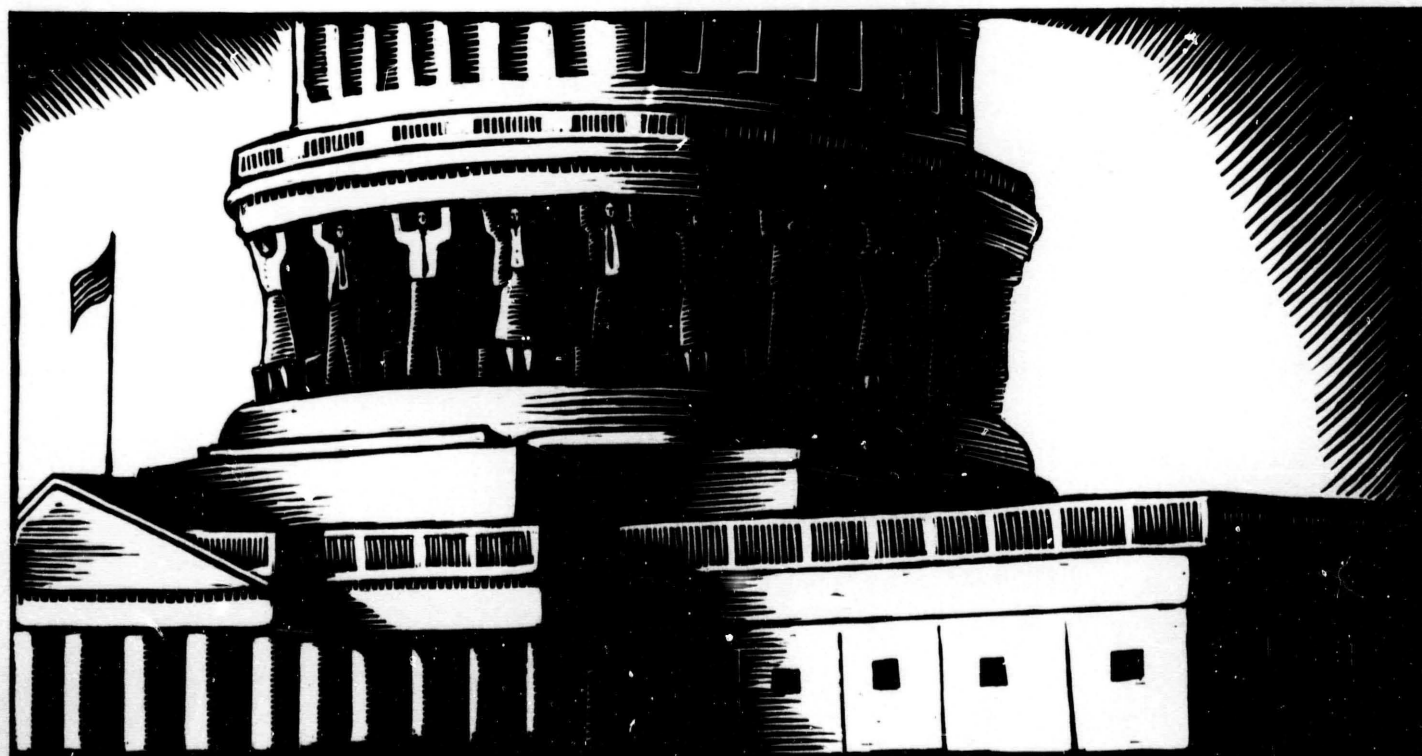
REFLECTIONS ON CSRA'S FIRST DECADE

It's still too early to tell if the Civil Service Reform Act will live up to expectations.

MORE THAN TEN years have passed since the Congress enacted the Civil Service Reform Act of 1978 (CSRA). As one who helped craft the legislation and secure its passage, I am often asked what I think of its accomplishments. Has it succeeded in doing what we hoped it would do? My feeling is that, insofar as the act put the means in place to improve the federal personnel system, it worked. But whether CSRA's various provisions will be employed to the system's fullest advantage still remains to be seen.¹

This has been a turbulent decade for federal employees. While the overall size of government—as measured by the number of employees—has not decreased,

ALAN K. "SCOTTY" CAMPBELL, *Chairman of the Civil Service Commission from 1977 to 1978, was the first Director of the Office of Personnel Management from 1979 to 1980. He is presently Vice Chairman and Executive Vice President of ARA Services, Inc.*



THE MOST DISRUPTIVE
INFLUENCE ON THE CIVIL
SERVICE HAS BEEN
BUREAUCRAT-BASHING,
WHICH HAS CREATED AN
ATMOSPHERE THAT COULD
HARDLY BE LESS
CONDUCTIVE TO CIVIL
SERVICE REFORM.

the mix of government activities, and therefore the distribution of employment among the various agencies, has undergone substantial change, with the major shift being from domestic to defense agencies. These factors, in themselves, have made for upheaval in the system. But more disruptive to the civil service have been the continuing effects of bureaucrat-bashing, which created an atmosphere that could hardly have been less conducive to civil service reform.

Antigovernment rhetoric, of course, did not come out of nowhere. It was a spin-off of the disillusionment that took hold in the wake of the Great Society. In the 1960s and early 1970s, the federal government accepted the challenge of confronting a number of vast social problems for which solutions were unknown, and many of its efforts to solve these problems absorbed a lot of money, expanded the bureaucracy, and then did not work as well as was predicted. Eventually the public bought the notion that government—and by extension, those who worked for it—were not the solution, but the problem. The Louis Harris organization polled Americans in 1964 and asked, "Does the government waste a lot of money?" Forty-seven percent said yes. When the question was asked again in 1978, many more respondents—78 percent—said yes.

Also contributing to the deteriorating attitude toward government was the slowdown in the growth of the nation's economy. Slower economic growth meant that any significant expansion in government programs would have to be paid for, not out of new income, but out of people's pockets. They resisted. Antitax initiatives such as California's Proposition 13 spread across the country. It seemed unfair, many argued, for taxpayers to pick up the tab for programs they did not believe were working. Americans generally believed in what their government was trying to do: 88 percent, according to the 1978 Harris Poll, supported Social Security; 76 percent supported health programs; 70 percent supported education programs; 68 percent supported law enforcement programs; 65 percent supported job programs for the unemployed. The problem was that far fewer people believed the government could make these programs succeed.

This was the climate in which President Jimmy Carter put the 1977 Personnel Management Project members to work studying and drafting legislation to reshape the civil service. President Carter said that "there is no inherent conflict between careful planning, tight management, and constant reassessment on the one hand and compassionate concern for the plight of the deprived and the afflicted on the other. Waste and inefficiency never fed a hungry child, provided a job for a hungry worker, or educated a deserving student." Here was recognition that the personnel function—involving a range of dry, if not altogether boring, issues such as classification, job analysis, productivity improvement, and training and development—has a great bearing on how well the government does its job.

Two large problems

Those of us engaged in the project discerned two overriding personnel problems in the civil service. First, we found that the federal government's personnel system had developed into a web of restraints designed primarily to prevent patronage, favoritism, and other abuses. In this sense it worked against itself: The same

measures intended to prevent people from doing bad things can just as easily prevent them from doing good things. Second, we found that the layering of political appointees at the upper levels of federal agencies—assistant secretaries, deputy assistant secretaries, etc.—unduly limited the potential for career civil servants to fill high-level positions, and created serious tensions between career and noncareer personnel.

These two developments contributed to an environment in which no one felt a responsibility to make the system work: No one had a sense of *ownership*. Political appointees, serving for brief periods, sought to make their mark in some high-profile area, improve their resumes, and move on with their careers. Meanwhile, career federal employees, serving under a succession of political appointees, felt an obligation only to their jobs, not to the system of which they were a part. All this, it seemed to us, helped create a system that failed to emphasize either top-flight performance or the management tools necessary to ensure it. The primary purpose of personnel policies and practices is to encourage quality performance among all employees. Every policy and practice should be measured against this standard and performance should be measured against preestablished individual and organizational goals.

Reorganizing for change

One of our first recommendations was to bring responsiveness and flexibility to the personnel system by eliminating the Civil Service Commission. We felt the Commission had accumulated a set of mutually exclusive functions, and consequently was fulfilling none of them well. Although bipartisan in make-up, it was expected to work for the President, establishing personnel policies and advising and assisting executive branch agencies in achieving effective personnel management. At the same time, it was expected to stand aside from the fray and oversee the integrity of the merit system, protect employee rights, decide employee appeals, and perform a variety of other adjudicatory functions. The Commission's conflicting duties undermined both its performance and its credibility. So we split the agency and its roles. Under Reorganization Plan No. 2 of 1978, the Office of Personnel Management (OPM) became the President's personnel arm. The Merit Systems Protection Board became the merit system watchdog.

The creation of OPM was designed, in part, to put a more responsive personnel structure in place and thereby open the personnel system to change. One such change was in authority. The Civil Service Reform Act authorized OPM to delegate personnel authority to the departments and agencies; in fact, when I was OPM Director we delegated some 64 authorities. Why do so? Because when personnel authority is exercised from a distance, it serves merely as a control. When it is delegated to the department or agency—or even better, down to the manager of each operating unit—it becomes a tool for improving the performance of operations. I felt then—and continue to feel now—that day-to-day personnel decisions belong in the hands of the people charged with accomplishing the goals of the agency. The personnel staff should assist line managers, but authority must reside with the managers.

WHEN PERSONNEL
AUTHORITY IS EXERCISED
FROM A DISTANCE, IT
SERVES MERELY AS A
CONTROL. DAY-TO-DAY
PERSONNEL DECISIONS
BELONG IN THE HANDS OF
THE PEOPLE CHARGED
WITH ACCOMPLISHING THE
GOALS OF THE AGENCIES.

The Senior Executive Service

Another major provision of CSRA was the creation of the Senior Executive Service (SES). The SES was intended to make it more feasible for career federal managers to fill high-level positions and to make the career-noncareer relationship more rational. In the SES, the designation "career" or "noncareer" became affixed to positions rather than individuals; it meant that a qualified career SES member could be called upon to fill a high-level "noncareer" post, yet retain his or her career status upon completion of the assignment. At the same time, we abolished the idea that rank—that is, pay and position in the hierarchy—was inherently a part of the position description, and established the principle of SES rank-in-person, so that an executive could be paid at a level commensurate with the personal rank he or she had earned.

EVEN IN GOVERNMENT,
THERE IS NO PROGRAM IN
WHICH MANAGERS WHO ARE
ASSIGNED A SET OF GOALS
CANNOT DEVELOP A MEANS
OF DETERMINING HOW
WELL THEY ARE BEING
ACCOMPLISHED.

In addition, we set at 10 percent the maximum proportion of SES members who could be political appointees—the percentage that existed at the time CSRA was passed. (Despite a common perception that the number of political appointments to upper-level positions has increased in the 1980s, the 10 percent limit has not been violated. But it is also true, regrettably, that the number of career SES members moving into the upper-level positions does not seem to have risen.)

Better performance was our goal in arguing for the SES, as well as for other features of CSRA such as merit pay for middle managers. We hoped to get the most out of federal managers by establishing bonuses and merit pay, by making it somewhat easier to deal with inadequate performance, and by encouraging the adoption of performance appraisal systems.

Establishing workable measures of performance is a difficult task in government—more so than in the private sector. The obvious difference between a private company and a government agency is that the agency has no bottom line by which to measure its success. But, even in business, bottom-line considerations are not the only ones. In my own corporation, about 60 percent of each employee's bonus is based on the financial performance of his or her unit; the other 40 percent is based on nonfinancial measures, such as client satisfaction and retention, preparation of employees for new roles, and use of training programs. So it is possible to develop nonfinancial goals against which performance can be measured. I remain convinced that, even in government, there is no program in which managers who are assigned a set of responsibilities and goals cannot develop a means of determining how well these responsibilities and goals are being accomplished. Private-sector enterprises set up appraisal measures because they have to in order to survive. Federal employees face less risk of losing their jobs, but like all workers, they need a reliable measure of their performance to give them a sense of accomplishment and ownership of the organization of which they are a part.

Some agencies have done a very good job of developing measures of accomplishment, but I do not know of any governmentwide effort to try to understand what's working well, and where. Some still contend that OPM or the Office of Management and Budget should develop performance measures and impose them on the agencies. I believe, however, that the agencies would resist such a move—

and they should. And if such a system were imposed, the blame for its failures would fall on those who devised it, rather than on the managers responsible for making it work. I worry over the tendency in government, when there is a broad management problem, to assign the solution to a central agency rather than to the operating agencies. Even the role of oversight or coordination can very quickly become an authority role. The more useful function for a central agency is to offer technical assistance, review, and record keeping, and to help give visibility to innovative approaches and success stories from the agencies.

Public- versus private-sector techniques

There has been much talk about how the federal government ought to adopt private-sector management techniques. But one has to recognize that private-sector approaches have changed over time. Years ago, the organization of the federal government—its internal structure, its allocation of personnel—looked a lot like the private sector. Just as in government, the biggest firms had as many as 15 layers of management. And just as in government, there was a tremendous reliance on staff—personnel people, finance people, management types—versus line. American business has since learned that this sort of management approach, along with the accompanying staff overhead, makes it uncompetitive with its restructured domestic and international rivals. The government, though, with no direct competition to deal with—only a slowly building public resentment—has been less quick to learn the lesson and adopt the appropriate management and organizational changes. But that is why I think the CSRA laid the groundwork for eventual success: It allows agencies to innovate if and when they decide to do so.

The act did not prescribe solutions to the government's personnel problems. Instead, it enabled the federal personnel system to explore and implement its own solutions. Some argued at its passage, and continue to argue, that increased discretion at the agency level will create the potential for abuse of the system. This may well be true, but the old, more restrictive system is not the answer. I do not think, for example, that the sort of personnel abuses that took place early in this decade at the Environmental Protection Agency would have been prevented under the old system.

In a personnel system as enormous as the federal government's, there is no legislative solution to the eternal conflict between central control and autonomy. Eventually, it comes down to the luck of the draw—having leaders who make the most of the opportunities afforded them, and enjoying times in which the opportunities are there. Certainly, the administration that took office in 1981 had its own agenda, which to a considerable extent worked against the greater autonomy encouraged by CSRA. The delegation of personnel authorities by OPM came to a halt; in fact, many of the 64 delegations made by the previous administration were rescinded. But other factors also inhibited innovation: The kinds of experimental personnel projects encouraged by CSRA would probably

CONSIDERING HOW UNRULY
A DECADE THE 1980s HAVE
BEEN FOR GOVERNMENT,
THERE IS NO WAY OF
KNOWING JUST HOW
SUCCESSFUL THE REFORMS
OF CSRA CAN BE. THE
ACT ALLOWS THINGS TO
HAPPEN; IT DOES NOT
REQUIRE THEM.

THE GOVERNMENT'S
PERSONNEL SYSTEM EXISTS
IN A LARGER ENVIRONMENT
THAT IS NOT JUST
POLITICAL BUT ECONOMIC
AND SOCIAL. IT WILL
TAKE A WHILE TO SEE
WHETHER THE BEST USE
IS MADE OF CSRA.

have been more widespread if the times had not been marked by growing deficits and antigovernment sentiment.

So, in the sense that this has been an unruly decade for government, there is no way of knowing just how successful the reforms of CSRA can be. The act *allows* things to happen; it does not require them. In the last 18 months or so of the Reagan administration, for example, OPM began to reverse itself in many areas. And even where progress has not been what we might have hoped, some progress has been made. For instance, complaints are heard concerning the SES. The number of career SES personnel in high positions does not seem to have gone up. Training programs for SES members and opportunities for movement across agency lines have not met expectations. Yet the bonus system—a matter of great controversy during enactment of CSRA and in the days thereafter—seems well accepted now. And the fact that SES members carry rank-in-person rather than rank-in-position allows for easier movement of managers, if not from agency to agency, at least within agencies themselves. And regarding the degree to which talented career SES people are chosen for high posts, the fact that they have not been of late does not mean that they will not be in the future.

For federal employees, the tone has to be set by the President. This one has gotten off to an encouraging start. But the government's personnel system exists in a larger environment that is not just political but economic and social. It will take a while to see whether the best use is made of CSRA.

One additional note: An issue that civil service reform does not address is that of adequate pay for federal managers. The recent inability of the Congress to address this issue raises a serious challenge to the ability of the federal government to attract and retain its share of the nation's most talented managers. The public debate about pay focused almost exclusively on appropriate compensation for Members of Congress, when the greatest threat to effective government comes from inadequate pay for executive branch managers and members of the judiciary. Civil service reform, or, perhaps better said, effective personnel leadership, is invariably dependent on executive leadership. Without competitive pay—competitive with state and local governments, nonprofit organizations, and business—there is no way such leadership, either career or noncareer, can be retained or attracted. In the long run, effective implementation of civil service reform and, similarly, the overall quality of executive branch management rely on fairness in pay. Current executive pay does not meet this test. ●

1. For her help in preparing this essay, I would like to thank Nancy Kingsbury, Special Assistant to the Chairman of the Civil Service Commission during my tenure, and presently Director, Foreign Economic Assistance Issues, in GAO's National Security and International Affairs Division.

and they should. And if such a system were imposed, the blame for its failures would fall on those who devised it, rather than on the managers responsible for making it work. I worry over the tendency in government, when there is a broad management problem, to assign the solution to a central agency rather than to the operating agencies. Even the role of oversight or coordination can very quickly become an authority role. The more useful function for a central agency is to offer technical assistance, review, and record keeping, and to help give visibility to innovative approaches and success stories from the agencies.

Public- versus private-sector techniques

There has been much talk about how the federal government ought to adopt private-sector management techniques. But one has to recognize that private-sector approaches have changed over time. Years ago, the organization of the federal government—its internal structure, its allocation of personnel—looked a lot like the private sector. Just as in government, the biggest firms had as many as 15 layers of management. And just as in government, there was a tremendous reliance on staff—personnel people, finance people, management types—versus line. American business has since learned that this sort of management approach, along with the accompanying staff overhead, makes it uncompetitive with its restructured domestic and international rivals. The government, though, with no direct competition to deal with—only a slowly building public resentment—has been less quick to learn the lesson and adopt the appropriate management and organizational changes. But that is why I think the CSRA laid the groundwork for eventual success: It allows agencies to innovate if and when they decide to do so.

The act did not prescribe solutions to the government's personnel problems. Instead, it enabled the federal personnel system to explore and implement its own solutions. Some argued at its passage, and continue to argue, that increased discretion at the agency level will create the potential for abuse of the system. This may well be true, but the old, more restrictive system is not the answer. I do not think, for example, that the sort of personnel abuses that took place early in this decade at the Environmental Protection Agency would have been prevented under the old system.

In a personnel system as enormous as the federal government's, there is no legislative solution to the eternal conflict between central control and autonomy. Eventually, it comes down to the luck of the draw—having leaders who make the most of the opportunities afforded them, and enjoying times in which the opportunities are there. Certainly, the administration that took office in 1981 had its own agenda, which to a considerable extent worked against the greater autonomy encouraged by CSRA. The delegation of personnel authorities by OPM came to a halt; in fact, many of the 64 delegations made by the previous administration were rescinded. But other factors also inhibited innovation: The kinds of experimental personnel projects encouraged by CSRA would probably

CONSIDERING HOW UNRULY
A DECADE THE 1980S HAVE
BEEN FOR GOVERNMENT,
THERE IS NO WAY OF
KNOWING JUST HOW
SUCCESSFUL THE REFORMS
OF CSRA CAN BE. THE
ACT ALLOWS THINGS TO
HAPPEN; IT DOES NOT
REQUIRE THEM.

THE GOVERNMENT'S
PERSONNEL SYSTEM EXISTS
IN A LARGER ENVIRONMENT
THAT IS NOT JUST
POLITICAL BUT ECONOMIC
AND SOCIAL. IT WILL
TAKE A WHILE TO SEE
WHETHER THE BEST USE
IS MADE OF CSRA.

have been more widespread if the times had not been marked by growing deficits and antigovernment sentiment.

So, in the sense that this has been an unruly decade for government, there is no way of knowing just how successful the reforms of CSRA can be. The act *allows* things to happen; it does not require them. In the last 18 months or so of the Reagan administration, for example, OPM began to reverse itself in many areas. And even where progress has not been what we might have hoped, some progress has been made. For instance, complaints are heard concerning the SES. The number of career SES personnel in high positions does not seem to have gone up. Training programs for SES members and opportunities for movement across agency lines have not met expectations. Yet the bonus system—a matter of great controversy during enactment of CSRA and in the days thereafter—seems well accepted now. And the fact that SES members carry rank-in-person rather than rank-in-position allows for easier movement of managers, if not from agency to agency, at least within agencies themselves. And regarding the degree to which talented career SES people are chosen for high posts, the fact that they have not been of late does not mean that they will not be in the future.

For federal employees, the tone has to be set by the President. This one has gotten off to an encouraging start. But the government's personnel system exists in a larger environment that is not just political but economic and social. It will take a while to see whether the best use is made of CSRA.

One additional note: An issue that civil service reform does not address is that of adequate pay for federal managers. The recent inability of the Congress to address this issue raises a serious challenge to the ability of the federal government to attract and retain its share of the nation's most talented managers. The public debate about pay focused almost exclusively on appropriate compensation for Members of Congress, when the greatest threat to effective government comes from inadequate pay for executive branch managers and members of the judiciary. Civil service reform, or, perhaps better said, effective personnel leadership, is invariably dependent on executive leadership. Without competitive pay—competitive with state and local governments, nonprofit organizations, and business—there is no way such leadership, either career or noncareer, can be retained or attracted. In the long run, effective implementation of civil service reform and, similarly, the overall quality of executive branch management rely on fairness in pay. Current executive pay does not meet this test. •

1. For her help in preparing this essay, I would like to thank Nancy Kingsbury, Special Assistant to the Chairman of the Civil Service Commission during my tenure, and presently Director, Foreign Economic Assistance Issues, in GAO's National Security and International Affairs Division.