



**U.S. Office of Personnel Management
Speech by Chief of Staff Janice Lachance**

National Academy of Public Administration

June 25, 1997

“The Government of the Future”

Thank you, Allen, and good afternoon. It's a great privilege to be with you today. Jim King sends his regrets from Oslo, where he is attending an international conference on the development and training of civil servants.

We at OPM are proud of the strong and continuing ties we have with NAPA. We know that some of our best -- and best-informed -- friends are here, and we value your experience and your advice.

Today, I'd like to take stock of some of the progress the Clinton administration has made -- and we at OPM have made -- in the reinvention of government.

We believe that historic changes have occurred in the past four years.

As you know, in 1993 the Vice President conducted the National Performance Review, which produced a detailed blueprint for change, and many of those proposals are now reality.

What we are seeing, day by day, month by month, is the emergence of the government of the future.

This new government is smaller, less centralized, more automated, more family-friendly, more diverse, more market-driven, more entrepreneurial, and more customer oriented than ever before.

The most dramatic change has come in downsizing.

Since January of 1993, the federal workforce had been reduced by about 300,000 positions, or close to fourteen percent --and the process is continuing.

As important as the magnitude of the downsizing, is the way it was carried out.

By that I mean with concern for every individual involved.

A decision was made to use involuntary separations -- RIFs -- only as a last resort.

Instead, the focus was on attrition and buyouts, and career transition services.

As a result, only about ten percent of the 300,000 who have left government so far were involuntarily separated.

We take pride in that, and also in the fact that, from all indications, despite a smaller workforce, efficiency and customer service have improved.

One reason for that is the increased use of technology. For example, we at OPM, in consultation and partnership with customer agencies, have implemented Employee Express and Annuitant Express, which permit federal employees and annuitants to make routine changes in their personnel and pay records by touchtone telephone calls. Hundreds of thousands of people are using this system already and the program is rapidly being expanded.

It's truly a win-win system. Those who use it receive -- or give -- information by phone that previously required an exchange of letters. And we in government reap huge savings in personnel costs.

Privatization can be an innovative downsizing tool. As many of you know, we at OPM helped seven hundred members of our investigations unit start their own employee-owned, private-sector investigations company, US Investigations Services, Inc..

This was the first time a federal agency had used an Employee Stock Ownership Plan, or ESOP, to help employees move from the public to the private sector. The new company has been in business almost a year and is doing very well.

When Jim King said he wanted to help those employees start their own company, rather than simply putting them on the street, some people said it **couldn't** be done and others said it **shouldn't** be done.

But Director King pushed ahead, and it **was** done, and we think US Investigations Services, Inc., will be a model for other privatizations in the years ahead.

OPM is working with agencies to design the Performance Based Organizations that can point the way to the government of the future.

As you know, reinvention has stressed procurement reform, through legislation and policy changes that have already saved billions of dollars. Last week, OPM added a new element to this process of reform. Recognizing that modern procurement has become increasingly sophisticated, we said it was not enough to reform the system, we needed also to set higher educational standards for the men and women who carry out the procurement process. So we have raised those standards -- and we also, in the interest of fairness, have given employees in that occupation time to obtain the education they may need to meet the higher standards.

Reinvention also continues to stress workplace partnership between labor and management, and in many cases partnership has solved problems, saved money and produced better customer service. Often the savings come when we avoid costly litigation by the use of alternative dispute resolution. Partnership isn't a cure-all but it has been a valuable tool for better government.

As OPM has downsized, we have strengthened our focus on our primary mission, which is to protect and enhance the merit system of government. And we consider the enforcement of the Veterans Preference Act to be central to the merit system.

With regard to hiring, nearly all of the National Performance Review's recommendations involved moving authority from OPM to agencies and to line managers.

One of the great questions that we have faced during reinvention is how we protect the merit system even as we decentralize hiring. How do we strike a balance between flexibility on the one hand and unchanging core principles on the other?

Two years ago, we created the Office of Merit Systems Oversight and Effectiveness to help achieve that balance. This office is headed by Associate Director Carol Okin, whom many of you know and who spoke at

this conference yesterday.

The oversight office, which reports directly to the Director of OPM, has a staff of about one hundred evaluators who conduct on-site evaluations of seven or eight major federal agencies each year to ensure that they are following the law with regard to hiring, pay, promotion and related personnel decisions. It is our goal to evaluate the merit-system integrity of the thirty major departments and agencies by 2000 and to complete studies of all major federal personnel systems.

During this fiscal year, we are carrying out evaluations at the Departments of Agriculture, Commerce and Veterans Affairs, and at the EPA, NASA, the SEC, and the National Archives. Our evaluators will make around 125 on-site visits to these agencies.

The oversight office also investigates allegations of specific merit-system abuses. When problems are found, we are prepared to use our legal authority to obtain prompt corrective action.

For example, at one agency, when top-level promotions were made by what employees protested was an "old boys" network, operating on a "back room" basis -- and we found substance to the allegations -- we declared a moratorium on promotions until reforms were in place.

In another case that drew a great deal of public attention, we stopped the improper use of retention allowances at an agency and froze its authority to make such payments until proper procedures were in place.

In short, we use both the carrot and the stick to protect the merit system. We work cooperatively with agencies when we can and use our legal authority when we must. We realize that a staff of 150 cannot oversee and monitor a government of nearly two million employees. But we know too that an occasional well-publicized action against abuse can have a chilling effect on others who might be tempted to stray from the straight and narrow.

To the maximum degree possible we want to shift accountability to the agencies themselves. We believe that most agencies want to do the right thing, but may need a little encouragement from time to time.

To that end, OPM is currently conducting a special study to provide specific information about the state of deregulation and delegation which can be used to assist agencies in developing self-assessment systems and educating managers on the merit system principles. In addition, the study will identify agencies that have made the greatest strides in deregulation and delegation.

During this era of delegation and deregulation, it is all the more important that managers have a clear understanding of merit system principles, how to apply them, and how to avoid prohibited personnel practices. Thus, we have developed training programs and tools to assist agencies. These include a two-hour Merit System Principles Awareness Training Module which includes a brochure and a computer mousepad adorned with the principles -- which, I should say, is extremely popular.

OPM now has several oversight initiatives in progress that may be of interest to you.

- To examine white-collar classification accuracy, we are conducting a study of eight hundred randomly selected General Schedule positions. We hope not only to estimate classification accuracy, but to assess whether the Classification Act of 1949 is meeting the needs of today's government.
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- In addition to our reviews of the thirty major agencies, we plan to begin regular reviews of smaller agencies, typically with less than a thousand employees. We have seen in the past two years that these

smaller agencies often have more limited resources in the personnel area and can benefit from our review of their human resources systems.

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- Since about 44 percent of federal employees now work in agencies which are wholly or partly outside of Title 5 coverage, we are conducting a special study on these alternative HRM practices so we can better understand how they manage their systems within the framework of the merit principles.
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- We are also conducting a special study of downsizing to review the results in terms of impact on the federal workforce and agency missions. Results of the study will provide best practices and lessons learned for agencies who will engage in future downsizing efforts
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- In these and other ways, during this time of change, we are working to ensure that our government's commitment to merit principles do not change.

We are also carrying out demonstration projects intended to test improvements in human resources management. From 1978 until 1990, OPM carried out seven "first generation" projects focused on recruitment, retention and pay banding. Current "second generation" projects include more sophisticated "pay for performance" tests in the areas of contribution-based compensation and skill-based pay which attempt to integrate classification, compensation and performance management.

Clearly, many challenges remain. Some are in the area of performance management. We are going to have to focus on poor performers, too, because they are only a small percentage of the workforce but they cause disproportionate problems for us all. Frankly, in a time of downsizing and reinvention, poor performers are a luxury we cannot afford, either in terms of productivity or of our credibility.

But today there are many signs that we are winning back the support of the American people. I think people realize now that government really is smaller and in some cases they are aware of the improved customer service.

Vice President Gore recently cited a Roper poll that shows that public confidence in the federal government, after being in decline for thirty years, is rising again. I think there is no doubt that the recent trial of the Oklahoma City bomber had a huge impact on public opinion. The bombing and the trial were a powerful and painful reminder that federal employees are not the faceless, feckless bureaucrats of political mythology, but are real people with real families, real work to do, and real blood to shed.

I think we have turned a corner. Today's federal workforce is smaller, has greater public support, and is moving in the right direction. There was understandable skepticism when the reinvention of government was announced four years ago -- too many promises had been broken for too many years -- but today we have results, and I believe that future historians will rank the Clinton era as one of the great periods of reform in our government's history.

Much work remains to be done, and we call upon our friends at NAPA to advise and assist us as we continue to move toward the government of the future. Thank you.

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