

THE QUEST FOR A LEANER, NOT A MEANER GOVERNMENT

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ABSTRACT

In 1993, the Clinton administration launched the *National Performance Review* [NPR], a large-scale effort to create a more entrepreneurial government that 'works better and costs less'. The NPR relied heavily on the input and effort of federal civil servants. Further, it incorporated a major personnel reduction that specifically targeted 'control- and micro-management' positions. Although the rationale for the reduction was formulated in terms of performance improvement, it was as much driven by the goal of cost cutting. A similar effort took place in The Netherlands with the '*Grote Efficiency Operatie*' [Operation Efficiency]. During the 1980's, the Dutch government established six so-called 'major operations' to improve its performance and reduce costs. In the early 1990's, these efforts to shrink the government workforce merged with those to lever public services to the private sector for operational efficiency. The history, targets, procedure and organization as well as results of both countries' efforts are analyzed. Comparison of the NPR and the GEO entails certain risks but yields insights that contribute to an understanding of efforts at public sector reform which transcends particular national contexts. Both operations began as efforts to improve efficiency but quickly became focused on personnel reduction. Although personnel reductions in the US are ahead of schedule, total cost-savings targets

will likely not be met. The Dutch realized cost-savings targets even though the personnel reductions fell almost 35 percent short of target. Nevertheless, meeting cost savings and personnel reduction targets guarantees neither increased efficiency or effectiveness. In terms of approaches, we find that where the Dutch used incentives to ensure cooperation of agencies and departments, the Americans relied on legislation. Semi-institutionalized fora of senior executives played an important role in planning and coordinating the personnel reduction efforts of both governments. Downsizing accounts for a comparable share of total cost-savings [41-43%] and non-defense agencies have lost a comparable proportion of their personnel [6-8%]. However, where employee buyouts were an important instrument in the United States, the Dutch relied on attrition and early retirement. Both nations have now begun to move towards performance based organizations.

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Introduction

In 1993, the Clinton administration launched a large-scale effort to create a more entrepreneurial government. That is, a government which ‘works better and costs less’. The proposals and recommendations were not totally new to the American context, but they were placed in a relatively coherent framework for the first time. These efforts by the Clinton administration are not unique. Something similar happened in The Netherlands with the Dutch government's effort to improve its administrative performance. The approach and the scale of the Dutch operation are different, of course, but both reform efforts have some things in common. They can be seen as part of an international trend to roll back government and to improve efficiency in the public sector

History shows that many administrative reforms are responses to changes in the state of the economy. Furthermore, many efforts to improve efficiency in the public sector finally boil down to changes in the labor forces. Personnel reductions are: “... *extremely popular. They can be used symbolically to pursue political ends in the name of efficiency or to attest to an administration's commitment to efficiency. There is a great deal of skepticism about their*

usefulness” (Downs & Larkey, 1986, p. 190).

We start with a brief discussion of the issue of efficiency in the context of reform in the public sector. Next, the two operations will be presented as cases, structured along the following lines. Each operation will first be viewed from a historical perspective. The nominal targets of each operation will be presented next, followed by a complementary description of the operation’s procedure and organization. Each case is rounded out by a discussion of the outcomes, which will be related back to the original targets. After presentation of the two cases, an overview of the most striking similarities and differences is provided. This is followed by a concluding section.

Public Sector Reform, Administration and Efficiency

One can’t say anymore at this moment that nothing is going on in government, or that working in the bureaucracy is boring or dull. A lot is happening these days under the label of *administrative reform*, that may be undertaken to introduce *institutional* change or to implement cut-backs (Lane, 1995, p. 509). Besides, we have to make a distinction between administrative reform and *budgetary* reform in spite of the long-standing interrelation between the two¹. A good many administrative reforms have their roots in the search for efficiency, the *Holy Grail* of

administrative reformers (Wright, 1997, p. 11). Finally, administrative reform is not the same as *political* reform, though politics is at the heart of administrative reform.

The gospel of efficiency dates from the turn of the century and that has never been away since that moment (Waldo, 1984). The efficiency movement has got a boost by the situation of fiscal stress that held the world captured in the late 1970's, early 1980's due to oil crises. It's too simple to believe that administrative reform is only moved by a call for money, but it's obvious that the deficit has provided the pressure needed to put efforts such as the NPR on the political agenda. However, the deficit was only a vehicle. To quote one of the most important advisers of President Clinton during the campaign for his first term: "*it's NOT the deficit, stupid*" (Woodward, 1994, p. 116). That the President got the message is proven by the announcement of the study by Vice-President Gore to reinvent government: "... *the deficit is only the tip of the iceberg. Below the surface, Americans believe, lies enormous unseen waste ... And yet, waste is not the only problem ... we suffer not only a budget, but a performance deficit*" (Clinton, 1993). The same is true for the Dutch equivalent of the NPR, which has a start in the so-called 'major operations' that were launched in the early 1980's to reduce the sky-high budget deficit.

The improvement of efficiency is, of course, not a goal in itself, but is part of the efforts to improve the performance of the government². It may even be seen as subordinate to effectiveness:

The rational model ... makes effectiveness logically prior to efficiency, but by the same token it makes the assessment of effectiveness dependent on a prior definition of policy objectives. In practice, the situation is far less clear-cut. The boundary between efficiency and effectiveness is a permeable one. Attempts to improve efficiency may lead to a clarification or redefinition of objectives... (Metcalf & Richards, 1990, p. 33)

The call for efficiency may cause a *policy paradox* as it denigrates public ethos. It will transform citizens in customers and civil servants in producers, demanding a proper remuneration: if they receive it, costs will rise; if they do not, they will have little incentive to give their best. The destruction of the public ethos is profoundly inefficient (Wright, 1997, p. 11-12). Furthermore, the efficiency movement may create a *policy dilemma*, as the performance of the government is not solely measured by *economic* criteria. Additional, *non-economic*, criteria have to be taken in account (Okun, 1975; Wolf, 1993). The proponents of the efficiency-movement don't deny the importance of the non-economic criteria, but believe that: "... *it is policy or program design which should be judged by the effects on equity, while organizations should be judged on how efficiently they carry out those policies or programs*" (Wilenski, 1980, p. 1240).

The denial of ‘the big trade-off’ between efficiency and equity is one of the seven deadly sins of the public finance (Wolfson, 1988, p. 369). The conclusion will differ from case to case as well as over time (Ringeling, 1993, p. 270). However, in the last decade or so priority is given to efficiency at the cost of equity. Only recently, we witness a shift into the direction of equity. The quest for equity has its price and, therefore, we will have to accept some degree of inefficiency in the public sector.

The Dutch case: the ‘Grote Efficiency Operatie’

The recent efforts of the Dutch government to reduce personnel did not come out of the blue.³ In the early 1980’s, the government launched a large-scale effort to reduce the sky-high budget deficit of that time. It did so by targeted spending cuts. In addition to this ‘reconsideration’ of public expenditures, several other change processes were triggered. The government established six so-called ‘major operations’ to improve its performance (Van Nispen & Noordhoek, 1986). One of these major operations was deliberately focused on the reduction of the number of government employees by 2 percent per year, over a period of 4 year (1981-1985). The results of the ‘4 x 2 percent operation’, as it was called, were disappointing and the Dutch government decided stronger medicine was needed. The 4 x 2-percent operation was replaced by a what became known as the ‘weight watchers’-

operation [1986-1990]. The outcome of that operation was somewhat ambiguous. The target of a personnel reduction of 25,000 employees was not met completely, but the foreseen growth of the number of employees was brought to a halt. A continuation of the efforts was deemed necessary, but the application of across-the-board cuts (known as the 'cheese-slicer' method) was no longer considered appropriate. In the early 1990's, the efforts to reduce the government workforce merged with those to lever public services to the private sector for operational efficiency.

The goal of the *Grote Efficiency Operatie* was to develop a form of government organization that would guarantee both political and administrative flexibility and efficient implementation of policy. First, an evaluation of the utility and necessity of government functions would take place on which load shedding to the private sector could be based. Second, implementation was to be made more efficient by steps such as decentralization, deregulation, consolidation, creation of semi-autonomous bodies, and staff reduction.⁴ The objective of efficient implementation would also be served by increasing public sector labor productivity and decreasing the cost of labor.⁵

However, the GEO was not accepted without discussion. A study of the history of the GEO reveals that the Dutch cabinet met at least ten times to discuss the design of the operation before the green light was given. These meetings resulted

in changes to the proposed procedure and organization of the operation. In effect, the Minister of the Interior lost a substantial degree of control over the operation to the round-table of the senior executives of the cabinet departments.⁶ A half year later, on October 2, 1990, the GEO was announced publicly (Joustra & Van Venetië, 1993). The cabinet initially failed to make clear what exactly it meant by efficiency. A treatment of the difference between static and dynamic efficiency was missing, not to mention the distinction between allocative and X-efficiency (Leibenstein, 1966). Closer examination of the terminology used in the national budget reveals that the government mainly strived for cost minimization.

Targets

Originally, the GEO aimed to save on administrative costs only. An amount of 75 million guilders was to be saved in fiscal year 1991, increasing annually to a total of 300 million guilders by the end of FY 1994. A few months later, after a preliminary evaluation, the overall savings target was increased from 300 million to 660 million guilders.⁷ Now, about 600 million guilders would result directly from personnel reduction, while 60 million guilders were indirect savings in administrative costs. The scheduled length of the operation was extended by one year so that it would run through FY 1995. In 1994, the savings target was

increased a little further to a total 663.9 million guilders over five years.

INSERT FIGURE 1 ABOUT HERE

To obtain the savings, government personnel was to be reduced by 9,000 full time equivalent positions [fte's]. This represented a cut of about 6 percent.

However, it turned out that the projected growth of the government workforce by some 2,000 fte's would be abandoned, and the existing workforce would face a real cut of 7,000 fte's. As with the savings target, some adjustments were made as the result of discussion. The personnel reduction target finally stabilized at about 6,000 fte's by FY 1995.

Procedure and Organization

The procedure originally consisted of a survey of the tasks performed by the departments, cumulating in a selection of activities for closer scrutiny. These activities were expected to represent 20 to 30 percent of each department's total budget. The scrutiny of departmental activities would be complemented by that of a small number of cross-organizational activities and processes, such as providing policy information to the public. The selection of activities to be reevaluated

would be made collegially, before being presented to the cabinet. As designed, the procedure contained a built-in incentive to assure the cooperation of departments. That is, in each department, 20 percent of potential personnel savings could be used for the introduction of ‘flanking policies’ [flankerend beleid] by that department, and an additional 40 percent of the savings could be spent at the discretion of the departments. The remaining 40 percent of the savings would be earmarked for the reorganization of the judiciary and law enforcement in general.

However, this procedure did not work very well. The heads of the departments immediately realized that the increased financial discretion would come at the expense of their overall budget. Only 45 departmental and 14 interdepartmental activities were offered for reevaluation, which would result in only 150 million guilders in savings (Van de Vijver, 1991, p. 67). After the preliminary evaluation, changes were made to toughen up the procedure and to assure greater departmental compliance with the targets of the operation. Instead of performing a relatively non-consequential survey of activities, the departments were now expected to analyze and reevaluate core tasks, and the round-table of the senior executives was to make the final selection of tasks to be reevaluated. As a further condition, departments were to set posteriorities of at least 10 percent of their *personnel* budgets and the incentives to come up with activities for scrutiny were abolished, with the exception of the 20 percent for the introduction of flanking

policies.

The GEO fell under the auspices of the cabinet committee 'Efficiency Improvement'. The committee was led by the Prime Minister and comprised the Ministers of the Department of the Interior, the Department of Economic Affairs, the Department of Finance, and the Department of Education & Science. The round-table of the senior executives acted as liaison between the committee and the large collection of departmental and interdepartmental taskforces involved in the operation. In practice, the nature and quality of the taskforces and their recommendations varied greatly. The lack of an assessment of the utility and necessity of tasks and activities at the central level was the common denominator in the manner in which the whole operation had taken shape.

Results

For several reasons, an accurate assessment of the outcomes of the Grote Efficiency Operatie is difficult. One reason is that a lot of different numbers are floating around. For example, with respect to public sector employment, the personnel numbers used in the budget do not necessarily correspond with the actual personnel numbers for that year. To make matters worse, the personnel numbers are sometime stated in terms of employees and at other times in terms of

fte's.

A distinction has to be made between *goal-attainment* and the *effectiveness of the instrument* (Bressers & Hoogerwerf, 1984). On face value, the objectives of the operation appear to have been achieved. At the start of the operation, in FY 1991, the number of positions was 151,920 fte's. Whereas a total of 151.648 fte's were originally projected for FY 1995, the personnel reductions would bring down the FY 1995 count to about 145,000 fte's. Unfortunately, as the result of a change in definitions of government statistics, neither the actual number of employees nor the actual number of positions in FY 1995 is clear. The government reports a number of 106,238 fte's for FY 1995, but has excluded about 38,500 fte's that reside in the department of Defense and the department of Justice. Clearly, the personnel reduction goal of the GEO is met when these excluded fte's are taken into account. However, over the period in question, there have been increases of personnel in policy areas not affected by the GEO, and these may conceal the true level of goal attainment.

More importantly, it can be questioned whether the personnel reductions which are claimed to have been achieved, are, in fact, due to the Grote Efficiency Operatie. A sum total of 5,946.7 fte's have been eliminated. The Dutch government has claimed that the operation fell only 16.5 fte's short of its target. Given the ambiguity of the workforce data, this number is remarkably precise,

pointing to a process of goal-displacement. The level of goal attainment claimed [99.7%] is almost too good to be true and given the definitional changes, some positions may have simply 'gotten lost'. Closer examination of the personnel cuts that were recommended indicates that a number of them had already been put forward in other contexts, or in prior trimming operations. Finally, part of the outcome claimed for the GEO may result from riding demographic trends.

INSERT FIGURE 2 ABOUT HERE

The picture hardly changes, when attention is shifted to the savings. The savings that were claimed on the basis of the personnel reductions amount to a total of about 693.4 million guilders. The savings from personnel reductions were generated in two steps, with the first step accounted for 428.6 million, and the second for 265.8 million. The total savings amount of 693.4 million guilders that the government has claimed is 29.5 million greater than the original total savings target. However, a small amount of 16.6 million guilders did not in fact materialize. As a result, the net surplus amounts to only 13.9 million guilders.

A closer look at the results of the GEO shows that 18 percent of the cost-savings is due to programmatic changes. The downsizing of the workforce accounts for 41 percent of these cost-savings. Note that the downsizing

corresponds with 77 percent of the personnel reductions. The remaining 23 percent are the result of the creation of ‘agentschappen’, modeled on British-style agencies, and the establishment of semi-autonomous bodies in the bureaucracy.

INSERT FIGURE 3 ABOUT HERE

Finally, we would like to underscore that the cost-savings have been realized even though the personnel reductions fell almost 35 percent short of target. The government has simply increased the average savings per position in conjuncture with rising labor costs.

The American case: the 'National Performance Review'

During the campaign for the 1992 presidential elections, candidate Bill Clinton argued the need for a ‘revolution’ in government (Clinton & Gore, 1992). His drive for and conception of reinventing the federal government echoed many of the ideas put forward by Osborne and Gaebler (1992). On March 3, 1993, the then newly established Clinton administration announced a major *National Performance Review* [NPR] would be undertaken, led by Vice-President Gore. A six month long examination of 14 crosscutting government-wide systems, such as

procurement, budgeting and human resource management, and specific issues in 27 federal agencies followed (US-GAO, 1995c, p. 1). It marked the start of the administration's effort "*to make the entire federal government both less expensive and more efficient, and to change the culture of [the] national bureaucracy away from complacency and entitlement towards initiative and empowerment*" (Clinton, 1993). The subsequent report *From Red Tape to Results: Creating a Government That Works Better and Costs Less* (Gore, 1993) gave 384 recommendations to improve the federal government and save costs. These were organized along what came to be the NPR's four main themes: cutting red tape, putting people first, empowering employees to get results and cutting back to basics. In time, accompanying reports were made available in which the recommendations were expanded into 1,250 specific actions items (Kettl, 1994, p. 1-11, 63; US-NPR, 1996b, 1-2).

Contrary to many expectations, the NPR got off to a quick start. Over 30 bills were signed into law during fiscal year 1994 to initiate the implementation of roughly one fourth of the NPR recommendations. These bills included significant ones such as the *Federal Workforce Restructuring Act of 1994* [P. L. 103-226]. This act set employment ceilings for the federal government and temporarily allowed agencies to offer lump sum cash bonuses to employees who would voluntarily relinquished federal employment by resigning, by taking early

retirement if qualified, or simply by retiring if eligible (Whitehead, 1996, 15).

In January of 1995, vice president Gore officially announced additional reinvention efforts. Where the *first phase* of the NPR had explicitly focused on the *how* of the federal government, the *second phase* seemed to place more emphasis on the *what* (US-OMB 1995, p. 131, 139-143). Agencies were instructed to review their programs and activities to assess the extent to which these could be eliminated, devolved to the states, or shifted to the private sector. The issue of how the government could be made to work better remained but mattered only for those programs and activities that would stay in the federal domain. However, since no organization, program or activity was exempted from this new review, substantive discussion and tough political choices as to the role of the federal government in American society were again avoided (Maas, 1996). By September 1995, about 200 new recommendations had been proposed, and these were expected to result in substantial additional savings.⁸ Putting customers first was re-emphasized, but cutting back to basics became the main theme (Kettl & DiIulio, 1995, p. 7). Whereas first phase recommendations had reflected an uneasy balance between the NPR's 'costs less' and 'works better' components, the second phase signified a clear shift towards the former. (Maas, 1996).

The year 1995 also witnessed the budget battle. The political pressure for a balanced federal budget remains today. How this will affect agencies' operations

and service levels in the long run remains unclear. Trimmed down agency budgets continue to present a challenge for agency management. Severe budget constraints can be expected to prompt a search for additional efficiencies, performance improvements notwithstanding.

Targets

The NPR echoed Bill Clinton's 1992 campaign promises to take away power from entrenched bureaucracies in Washington, and to shift the mode of operations from top-down bureaucracy to entrepreneurial government by spending cuts and elimination of "unnecessary" or 'non-essential' positions in the bureaucracy (Gore, 1993, p. iv). The first phase of the NPR promised 108 billion dollars in savings over the period spanning FY 1994 through FY 1999. While there were five broad categories of savings, more than one third of the savings was to come from streamlining the federal bureaucracy and personnel reductions [40.4 billion dollars].⁹

INSERT FIGURE 4 ABOUT HERE

During their campaign, the Clinton-Gore team had committed itself to cutting

federal employment by at least 100,000 positions. The NPR, however, proposed a government-wide personnel reduction of 252,000 fte's over five years (Gore, 1993, p. iii). Relative to the January 1993 federal employment level estimate of 2,155,200 fte's, this represented an 11.7% cut in personnel. Congress subsequently upped the ante further by raising the number of positions to be eliminated to 272,900 fte's [12.7%]. At the same time, however, it exempted some agencies and activities from the downsizing effort (Kettl, 1994).¹⁰ A specific trajectory for the streamlining effort was grafted into law with the enactment of the Federal Workforce Restructuring Act of 1994 [FWRA-94]. The act set ceilings for civilian employment in the executive branch.¹¹

The personnel reductions were intended to be more than a mere cost-savings measure (Gore, 1993, p. 8). Streamlining the federal bureaucracy was thought of as a major tool to simultaneous cost-cutting and performance improvement, with part of the personnel reductions occurring only as a by-product .

Procedure and Organization

The NPR consists of a set of loosely coupled, often temporary and shifting, structures and activities. Three distinct groups of actors can be distinguished within the rudimentary formal organization framework that has emerged, each

with different roles and responsibilities:

The NPR's *political strategists* and advocates are Vice-President Al Gore and his senior staff members. They set the general directions of the NPR's efforts, worked to create a favorable political environment, to maintain a positive public relations profile and, where appropriate, to reward employee achievements in reinventing government. In this context, the Vice-President made many visits to the agencies under review, met with agency heads to insure their support of the administration's efforts, and to urge them to set up reinvention teams in their agencies. A *core staff* has been responsible for promoting the ideas and concepts of reinventing government in general, and coordinating crosscutting reforms issues in particular. The NPR's initially assembled core staff of some 250 career-civil servants was complimented by a small number of consultants, interns, state and local government officials.¹² However, a permanent staff of only 50 people was eventually retained. The implementation of the NPR's recommendations has, to a large extent, depended on an army of *reinventors in agencies*. These front-line troops of the NPR have been regular agency personnel who participate in or are part of each agency's reinvention efforts (Kettl, 1994). In early 1995 there already were 185 so-called 'reinvention labs' throughout the federal government, some of which focus on the work of entire bureaus or agencies and others on specific processes, and their number has been growing since (US-GAO, 1996b, p. 13).

In 1993, the President established the *President's Management Council* [PMC]. This council was to serve as a catalyst for and implementer of the administration's management reform plans. During his first year in Office, the President had asked all executive departments and agencies to name a *Chief Operating Officer* [COO]. This officer would be responsible overall management and would report directly to the agency or department head. Made up of COOs from Cabinet departments and major agencies, the PMC's function is to serve as a platform to share both concerns and 'best practices' across the federal government. The PMC worked closely with Congress to craft the legislation that for the first time enabled non-defense agencies to offer employee buyouts (US-OMB, 1995, p. 136-138).

The administration relied heavily on the NPR's restructuring goals to help guide federal downsizing efforts. To achieve the desired personnel reductions while avoiding arguably more expensive but certainly more disruptive reductions-in-force or RIF's (US-GAO, 1996a), the NPR called for legislation to permit non-defense agencies to offer buyouts to employees who voluntarily left the federal service. Subsequent to the NPR's request, Congress enacted FWRA-94. This set annual employment ceilings which mandated a government-wide personnel reduction of 272,900 fte's over 5 years, relative to the 1993 enacted employment base. To facilitate the reductions, the Act gave non-defense agencies the

temporary authority to offer employee buyouts that defense agencies already had been given [P. L. 102-484].

The FWRA 1994 seemed responsive to NPR requests. However, it did not incorporate the NPR's workforce restructuring goals. Furthermore, while savings were expected as a result of downsizing, these were immediately earmarked for financing the Violent Crime Reduction Trust Fund to carry out the purposes of the Violent Crime Control and Law Enforcement Act of 1994 [P. L. 103-322] (US-GAO, 1995b, p. 1). To ensure that agencies would accompany their downsizing efforts with management reforms consistent with the NPR, the President directed agencies to prepare streamlining plans (US-GAO, 1995d).

Agencies were required to submit their plans to *the Office of Management and Budget* [OMB] for evaluation and approval. Through a series of bulletins and memos, OMB provided the heads of executive agencies with guidelines and information on how to prepare the streamlining plans. Among the items agencies were told to include in their plans were the steps being taken to flatten hierarchies, to reduce headquarters staff and to pare down management control structures. The quality of the plans would play an important role on OMB's decisions to approve or disapprove agencies' buy out requests (US -GAO, 1995d). A checklist of critical factors to be considered when reviewing streamlining plans was provided. While the administration was initially disappointed with the quality of many of

the streamlining plans (US-GAO, 1994), OMB has indicated that the quality of the plans has improved over time (US-GAO, 1995d).¹³

A picture emerges that reveals some of the inherent strains and contradictions of the NPR. Qualitative performance improvements have been taking place through highly decentralized and often small-scale reinvention lab efforts. By contrast, more quantitatively oriented changes such as personnel reduction are typically more centrally planned, and implemented on an agency-wide basis.

Results

Sufficient data is now available to initiate a systematic evaluation of the implementation of the recommendations from the first phase of the NPR. A short review of the degree to which cost-savings have been realized in general, will set the stage for a closer examination of the administration's streamlining efforts. The focus will be on changes in the total number of federal civilian employees and attainment of downsizing goals. While we consider changes in the composition of the federal workforce are at least as important as changes in the personnel volume, workforce composition is beyond the scope of the present analysis. Only one aspect of workforce composition change, namely the peace-dividend, is of immediate relevance in view of our cross-national comparison. It is discussed in

some detail in the appendix to this chapter.

Cost Savings.

A Brookings Institution evaluation of the NPR's first year concluded that despite initial skepticism: "*the NPR ... produced impressive results*" (Kettl, 1994, p. v). The annual NPR Status Reports show that by September 1994 about 43 percent of the 108 billion dollars worth of savings over five years had been locked in, rising to 53 percent by September 1995, and 68 percent by September 1996 (US-NPR 1994, 1995, and 1996a).

INSERT FIGURE 5 ABOUT HERE

About halfway into the operation the administration has managed to lock in roughly two thirds of the 1993 estimate of total savings over 5 years. It could therefor be concluded that the administration's cost cutting effort is ahead of schedule. However, it should also be noted that the data in the 1996 NPR status report indicate that savings reported for the fiscal years that have been concluded [i.e. 1995, 1996] or will be concluded shortly [i.e. 1997] are all well below the 1993 estimates for those years. Consequently, unless an amount of savings

sufficiently greater than the 1993 estimates is realized in fiscal years 1998 and 1999 to make up for the shortfalls in prior years, the total savings attained by the end of the five year period are likely to be less than 108 billion dollars.

INSERT FIGURE 6 ABOUT HERE

The savings category 'streamlining the bureaucracy' accounts for 46.4 billion of the 73.4 billion dollars in savings that the NPR claims have been locked in. These savings are 15 percent over and above the 1993 estimate of 40.4 billion for this category. Streamlining is, in fact, the only category of savings where the first phase financial targets are being met. In the remaining four categories, savings have either not or only partially materialized. In monetary terms, the relative importance of personnel reductions has increased. Streamlining accounted for 37.4 percent of the 108 billion dollars total savings estimate of 1993. As implemented, it accounts for 43.0 percent of the planned savings total, and for no less than 63.1 percent of the 73.4 billion dollars that have been locked in to date. Although the President has attributed savings to management reform (US-OMB, 1997, p. 35), personnel reductions are clearly the defining element of the first phase of the NPR where cost savings are concerned.

Streamlining the Bureaucracy.

While the federal civilian workforce was estimated at 2,155,200 fte's on January 20, 1993, it was to comprise no more than 1,882,300 fte's in fiscal year 1999. Positions were eliminated in the administration's first year, but downsizing began in earnest with the FWRA of 1994. According to the 1998 Budget, the administration will have shrunk the federal workforce by 299,600 fte's [13.9%] through fiscal year 1998. It appears that the five-year reduction target will not only be met but also greatly surpassed ahead of schedule

INSERT FIGURE 7 ABOUT HERE

Between January of 1993 and the end of fiscal year 1996, a total of 247,100 fte's were actually eliminated. This is a considerably larger reduction than the 151,900 fte's mandated by the FWRA 1994 for the same period. The difference is even greater when taking into account that the reductions mandated by the FWRA are calculated relative to the January 1993 estimate of federal employment: this baseline is 16,400 fte's greater than the actual employment level at that date. In terms of real cuts, the federal workforce has been reduced by 11.6% in three years. Clearly, the personnel reduction effort picked up speed very early on in the

Clinton administration's first term, and this high tempo has been sustained throughout that term. By the end of fiscal year 1998, total cuts are expected to number 283,200 fte's [13.2%].

While this may be considered a significant achievement, the results raise questions as to how the reductions were achieved. First, it is highly unlikely that process reengineering or informatization efforts in departments and agencies that the NPR suggested would facilitate personnel reduction have proceeded at a similar pace. Indeed, in many cases, the reductions appear to have preceded the other efforts. Secondly, although buyouts were an important tool in facilitating quick personnel reductions, their contribution to the effectiveness of the streamlining efforts is unclear. On the one hand, research suggests that the targets of many agencies workforce reductions were consistent with the reinvention goals of NPR (US-GAO, 1995a). On the other hand, there are indications that departments and agencies have used buyouts more to meet required *downsizing* goals than to meet the NPR's *restructuring* goals (US-GAO, 1996c). Further, although buyouts facilitate quick reductions and buyout offers can be targeted, the acceptance of a buyout is at the discretion of the individual civil servant and thus beyond the control of department- or agency management. Consequently, the actual personnel reduction achieved through buyouts may bare limited resemblance to the planned reduction, even if the buyout offers were targeted. The

federal government may have become leaner but may at the same time have become meaner in the sense of being less able to perform.

A Cross-National Comparison

At the risk of comparing apples and oranges, a broad comparison of the cases does yield some interesting insights. Each case started out as an effort to improve efficiency in the public sector. When stripped to the bone, both mainly look to downsizing as a way to address the issues of public sector legitimacy and performance, at least in the short run. More specifically, they aim to cut costs and attempt to do so through the reduction of personnel. In both cases, savings from have been earmarked for law-enforcement purposes, perhaps reflecting a shift in overall policy priorities.

With respect to their *object*, the cases differ in at least one important aspect that is, the treatment of the [civilian] defense establishment. Defense agencies account for about three fourths of the personnel reductions in the United States. In the Netherlands, the defense sector was excluded altogether.

When we shift our attention to the *design* of the operation, we see another important difference. The administrative reform in The Netherlands is almost the exclusive domain and responsibility of the executive branch. The parliament is

informed, but not involved in the operation. By contrast, Congress is an essential player in the game, reflecting a different view on the separation of powers. The members of Congress, for instance, have raised the targets of the personnel reductions, have excluded specific parts of the government and - perhaps most importantly - have specified the trajectory by establishing fixed ceilings.

The Dutch case originally included incentives for cooperation of agencies and departments. However, they have been skipped at a later stage of the GEO in favor of the reduction of the budget deficit. The cost savings were earmarked for new initiatives regarding law and order. The same is true for the cost savings as a result of the NPR which were also earmarked to fund issues in the field of law and order.

A major difference in the design has to do with the *subject* of the operations. The American case does not really discuss the tasks of the government. The operation is centered on the 'how' question instead of the 'what' question. The opposite is true in the Dutch case, though the impact of the analyses of the core business of the agencies and departments in the generation of the savings and reductions is obscure. While both operations aim to improve performance and then engage personnel reduction to cut costs, the Dutch effort to redress problems of 'big government' did not entail the heavy emphasis on the size of the government workforce as the main indicator of government's 'bigness' found in

the United States. The issue of 'big government' appears to be viewed more as a political rather than an administrative problem. Which is not to say that dealing with this political problem would have no administrative implications.

A look at the *results* of the operations shows that the budgetary target in The Netherlands has been met, but that only two-third of the original personnel reduction is realized. The situation in the American case is a bit more diffuse, due to the fact that the operation is not yet completed. The personnel reductions are ahead of schedule, but the total cost-savings fall short of the overall budgetary target. However, the cost-savings as a result of the downsizing already exceed those that were projected.

The downsizing of the Dutch workforce is about 6 percent of the total workforce as projected at the start of the operation. At first sight, the American downsizing is more substantial at almost the twice the percentage of the Dutch reductions. However, keeping in mind that defense was excluded in the Dutch case, a closer look at the non-defense sector is appropriate. In the United States, the downsizing in the non-defense sector amounts to barely 8 percent, that is proportionally about the same as in the Netherlands, the difference in scale notwithstanding. Similarly, the costs savings as a result of the downsizing stands for 41 percent of the total costs savings in The Netherlands and for 43 percent of the total cost savings in the US.

The personnel reductions in the United States appear quite real, the emphasis on the defense sector and a degree of substitution with contractors notwithstanding. While reductions in the defense agencies are likely to continue, employment levels in the non-defense now appear to be stabilizing. By contrast, it is somewhat unclear to what extent the personnel reductions in the no-defense sector claimed by the Dutch government have actually occurred

Conclusion

A comparison of the American and the Dutch case is tricky. Although the American government is vastly larger than the European counterpart discussed here, in terms of both budget and workforce, the Dutch government plays a much more central role in society. In addition, in the Netherlands, more is left to the discretion of those who have to execute policies and programs.¹⁴ A corporatist tradition has made consensus building a central feature. Furthermore, these cultural differences are reflected in the administrative reform efforts. The philosophy behind the Dutch effort to create a more flexible and responsive, albeit cheaper, government reflects the governance tradition. By contrast, the American effort better fits the managerial tradition, being directed at a more entrepreneurial government and more heavily emphasizing adoption of business management

techniques for achieving efficiency in government (Ingraham, 1996a). Finally, a big government is more suspect in America than in the European continent.

The targets may more or less be met, at least on paper, but the effectiveness of both operations may be questioned. It is not completely clear whether the attainment of the goals is solely due to the operations. Besides, the fact that cost savings and personnel reduction targets are met is neither a guarantee of increased efficiency nor effectiveness. Finally, the government is continuously facing a trade-off between efficiency and equity and, therefore, we have to accept some degree of inefficiency.

The analysis of both cases suggests that institutions matter indeed (Weaver & Rockman, 1993). The American case features the involvement of [the office of] the Vice-President and the Presidential Management Council, while the Dutch case shows the importance of the committee of senior executives. Furthermore, the success of the Dutch efforts to reduce the number of employees is partly due to the so-called 'visitatie-commissies', that have been established to provide contra-expertise. The reinventing teams seem to play a similar role.

One of the most striking differences between the American and Dutch case has to do with the instrument of the buyouts, which are characteristic for the reinvention efforts of the Clinton-administration. It turns out that buyouts account for about the half of the personnel reductions. Furthermore, the defense sector

bore the brunt in the American case. By comparison, the defense sector was excluded from the reduction of personnel in Dutch case and, therefore, it was the domestic sector that suffered the most.

Last, but not least the quantitative aspects were emphasized to the neglect of the qualitative aspects. In the end, both efforts to improve efficiency in the public sector suffered from the same weakness: the focus of the operation shifted from improvement to reduction as a result of political dynamics. A leaner government may easily become a meaner government in the sense of being less responsive to the needs in and of society. It is strongly believed, especially among beneficiaries of public services, that a reduction of the number of employees will not only diminish costs, but also [the quality of] the output of the public sector. Furthermore, an increase in inequity may be the trade-off of the search for efficiency since a leaner government may lean heavily on contracts with the private sector for the delivery of public services. We feature a lot of complaints about the provision of welfare programs, indeed, but have no proof that the quality and distribution of these programs have declined as the direct result of the personnel reductions.

The qualitative bleeding due to the almost exclusive orientation on the reduction of personnel may be counter-productive, that is to say, lead to a government that perhaps 'costs less', but does not 'work better'. It is promising

that there are signs of a shift to quality by the creation of agencies and renewed attention for performance indicators.

APPENDIX

The Peace Dividend

Both the way in which the NPR defined the problems with the federal government and the methods by which it proposed alleviate them, at least implied a focus on domestic agencies. With reference to *public* discontent with and lack of trust in government, the NPR set out to improve the federal government's performance in general, and service provision *to the public* in particular. For citizens, the most visible and direct contacts with the federal government take place in the context of the delivery of public services by domestic agencies. In addition to specifying ceilings for executive branch *civilian* employment, the FWRA 1994 authorized *domestic* agencies to offer and pay buyouts to employees who agreed to resign, retire, or take early retirement voluntarily by March 31, 1995, unless extended by agency heads to no later than March 31, 1997.¹⁵

Enactment of the FWRA 1994, intended to put domestic and defense agencies on an equal footing in terms of the instruments available to reduce personnel levels, served to focus attention on the former agencies. The impression that personnel reductions would mostly take place in domestic agencies could easily arise among those not directly involved in or affected by the administration's efforts.

INSERT FIGURE 8 ABOUT HERE

The actual personnel reductions attained from January 1993 through fiscal year 1996 shrunk the federal civilian workforce as a whole by 11.6 percent. However, the number of fte's in defense agencies was reduced by 16.4 percent, while those in domestic agencies were reduced by only 7.8 percent. If the estimates for 1997 and 1998 materialize as planned, then these percentages will change to 13.2%, 21.3% and 7.0% by the end of fiscal year 1998. A first observation is that while the January 1993 estimate of employment in non-defense agencies was 16,800 fte's greater than the actual strength, the defense agency employment estimate was 500 fte's less than the actual strength. Assessing employment in domestic agencies seems to pose a greater problem than assessing employment in defense agencies. Secondly, the defense agencies have undergone a proportionally much greater downsizing than non-defense agencies. It should be noted that defense agencies account for no less than 61.9% of the personnel reductions attained from January 1993 through fiscal year 1996, and for 70.1% of the total personnel reduction expected through fiscal year 1998. Thirdly, while the budget estimates for fiscal years 1997 and 1998 indicate that the draw down in defense agencies will continue, the workforce of domestic agencies will growth slightly [plus 600

fte's]. Perhaps the downsizing tide will turn after all as White House officials have indicated. However, it appears that this will only be the case in domestic agencies.

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FIGURES

Figure 1: The Targets of the GEO, by Year.

(Source: Tweede Kamer [The Netherlands. Second Chamber of Parliament].
1991-1992, 21 835, no. 6, p. 1-8)

Figure 2: The Costs Savings as Result of the GEO, by Year.

(Source: Tweede Kamer [The Netherlands. Second Chamber of Parliament].
1991-1992, 21 835, no. 11, p. 1-8)

Figure 3: The Allocation of Costs Savings and Personnel Reduction of the GEO,
by Year.

(Source: Ministerie van Financiën [The Netherlands. Treasury Department]. 1992
Internal Report)

Figure 4: The Cost Savings Estimates and Personnel Reductions of the NPR, by
Year and by Category.

(Source: Gore, 1993; US-OMB, 1997)

Figure 5: The Costs Savings as Result of the NPR, by Year.

(Source: US-NPR, 1996a)

Figure 6: The Allocation of Costs Savings as Result of the NPR, by Category.

(Source: US-NPR, 1996a)

Figure 7: Personnel Reductions as Result of the NPR, by Year.

(Source: US-OMB, 1995; 1996; 1997)

Figure 8: The Personnel Reductions as Result of the NPR, by Sector.

(Source: US-OMB, 1995; 1996; 1997)

NOTES

¹ The introduction of the PPBS, for instance, was a deliberately designed to create a break-through in the kingdoms of the bureaucracy (Downs & Larkey, 1986).

² We would like to stress that the call for efficiency is not value-free at all (Lehning, 1991, p. 12).

³ The section on the Grote Efficiency Operation is an elaboration on a previously published Dutch article (Van Nispen, 1997).

⁴ In the Netherlands, these semi-autonomous bodies are often referred to as ‘agentschappen’ or agencies. However, they should not be confused with agencies such as they exist in the United States. Rather, they are comparable to agencies as can be found in the United Kingdom. One important difference is that, whereas a political appointee leads agencies in the United States, agencies in The Netherlands are led by a career civil servant.

⁵ The GEO also comprised an effort to improve labor productivity, referred to as Kleine Efficiency Operatie [KEO].

⁶ Due to its dubious role during the German occupation of The Netherlands in the Second World War, the round-table had maintained a low profile for many years. Although its members met for lunch on a weekly basis, they were not supposed to gather for official meetings, let alone play an active official role. The

role of the round-table in the GEO hence marks a significant shift in its position and status within the Dutch government.

⁷ On top of this increase in the savings target for the sectors of the national government that had been involved from the start, the operation was broadened to include additional sectors. The savings target in the amount of 410 million guilders were set for these additional sectors, increasing the total savings estimate for GEO to 1,074 million guilders. Given the focus of this paper on personnel reduction efforts, and a lack of data, the additional sectors' savings are excluded from the discussion.

⁸ The additional savings amounted to roughly 70 billion dollars over five years.

⁹ The savings categories and their proportionate share of the total NPR I savings are: Streamlining the Bureaucracy through Reengineering (37.4%), Reinventing Federal Procurement (20.8%), Reengineering Trough Information Technology (5%), Reducing Intergovernmental Administrative Costs (3.1%), and Changes in Individual Agencies (33.7%).

¹⁰ Most notably federal criminal justice and law enforcement activities and portions of the Veteran's Health Administration, in all about 5,500 to 6,000 fte's.

¹¹ In FY 1994, executive branch civilian employment would be limited to 2,084,600 fte's. For FY 1995 through FY 1999 the employment ceilings are, respectively 2,043,300 fte's; 2,003,300 fte's; 1,963,300 fte's; 1,923,300 fte's; and

1,883,300 fte's. This translates roughly to an annual reduction, relative to the previous year, of 2-3%. While these ceilings are lowered by fixed number of fte's each year, the number of fte's to be eliminated in each year is not explicitly fixed. Rather, it is dependent on actual federal employment levels in each year.

¹² David Osborne, for example, served as an advisor at the time of the initial Review.

¹³ In addition, agencies have received guidance from *the Office of Personnel Management* [OPM] concerning implementation of the buy out authority. However, due the fact that OPM itself was undergoing major downsizing - it lost close to 50% of its personnel, the involvement of this agency in planning and guiding the government-wide personnel reduction effort has been much less than one would have expected on the basis of its nominal function. To a lesser extent, OMB has suffered the same problem; it underwent a reorganization that essentially cut its 'management' component during the same period (Ingraham, 1996b).

¹⁴ Not surprisingly, rules and rule enforcement are not that much emphasized in The Netherlands.

¹⁵ Defense agencies had already been granted the authority to pay buyouts through September 30, 1999, under previous legislation [P. L. 102-484 & P. L. 103-337].