Chapter Seven

Coping with Ceilings, Freezes, and Reductions in Force

As we saw in the last chapter, what appear to be civil service constraints can actually be budgetary constraints in disguise. In this chapter, we examine an area where civil service and budgetary systems converge even more closely: the procedures used to control the number of federal employees. These fall into two categories: processes that limit hiring (termed *ceilings* or *freezes*) and the complex procedures for conducting layoffs (known as *reductions in force*, or RIFs). These procedures are a significant source of constraint on federal managers. And as with position classification, their effects are particularly dysfunctional because they are indirect methods of budget control. That is, costs are kept constant or reduced not only by directly controlling the budgets that managers are given but by also controlling the number of people they can hire or by requiring them to lay off staff. Here, too, use of indirect controls leads individual managers to apply a variety of coping mechanisms, some of which are dysfunctional for the organization as a whole. These coping strategies vary according to the severity of the cuts required and are also influenced by both organizational culture and individual management styles.

This chapter is divided into two sections. The first looks at restrictions on hiring—that is, ceilings and freezes—while the second examines the much more drastic effects of RIFs.

Ceilings and Freezes

Both ceilings and freezes are methods of controlling the number of people hired, but they differ somewhat in how they are imposed and in their effects. Ceilings are simply caps on the number of people an organization can hire. Formerly, they were based on the number of people employed at the end of the year, but that method encouraged managers to game the system by laying people off for the last pay period of the year, in order to get below the ceiling, and then rehiring them. So current ceilings are based on average number of full-time equivalent (FTE) employees on payroll throughout the year, a method that is harder to game but which gives the agency some flexibility in determining the mix of part-time or full-time employees (National Performance Review, 1993d). Departments or agencies submit budget requests to the Office of Management and Budget (OMB) in terms of both dollars and FTE. OMB then notifies them of their FTE ceilings. The internal budget staff then divides the ceiling among the main components of the organization, which may then additionally subdivide it among subcomponents. The same process is simultaneously taking place for the dollar budget, but the critical fact, from our perspective, is that the two are not necessarily linked. That is, an organization may receive an increased budget but not an increase in FTE.

Most organizations labor under ceiling restrictions. However, it should be pointed out that Congress, reacting against OMB-imposed ceilings, has actually mandated floors for some programs. Minimum staffing levels have been established for major organizations, such as the Food and Drug Administration, as well as for specific installations such as an individual Coast Guard yard (National Performance Review, 1993d). Floors, like ceilings, limit the discretion of management in allocating resources.

Ceilings are used to control the size of the federal workforce as a whole, and the size of the workforce in individual organizations, independently of the budget. Why the need for two accounting systems? The foremost reason is political. In an electoral environment where candidates run against "big government," there is political capital to be made from reducing the size of the federal workforce as well as from cutting the budget deficit. In addition, letting the workforce grow, even when adding new programs, is politically difficult.

Freezes are closely related to ceilings but somewhat more drastic in their effects. When an organization is at or over ceiling, it cannot (at least in theory) hire new staff until there is a vacancy. This may result in a temporary hiring freeze. When a freeze is imposed, all hiring stops. Such freezes may be specific to an agency or to a part of an agency. Freezes can also be imposed across the entire government, as a way to reduce the size of the federal workforce as a whole. For example, President Reagan's first act immediately after his inauguration was to impose a governmentwide hiring freeze. In such cases, agencies are prevented from hiring even if they have both FTE and budget available.

Freezes can vary in a number of ways. In a "hard" freeze, for example, absolutely no hiring will take place for some period of time, whereas in a "soft" freeze, there may be leeway to hire, say, one person for every three who leave. Freezes may also be interrupted by thaws of varying duration, which provide a window in which managers can hire. Both ceilings and freezes can have a number of dysfunctional effects, and both elicit a range of coping mechanisms by individual managers. We look at each in turn below.

Effects of Ceilings

The problems with ceilings derive from the fact that they have a somewhat arbitrary quality and are divorced from both the organization's mission and from its budget. An early critique of the use of ceilings by the National Academy of Public Administration (1983) termed them effective in keeping down the total number of federal employees but concluded that they have, "over many years, created serious managerial problems within government, because [they have] contributed to the abdication of effective work force planning" (p. 22). The National Performance Review (1993a) takes a similar view: "FTE ceilings are usually imposed independently of—and often in conflict with—budget allocations. They are frequently arbitrary, rarely account for changing circumstances, and are normally imposed as across-the-board percentage cuts in FTEs for all of an agency's units—regardless of changing circumstances" (p. 19).

But as we have seen with personnel systems, ceilings are actually administered somewhat differently from agency to agency, which led to some lively debates about what really constrains managers more, the budget or the ceiling. Some argued that ceilings were irrelevant because there never was enough money to hire up to the ceiling. Others felt that a ceiling was actually no barrier—that if they had the dollars, they could hire. They would game the system in a variety of ways. As one put it: "We don't tell people we are going to hire over ceiling, but we recruit aggressively and make pessimistic assumptions about the number of people who will leave. And at the end of the year, if we are over ceiling, as long as we have the money to pay them, it's not a problem."

But there were also large numbers of managers who found ceiling constraints a real problem; the ceilings, they said, put pressures on them and their staffs that forced them to do the work of the organization in less than ideal ways.

The organizational differences were striking in this regard. At APHIS, where resources have not been particularly tight, there was almost an even split between the two sides (with a handful of people saying neither ceilings nor budgets were major constraints), and considerable disagreement about how stringently ceilings were enforced. At the other agriculture agency, FCS, the situation was somewhat different because the agency had taken large budget cuts in recent years. But there, too, concerns were expressed both about the size of the budget and about ceiling limits. In the Navy, the whole issue was transformed through the introduction of the Manage to Payroll (MTP) system. In theory, MTP gave managers the flexibility to manage their budgets, but the reality is that they, too, operate within personnel ceilings.

The place where this issue triggered the strongest reaction was

EPA, where frustration was at a high level. There, interviewees who named ceilings as the primary problem outnumbered those who blamed budget restrictions by three to one, with a significant group identifying both as equally problematic. As we shall see, these agency differences affect the ways individual managers cope with ceilings.

Coping with Ceiling Constraints

How do managers cope with the constraint of ceilings? There are two main approaches: one focuses on attempting to ease the strain by internal means, and the other entails going outside the organization for help, primarily to contractors. Internally, managers use a variety of strategies. First, they try to fill in, where possible, by using people who do not count against ceiling. These include co-ops (students who are working while going to school) and retired people working part-time through a program organized by the American Association of Retired Persons (AARP). Programs such as these are still quite small, but some organizations have come to rely more heavily on them. For example, a personnel manager at the EPA region told me that they have a Senior Environmental Employee Program (a part-time program for retirees, similar to the programs run by AARP) employing over eighty people, which was expected to continue to grow.

A discussion of the co-op program at EPA makes it clear how much ceilings affect managerial behavior:

> One of the new programs that was just established about six months ago . . . is the co-op program, where you can get people out of colleges. They don't count against your ceiling. . . . Back about ten or twelve years ago, we had this program, . . . and we found about six good people, some of whom are still with the agency. But then the agency changed the rules, and they required that [these people] be charged to your ceiling. But now that they no longer count against

> ceiling, that's a great opportunity for us to bring people in, train them and test them and cultivate an understanding between them and the agency and their schools.

Unfortunately, OMB has reduced even this small area of flexibility, changing the rules once again so that even co-ops are now counted against ceiling.

While a few managers have been able to bring in people who do not count against ceiling, most managers are forced to rely on their existing resources. Several responded to the pressure of ceilings by only hiring at what is known as the *full performance level*. In other words, if your staff size is limited, you want individuals who are already up to speed, not people who will take several years of training. Further, you may want to hire more professional employees and fewer clerical or support staff. This may be functional from the point of view of the individual manager, but it increases the problem of grade creep (discussed in Chapter Six) and may also have long-term consequences if the agency is not hiring entry-level staff to be trained for the future.

A related phenomenon is the tendency to replace people with machines, especially at the lower levels. Overall, the number of secretaries and assistants in government has gone down. The tendency is increasingly to hire only at the professional level and to let professionals do their own clerical work. Phone answering machines sit on many desks, and most professionals have (with varying degrees of willingness) learned to do their own word processing. But many professionals complain that their time (and the government's money) is wasted when they have to spend hours doing such routine tasks as copying or filing because there are no support staff available.

Another internal approach is to retrain the existing employees to move up into more demanding positions. Most frequently, this takes the form of *upward mobility* programs for secretarial and clerical employees. A Navy personnel specialist described the advantages and disadvantages of one such program, in which five people were being trained for higher-level positions: "The training coordinator and myself worked with the supervisor and the individual to give guidance on the training these people needed. We look at the total background. Whatever they need, we cut in half. So if they normally would need two years of experience, they would get one year of intensive training, and then be promoted into the position. It's unfortunate that we had to be in a freeze for managers to start turning to upward mobility. And unfortunately, they feed off that area they are shortest of—the secretaries."

Some agencies have also used ceilings to encourage minority recruitment, by holding out the carrot of positions that do not count against ceiling. For example, several people at EPA told me of divisions that had held back positions and told people, "You may exceed your ceiling and get one of these positions if you bring on a minority person."

In short, ceilings do matter to most managers, and there are not very many good ways around them. Programs for hiring part-time employees who do not count against ceiling are quite small, and managers have only limited ability to move people around or to replace them with machines. The most extensively used (and most controversial) way around personnel ceilings is to contract the work out. In the next section, we look at the pros and cons of that approach.

Contracting Out

While some managers have found inside strategies that help deal with ceilings, by far the greatest effect of the imposition of ceilings is to increase the use of outside contractors. This is a complex subject and the source of considerable controversy in public administration. Here, I want to explore both how the rigidity of the budget process increases reliance on contractors and how this reliance affects managers' ability to get the job done.

First, it is important to understand that some managers make a voluntary choice to contract out because it makes good management sense. For example, several told me that they prefer to contract out one-time studies, particularly those that require large, short-term staff efforts. Others choose to contract out in order to obtain access to technical skills they do not have on staff. Those who used contractors for specific projects had fewest problems with the people they hired, particularly when they narrowly and clearly defined the task to be performed.

But for many managers, the choice to contract out is completely involuntary. Needless to say, such managers are much less happy about relying on contractors. Many managers contract out because they have more money than ceiling—that is, while they are prevented by ceilings from hiring the people they need to get the job done, they have enough resources to pay contractors. In the extreme (but not uncommon) situation, managers have no choice; they receive their money in specific categories: one for hiring inside and another for hiring contractors (referred to at EPA as "extramural" funding). One major difference between the agencies studied here was in the amount of their funding that had been earmarked for contractors by policy makers outside the agency, particularly in Congress. The amounts were particularly high at EPA and, to a somewhat lesser extent, in the Navy.

Why would Congress designate large sums of money to be used for contractors? Certainly, one reason is the political pressure to limit the size of the federal workforce. But the net result is two federal workforces—the official one, covered by civil service rules and pay scales, and an unofficial one, often working side by side with the first and doing the same work, but technically employed by a private firm.

In some cases, there are program-specific reasons for stipulating that work will be carried out by contractors. One such program was the Superfund, created within EPA to clean up hazardous waste sites. As DiIulio, Garvey, and Kettl (1993) explain: "In creating the Superfund program . . . Congress set a ceiling for the share of the program's funds to ensure that they were not creating an agency that would acquire a permanent life to manage what they considered a temporary program. As a result, EPA has delegated most Superfund operations and many policy decisions to contractors" (p. 1).

The agencies in this study differed dramatically in their reliance on contractors. At the Department of Agriculture agencies, it was quite limited. Of the four agencies, FCS relied least on contractors. APHIS increasingly used a variant of contracting out: cooperative agreements with states. Managers frankly described this as a way to get around ceilings by, in essence, contracting with a state to hire the people and do the work. In contrast, both the Navy and EPA have relied heavily on contractors—so heavily that both have been criticized for it. Managers in both agencies spoke frankly about the pluses and minuses of working through contractors. Many recognized that they had no choice and that given their current staff levels they simply could not get the work done without contractors. But many others resented the fact that they were forced by Congress to rely on contractors and found the experience to be difficult and frustrating.

As Levine, Peters, and Thompson (1990) point out, "Whether administration by proxy is a boon or barrier to the pursuit of excellence in government is still a matter of debate." Advocates push contracting out as a route to more efficient government (Savas, 1982; Osborne and Gaebler, 1992), while critics see it as at least potentially harmful to efficiency, responsiveness, and democratic accountability (Goodsell, 1985; Kettl, 1988). But the managers are far less conflicted; a strong majority who have worked with contractors are quite critical. They see them as, on balance, less efficient than government employees, and they are concerned by the problems of supervising contractors. Let us look briefly at these concerns, and at how managers attempt to cope with them.

As far as efficiency is concerned, managers see contractors as less efficient because they increase costs, lower quality, and take too long. In spite of the image of the private sector as more efficient than government, an APHIS manager explained, "contracts almost never save you money, because you have to do so much oversight and give them the information base." Or as an EPA regional manager put it, "A contractor is someone who borrows your watch to tell you what time it is." Quality was an even bigger issue than cost. Several managers complained that the quality of work they received was only minimally adequate, but that they had little leverage since it was very difficult either to withhold payment for mediocre work or to reward excellent work. Further, the complexity of the procurement process, which entails lengthy competitive bidding procedures, means that work cannot be done quickly unless the contractor is already on board. Indeed, a recent MSPB study reported that "the vast majority of SES respondents said that the Federal procurement process takes too long (91 percent) and involves too much 'red tape' (89 percent)" (U.S. Merit Systems Protection Board, 1992c, p. 40).

Managers also see reliance on contractors as raising a series of other, more far-reaching issues. These include managers' ability adequately to supervise the work of contractors, ethical issues, and long-term capacity problems. First, managing contracts requires expertise different from that used in directly managing a staff; this includes knowledge of the complex set of rules governing the contracting process. But as we have seen, managers' training is primarily technical, and many are still worker-managers, continuing to do technical work while managing a staff. Few managers, and even fewer of their staff members, have had formal training in the management of contracts. Yet they are frequently faced with the dilemma of how to get work done when the staff doing the work do not report directly to them. One person I talked to at EPA told me he had not had a problem managing contracts, but explained: "The one thing that got impressed on me early was that you couldn't act like a supervisor. You couldn't say, 'I have this task. Assign this person to it.' You could say, 'Assign a person with these qualifications.'"

Some managers are seriously concerned about their ability to provide adequate oversight of contractors. In the extreme cases, their in-house staff is simply too small and stretched too thin to keep track of what the contractors are up to. In other cases, limits on travel make on-site visits impossible. One EPA first-line supervisor (who moved to EPA from a position with a contractor) articulated these oversight problems: "We have no resources. The level is ridiculously low for the breadth of the program. It's so low that it's dangerous [to our ability] to control the resources in the program. We have intramural and extramural and grants. We don't have enough intramural resources to oversee the extramural work. There is no travel money to go to the states to see what they are doing. We don't have the minimum amount of people time to oversee and operate this program. We are really not sure what they're doing with that money."

Managers also raise ethical concerns about working with contractors, ranging from potential conflicts of interest (for example, when a contractor to a regulatory agency is also working for industries the agency regulates) to an agency's being ripped off by the contractor. Of course, lack of adequate oversight increases the risk. Managers warned about possible scams, such as "billing you for something they already did for someone else. . . . [Another unit] may ask them to do the same thing they're doing for you, and they never tell you and bill the agency twice for the same work."

But some of managers' concerns transcend day-to-day management issues. They fear that overreliance on contractors will mean that their agencies will lose the technical capacity to do the work themselves. As an EPA midlevel manager described it: "I attended a meeting here on EPA guidelines . . . and the spokesperson in this meeting who did all the talking was the contractor. [That person] knew more—[that person] developed the guidelines, [that person was the expert], and if that person died, you'd be out of luck.

Because we don't have the expertise here. So I think we've given up a lot to contractors, especially in the technical areas."

While the contractor builds expertise, the technically trained staff members become contract managers, often with a loss of morale and of their own technical skills. Further, the boundaries of the kinds of work that may appropriately be contracted out are unclear. Both EPA and the Navy have been faulted by the General Accounting Office (GAO) for excessive reliance on contractors and for inappropriately contracting out such functions as policy development, representation of the agency, and even some procurement functions (U.S. General Accounting Office, 1991). As a result both of these criticisms and of some very visible procurement scandals, the Navy launched an ambitious initiative to identify positions that could be moved back from contractors to in-house staff. According to the GAO report, three commands in the Navy planned "to convert about 2,000 staff-years of contractor support to in-house positions over the next 5 years" (p. 56).

But managers tell a different story. From their perspective, this has been a classic no-win process, where they lose their contractors but then cannot hire the needed in-house staff to replace them because of hiring freezes. A Navy SES member described this quandary:

> In the past two to three years, there's been a concerted effort to continue to reduce [use of contractors]. In our area, there's been significant reduction. There was a scheme that was approved, I think it went all the way to Congress, where you were to convert contract support services to government employees, and the idea was that for every two you cut off, you get one in replacement, or some formula like that, where the deal was that you make money that way, or the government did. In reality, what happened is, they've cut your budget and you can't hire either. They got you both ways.

The above story makes two important points. First, many managers feel so strongly that in-house staff are more efficient that they are willing to exchange a given number of contractor staff for a smaller number of in-house replacements. Second, the story makes clear how hard it is to reduce reliance on contractors when, at the same time, pressure to limit the size of the federal workforce is pushing in the opposite direction.

How do managers cope with the dilemmas posed by the use of contractors? First, the more astute managers try to exert as much direct managerial control over the work of the contractors as possible, in an attempt to keep costs down and quality up. As an EPA manager who worked extensively with contractors explained:

> You can't direct the individuals doing the work on a contract; you can only go through their management. And you are supposed to go through the prime [the lead contractor] to direct a subcontractor. We're normally pretty good at pressuring the prime to let us go directly to the sub. We talk to other EPA people about how to get to a specific contractor. The contractors learn that if they want more work, and if they don't want to tarnish their reputation, they have to play ball. When you're in the field, you've got to be able to direct the work, and that's all.

Other managers described trying to develop an ongoing relationship with contractors who had developed needed expertise. But the procurement process, at least at the time of this research, actually impeded good management of contractors. As we saw above, managers had few positive or negative incentives with which to affect consultant performance, particularly since, amazingly enough, managers were not allowed to consider consultants' past performance in awarding new contracts (Kelman, 1990). In fact, Kelman, one of the more outspoken academic critics of the procurement process, was brought into the Clinton administration to spearhead procurement reform. The Federal Acquisition Improvement Act, passed in late 1994, streamlines and simplifies the procurement process and also permits managers to consider contractors' past performance.

Another coping mechanism poses some interesting dilemmas for organizational culture. The relationship between use of contractors and organizational culture is complex. On the one hand, one might expect organizations with tight, close-knit cultures to avoid use of contractors (although they might not be able to avoid it if it is mandated by Congress or forced by the pressure of ceilings). On the other hand, reliance on contractors may change the culture, leading, for example, to an organization with rather permeable boundaries. Not only do contractors frequently work side by side with civil service employees, often doing the same work, but considerable raiding goes on in both directions. The proverbial "revolving door" includes recruitment of contractor staff into the agency as well as movement out from the civil service to contractors. Movement out of the agency may pose potential conflict-of-interest problems for the departing staff. Movement in from contractors may also be problematic. Recruiting from contractors may be shrewd, since such staff may already be up to speed and managers may already have had a chance to see the individuals in action. But there is potential for abuse. For example, as we saw in Chapter Four, there have been cases at EPA where a manager trying to hire someone dealt with the long delays of the civil service hiring process by asking a contractor to bring the person on temporarily until the civil service position came through. That meets the manager's need to ensure that he or she does not lose a valuable employee, but it goes well over the line of what is legal and ethical. In general, fuzzy organizational boundaries and staff instability may also make it difficult to develop a consistent organizational culture.

But while managers can work at the margin to improve their ability to manage via contractors, it is clear that for many of the managers in this study, the externally imposed requirement that they must use contractors rather than hire in-house staff is a significant constraint. The fact that several said they would be glad to make do with fewer people if they could hire internally shows the effectiveness of ceilings as a way to control the size of the federal workforce, if that is the goal. There is no doubt that, given the opportunity, many of these managers would move funds in order to hire more staff. But this fact also points up the inefficiency of controlling the budget indirectly via personnel ceilings. In many cases, managers are convinced that they could get the work done more cheaply if they had more flexibility to decide when to contract out and when to hire.

Dysfunctional Effects of Freezes and Attrition

While ceilings are used to maintain an organization's workforce at a given level, lowered ceilings may cause an organization to impose a freeze. In that case, either there is no external hiring to fill vacant positions or replace staff who have left or hiring is severely limited. This is still a case of indirect budget management. If managers had control over their budgets and faced a budget reduction, they could choose where to take cuts. But in a freeze, they have no discretion; cuts in the size of the workforce are mandated externally. While gradual reduction of the workforce via attrition is less disruptive than laying staff off (as we shall see in more detail later), freezes create a number of problems for organizations and individual managers. Foremost among them are misallocation of staff resources and chronic pressure on staff and managers to fill the gaps created by personnel shortages. Let us look in more detail at how managers cope with each of these problems.

Freezes and the Luck of the Draw

The biggest problem with relying on attrition is that because the effects will be uneven across the organization the process is not easily controlled. There is an element of chance here. Some parts of the organization will lose few staff members over time and will remain in good shape, while others, for reasons that managers cannot control, will lose many staff members and be in serious trouble.

A Navy manager described the uneven impact of attrition on his organization: "We've had hard turnover. People who couldn't stand the pressure, and people raiding us. There's great pressure to let the office of high attrition take the hits. If you're arguing RIFs versus letting those with high attrition take the cuts, attrition will win every time. The command was to reduce 4 percent a year. We took a 20 percent loss in fifteen months. It was unfair."

These problems are likely to be exacerbated if the organization encourages people to leave by providing incentives, such as a chance to take early retirement or a bonus for leaving. At the time of the study, while the Navy was in a freeze and FCS had experienced periodic freezes, no agency in the study was offering incentives, but in 1993 and 1994, agencies were authorized to give early retirement and "buyout" bonuses if they determined these incentives were necessary in order to meet the workforce reduction goals set by the Clinton administration. Incentives may encourage staff with valuable skills and institutional memory to leave; such people will be particularly hard to replace.

Organizations can cope with this staff allocation problem in several ways. First, they can carefully target the employees that are to be offered incentives. Second, they can make the freeze a soft freeze, allowing limited replacement hiring but controlling approval to hire at a high level in order to meet the personnel needs of those parts of the organization with the most pressing shortages. The tendency to manage attrition at a high organizational level is typical in most organizations (Rubin, 1980). High-level control is necessary if top management wants actively to manage the process by setting clear priorities and making conscious decisions about how to reallocate resources.

While this is good management from an overall agency perspective, from the viewpoint of lower-level managers, it is one more frustrating constraint. In practice, when a position becomes vacant, the organization with the vacancy does not have an automatic approval to fill it. Rather, top management controls the resource, and managers have to demonstrate their great need in order to get permission to replace lost staff. The net effect, for managers, is to increase competition for resources and to slow down any hiring dramatically. Although the formal civil service system for hiring can be quite slow, managers at every agency made it clear that getting budget approval to hire was often an even bigger roadblock. This was particularly true in the Navy and FCS, the organizations under the most consistent budget pressure. Managers told of losing prospective staff because of the long delays and because unexpected freezes were imposed while attempts to hire were under way.

One result of these problems is strategic behavior on the part of managers who know that having a vacant position is dangerous; in a freeze, they not only may be forced to keep the position vacant but may lose it permanently. Strategic behaviors range from the relatively benign to those that are clearly dysfunctional in the long term. One fairly simple strategy is to recruit for positions that are not currently vacant, in anticipation of future needs, or to continue to recruit even though there is currently a freeze. Managers want to have good candidates identified in advance so that if a vacancy opens up or if there is a thaw they can hire quickly. But there are obvious costs to this approach. First, managers and personnel staff waste a great deal of time in the lengthy recruitment and interview process for openings that may never appear. Second, applicants' time is wasted, and they are given false hope of a position that is, in fact, ephemeral. Sometimes, people are kept dangling for months and may even turn down other job offers in the hope that they will eventually be hired. This raises clear ethical questions.

Similarly, managers in agencies where freezes are likely, or where there are brief thaws, have a strong incentive to hire as quickly as possible—even to hire a barely qualified person just to hold on to the position. Several managers raised concerns about this tendency. For example, one EPA manager described the reaction to an impending freeze: "They instituted a hiring freeze at the end of the fiscal year, but they gave a little warning to the program offices. They said, 'If you want to hire, do it now.' People went out and made offers to people on the phone without ever interviewing them or being able to conduct a proper recruitment process. It's how a personnel process can be destroyed, and you can be dealing with grievances for years."

In the same vein, managers dealing with problem employees will be even more likely than usual to overlook problems and to tolerate marginal performers. They ask themselves whether it is worth going through the lengthy, time-consuming, and sometimes stressful process of taking action to get rid of a marginal employee if the end result is that they lose the position. One Navy manager faced this dilemma. She described "inheriting" a problem employee and going through the formal process of reprimanding and counseling him. When the employee's performance improved, at least to the minimally satisfactory level, she was unsure what to do. As she put it, "I'm not sure I want to cut him loose now, given the hiring situation. Would I be able to replace him? Maybe not."

Coping with Low Ceilings and Freezes: Doing Less with Less

When a ceiling does not increase but the work responsibilities do or when a freeze has been in place for a while and the organization has lost critical staff members, managers face difficult challenges. They are required to balance two distinct roles, which can be described in terms of the competing values model. On the one hand, they need to emphasize the rational goal quadrant, making sure that the necessary work gets done. On the other hand, they must operate in the human relations quadrant, maintaining morale and helping employees deal with the stress created by being shorthanded, since the last thing they want is to lose any more staff members. As a Navy manager described the problem: "The lack of human resources [that is, of adequate staff] is the biggest issue. It brings morale down. . . . Because we can't hire, the work gets put on others." At the same time, managers recognize that it is harder to motivate or reward their staffs because resources are tight all across the board. Training money has frequently dried up, and even expected promotions are often put on hold.

Managers recognized the paradox of piling more work on remaining staff and asking them to take on assignments that were not in their job descriptions while at the same time trying to prevent burnout. In some cases, the way managers dealt with this problem reflected their organization's culture. This was particularly the case at the Food and Consumer Service. FCS has taken severe cuts in recent years, so freezes and gradual attrition have been a fact of life for a long time in this small, clan culture organization that people describe as being like a family. FCS managers were particularly likely to express concern about the personal effects of stress and burnout on their staffs and to look for ways to reduce the pressure on people. But FCS managers are not alone in trying to find creative ways to get the work done without totally burning out their staff.

Conscientious managers often pick up the extra workload themselves. Chronic staff shortages are one of the prime forces leading managers to continue to take on technical work; this merely reinforces the tendency at some agencies for first-line supervisors to be worker-managers. As an FCS first-line supervisor described it: "I feel like each person has a few more programs than they can manage well. There's a lot of doing, hands-on, and too little managing. I have to jump in and do routine work on occasion if a person is out."

Managers who take on more than they should under these circumstances face a high risk of burnout. One FCS manager vividly described how this feels: "Yes, it has an impact. About seven years ago, I was . . . close to having a nervous breakdown. I was working overtime all the time. And I finally woke up one day and said, 'You're going to have to learn to live with not doing your job a hundred percent. You're going to work with what you have, even though it's very frustrating, but there's not a damn thing you can do about it.' I refuse to be responsible for the budget deficit. What's worrisome is the pressure on staff. They don't always cope with it well, and I have to counsel them."

Inevitably, as the work piles up, managers face the difficult task of setting priorities. While the rhetoric calls for doing more with less, there comes a time when that simply is not possible and managers face the prospect of doing the same amount of work more slowly or of neglecting certain tasks and doing less with less. A frequent argument in the literature on cutback management is that organizational retrenchment is harder to manage in the public sector because management lacks the authority to make such decisions as cutting programs or closing offices (Levine, Rubin, and Wolohojian, 1982). It is the legislature that both sets the budget and defines the organization's mission. Midlevel and lower-level managers have even less power. They may recommend that a program be cut or eliminated, but the decision must be made at higher levels, inside or outside the organization.

While it is true that lower-level managers lack formal authority to drop functions, in reality, all managers who have lost staff have to adjust the workload. Managers described having to fight fires while letting routine work slide, and having to cut corners on how the work was done. For example, an FCS manager described how cuts have affected the agency's procedures:

> We do our best with the resources we have, with the result that some people are overworked, some people less so, but we are running late on a lot of things. . . . The agency is way down in total resources from where it was twenty years ago. We used to send staff out to visit a store before it was approved to join the [food stamp] program. Now, that effort is down from a thousand to a hundred and fifty staff years. They rarely go out to stores for preapproval visits, and if there's a problem they just request an external compliance investigation.

Facing the Challenges of Cutback Management

Having looked at the problems caused by ceilings and freezes and the ways managers cope with them, we can make some general observations. First, it is surprising that managers never mentioned any role for the personnel or human resources staff in this process. They saw it as strictly a budget process, with the budget staff setting ceilings or reallocating positions in a freeze. There was no indication that the personnel staff was playing an advisory role or providing analytical assistance—for example, by using workforce planning models to make rational decisions based on likely turnover rates. Thus, while budget decisions were having a major effect on personnel issues, it did not appear that the budget and personnel staffs were working together or that human resources staff were actively helping managers cope with the dilemmas created by ceilings or cuts.

Second, with the exception of the use of contractors, there were no clear-cut differences across organizations in the ways managers coped with cutback problems. There was some indication that APHIS and EPA experienced higher than average competition between units in response to ceiling restrictions and that ceilings were enforced more or less rigidly in different organizations, but overall coping mechanisms did not differ significantly.

In fact, managers had a somewhat limited range of approaches for dealing with ceilings and freezes. It is hard to see contracting out as a creative coping mechanism when, in fact, managers are often given no choice over whether to use contractors. Further, the approaches they used often had dysfunctional, even paradoxical effects, leading to higher grade levels, reduced staff quality, and even larger staffs (since managers will pad in anticipation of future cuts).

Many of these problems stem from the incentives created when cuts are managed indirectly—that is, when managers are forced to limit hiring or to cut staff rather than given resources over which they have direct control. The incentive to game the system would be reduced if managers had more direct authority to make decisions about where to take cuts, although if control of budget authority were held at too high a level, there might still be some incentive for gaming by lower-level managers.

Coping with Reductions in Force

The challenges for managers when staff are actually being laid off are, of course, far greater than when cuts are taken via attrition. But there are times when a reduction in force, or RIF, is necessary, particularly when the agency is facing large cuts that must be taken quickly and that are likely to be permanent. When an organization is in a condition of severe scarcity,[1] there is not enough time to take staff cuts gradually, via attrition, and recourse to a RIF is likely. Of course, like ceilings, RIFs can be politically motivated; they may be used, for example, to project an image of a "bloated bureaucracy" being reined in. This was clearly the case with some RIFs taken in the early years of the Reagan administration. Further, while agency managers will generally make RIF decisions based on budget projections, the values embodied in the organizational culture may also have an influence. FCS is an example of an agency that absorbed large cuts gradually via attrition; a RIF would have been particularly damaging in this clan culture.

Running a RIF: A Technical Nightmare

The operation of a RIF differs significantly from that of a ceiling or freeze. First, the actual process is managed by the personnel office—within targets set by the budget office. Second, the process is one of mind-numbing complexity. Third, the process is designed in a way that gives managers very little say in the decisions about who is actually laid off. As a result, it feels at times like an operation conducted not with a scalpel but with a meat-ax—or even a meat-grinder. Managers identify specific positions to be abolished. Who actually leaves is decided by a complex process based on four factors: seniority, veterans preference (veterans are almost always protected), performance appraisals, and competitive level. The last is an important term. A *competitive level* is a group of jobs that are roughly the same in grade level, classification, and duties, so that people in those jobs can be moved from one to another without harming productivity. In other words, employees at the same competitive level are considered roughly interchangeable.

Senior managers who are planning a RIF divide the organization's workforce into both competitive levels and competitive areas (geographical areas within which people can be relocated). That is, if the RIF is imposed across the entire agency, or at more than one installation, the managers determine how broadly people can be moved around. They then target specific competitive levels for cuts.

What then ensues roughly resembles a Rube Goldberg machine—with people as the components. There is a complex process of bumping and retreating as people in the jobs that are eliminated move into other jobs, forcing those people to move who then take the jobs of yet other people in a complex chain reaction. *Bumping* means displacing someone else at your competitive level who has lower seniority (including credits for performance appraisal) or is a nonveteran if you are a veteran. *Retreating* means moving back to a job you used to occupy at a lower level (or to one that is very similar). However, in common parlance, *bumping* is often used to mean both bumping and retreating. This means that for every person who leaves the agency, several are moved, often into jobs they do not want to be in and that they are not able to perform without at least some training.

The RIF rules were revised in 1986 to reduce somewhat the disruption a RIF inevitably causes. First, the weight of performance appraisal ratings relative to seniority was increased (the basis being average ratings in the three years prior to the RIF). Second, the new rules limited bumping and retreating to three grades or three grade intervals (for jobs where people normally move up two grades at a time).[2] Prior to this change, there were no limits on the number of levels a person could be reduced, leading in the 1982 federal RIF to such extreme cases as a Ph.D. psychologist who was demoted to mailroom clerk. At the same time, the rules broadened retreat rights somewhat; a person can now retreat to a position that is essentially identical to one the individual held previously, not just to the actual position through which he or she had been promoted. In spite of these changes, the process is still enormously disruptive.

If this all sounds confusing to those who are outside government, it is at least equally confusing to the people involved. The task of managing a RIF, particularly in a large installation and when a sizable number of people are being cut, is mind-boggling in its complexity. And the psychological trauma caused both by separations and by the displacement of people from their jobs is hard to exaggerate.

How, if at all, can the traumatic effects of a RIF be mitigated? To some extent, this is a challenge for the personnel staff, but much of the burden falls on line managers. Let us look at each in turn in the context of an actual RIF. The Portsmouth Naval Shipyard was selected as a site for this study precisely because it had recently conducted a RIF. Further, senior Navy personnel staff held up the shipyard as a model of RIF management. Thus, this is an example of "best case" site selection; one might expect RIFs at other locations to have more technical problems as well as more impact on operations than the one at Portsmouth. But even there, the process was not easy to manage. Many of the problems are created by the rigidity and complexity of the formal procedures.

Role of the Personnel Office in a RIF

The personnel office (at Portsmouth, the industrial relations office) plays a central role in managing a RIF. It is up to personnel to make sure that the process runs smoothly, and at the same time, the office needs to be sensitive to the resulting human trauma. On the basis of my interviews with line managers and with staff of the Portsmouth industrial relations office (IRO), I would say that there were four key elements in the approach taken by the personnel staff to the technical aspects of the RIF: use of a computer program to manage the process; use of conservative ground rules to reduce disruption; training of supervisors; and sharing of information with workers and unions. Let us look briefly at each.

First, the Portsmouth IRO staff designed complex computer software to keep track of the process of bumping and retreating. They entered data on seniority, performance appraisal ratings, veteran status, and past work history, after checking in each case for accuracy. This all took over a year. In general, the process worked well, but there were a few inevitable glitches when employees were given inaccurate information. Most of the errors were caught, because the IRO staff offered counseling to individuals who received letters and, when requested, checked data for accuracy. It is clear that while other organizations might attempt to speed up the process, by borrowing IRO software for example, running a RIF is not something that can be done well on the spur of the moment. Months of advance planning are needed, and even then, no amount of preparation can prevent at least a few errors.

A second element of the organization's approach was to try to keep retreating to a minimum. To the extent that retreating and bumping could be limited, the disruption to organizations and individuals would be reduced. As a senior member of the IRO staff explained: "We were very conservative on retreats. It had to be your actual old job, not just the title, and we were very conservative on bumps, because you had to be fully qualified. Some activities would open it wide open [permitting more extensive bumping] and cause more disruption. One goal was to reduce disruption."

Finally, the IRO staff provided training to supervisors and to departmental personnel staff (shadow personnel offices) of organizations to make sure they understood what was happening, and IRO staff tried to share information frequently with both workers and unions. Both efforts were well-meaning, but probably neither went quite far enough. Supervisors, particularly Wage Grade supervisors, told me that in some cases they still did not fully understand the process. Even those who felt they did often had trouble explaining it to their staff. One informant in the IRO told me that if they had to do it again, they would give even more training to supervisors and managers. As for the sharing of information with employees, this became difficult because the picture kept changing. Incorrect information had to be amended, and there were also unscheduled departures. Some people, expecting to be cut or anticipating that this RIF would not be the last, found other jobs and left voluntarily. Thus, the initial list showing who would be separated changed considerably over time. One manager told me a painful story of an employee who uprooted his family and moved to another shipyard on the basis of the initial list, only to find out later that he would not have been terminated after all.

Role of the Manager in a RIF

Even when well-run, the RIF process will have a number of damaging effects. First, of course, many organizations will lose well-trained staff as a result of bumping and retreating and, for the same reason, will gain others who are rusty or who have never done their new jobs before. Second, the people who actually lose their jobs in a RIF are generally those with low seniority, particularly nonveterans. At Portsmouth, this meant that the entire current crop of apprentices, who had recently completed or were going through extensive training at considerable expense to the organization, went out the door. Further, managers bemoaned the fact that it is typically the best workers who choose to leave voluntarily during a RIF. But the personal effects are also dramatic. For those with strong loyalty to the organization, the loss of trust can be devastating. Some who remain show the symptoms of survivor's guilt. And it is extremely difficult to keep employees focused on the task at hand when a RIF is in progress. Managers respond in two ways: they try to manipulate the system to the advantage of their staff, and they attempt directly to address the morale and productivity issues.

Gaming the RIF Process

While the complex set of RIF rules and procedures is designed to treat all employees fairly, its underlying values are particularly supportive of seniority and veterans preference. In spite of the increased weight attached to performance, there will be many cases where a good employee is lost and someone less productive keeps his or her job. Further, on its face, the process gives little discretion to managers. But needless to say, many managers do all they can to manipulate the system to protect those individuals or parts of the organization they deem least dispensable. The tools at their disposal are limited and vary depending on managerial rank.

Senior managers have the greatest opportunity to affect the process if they play a role in the initial determination of competitive levels from which cuts will be taken. In theory, these decisions should be based on an analysis of current and future workloads and on a rational determination of the functions that could be eliminated (or have staff trimmed) with the least impact on organizational mission. The newly reconfigured organization should then have the needed skill mix for the future. In practice, competitive levels can be manipulated to some extent if the personnel office will cooperate. The most extreme story I have heard in this respect came from the National Aeronautics and Space Administration (NASA). According to my source, NASA once tried to define each secretary to top management as a separate competitive area, arguing that since the agency did highly scientific work, secretaries who were familiar with that work were not interchangeable. While most organizations would not go so far to manipulate the system, there is some evidence (in the other direction) of RIFs targeted to eliminate a specific individual. An APHIS personnel staff member at the Field Servicing Office in Minneapolis who had worked on a RIF for another Department of Agriculture agency told me of one such case: "Sometimes they do RIFs to get rid of somebody. If it doesn't get the right person, it's back to the drawing board."

A second strategy, which is most available to upper-level or midlevel managers, is to move staff from one unit or position to another prior to the RIF in order to protect them. Several interviewees mentioned such actions at Portsmouth. For example, a senior manager told me, "I moved people from one code [that is, one part of the organization] to another because we had more funding there, basically to protect them and because it was good financial management. At the same time, it gave them training in another area, which is good but which people resist."

Managers at all levels, and especially first-line supervisors, have one potentially powerful tool at their disposal: the performance appraisal rating. When I asked a group of Wage Grade supervisors if they could manipulate the system, one responded that the workers can, by improving their performance and thus earning a higher rating. There is no doubt that having been through a RIF, workers will be much more conscious of the importance of performance appraisals in the future. This can be positive if it leads to actual changes in performance. But it can also lead to heavy pressure on supervisors to inflate the ratings. A common argument is, "Well, everyone else does it, so I have to, in order to protect my people." It is to their credit that I did not hear this argument from Portsmouth managers. What I did hear was, first, a recognition that they could use the performance rating to protect people if they chose. As a Wage Grade supervisor pointed out: "They're very useful. . . . You can give the non-vet an 'O' [outstanding]; you can give the vet a 'sat' [satisfactory]. Kind of balance them out. Great for RIF purposes. The non-vet is still going to go out the gate before the vet. Yeah, but it makes him feel better. Gives him a chance."

However, some supervisors recognized that their peers might use the performance appraisal for the less benign purpose of protecting friends and cronies. There is no doubt that for the RIF process to be perceived as fair, the performance appraisal process must also be seen as fair. This concern was raised by spokespersons for several agencies commenting on the new RIF rules. An MSPB study of the changes in RIF procedures reported the following: "Sixteen departments and agencies called attention to the critical need for the performance appraisal system to be fair, and to be perceived by employees as fair, because of the increased weight on performance ratings in deciding retention during RIF. . . . A common thread ran through most of [their comments]: there are still problems in the administration of their performance appraisal systems that could cause difficulties in the event of a RIF" (U.S. Merit Systems Protection Board, 1987b, pp. 9–10).

To summarize: Faced with an enormously complex and unwieldy process, managers have some limited play; they can sometimes—but only sometimes—protect those they want to retain and push others out the door. But the extent to which I saw such manipulation of the process at Portsmouth was quite limited. Mostly, managers have no choice but to take the process as it comes and cope with the results.

Coping with the Emotional Consequences of a RIF

As we saw above, the cumulative effects of attrition over time can be quite severe. But the impact of a RIF is immediate and traumatic. There is no way to convey how it feels to receive a RIF notice, particularly for people who have worked their whole lives for an organization and who have a sense of loyalty to that organization. And there is no way to convey the challenges of trying to manage an organization while this dramatic upheaval is going on all around. Further, managers must try to support their staffs and keep the work going even when they, too, may be affected by the RIF. Employee reactions to the stress will vary, but RIFs typically engender strong feelings. Often, there is anger and hostility in those leaving. At Portsmouth, managers told me that problems with people who were affected by the RIF were infrequent, but there were a few cases of individuals "acting out." One told me of a meeting where feelings were expressed very directly:

> Your good workers, they stay productive. Then you have your not-so-good workers. . . . We have an office conference room, and [in one case] the white-hat [foreman] . . . had all the people in there who had gotten their letters [RIF notices], and he was explaining to them about the job fairs and different things, and after the meeting, guys got right up and walked across a nice table, you know, down the side, and doing one of these numbers [rude gesture]. You just mentally remembered who the person was, because his chances of ever coming back were really slim to none.

There are also emotional costs for those who remain; they may feel frustrated by the additional workload or distressed by being bumped down to a lower level that they had worked for years to rise above. Not everyone copes well with taking on additional work. One manager told me that he had warned his staff a couple of weeks ahead of time that "we are going to have to take on more work, . . . but one person got all upset and started flinging things."

The complex process of bumping also has obvious costs in morale and productivity. Several of the Wage Grade supervisors agreed with the person who told me: "If you take the person who is used to the white-collar work and put the tools in that person's hands, he'll tend to think he's been degraded. Absolutely. Coming from a nice clean job all day to a dirty job all day. It is degrading. I'm sure there's a big ego-type problem."

But the dominant mood during a RIF is one of uncertainty. As a Wage Grade supervisor phrased it, "Am I going to have a job after it's done, or am I going to be bumped back further down? How far can I be bumped back before I go out the gate? I could go from a $55,000-a-year job to out the gate for minimum wage." At Portsmouth, the uncertainty persisted even after the RIF was complete because of widespread speculation about the need for another RIF the following year. In fact, one of the typical characteristics of a RIF environment is the constant churning of the rumor mill, with stories that change from day to day or even from hour to hour.

Not surprisingly, some organizations have reported terrible morale and plummeting productivity during and following RIFs. It is to the credit of the management at Portsmouth that this was not the case there. In fact, managers were divided in their reports of the impact of the RIF, with a few reporting major effects but most saying that there was no appreciable effect or that effects were relatively minor. Many described trying to balance the need to be understanding and the imperative that the work continue to move forward. One thing that helped in some cases was guidance and support from higher levels of leadership.

> When we first heard about it, the general foreman got together with us, with the foremen, and told us exactly what he knew about the RIF and tried to clear up any rumors. He gave us all the facts that he could tell us, and he told us that there's people working for us at the time that may get RIFfed, and they may not be themselves every day. So he told us to look out for that and try to keep the senior people, that knew that they weren't going to get RIFfed, from picking on them or making statements. And actually, that was kind of a warning, and the morale wasn't too bad, really.

This story reflects two aspects of the managerial role during a RIF: looking out for the emotional well-being of the affected employees but also sharing information. Because of the negative effects of uncertainty, sharing as much information as possible is vitally important. It also serves to reduce the reliance on the rumor mill, with its misinformation and half-truths. Meeting regularly with staff and sharing information were two of the most frequently mentioned coping strategies.

The IRO also played an important role, not just in the technical aspects of conducting the RIF but in providing services to those affected. The office counseled individuals to make sure the RIF notices had been properly issued, and consulted frequently with the unions so that they knew what was being done and why. IRO also arranged for extensive outplacement services for people likely to lose their jobs. These included job fairs, letters to 3,500 companies, and the establishment of a worker assistance center in nearby Kittery, Maine, for which a grant was obtained from the Department of Labor. In addition, IRO provided training in such subjects as financial management, stress management, and job search skills. Managers recognized the symbolic importance of providing these services. As a Wage Grade supervisor put it: "I think this job fair showed the people that we were trying. When I say 'we,' [I mean] the government, the shipyard was trying to do something to get them a good job, [we] cared about them and worried about them. We just weren't going to say, 'Yeah, you got your letter, sixty days you're out of here. Too bad.' And I think a lot of people appreciated that. And that was very positive."

While managers, with IRO help, were providing support both to those leaving and to remaining staff, they still had to keep things running. Not only had they lost staff, but they were forced to absorb new staff who had been bumped or retreated. Some of these employees had moved up years ago and others had never done the work they were now assigned to. These staff movements meant that there was a high initial need for training, but this was hard to provide when training resources were scarce and when every person was needed in order to get the work out on time.

As we saw, even with gradual cuts, managers faced the dilemma of how to set work priorities with fewer staff. This was a source of great frustration to some Portsmouth managers, who felt that senior management had been unwilling to adjust functions and workloads or to set clear priorities. In an atmosphere of tremendous pressure to meet tight deadlines on complex jobs, serious conflicts arose, as one manager told me: "[The work's] getting harder to handle. People are having to wait longer for us to get to their problem. We have to handle all the boats. It's as if you went into a garage and demanded a car be taken off the lift and yours put on now. People aren't happy if they aren't first priority. They hire people on purpose that are demanding like that to get the job done, but there are a lot of ugly feelings in the process."

In short, managers face several dilemmas when a RIF is being implemented: how to mitigate the effects of the RIF by protecting their best employees; how to keep up morale in the face of uncertainty and emotional distress; how to support and train new employees who have been bumped into their units; and at the same time, how to keep the work flowing. While managers at Portsmouth were on the whole quite impressive in the way they faced these multiple challenges, the formal system did not lighten their burdens. When we compare the RIF process to the procedures used to administer ceilings and freezes, we find some differences but also some significant similarities. Handling the technical aspects of a RIF is clearly the responsibility of the personnel office. While the budget office may make the calculations that determine the size of the RIF, it is the personnel staff that have to manage the complex procedures for determining who is affected—who actually goes out the door and who can be bumped or retreat to a lower-level job. Even with high-tech software and ample lead time, this is hard to do without glitches. The personnel office's ability to communicate with both managers and individual employees who are affected is critical to reducing anxiety and keeping the inevitable rumor mill under control. Further, assistance to terminated employees, in such forms as outplacement services, helps directly but also indirectly by making it clear that the organization cares about the people affected.

Technical training in RIF procedures is therefore important for the personnel staff managing the process. But formal training in advance of a RIF may also be very useful for managers faced with new and difficult management tasks.

Since only one of the organizations in this study was actually conducting a RIF, it is impossible to make comparisons that would reveal how different organizations, with different cultures, would handle the process. But there is likely to be a circular relationship here. The way organizations manage this painful process will be reflective of their culture, but the experience of a RIF will leave its marks on the culture; stories and myths will be handed down that communicate the values of the organization as they were reflected in management's actions and employees' responses at such a highly charged time. Management needs to be very sensitive to the messages that its actions convey.

Finally, as with ceilings and freezes, RIFs are an indirect way of managing budget cuts. The decision on whether to conduct a RIF is generally taken at the very top of an organization, although senior managers are consulted on which positions to abolish. Lower-level managers have very little power here, and few tools with which to affect the outcomes of the process. As we shall see, there are proposals to eliminate use of FTE ceilings, but there are no sweeping proposals to deregulate or simplify the complex RIF process. It is clear that the rigidity of the RIF process seriously limits managers' ability to exercise control as the process unfolds, but giving them more power would raise difficult questions about how to balance efficiency and managerial control with safeguards against abuse.

Conclusions

At the time of this study, RIFs were fairly unusual. This may change, since one of the recommendations of the National Performance Review (NPR) on which Congress acted with alacrity was the proposal to make cuts in the federal workforce of over a quarter of a million employees. (The final figure was 272,900. See Kettl, 1994, n. 18.) The NPR proposals for cutbacks reflect two of the issues raised in this chapter: the political impetus for cuts and the difficulties posed by indirect measures of budget control.

As Kettl (1994) makes clear, there were several different groups at work in designing the NPR. The NPR staff, primarily career civil servants, focused on management reform and deregulation. Staff in agencies, whom Kettl characterized as "an army of reinventers" (p. 5), developed specific recommendations on streamlining operations and improving customer service. But the group that dominated in the end was the senior political strategists who argued that what would sell politically was cuts in government. As Kettl summarizes it, "They have focused single-mindedly on the NPR's cost savings and personnel reductions as critical elements in the Clinton Administration's reelection strategy" (p. 5). Once again, given the stereotype of a bloated bureaucracy, the political issue is not just cutting the budget but being seen as tough enough to cut the number of federal workers.

This fact meant that the NPR, too, had to manage cuts in the federal budget indirectly, by adjusting the size of the workforce. Further, the process of taking the cuts was, from a rational-management perspective, illogical. The NPR based the justification of staff cuts on the logic of deregulation, arguing that simplifying and streamlining civil service, budgeting, and procurement procedures meant that organizations could reduce the large staffs needed to administer the current "arcane rules" (National Performance Review, 1993a, p. 13).

But Congress approved the cuts and agencies were required to begin taking them before there had been any change in the rules. In fact, the political nature of this process and the internal conflict within the NPR are highlighted by perhaps the most dramatic inconsistency in the report. On the one hand, the NPR advocates deregulating the budget process as a way to improve government efficiency and save money. The supporting report on budgeting (1993b) criticizes in some detail "restrictions on spending money that are not needed for policy control [and that] take away the manager's capacity to perform." Linked to this general argument for deregulation is a recommendation to eliminate full-time equivalent ceilings, which, the NPR report claims, are often cited by managers as "the single most oppressive restriction on their ability to manage"

(1993a, p. 19). The budget report makes this argument at some length, detailing many of the problems discussed above, including the mismatch between ceilings and dollars and between ceilings and workload, and the tendency to take across-the-board cuts in ceiling. It further points out how ceilings increase pressure to contract out work that could be done less expensively or more appropriately in-house, as well as how ceilings contribute to grade creep.

While the NPR reports make a convincing argument for eliminating the use of ceilings, the actual recommendation that resulted was to eliminate them—but not quite yet. As the NPR report puts it, "FTE controls are the only way to make good on the President's commitment to reduce the federal bureaucracy" (National Performance Review, 1993a, p. 19). The report therefore calls for the Office of Management and Budget and agency heads to stop using FTE ceilings, but not until fiscal year 1995 (a deadline that is unlikely to be met).

The NPR cuts may also put greater pressure on agencies to contract out work previously done by the people who are leaving. As we saw above, relying on contractors may actually raise rather than reduce costs. Fear of what D.C. Delegate Eleanor Holmes Norton calls an "unregulated shadow government of contract employees" is prompting legislative proposals to "prohibit agencies from contracting work previously performed by employees who accepted buyouts" (Harris, Oct. 3, 1994).

Whatever the final outcome of the NPR reforms, it is certain that, given the size of the budget deficit and the current political environment, federal managers will be coping with cutback management for the foreseeable future. One thing that is clear from this research is that federal managers in cutback situations need help. They need training specifically focused on the technical and the human relations aspects both of gradual cutbacks and, particularly, of RIFs. Further, reforms that would allow them to manage their budgets more directly would greatly enhance their ability to make rational adjustments to deal with scarce resources.