The Effect of Downsizing on Federal Statistics

Edward J. Spar, Council of Professional Associations on Federal Statistics

I wish to discuss this issue in the context of determining the effect of downsizing on Federal statisticians. As a private-sector executive for many years, I come to this issue from having had the experience of both downsizing and being downsized. This is truly one of those occasions where it is better to give than receive. Although it is obvious that not all private-sector experiences are transferable to the public sector, I believe many are, and I will, therefore, share those experiences, which I think will be valuable.

I am not sure whether the magnitude of private-sector downsizing is based entirely upon reality, or is an emotional hobby horse for large-company bashing on the part of the media. The *New York Times* has run some frightening series on this subject, and I am sure many of you have seen the *Washington Post* articles and especially the U.S. Geological Survey article in the *Post's* magazine section. On the other hand, the economic data tell us that jobs for highly trained technicians are readily available. The Urban Institute recently released a report that implies that the data do not support the conventional wisdom that downsizing has had a major effect on job security. Has much of this been a media event? Put another way, if all this downsizing happened to lower middle-class blue-collar workers, would we have had as much press coverage? Or is this coverage an overreaction to the fact that predominantly middle and upper middle-class white-collar workers were affected?

In either case, I believe it is true that the callous public behavior of senior management in many large private-sector firms certainly made the situation worse and also made the issue an easy one for the media to latch on to. However, rather than look with scorn, the Federal agencies should learn from what the private sector did wrong and not fall into the same callous mold. I hope we never hear some agency head proudly proclaim that his or her agency is now properly right-sized.

In the private sector, management has the luxury of keeping those who it believes will do the best job. As a private-sector executive, I always lived in the short term. Indeed, in a good year, we literally lived in the moment. But in lean times, we usually had the luxury of carrying over personnel. If need be, we could operate in the short term in the red. We knew that the quality of our work completely depended upon the quality of our staff, and that anyone can plug a number into a formula, but only intelligent, well-trained personnel can look at numbers coming out of a model and tell you if they make any sense. But to be honest, in the worst of times, painful but necessary staff reductions were made; and at that time, we tried to keep the best.

Agencies do not have the luxury of operating in the red. Last I heard, you go to jail for spending more money than you have. Further, government agencies, which operate on a last-in, first-out basis, have a more difficult task. You may not be able to retain your best people or even those who are most promising. A lot depends on what Congress mandates.

Will there be buyouts? Will Congress pass a tough Balanced Budget Act, or will it just shave budgets around the edges? How many Federal employees will be able to move to other agencies, thereby keeping the horror stories to a minimum? Most important: will the Federal statistical agencies take a tough look at their current programs and develop a prioritizing process, which will enable them to determine which programs they must keep, and thereby move the right people to those programs in advance of the downsizing process?

Let us assume that the agencies have planned well and that the right people will be in place for those programs that will survive. Although this will certainly reduce the dislocation, I believe quality and creativity will suffer unless the operation is handled very carefully from the beginning. In any sector, nothing moves faster than a rumor about personnel. Therefore, it is necessary to make personnel changes quickly and in one stroke. Drawing it out is a disaster. What will occur, once any personnel have been moved around, is a continual barrage of rumors of who is next. It is impossible to get any work done in that atmosphere. Quickly do the deed, and, then, loudly announce that the process is at an end. Honesty and straight talk are necessary, and everything depends upon proper timing.

Once the changes have been made, and you now have a core staff that you wish to keep, your problems are not yet over. First, no matter what official or unofficial assurances you make, you will probably never again have the loyalty and long-term thinking that you had in the past. Indeed, you will have caught up to what has already happened in the private sector. Employees may have good jobs today, but they will always be looking over their shoulders for another one, since they do not believe there is any security in the ones they now have. Loyalty to the organization, one's superiors, or the perceived importance of the task is overwhelmed by the reality of having to survive. This is not how government employees are used to thinking. But I predict that they will learn fast. I have found that the attitude of employees who do not see themselves as long-term employees is to always be thinking about the next job. The smart ones set a time limit and at that point begin looking. You might think there is an upside to this. Namely, you will have a fresher cadre of employees. Two problems. First, it is the brighter members of the staff who tend to move around. They realize that they are more saleable, and it is a way to move up. Without perceived company or agency loyalty to them, why not?

The second problem is that it is the brightest staff members to whom you want to give the most complex and long-term projects. If you cannot rely on these people to be there for more than a few years, you have problems. I am sure that the senior management of the agencies understand this. However, as is the case in the private sector, the implementation processes carried out by middle management will, in the long term, be the critical determining factors of success or failure. With an unsolicited plug for the proposed legislation on data confidentiality and sharing, the Statistical Confidentiality Act of 1996, the potential for improving efficiencies, which that act would bring, could play a significant role if major downsizing were to take place. Here is an opportunity to share data and perhaps creatively utilize personnel in an interagency environment.

And this takes us back to the title of this paper, namely, the effect of downsizing on the statistics themselves. It will depend on how well the agencies have planned for the future, along with where the emphasis has been placed. Is most of what you do based on ongoing, long-term projects or, instead, short-term data-cranking jobs? Obviously, there will be a mix, which will require proper juggling of personnel. Do you emphasize the analysis of information, or do you just show the figures? Does the experience of an employee with the subject matter make a difference? How much can you automate? How much of this can you control and regulate as a function of staff size and expertise?

I have no answers to what will happen to the products if there is large-scale downsizing. I am sure, however, that the answer will be a function of how well an agency plans and ultimately treats its personnel. Indeed, if handled properly, I would not be surprised to see more creativity coupled with a better sense of the importance of quality and timeliness.

So, finally, the answer to what is the effect of downsizing on Federal statistics lies somewhere between "Who knows?"--given there are forces outside of the control of the agencies--to "It all depends on how you deal with the problem."