

# Downsizing Government Through a Decentralized Approach to Public Employment

Seyed Ali Mousavi<sup>1</sup>

<sup>1</sup> Ph.D. in Public Law, Faculty of Law and Social Sciences, University of Tabriz, Tabriz, Iran

Correspondence: Seyed Ali Mousavi, Ph.D. in Public Law, Faculty of Law and Social Sciences, University of Tabriz, Tabriz, Iran.

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## Abstract

Increasing the number of civil servants, in addition to increasing costs, will lead to a large and inefficient government; therefore, the aim of the present study is to achieve innovations and initiatives to reduce the size of the government and its costs by reviewing the public recruitment process. The United States of America is an example of a movement towards reducing the number of civil servants at the state and federal levels. This issue is investigated using a descriptive-analytical method and a library method. The research findings indicate that adopting a decentralized approach to public employment, through methods such as: delegating matters to regulatory agencies, employment declassification, and at-will employment, leads to a reduction in the size of the government by reducing the number of civil servants.

**Keywords:** decentralization, declassification, downsizing, deregulation, civil service

## 1. Introduction

In the 1970s, following theoretical debates among conservative economic thinkers, strategies for reducing the size of government were adopted. The main goal of these discussions was to reduce government bureaucracy. Thinkers gave two main reasons for this: (1) Bureaucracy restricts a great deal of individual freedom and it is necessary to reduce the extent of its power. This idea further leads to the need to reduce the scope of bureaucracy and the size of the state; from this perspective, consumer freedom and choice are much more desirable than servitude and being under the authority of bureaucratic command. (2) In connection with the first reason, according to the aforementioned economists, the traditional bureaucratic model does not have incentives and rewards at the same level as the market; therefore, it is not as efficient as market processes. Therefore, it was not possible to enhance efficiency in a governance system with a large government and complex bureaucratic processes.

The public sector in the United States, by most definitions, is smaller than in European states. For example, there is no comprehensive universal health care system, and the “social safety net” is not as developed as in European welfare states; However, many people object to the size of the government, due to the large number of civil servants who provide public services at all three levels of government, federal, state, and local. It should be noted, however, that in the United States, as in federal regimes, all three levels of government have a certain degree of independence and a wide range of powers. In fact, although the federal government’s powers are not as broad as those of central governments in simplified systems, this does not mean that we should ignore the entirety of the public sector and its growing trend due to the structural fragmentation of the federal system. The important point here is that the small size of the federal government makes it more difficult to reduce its dimensions; even in almost all Western countries, when reducing the size of government is raised as an issue, simple interpretations and interpretations are relatively few.

A large government imposes heavy costs on its citizens, because although it is ostensibly expanded to provide for the welfare of its citizens, in reality, a large portion of the citizens' assets and income are spent on government expenses. Such a government resorts to increasing tax revenues to offset its current expenses, and as a result, instead of increasing public welfare, it takes steps to reduce it. One of the main current expenses of the government is the payment of salaries to civil servants, which accounts for a large part of the country's budget. Therefore, examining how to reduce the number of government employees and, consequently, reduce the size of the government, shows the necessity of this research. In this regard, studying how to reduce the size of the government in the United States by examining the new methods used in this country in the field of public employment is the focus of this research.

The main question of the present study is: Is it possible to reduce the size of the government using a decentralized approach to public employment? If the answer is yes, what are the mechanisms for implementing it?

Therefore, using a descriptive-analytical and library method, we will examine the issue in six chapters, respectively under the titles: institutional developments, the scope of civil service rules, the disaggregation pattern, reform in the public sector and downsizing of civil services, deregulation, and finally broad banding and merit pay.

## **2. Institutional Changes**

In the United States, there have been changes in the roles and functions of institutions, and a decentralized approach is prominent and evident. In this regard, many of the responsibilities of central institutions have been transferred, through delegation, to regulatory institutions, which have broad powers for substantive decision-making as well as executive functions.

The Postal Service, the Federal Aviation Administration, and the Federal Intelligence Agencies each have a separate and distinct structure. To the extent that all agencies are exempt from the standards and processes of the Central Civil Service. By the mid-1990s, less than half of federal civil servants were subject to competitive service rules, and less than a third of new employees entered the government through recruitment processes that bore little resemblance to the traditional civil service model, which sought to ensure meritocracy through standards-setting, testing, and centralized hiring. Thus, the federal employment system, although identified as a centralized system, was in practice increasingly divided into a collection of different departments.

## **3. Scope of Civil Service Rules**

Civil service coverage for federal employees has varied considerably since the inception of the civil service system, peaking in the early 1950s, when more than eighty-six percent of full-time federal employees were covered by the civil service system. This ratio remained largely the same until the early 1970s, but things changed when new employees were hired through excepted means. By the mid-1990s, just over half of federal employees were covered by civil service rules.

## **4. Disaggregation Pattern**

The disaggregation pattern was achieved through regulations on "Personnel demonstration authority", "renovation initiatives" and the creation of "separate personnel systems" for specific regulatory bodies.

"Personnel demonstration authority" was created by the Civil Service Reform Act, enabling regulators to engage in innovative hiring processes that could serve as models for other governments. Under the Clinton administration, the use of this authority became widespread, often for purposes that allowed parts of the government to deviate from Civil Service rules; Under his administration, public administration restructuring followed a logic consistent with granting operational authority to regulatory agencies, allowing federal regulations to be eliminated in exchange for the benefits of improved performance. Among the initiatives related to public administration modernization were the "performance-based organizations" and changes to the rules that employees were required to follow.

Another source of Disaggregation in the employment system was the creation of alternative employment structures, through legal processes. Two clear examples of which are the Federal Aviation Administration and the Internal Revenue Service.

## **5. Public Sector Reform and Downsizing of Civil Services**

In general, systems and structures that place more emphasis on executive and performance management prefer contracts with specific terms, performance agreements based on individual characteristics, and a reward-based system that is based on performance-based pay, as mandated by regulations. Here, the issue of improving the quality of work at a lower cost comes up, and consequently, a smaller government seems logical; therefore, from the perspective of advocates of public administration reform and modernization in the United States, a government that can be more efficient at a lower cost is an inevitable necessity for the future. Also, like previous

reform efforts in the United States, public administration reform in this country has focused on a mix of existing private sector models, best practice research, multiple levels of government, and rarely examples from other countries. In this regard, initial efforts to reform the federal government have been aligned with the process of “downsizing,” which involves a combination of public sector reform and downsizing of the civil service.

For example, the National Performance Review program outlines a framework in which “entrepreneurial managers” in the private sector have the same conditions as those enjoyed in the public sector; furthermore, between 1993 and 2000, 324,595 federal government jobs were eliminated, of which 40,000 were in the executive branch.

Of course, downsizing the civil service is not limited to the aforementioned method, and in this regard, the Federal Workforce Restructuring Act of 1994 should also be mentioned. The said law had adapted the model used in the Department of Defense and tried to use it in line with the goal of downsizing; It created the possibility of purchasing the service records of certain groups of federal employees; therefore, for a limited period of time, most federal agencies were authorized to offer “early retirement bonuses” to certain groups of employees. Of course, in the latter example, the recruitment approach is centralized and based on government regulation and pursues government downsizing with a unified organization; While granting operational authority to regulatory agencies in employment matters and enabling departures from civil service rules represented a decentralized approach to public administration, which can be considered employment decentralization in order to reduce the size of the government and by reducing the number of government employees.

## **6. Deregulation**

At the state level, the realization of the problems in the civil service systems has been a motivating factor for various reforms to improve the public employment situation and the overall functioning of the government. These reforms have created areas of research focusing on how they affect state governments. The practical result of the implementation of “deregulation” and “decentralization” among the states has led to a redefinition of the status and role of public servants; A redefinition that has had important consequences for the way human resources are managed in the public sector and in public administration. The move from a centralized approach to organizing public servants through a central agency, such as the Civil Service Commission or the Human Resources Department, to making department managers independently accountable for the actions of their employees is an example of a move towards a decentralized approach.

Regarding the negative effects of reforms in the field of public employment, Coggburan believes that deregulation in the field of public employee employment has led to an increase in the number of “part-time” employees, which brings to mind the existence of a connection between employment deregulation and the “job security” of government employees in the states.

Under the guise of decentralization, accountability, and flexibility, the rights of a large number of civil servants to benefit from the due process have been revoked, and the “at-will employment” approach has affected larger segments of the public sector workforce.

As a result of the above, four interrelated trends have emerged: (1) The continued decentralization of competences related to human resource management, coupled with the expansion of the influence of supervisory and managerial roles on the employment conditions of public servants; (2) The widespread increase in declassified job positions, which are not covered by the civil service guidelines; (3) The reduction in the ability of public servants to appeal supervisory decisions; (4) The increasing presence of active governors who intend to influence and impose business processes in public agencies; regardless of whether the business processes have a proven standard in terms of efficiency and effectiveness. In states such as Arkansas, Missouri, North Dakota, Oklahoma, and South Carolina, the old merit-based system was completely abolished. The centralized testing and screening of applicants for entry into the civil service was virtually abolished in the restructured state governments, and oversight of job classifications, compensation, job assignments, performance evaluations, and other employment conditions were delegated to regulatory agencies. Only eight states, to varying degrees, have retained a centralized, merit-based system, and two states, Indiana and Maine, are seeking to rebuild a centralized hiring system in order to regain oversight of human resource management structures.

## **7. Broad Banding and Merit Pay**

Changes in human resource management, as part of the public administration modernization program, have made the position of civil servants vulnerable. In addition to what was mentioned earlier regarding employment decentralization, two new concepts, under the titles of “broad banding” and “merit pay”, have also been introduced in a significant number of states.

The term broad banding was introduced in contrast to the narrow job classifications and the multiple pay grades and divisions, to increase flexibility by reducing these categories. The term merit pay was also considered as a solution based on the traditional method of rewarding civil servants, mainly based on length of service.

Broad banding seems to be a modified form of declassification that does not completely declassify a government employee, but rather abolishes their previous class. Merit pay can also be seen as a restorative strategy to reduce the vulnerability of government employees to their new job positions, which considers their job history as a factor in paying them fair wages; However, it is not considered a perfect solution and does not guarantee the job security of a government employee.

Criticizing the traditional merit-based system, the then governor of Florida (Governor Jeb bush, Elected in 1998) believed that the merit system prioritizes the protection of government employees over the protection of society, and instead of prioritizing public administration on protecting the rights of all citizens, it seeks to protect the rights of employees without considering their performance. He intended to free managers from the tedious and arduous hiring processes by eliminating job supports.

Subsequently, and in order to increase “productivity”, the organization and structure of employment management was changed to an at-will employment model; by eliminating nine hundred career service positions, the responsibility for managing the salaries and benefits of more than two hundred thousand active and retired government employees was removed from the government, and the entire government employment structure in the state of Florida was outsourced.

Such programs, built on contemporary trends at the federal and state levels, seek to restructure government and downsize it.

## 8. Conclusion

Overall, the move to reform the civil service appears to have been successful, with several changes including the at-will employment model.

In fact, if we consider the number of civil servants as an indicator for calculating the size of the government, the reduction of civil servants in its original sense, which includes employees with a stable legal status and enjoying job protections in the civil service system, has led to a reduction in the size of the government. From this perspective, the priority is to increase the flexibility of public administration through restructuring the civil service system, in order to reduce the size of the government by reducing the number of civil servants in its specific sense.

Of course, there are differences at the federal level with the states; at the federal level, the main focus is on decentralization through the transfer of affairs to regulatory agencies, but in many of the aforementioned states, in addition to this, employment declassification and at-will employment practices are also prevalent.

It may therefore be inferred that employment decentralization is more organized in a significant number of states than at the federal level. Although a comprehensive examination of all states in this regard would require a series of independent studies.

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