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STATEMENT OF ELMER B. STAATS  
COMPTROLLER GENERAL OF THE UNITED STATES  
BEFORE THE  
SUBCOMMITTEE ON ECONOMIC STABILIZATION  
HOUSE BANKING, CURRENCY, AND HOUSING COMMITTEE  
ON H.R. 6078 CONCERNED WITH ESTABLISHING  
A NATIONAL CENTER FOR PRODUCTIVITY

Mr. Chairman and Members of the Committee:

I am pleased to be invited to comment on proposals to continue and strengthen the work which has been carried forward during the past several years by the National Commission on Productivity and Work Quality.

It is my understanding that authorizing legislation by the Congress is necessary to assure continuation of the work of the Commission beyond June 30. I believe it would be a disservice to both the public and private sectors to terminate or interrupt the excellent work which the Commission has undertaken, and I strongly support its continuance and enlargement.

I would like to divide my comments into two parts:

- A. First, a discussion of why GAO is concerned with improving national productivity.
- B. Second, a review of H.R. 6078 and our suggestions for the Committee's consideration.

A. WHY GAO IS CONCERNED WITH  
IMPROVING NATIONAL PRODUCTIVITY

GAO has a major interest in Federal productivity both because of its regular audit programs and because of the Joint Federal Project which I

will discuss briefly. To a lesser degree, we have had contacts with performance improvement programs at State and local levels. We are also brought into contact with many private sector organizations which conduct research and development and furnish goods and services to governmental agencies.

1. Federal sector productivity programs. Since 1970 we have been a partner with the Executive Branch in fostering efforts to measure and enhance the productivity of Federal activities.

Today there is an ongoing program in which the participating agencies collaborate in an annual review of the productivity trends of about 240 Federal activities having 1,000 measurable outputs. These organizations employ 1.7 million personnel, representing the output of about two-thirds of all Federal employees.

Annually, a report is made to the President and Congress on observed causes of productivity gains and losses, and on actions which are recommended to foster improved productivity. This report is prepared by the Joint Financial Management Improvement Program, which is a joint effort, established by law, under the supervision of the Secretary of Treasury; Director of OMB; the Comptroller General; the Chairman of the Civil Service Commission; and the Administrator of the General Services Administration.

In summary, we have found an overall gain in Federal productivity averaging about 1.5 percent per annum, but about half of the activities reviewed had shown productivity gains, and about half had declined. We have learned that no organization stands still and that progress demands constant attention to such improvements--the keys which are long-range planning, introduction of better systems, installation of modern equipment, more effective work organization, and techniques for improving employee skills, job satisfaction, and incentives.

The Federal Government has much to learn from its own experience and by systematic study of the practices of non-Federal organizations. The present National Commission on Productivity and Work Quality has been very supportive of this program, but a still stronger national organization would be of value in advancing these efforts.

2. Productivity improvements in State and local governments.

We have been encouraged to see the rapid growth in interest in productivity improvement among these jurisdictions, and the strong leadership taken by their national associations.

There are some 39,000 jurisdictions, many of which perform similar if not identical functions. One out of every six American workers is employed by the public sector. Government purchases of goods and services now absorb about 22 percent of the gross national product, and their payrolls are about \$150 billion. This is the second fastest growing segment of our economy, following services in general.

Many elements of the Federal structure are making some contribution to State and local government improvements although in a very loosely-coordinated fashion. These include, for example:

- Grant programs of the National Science Foundation.
- Grants by the Department of Housing and Urban Development.
- The excellent work of the Civil Service Commission under the Intergovernmental Personnel Act.
- Various other technical assistance programs. GAO, for example, is working with local jurisdictions to introduce the use of

performance auditing techniques and has participated in productivity improvement demonstrations and projects.

The National Commission on Productivity and Work Quality has from the outset of its work given priority attention to public sector productivity problems, and has made a valuable contribution in selected areas. But, the efforts I have mentioned are but a small beginning toward exploiting the opportunities for improved economy and effectiveness in State and local government operations.

3. Federal interest in manufacturing technology. The Procurement Commission found expenditures on procurement by the Government agencies to be \$57.5 billion in FY 1972--with DOD, AEC, and NASA being the largest purchasers of goods and services from the private sector.

Since manufacturing technology is an important factor in future costs of complex systems, GAO is currently examining programs in the United States and other countries concerned with advancing the state of the art, particularly in the manufacturing of parts and components produced in medium and small lots--with special attention to the potential for further application of computers to the design and manufacturing process. The increased output may be several times as great as under today's methods.

It is highly important that the United States, which has long been the pioneer in the development of these advanced tools--and probably enjoys the highest state of technological achievement in the world today--maintain its leadership in technology and productivity. We have not established a focal point to oversee research into advanced manufacturing technology--either for the Government's account or for the private sector. Other nations are beginning

to do this--notably West Germany and Japan. It is of interest that in these countries there are joint public and private efforts. There is no comparable national program in the United States, although there are several Federal agencies with an interest in this subject. Hence, this is another illustration of the need for a strongly-established productivity focal point at the national level.

B. GAO VIEWS ON H.R. 6078 WHICH PROPOSES TO ESTABLISH A NATIONAL CENTER FOR PRODUCTIVITY

In studying the provisions of H.R. 6078, the first question which naturally occurs is: "Why is a new organizational approach needed; why does the present National Commission not meet these requirements?"

The history of the National Commission on Productivity, since its creation in June 1970, has been one of constant struggle to maintain its identity and minimal financial support for its efforts. In FY 1973 it had a modest budget of \$2.5 million and a 20-member staff. In 1974 it was terminated and absorbed by the Cost of Living Council. Last June it was reborn with a \$2 million budget, but still with a very small staff. Such a stop-and-go existence, with low financial support, is not conducive to maintaining a consistent and effective program.

It is thus clear that the time has come for a stronger commitment by the Congress and the Executive Branch. We believe that H.R. 6078 would be a major step forward in defining a proper charter for a more vigorous National Productivity Program.

I would like to briefly review each section of the bill and offer for your consideration our comments as to how it might be strengthened or improved.

PREAMBLE AND DECLARATION OF  
FINDINGS--SECTIONS 1 AND 2

We applaud this excellent and simply-stated group of findings which would be put in law for the first time a comprehensive statement of Congressional views on the importance of productivity to our national welfare.

We have one suggestion in respect to this language. We find confusing the frequent use of the phrase "output quality" as one of the principal areas in which the Nation's economy requires improvement. For example, the preamble to the bill states that its purpose is "to improve national productivity, work life, and output quality..."

We know of no finding that output quality of American institutions is generally deficient, or that such quality needs across-the-board improvement. Emphasis on improving quality of products along with the quality of working life and the efficiency of resource use could prove counterproductive. It seems to us that output quality should be maintained at an optimum level and not be allowed to deteriorate as productivity or unit cost performance is improved. A general policy statement along these lines at the outset of the bill would be appropriate, but thereafter we suggest deletion of the words "output quality" where they now appear.

FUNCTIONS OF THE NATIONAL CENTER  
FOR PRODUCTIVITY--SECTION 3

We consider the charter, as laid out in Section 3, to be an excellent framework for the work of a National Center for Productivity. We would like to see the language made more explicit in respect to the following four responsibilities:

- First, the Center should have a strong coordinating role with respect to the research and grant programs of various Federal agencies which are designed to assist in improving public and private sector productivity and quality of working life. The current language in Section 3(6) uses the phrase "to encourage and exchange information on productivity enhancing activities in the various departments and agencies of the Federal Government..." We believe that the role of the Center should be that of the authoritative coordinator, where warranted, such as in the review and approval of R&D projects directly concerned with improving productivity and quality of working life--and such as in participating in OMB reviews of programs and projects designed to enhance productivity.
- Second, we think the charter should clearly provide that the Center will conduct or foster research requisite to improving productivity and quality of working life--working with and through all interested Federal agencies, but with a positive responsibility for seeing that priority is given to the most promising opportunities which cannot be supported by the private sector alone. Further attention to the development of measurement techniques, especially in government and service activities, is needed as provided in Section 3(5). Also, as suggested earlier, attention to manufacturing technology--particularly for medium and smaller size companies--appears essential as provided in Section 3(11).
- Third, we would like to see written into the charter a policy

goal of fostering the formation of one or more non-Federal productivity centers or institutes--such as those in other countries --with maximum private sector support. It is of interest that over 90 percent of the support of the Japan Productivity Center is from private sources--and that in Germany, Israel, and Norway private support is reported to be one-third to one-half.

- Fourth, we suggest that there be a specific charge to the Center to provide or arrange--within the limits of its resources--technical assistance to both public and private sector organizations in initiating productivity enhancement programs. The Center should be the most knowledgeable focal point on productivity matters in the Federal government, with a mission:

- . To establish a National Clearinghouse of information of value to organizations of all kinds in the improvement of productivity and quality of working life.
- . To engage in an aggressive public education program.
- . To arrange or provide technical assistance.
- . To award contracts or grants in support of relevant research, educational assistance and demonstration projects--in areas which cannot be adequately supported by private sector.

#### ORGANIZATION OF THE CENTER--SECTIONS 4, 5, 6

I have been privileged to attend meetings of the present National Commission, and I appreciate the great value of a large and diversified group of counsellors in guiding policy and program planning for all sectors, including the interests of management and labor--and of organizations both large and small.

While we thus subscribe to continuing such an advisory mechanism, I would like to see the executive direction of the Center lodged in a small, fully-empowered group, appointed by the President and confirmed by the Senate. The composition of the Executive Committee as provided in Section 6 is appropriate, but we urge that all of its members be confirmed by the Senate. We also suggest that a top educator be added so as to recognize the very significant contribution that the academic community is making and should make to this important effort.

ORGANIZATION AND STAFFING OF  
THE CENTER--SECTIONS 7 AND 8

We subscribe to the provision that the Executive Director should be appointed by the President but urge that he also be confirmed by the Senate, so as to assure his responsiveness to the Congress. We further recommend that this position be placed in Executive Level III, rather than Executive Level V as specified in H.R. 6078, in order that the incumbent may have the same status as Under Secretaries, the Chairman of the Civil Service Commission, and the Deputy Director of OMB.

We also believe that the professional staff of the Center should be the most capable which can be brought together. While we support the objective of avoiding the building of an unnecessarily large staff, we believe that in its initial years this Center will be successful only to the extent that it has a staff of exceptional competence, diversity, and leadership. We would not place any precise limit on the size of the staff, although we consider the present level to be highly inadequate. As we have already testified before the Senate, we advocate funding next year

of \$10 million, of which about half should be available for salaries and other operating costs, and the remainder for contracts and grants.

#### OTHER PROVISIONS

In respect to Section 9 through 14 of H.R. 6078, we have the following suggestions:

- First, the Center should have authority to make grants as well as contracts. While the use of contracts is suitable in many cases, there are circumstances where grants may be more appropriate, especially where the objective is to support a level of effort in a private sector organization rather than to procure a product.
- Second, cost sharing by non-Federal organizations should be encouraged through a matching of funds in the case of grants.
- Third, the authorization in Section 14 should provide for 5 fiscal years, instead of 3. The lead time for major technology improvement (such as in manufacturing) may require an extended period. Sustained leadership by the National Center of such projects may be crucial to their success.

#### CONCLUSION

In summary, we consider H.R. 6078 to be a significant improvement over prior legislation. We support prompt enactment of legislation along these lines in order to provide a sustained and properly financed effort. We would be pleased to offer further assistance to the Committee on any points covered in this statement.

May 8, 1975

The Honorable Thomas M. Rees  
House of Representatives

Dear Congressman Rees:

In the hearings on productivity legislation this morning, we talked briefly about two reports issued by the GAO bearing upon the outlook for food supplies and materials. I am enclosing copies of these reports together with testimony which I presented in April of last year on the subject of commodity shortages. In that testimony on page 2, we referred to earlier reports which we had based on commercial forests and energy. Should you have interest in these, just have your secretary call us and we would be glad to send them along.

Should you wish to meet with our staff concerned with the subject of energy, materials, food, and so on, which will be within the scope of interest of the new national commission, we would be happy to arrange for them to meet with us.

Sincerely,  
(Signed) Elmer

Elmer B. Staats

Enclosures (Testimony dated 4/29/74 on "U.S. Actions Needed to Cope with Commodity Shortages"; Report entitled "Increasing World Food Supplies--Crisis and Challenge," B-159652, 9/6/74; and Report entitled "U.S. Actions Needed to Cope with Commodity Shortages" B-114824, 4/29/74)

*Mrs Shea*

NOTICE OF HEARINGS

COMMITTEE: House Committee on Banking, Currency and Housing  
Subcommittee on Economic Stabilization

SUBJECT : H.R. 6078 -- National Productivity Center

DATE : Thursday, May 8, 1975

TIME : 10:00 a.m.

ROOM : 2128 Rayburn House Office Building

MEMBERSHIP : Congressman Thomas L. Ashley, Chairman

MAJORITY : Rep. James J. Blanchard                      Rep. (Ms.) Leonor K. Sullivan  
              Rep. Carroll Hubbard, Jr.                 Rep. (Ms.) Gladys N. Spellman  
              Rep. Thomas M. Rees                        Rep. Andrew Maguire  
              Rep. Jerry M. Patterson                    Rep. Paul E. Tsongas  
              Rep. John J. LaFalce                        Rep. Fernand J. St. Germain

MINORITY : Rep. Stewart B. McKinney                    Rep. James V. Stanton  
              Rep. Richard T. Schulze                    Rep. Willis D. Gradison, Jr.  
              Rep. Richard Kelly

PRINCIPAL STAFF: Joseph Jasinsky, Professional Staff Member

GAO REPRESENTATIVE: Comptroller General

ACCOMPANIED BY : Mr. Thomas D. Morris, Assistant Comptroller General  
                          Mr. Fred J. Shafer, Director, LCD  
                          Mr. Brian L. Usilaner, Assistant Director, JFMIP  
                          Mr. Samuel W. Bowlin, Legislative Adviser, OCR

A PHOTOGRAPHER WILL BE PRESENT

Car will leave G Street, First Basement at 9:45 a.m.

*SWB*  
Samuel W. Bowlin