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The National Center for Productivity and Quality of Working Life was established in 1975 to be the focal point for a national effort to improve America's rate of economic growth. The Center established the following objectives: develop more effective approaches to improving productivity in the public sector, stimulate and support industry efforts to improve productivity, coordinate productivity enhancing efforts by Federal agencies, encourage labor-management efforts by Federal agencies, encourage labor-management cooperation to enhance productivity, recommend ways of improving the rate of capital investment, recommend changes in productivity-inhibiting government regulations, and encourage understanding and use of productivity measures. **Findings/Conclusions:** The Center's objectives were not expressed in terms that facilitate measuring success or failure. However, the Center was unsuccessful in accomplishing some major functions: no assessment has been made of the extent to which Federal programs have enhanced national productivity; no recommendations have been made on how Federal programs could be better coordinated; and no recommendations have been made for revising specific laws or regulations that adversely affect productivity. The Center did not accomplish more because: it was not given resources and authority necessary to carry out its responsibilities; it was not given support by the Congress or the administration; and it failed to develop an

overall plan for achieving its objectives and a system for evaluating the impact of its programs. Although the Center has not satisfactorily fulfilled its goals, continued Federal leadership and involvement in productivity improvement is needed. Recommendations: Leadership for private sector productivity improvement effort should be assigned to the Department of Commerce, guided by a National Productivity Council which would be charged with developing a national productivity program plan. The Office of Management and Budget should take the lead in developing an analysis of productivity to be made part of the President's budget. A unit dealing with regulatory mediation should be established in the Executive Office to develop recommendations to resolve specific regulatory problems inhibiting productivity. (RRS)

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

The Federal Role In Improving Productivity—Is The National Center For Productivity And Quality Of Working Life The Proper Mechanism?

The declining rate of productivity growth in the United States is a problem deserving immediate attention. Experience indicates that this problem will continue unless positive steps are taken now.

The National Center for Productivity and Quality of Working Life was established in 1975 to deal with the productivity problem. However, the center has fallen short of meeting the accomplishments anticipated when it was created.

There is still a need for a Federal role in enhancing national productivity. Specific functions are identified and organizational arrangements are suggested in this report.





COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-163762

To the President of the Senate and the
Speaker of the House of Representatives

This report summarizes the results of our evaluation of the National Center for Productivity and Quality of Working Life and our review of the need for Federal Government involvement in improving national productivity growth. We found that a strong need exists for continued and increased Federal involvement in improving productivity. While there are numerous efforts within the Government aimed at such improvement, there also remains a further need to integrate and coordinate these efforts. We concluded that the National Center for Productivity and Quality of Working Life, as it is presently funded, organized, and supported, cannot be expected to fulfill these needs.

Just prior to the release of this report, we learned that the President had decided to let the center's authorization expire at the end of fiscal year 1978 and assign the center's functions to existing agencies. Since an independent center cannot be effective without Presidential support, we are recommending that all the functions of the center be assigned to existing agencies.

We made our review pursuant to a requirement in the National Productivity and Quality of Working Life Act of 1975 (P.L. 94-136), the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Because of his special interest in the subject, we are sending a copy of this report to the President of the United States. Copies are also being sent to the Executive Director, National Center for Productivity and Quality of Working Life; Director, Office of Management and Budget; Chairman, Civil

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Service Commission; Secretaries of Commerce and Labor; Director, Federal Mediation and Conciliation Service; and other interested agencies. In addition, we are sending copies to the Chairman of the Senate Committee on Governmental Affairs, the Chairman of the Senate Committee on Housing and Urban Affairs, and the Chairman of the House Committee on Banking, Finance and Urban Affairs.


Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

THE FEDERAL ROLE IN
IMPROVING PRODUCTIVITY--
IS THE NATIONAL CENTER FOR
PRODUCTIVITY AND QUALITY
OF WORKING LIFE THE PROPER
MECHANISM?

D I G E S T

The annual rate of productivity increase in the United States has slowed significantly in recent years. This slowdown, according to the President's Council of Economic Advisers, is "one of the most significant economic problems of recent times." GAO believes that the Federal Government cannot afford to ignore this problem.

This report summarizes both GAO's evaluation of the National Center for Productivity and Quality of Working Life and comments generally on GAO's review of the need for the Federal Government to be involved in improving national productivity growth. The center's evaluation was performed pursuant to a requirement in the National Productivity and Quality of Working Life Act of 1975 (P.L. 94-136).

PRODUCTIVITY IMPROVEMENT,
AN IMPORTANT CONCERN

Productivity improvement is needed to sustain and raise our standard of living, lessen inflationary pressure, and maintain our long-run competitive position in the international economy.

Productivity data prepared by the Bureau of Labor Statistics for the private sector shows that the rate of growth for U.S. companies declined from an annual average rate of 3.2 percent for the 20-year period 1947-67 to an annual average of 1.6 percent for the 10-year period 1967-77.

Similar statistics prepared by the Bureau for the Federal Government show that over

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the past 9 years the average annual growth of Federal productivity has been 1.2 percent. Statistics on productivity trends are not prepared for State and local governments, but economic data on service costs indicates that these governments also have productivity problems.

ESTABLISHMENT OF THE CENTER

In an attempt to reverse the slow growth trend in productivity improvement, the Congress established the National Commission on Productivity in 1970 and, in 1975, enacted Public Law 94-136, which converted the commission into the National Center for Productivity and Quality of Working Life. The center was created to be the focal point for a national effort to improve America's rate of productivity growth.

OBJECTIVES OF THE CENTER

The functions assigned the center were diverse and numerous. Based on its assigned functions, the center established the following objectives:

- Develop more effective approaches to improving productivity in the public sector.
- Stimulate and support industry efforts to improve productivity.
- Coordinate productivity-enhancing efforts by Federal agencies.
- Encourage labor-management cooperation to enhance productivity.
- Recommend ways of improving the rate of capital investment.
- Recommend changes in productivity-inhibiting government regulations.
- Encourage understanding and use of productivity measures.

It is against these objectives that GAO evaluated the effectiveness of the center.

LIMITED NATURE OF THE
CENTER'S ACCOMPLISHMENTS

The center's objectives were not expressed in terms that facilitate measuring success or failure. Consequently, evaluations of its accomplishments must be somewhat judgmental. Some of the efforts of the center and its predecessor, the commission, were successful but somewhat narrow in relation to the size and scope of the problem. These include:

- Stimulating the involvement of key State and local government associations in various projects to improve productivity.
- Establishing a cooperative effort between railroads, growers, grocers, and unions which reduced delays in shipment of perishables from the West Coast to eastern markets.
- Serving as a catalyst for establishment of a statewide Productivity Center in Texas, which is credited with saving \$96 million for the State's hospitals.
- Helping to form a number of labor-management committees to improve productivity.

However, the center has been unsuccessful in accomplishing some of its major functions. For example:

- No assessment has been made of the extent to which Federal programs have enhanced national productivity.
- No recommendations have been made on how Federal programs could be better coordinated.
- No recommendations have been made for revising specific laws or regulations that adversely affect productivity.

WHY THE CENTER DID NOT ACCOMPLISH MORE

The center was given a large number of responsibilities but was not given the resources and authority necessary to carry them out effectively. Its responsibilities, set forth in 15 functions, range from coordinating all productivity-related activities of Federal agencies to the study of government statutes, regulations, and fiscal policies adversely affecting productivity growth. These responsibilities would challenge the capacity of a major executive branch department, let alone a small new agency with few resources and little authority.

A second factor affecting its success was the lack of support given the center in carrying out its mandate during its short history. The level of support by the administration, the Congress, and Federal agencies has been highly inadequate considering the size and complexity of the task.

The third problem involves the internal management of the center, namely (1) its lack of an adequate overall plan for achieving its objectives and (2) its failure to develop a system for evaluating the impact of its various programs. In addition, some key staff had no prior experience in their assigned program areas, and it took a considerable period for them to become proficient in their work.

FEDERAL INVOLVEMENT IN PRODUCTIVITY IMPROVEMENT NEEDED

Although GAO does not believe the center has satisfactorily fulfilled the goals set for it, it believes that continued Federal leadership and involvement in productivity improvement is needed. The Federal Government has a pervasive impact on the Nation's productivity, both directly, through ongoing programs administered by various agencies, and indirectly, through taxes, subsidies, regulations, fiscal policies, and so forth.

First, independent of the center and its predecessors, the Federal Government has a number of programs aimed at improving productivity in both the public and private sectors. These activities, which the center estimates cost \$933 million annually, include such efforts as

- supporting improvement in technology through research grants and contracts,
- providing small business loans to help improve facilities and equipment,
- disseminating technical knowledge,
- encouraging managerial and organizational improvements, and
- providing training to improve worker skills.

These worthwhile endeavors need to be coordinated and encouraged.

Second, the Federal Government indirectly affects national productivity when it

- sets pricing policies in regulated industries,
- establishes fiscal and monetary policies which alter demand, supply, investment, and income distribution,
- establishes tax laws affecting investments in productivity-enhancing enterprises, and
- sets standards for quality of output in such areas as drugs, food, and environmental pollution.

These activities need to be coordinated in order to assess their net effect on productivity improvement.

Finally, there is considerable evidence that such an effort can work because other countries that are sustaining higher rates of

productivity growth have found ways to achieve close harmony among government, industry, and academia in attacking productivity problems. In the United States, by contrast, many perceive an almost adversary relationship among these elements. There are many organizations in the private and public sectors addressing various aspects of productivity, but there remains a need in this country for a coordinated attack on productivity problems. An integrated and properly supported effort at the Federal level can help meet this need.

CONCLUSIONS AND RECOMMENDATIONS

While GAO was completing its evaluation work, it received word that the President had withdrawn his support for the center by deciding not to seek its reauthorization; he believes the work could be accomplished more effectively by assigning the responsibilities to existing agencies.

Although the President has withdrawn support of the center, he recognizes the importance of the productivity effort. GAO agrees that the Federal Government needs to have a stronger continuing program in this area and believes the Federal Government should increase its efforts to help counter the decline in the rate of productivity improvement in the United States. GAO believes that a properly funded and supported national center would be the best way to foster improvement in private sector productivity. However, GAO does not believe that the center, as it is presently funded, organized, and supported can do the job that needs to be done. Therefore, GAO recommends that all the functions be assigned to existing agencies and that these agencies be given adequate funding and support.

Leadership for the private sector productivity improvement effort could be assigned

to the Department of Commerce. GAO believes this effort should be guided by a National Productivity Council, cochaired by the Secretaries of Commerce and Labor, and should include representatives of agencies having productivity-related missions. (See pp. 44, 45, and 66 to 69.)

This council should be charged with developing a national productivity program plan that integrates all Federal policies and programs affecting national productivity and should identify gaps and additional initiatives that need to be taken by Government, industry, and labor. It should have an advisory committee made up of non-Federal representatives to assist in developing this plan.

The productivity plan of the proposed National Productivity Council must be linked to the budget process to be effective. Therefore, to ensure coordination of Federal funds expended to enhance productivity, a special analysis should be made as part of the President's budget. GAO recommends that the Office of Management and Budget take the lead in developing this analysis in cooperation with the proposed council. (See pp. 45 and 46.)

Productivity improvement efforts at the Federal, State, and local government levels, as well as labor-management committee efforts undertaken with all sectors, should also be assigned to existing Federal agencies. (See pp. 45 and 60 to 66.)

GAO also recommends that a unit dealing with regulatory mediation be established in the Executive Office to develop recommendations to resolve specific regulatory problems inhibiting productivity. (See pp. 46 and 66.)

In preparing this report, GAO considered all comments from concerned agencies. (See p. 45.)

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ABBREVIATIONS

GAO	General Accounting Office
OMB	Office of Management and Budget

CHAPTER 1

INTRODUCTION

Public Law 94-136, which established the National Center for Productivity and Quality of Working Life, directs that we evaluate how well the center implemented the act's requirements prior to the expiration of its 3-year authorization period. Specifically, the act requires us to

- evaluate the center's overall performance,
- evaluate the center's impact on the performance of Federal agencies in carrying out their assigned duties, and
- recommend any further legislation needed to improve implementation of the objectives of the law.

This report summarizes the results of our evaluation.

BACKGROUND AND HISTORY OF THE CENTER

One of the Nation's most important and least understood economic problems of the past decade has been a declining rate of productivity growth. The average annual rate of productivity growth during these 10 years has been only half that of the preceding 20 years. Moreover, the present rate of productivity increase is considerably less than that of other industrialized nations, such as Japan and West Germany.

This depressed rate of growth was a major reason for creating the National Commission on Productivity in 1970 and the National Center for Productivity and Quality of Working Life in 1975. The center was to be the focal point for a national effort to improve productivity growth by fostering action in all sectors of the economy.

Predecessor entities

The National Center for Productivity and Quality of Working Life has evolved out of various organizational forms since 1970. Its beginnings were characterized by tenuous year-to-year authorizations, low funding, and frequently changing leadership.

The organization began as the National Commission on Productivity, established by Presidential order on July 10, 1970. The purpose of this commission was to revitalize slackening productivity and achieve a balance between costs and productivity that would lead to more stable prices. In December 1971 an amendment to the Economic Stabilization Act (P.L. 92-210) gave the commission statutory recognition and enlarged the scope of its functions and responsibilities.

In 1973, when the Economic Stabilization Act expired, the Senate passed a bill that would have expanded the commission's scope to include improving the American worker's morale and worklife. This bill was defeated in the House of Representatives, objections being voiced to its \$5 million cost. However, a curtailed commission was retained, by Executive order, under the Cost of Living Council. In the spring of 1974 the House reversed its earlier vote and a new law (P.L. 93-311) was enacted establishing the National Commission on Productivity and Work Quality. The authority under this law, which was scheduled to expire in June 1975, was later extended to November 1975.

In November 1975, Public Law 94-136 was passed. This act transferred the staff and functions of the commission to the new National Center for Productivity and Quality of Working Life. The act authorized funding for 3 years, thereby hoping to overcome the year-to-year existence, interruptions, and funding problems of the previous organizations. Senator Percy, one of the sponsors of the legislation, stated that he used the term "center" instead of "commission" to imply that the organization is not solely a creature of Government but "a national resource supported by Federal funds for the use of all, to benefit all."

The following table summarizes this history and the respective appropriation levels.

History and Funding of the National Center for Productivity
and Quality of Working Life and Its Predecessor Organizations

	<u>Authorization</u>	<u>Appropriations</u>
		(000 omitted)
National Commission on Productivity (July 1970 to Jan. 1974)	Presidential Statement; Public Law 92-210 (Economic Stabiliza- tion Act amendment)	FY 1971 - \$ - FY 1972 - 800 FY 1973 - 2,620 FY 1974 - 885
Office of Productivity, Cost of Living Council (Jan. to June 1974)		
National Commission on Productivity and Work Quality (June 1974 to Nov. 1975)	Public Law 93-311 Public Law 94-42 Public Law 94-100	FY 1975 - 2,000
National Center for Pro- ductivity and Quality of Working Life (Nov. 1975 to present)	Public Law 94-136	FY 1976 - 2,500 FY 1977 - 2,750 FY 1978 - 2,900

THE NATIONAL PRODUCTIVITY AND
QUALITY OF WORKING LIFE ACT
OF 1975

As mentioned above, the current organization was created by the National Productivity and Quality of Working Life Act of 1975 (P.L. 94-136). This act was an outgrowth of two bills introduced in the 93rd Congress by Senators Nunn and Percy, respectively. The purpose of the act was to establish a national policy to encourage productivity growth in all sectors of the economy and to create an independent center to focus, coordinate, and promote efforts to improve the rate of national productivity growth. The text of this act is included as appendix I.

Our testimony for creation
of the center

When the bill to establish a national productivity center was being considered, we, in testimony before the Senate Committee on Governmental Affairs (formerly Government Operations), called attention to the importance of the productivity problem facing the Nation. We noted that previous Federal productivity efforts received minimal funding and had been carried on in a fragmented fashion, lacking continuity and broad support. We stated that the time had come for a stronger commitment by the Congress and the executive branch. We stressed the following principles as being most important in establishing a national productivity center. It should

- be independent,
- have a small but fully empowered Board of Directors,
- have a life expectancy of and adequate funding for at least 5 years, and
- have a staff that is the most capable that could be brought together for this period.

We suggested that first-year funding of at least \$10 million be provided to build a high quality professional staff. We stated that without this foundation of staff expertise, only limited progress could be made in launching programs of the scope and complexity envisioned in the legislation.

Center responsibilities

Public Law 94-136 assigned the center a wide array of functions. Major ones are:

- First and foremost, develop and establish a national policy for productivity growth.
- Encourage, stimulate, and coordinate efforts in the private and public sectors to improve productivity growth.
- Identify, study, and review existing government statutes, regulations, and fiscal policies which adversely affect productivity growth and recommend appropriate changes.
- Encourage, support, and initiate efforts which are designed to improve cooperation between labor and management in the achievement of continued productivity growth.
- Serve as the coordinating body for efforts and expenditures by the Federal Government to improve productivity growth.
- Identify, develop, and support activities, programs, systems, and techniques to measure productivity growth.
- Collect and disseminate relevant information related to productivity improvement and develop and implement a public information program.

In order to carry out these functions, the center was granted authority to enter into contracts and other funding arrangements, conduct a variety of meetings for information dissemination, collect and analyze data and information for purposes of public knowledge, and "make such studies and recommendations to the President and to the Congress as may be necessary to carry out the functions of the Center."

Federal agency responsibilities

To involve the entire Federal Government in efforts to improve productivity, the act requires all agencies to undertake certain activities in coordination with the center. Essentially, agencies are to:

- Designate an individual to serve as liaison with and to assist the center.
- Keep the center informed of their productivity efforts and consult with it prior to obligating their funds for these activities.
- Provide the center access to all relevant materials and information.
- Recommend to the President and the Congress alternatives to statutory policies and regulations which they may judge to have an adverse effect on productivity growth.
- Provide financial and other assistance to non-Federal organizations to aid their productivity improvement efforts.
- Improve their own internal productivity.

ORGANIZATION AND PROGRAMS OF THE CENTER

As stated, the center's enabling legislation provides it with independent agency status. According to the act, the center is to have a Board of Directors consisting of not more than 27 persons. The act provides that the Board shall consist of specified high level Federal officials and representatives of labor, management, higher education, State and local governments, and the general public. The Board members and its chairman are to be appointed by the President, subject to confirmation by the Senate, with tenure coterminous with the President's. The routine business of the Board is to be conducted by an executive committee of as many as seven members, appointed by the chairman. Responsibility for the exercise of all powers and duties of the center is vested in an executive director, also appointed by the President and subject to Senate confirmation.

After the formation of the center in November 1975, the President appointed Vice President Rockefeller as the first Board chairman. At that time, the administration also began the process of selecting the center's first Board of Directors. Administrative proceedings delayed the selection process, and the full Board was not confirmed until September 30, 1976. (See app. II for a list of the members.) These Board members had one meeting before their terms expired in January 1977. As of April 1978 the present administration had not appointed a new chairman or Board of Directors.

The executive committee of the Board narrowed the diverse and numerous functions specified for the center by Public Law 94-136 to the following seven principal objectives:

- Develop and recommend more effective approaches for improving productivity in the public sector.
- Stimulate and support industry efforts to conduct programs for industry-wide productivity improvement.
- Improve the review, coordination, and integration of productivity enhancement efforts of other Federal agencies.
- Encourage labor-management cooperation to enhance productivity and the quality of working life (for which the center established a broad program under the title of "Human resources, productivity, and quality of working life").
- Document and recommend policies to satisfy the Nation's capital investment needs from a productivity standpoint.
- Identify and recommend changes in government regulations which will improve productivity.
- Develop a better understanding of the concept of productivity and encourage better techniques for measuring productivity change.

The center's staff and activities were organized with six directors, each responsible for one or more of these objectives and reporting to the executive director. We evaluated the center's effectiveness by focusing on these principal objectives.

An unaudited listing of funds expended by the center in nine major areas during fiscal years 1976 and 1977 follows.

<u>Area</u>	<u>Percent of funds</u>	
	<u>FY 1976</u>	<u>FY 1977</u>
Human resources	29	27
Capital and technology	5	7
Government regulations	6	7
Public sector--State and local	25	14
Public sector--Federal	1	5
Private sector	14	13
Measurement	0	10
Communications (dissemination)	11	11
Administration	<u>9</u>	<u>6</u>
Total	<u>100</u>	<u>100</u>
Total expenditures (including interagency transfers)	<u>\$2.6 million</u>	<u>\$3.2 million</u>

SCOPE OF OUR REVIEW

Because of the substantial role of other Federal agencies in the area of productivity, we decided to extend the scope of our review from solely that of the center to an overall assessment of national productivity and the Federal role regarding it. Specifically, the purpose of this review and evaluation was to answer the following questions:

- Is productivity growth still a problem needing national attention?
- How effective has the center been in meeting its objectives?
- To what extent should the Federal Government be involved in stimulating national productivity?
- If the Federal Government should be involved, what should its role be and where in the Government should this role be assigned?

One might assume from the titles of the act and of the center that equal emphasis is given to productivity and quality of working life. However, the act itself does not support this. The "statement of purpose" in the act refers exclusively to improving the rate of national productivity growth; in fact, there is no mention, per se, of

quality of working life in the assigned functions of the center. It appears that the subject is treated as only one of several factors contributing to productivity improvement. Therefore, the primary focus of our evaluation was on productivity growth and the factors contributing to productivity improvement.

In conducting our evaluation, we reviewed Public Law 94-136 as well as the congressional hearings and background materials relating to the establishment of the center. We interviewed center personnel and reviewed policies, guidelines, and other available written materials related to the operation of the center. We also visited 46 State and local governments that had productivity improvement efforts.

We relied heavily on information developed by various government agencies, private organizations, and individuals prominent in the field of productivity.

We developed a questionnaire survey to determine the extent to which productivity is perceived as a problem, the specific needs and concerns of the respondents in the areas of productivity and quality of working life, and whether or not the Federal Government can effectively provide assistance in these areas. Three versions of the questionnaire were sent out: one to private industry, one to State and local governments, and one to organized labor.

The private sector questionnaires were sent to a randomly selected sample of firms. This sample was drawn from a comprehensive listing of firms classified by Standard Industrial Code numbers, resulting in a sample of 700 businesses.

The State and local government questionnaires were sent to

--all 50 States,

--155 municipal governments with populations exceeding 100,000 (and a random sample of cities with populations between 25,000 and 100,000), and

--59 counties with populations exceeding 500,000 (and a random sample of counties with populations between 50,000 and 500,000).

Finally, questionnaires were sent to all national labor unions with memberships exceeding 500. The following table shows the total number of questionnaires mailed and the response rates.

	<u>Private sector</u>	<u>State government</u>	<u>Municipal and county governments</u>	<u>National labor unions</u>
Total questionnaires mailed	700	50	812	200
Response rate:				
Questionnaire completed	<u>a/42%</u>	40%	39%	33%
Did not feel it was applicable to their organization	5%			
No longer in business	3%			

a/An additional 6% was received after our analysis was completed.

Due to time limitations, it was not possible to conduct standard followup surveys for the State, local, and union sectors as we did for the private sector. This undoubtedly caused the response rate of the former three to be somewhat lower and should be considered in interpreting the data.

We also sent letters of inquiry to former Board members of the center and the national commission and to other selected individuals associated with the center or involved in productivity and quality of working life concerns.

Whereas this report summarizes our major findings and conclusions concerning the center and presents general observations regarding national productivity improvement, subsequent reports will discuss, in greater detail, factors affecting productivity growth and appropriate Federal roles for improving this growth.

CHAPTER 2

WHY PRODUCTIVITY IMPROVEMENT IS AN IMPORTANT NATIONAL CONCERN AND MERITS

FEDERAL INVOLVEMENT

IMPORTANCE OF PRODUCTIVITY TO THE NATION'S ECONOMY

Productivity--that is, the efficiency with which we use labor, capital, and other resources to produce goods and services--is of great importance in achieving the objectives our society demands. These include a higher standard of living, better quality products and services, a clean environment, and better working conditions.

Productivity improvement needs to be high on the Nation's economic agenda because it is vital to three critical problems of the economy. First, productivity improvement is the means by which the American worker gets more for less, that is, improves his or her standard of living. Increasing productivity enables a worker to earn higher real wages without giving up leisure time in order to support a higher standard of living. The high standard of living enjoyed by Americans today is due to sustained productivity growth over the past century. The potential for a future increase in our Nation's standard of living will be similarly determined by the extent of changes in productivity.

Second, productivity improvement is useful in lessening inflationary pressures by offsetting the effects of rising wage rates on unit labor costs and thereby reducing upward pressures on prices. In effect:

--Growth in output per staff-hour allows wages and salaries to be increased without proportional increases in unit labor costs and the prices of goods and services.

--More efficient use of energy, materials, and capital makes it possible to offset the rising prices of these resources.

Third, productivity improvement is important in maintaining the long-run competitive position of the United States in the international economy. A lag in the growth rate of U.S. manufacturing productivity over the past

decade is one of the factors that has weakened the ability of some American industries to compete with foreign producers both at home and abroad. While fluctuating exchange rates and sharply rising labor costs abroad have helped the trade balance, the basic problems associated with a slower growth rate in output per staff-hour remain. An increase in the rate of productivity improvement could help to safeguard jobs and attract capital investments from abroad to create more jobs for American workers and, thus, reduce unemployment.

RECENT TRENDS IN PRODUCTIVITY

Private sector

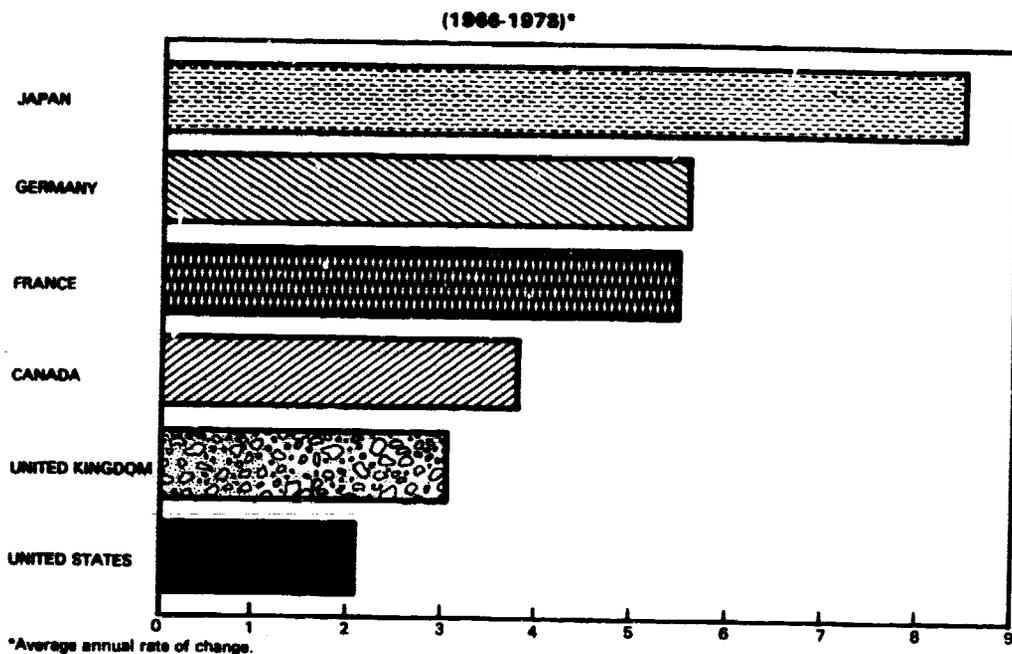
U.S. productivity, as measured by output per staff-hour, increased at an average annual rate of 1.6 percent from 1967 to 1977 in the private business economy. This rate of increase is only half that of the 3.2 percent experienced between 1947 and 1967. For the manufacturing sector, the annual rate of productivity growth between 1967 and 1977 has been only 2.1 percent, compared to about 2.7 percent between 1947 and 1967.

The depressed rate of growth is also reflected in the 64 separate industry measures published by the Bureau of Labor Statistics. These measures show that three-fourths of the 64 industries had lower average annual productivity gains in the more recent period than in the earlier postwar years. Some of these industries even experienced significant productivity declines during recent years. For example, coal mining has experienced an average annual decline in productivity of 4.5 percent for the past 5 years.

The most alarming fact, as experts on productivity agree, is that the depressed rates of the past few years will probably continue indefinitely without some positive measures to turn the trend around.

International comparisons

The significance of recent trends is further demonstrated by comparing U.S. productivity experience to other major industrial countries. Although overall productivity data is not available for the economies of foreign countries, the following graph shows how the rate of manufacturing productivity growth in the United States compared to that of other major industrial nations for the period 1966-76.



Source: Bureau of Labor Statistics, U. S. Department of Labor

The increase in U.S. productivity growth was the lowest of 12 major industrial nations. In comparison with the five major nations shown in the chart, the average annual rate of increase in the United States between 1966 and 1976 was less than half that of Germany and France and less than one-third that of Japan.

Such international comparisons are considered suspect by some because they point out that the United States starts from a much higher plane and others are "catching up." Actually, some of the other nations have nearly caught up because of sustained growth rates two or three times that of the United States. Of greater importance is that they are sustaining higher rates of growth in productivity.

IMPEDIMENTS TO PRODUCTIVITY GROWTH

Various experts have studied the data supporting the trends and have advanced a number of reasons for the performance of the past 10 years, including the effects of

- shifts in the industrial composition of the economy,
- changes in labor force composition,
- apparent slowdown in the rate of improvement in the capital-labor ratio,

- slowdown in research and development expenditures,
- diversion of capital investment to satisfy the requirements of environmental, health, and safety regulations,
- stagnation of some industries, and
- changes in worker attitudes toward work.

The Bureau of Labor Statistics appropriately points out that there is no simple explanation for the decline nor is there general agreement as to the quantitative impact of these various factors. Moreover, the Bureau states that it is difficult to separate the short-term cyclical factors from the long-term factors. We agree.

However, the trends in three factors which most experts agree are important for productivity growth--investment in capital equipment improvements, development of new technology through research, and changes in labor force composition--have impacted the rate of productivity growth during the past few years.

Investment

Investment in capital improvements is considered very important to productivity growth, yet the U.S. rate of investment has been growing at a slower pace in recent years. The Council of Economic Advisers reports that the ratio of gross capital per hour of labor input grew at an annual rate of 3.1 percent between 1948 and 1966. The rate of growth fell to 2.8 percent between 1966 and 1973 and since 1973 has apparently fallen to 1.7 percent after adjustment for cyclical factors.

An even more significant factor, in our opinion, has been the apparent shift from direct production investments (in new or improved manufacturing processes) to pollution control, safety, or health investment. A major business research organization reports that productive business investment grew at an average of 3.8 percent per year between 1956 and 1966, but less than 1 percent per year between 1966 and 1976. This organization states that investment in such items as pollution control has more than doubled in the past decade.

This increase in investment in pollution control, employee health, and safety, particularly in recent years,

is costing about 20 percent of the previous annual growth rate of productivity. This is not to say that such investments are not prudent, but they do have an effect on measured productivity growth. According to Edward Denison in the January 1978 issue of Survey of Current Business, the annual increase in output per unit of input by 1975 was being trimmed by 0.4 percent a year by Government-decreed pollution, worker health, and worker safety costs. Capital and labor were being diverted to pollution control, health, and safety. Although the numbers expressed as percentages sound small, when 0.4 percent is converted to dollars it equals about \$14 billion.

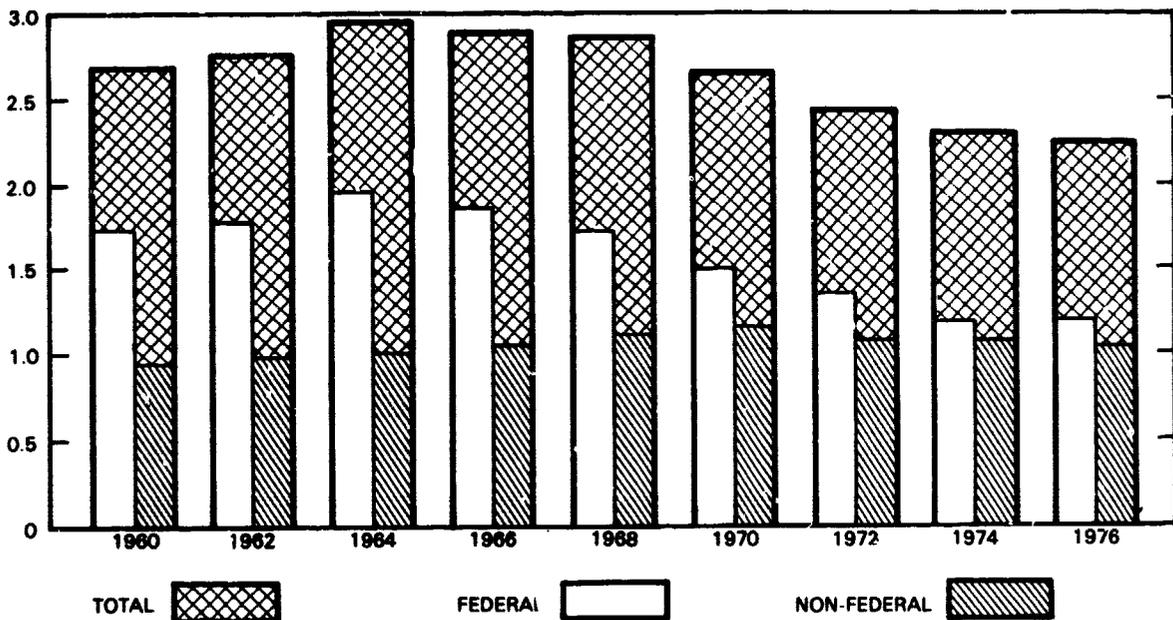
Research and development

Advances in scientific and technical knowledge, resulting chiefly from organized research and development, contribute significantly to long-term productivity growth through the subsequent application of more efficient equipment and processes. There has been a relative decline in research and development outlays over the past decade, which will have an impact on the rate of productivity growth in the decade ahead. For example:

--Total research and development spending in 1977 is estimated by the National Science Foundation at 2.2 percent of the gross national product compared to 3.0 percent in 1964 as shown in the following graph.

Growth in R&D Spending Has Not Kept Pace With Increase in GNP Since 1964

PERCENT OF GNP



SOURCE: National Science Foundation

- The United States spends over half of its research dollars in defense efforts, while the bulk of expenditures by other major industrial nations with better records has been in nondefense areas.
- In 1975 private industry employed 5 percent fewer scientists and engineers than it did in 1970.
- Another confirmation of the erosion of U.S. technological health is in the fact that U.S. patents issued to foreign residents increased from 22 to 36 percent of the total issued during the period 1968 to 1976.
- Research expenditures by U.S. companies have been primarily for applied research and development instead of basic research in recent years. This could spell even greater problems for the competitive technological position of the United States in years to come.

Labor force composition

In addition to the technology and capital investment factors mentioned above, the change in age-sex composition of the work force has been cited as one explanation of the slow growth of productivity in recent years.

New entrants in the labor market tend to be less productive because they lack experience. Between 1955 and 1977, the number of young people (16-24 years old) in the work force increased by 130 percent. They now represent 23 percent of the total work force, up from 17 percent in 1964, as persons born during the baby boom era following World War II began to enter the labor force.

Additionally, the structure of the labor force has been modified by increases in the number of women. Again using the 1955 to 1977 comparison, women now represent 40 percent of total employment, up from 31 percent. The Bureau of Labor Statistics makes the assumption that earning differences are reflective of productivity differences. Since the expansion of women in the labor market has been largely in lower paid jobs, they infer a negative impact on productivity growth. Discrimination may play a role in these earning differences, but this is difficult to quantify.

The Bureau of Labor Statistics indicates that the combined age-sex compositional changes have made a significant contribution to the productivity deceleration--causing

approximately 12-18 percent of the decline in the productivity rate.

EFFECTS OF THE DECLINE

According to the 1977 annual report of the National Center for Productivity, if productivity over the past 10 years had increased at the same 3.2 percent annual rate of growth of the previous two decades, the output per hour would have been 11 percent higher in 1977. This difference would have meant an additional \$100 billion in terms of real GNP at the 1977 employment level. Therefore, the lag in productivity growth has cost the United States immensely in lost economic growth.

This lag in productivity growth has also contributed to high and sustained rates of inflation. A high rate of productivity growth allows wages and salaries to be increased without proportionately raising unit labor costs and the prices of goods and services. For example, unit labor costs increased slowly, averaging 2 or 3 percent per year between 1950 and 1967, because significant productivity gains offset compensation increases. However, since 1967 unit labor cost increases have averaged over 5 percent per year because of a smaller offset from productivity gains as well as an acceleration in the rate of wage increases. Similar trends can be seen in the rate of inflation, which averaged 2 or 3 percent annually in the 1950s and early 1960s, but since 1967 averaged over 5 percent per year. In fact, in both 1974 and 1975 the inflation rate exceeded 10 percent.

GOVERNMENT PRODUCTIVITY

The productivity trends described and compared above are the broadest level of aggregation excluding government. Experts on productivity cannot agree on how or whether government should be included in the overall measures. Therefore, to date, the broadest level of aggregation for which we have productivity measures in the private sector excludes government.

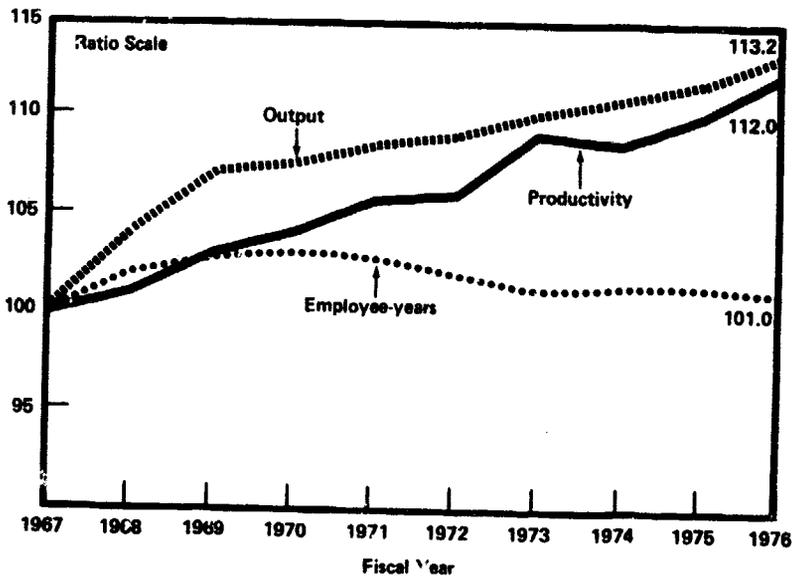
This exclusion becomes more significant as the proportion of the economy represented by government increases. The question of how productive is government becomes increasingly important.

Measures of Federal Government productivity have been developed for about two-thirds of total Federal employment,

as shown in the following chart. These measures indicate that Federal productivity has been increasing at about 1.2 percent per year since 1967, or slightly less than the depressed rates of increase in the private sector. The Federal Government, however, represents less than 20 percent of total government employment. The other 80 percent of government employees are in State or local governments.

Trend in Output per Employee-Year for the Total Measured Sample, FY 1967-76

Index (1967 = 100)



Source: Bureau of Labor Statistics, U.S. Department of Labor

Overall measures of State and local government productivity have not been developed. However, limited studies which are available indicate that a serious productivity problem exists in these governments. One study suggests that 20 to 28 percent of State and local government expenditure growth between 1967 and 1976 was due to low productivity. Comparisons between individual State and local governments providing the same services show productivity differences of as much as 500 percent. Also, comparisons between State and local governments and private companies performing the same services show government productivity generally to be lower.

A few State and local governments have initiated productivity improvement programs and have achieved substantial improvements in performance. These few instances indicate an excellent potential for improvement in other State and local governments.

NON-FEDERAL PRODUCTIVITY PROGRAMS IN THE PRIVATE AND PUBLIC SECTORS

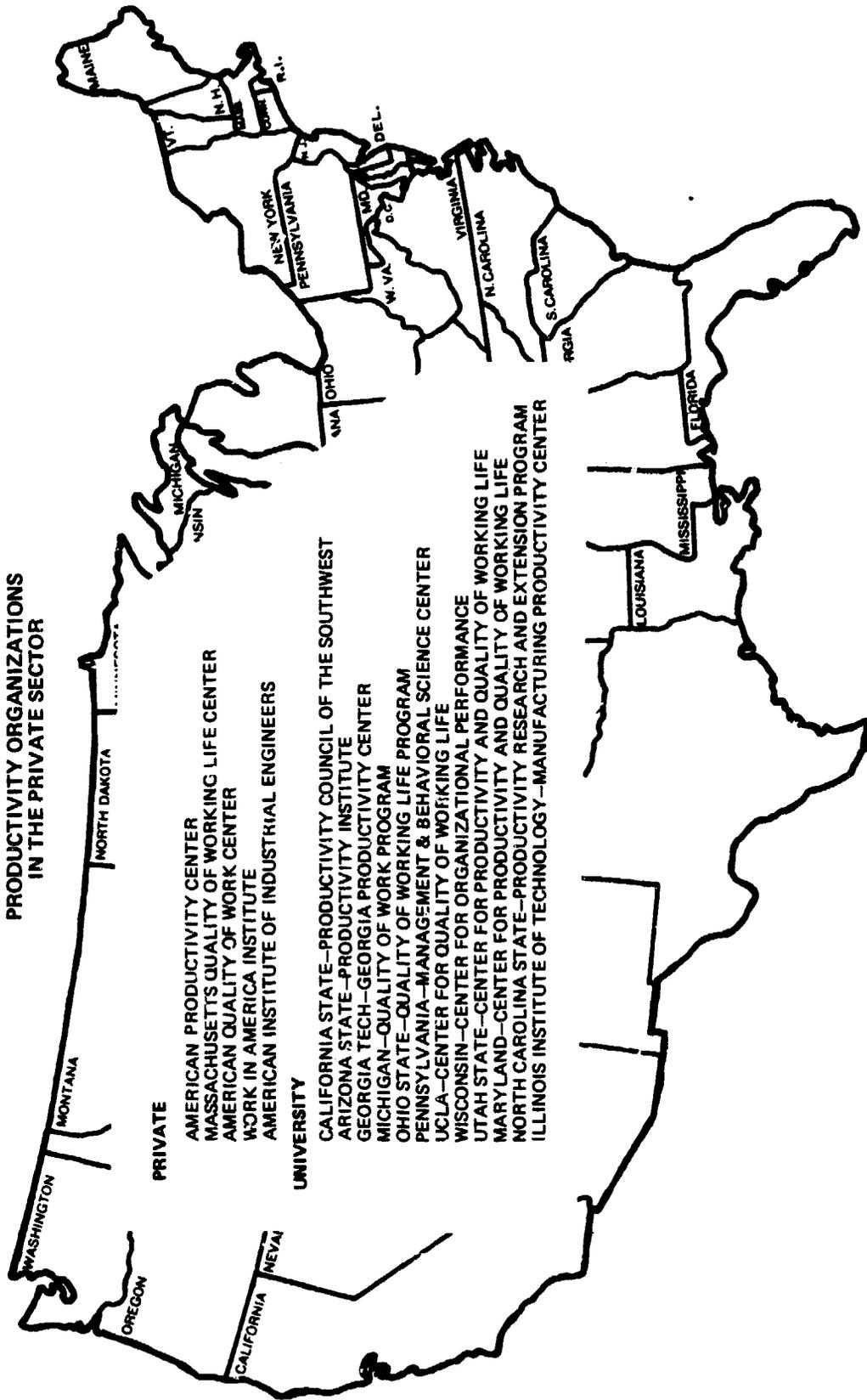
In the last several years a number of private nonprofit organizations have been established to deal with various aspects of productivity in both the public and private sectors. These efforts were initiated and supported by various sources and sectors of the economy, including Federal and State governments, universities, private funding institutions, corporations, national associations, unions, and public interest groups.

Productivity organizations in the private sector

The chart on the next page lists some of these existing efforts. Two of the major national efforts in the private sector are the Work in America Institute and the American Productivity Center.

The Work in America Institute is a nonprofit organization with an objective of improving the worklife and the nature and organization of work as a means of bettering performance, productivity, and the quality of life. Their activities include a clearinghouse, a technical assistance program, education, and training (including sponsoring conferences and seminars).

The American Productivity Center is also a nonprofit institution dedicated to improving productivity and quality of working life. The center is organized along seven areas of concentration--awareness, information, appraisal, company productivity programs, measurement, individual/organization relationships, and techniques. Its products will include seminars, publications, and advisory services.



**PRODUCTIVITY ORGANIZATIONS
IN THE PRIVATE SECTOR**

PRIVATE

- AMERICAN PRODUCTIVITY CENTER
- MASSACHUSETTS QUALITY OF WORKING LIFE CENTER
- AMERICAN QUALITY OF WORK CENTER
- WORK IN AMERICA INSTITUTE
- AMERICAN INSTITUTE OF INDUSTRIAL ENGINEERS

UNIVERSITY

- CALIFORNIA STATE—PRODUCTIVITY COUNCIL OF THE SOUTHWEST
- ARIZONA STATE—PRODUCTIVITY INSTITUTE
- GEORGIA TECH—GEORGIA PRODUCTIVITY CENTER
- MICHIGAN—QUALITY OF WORK PROGRAM
- OHIO STATE—QUALITY OF WORKING LIFE PROGRAM
- PENNSYLVANIA—MANAGEMENT & BEHAVIORAL SCIENCE CENTER
- UCLA—CENTER FOR QUALITY OF WORKING LIFE
- WISCONSIN—CENTER FOR ORGANIZATIONAL PERFORMANCE
- UTAH STATE—CENTER FOR PRODUCTIVITY AND QUALITY OF WORKING LIFE
- MARYLAND—CENTER FOR PRODUCTIVITY AND QUALITY OF WORKING LIFE
- NORTH CAROLINA STATE—PRODUCTIVITY RESEARCH AND EXTENSION PROGRAM
- ILLINOIS INSTITUTE OF TECHNOLOGY—MANUFACTURING PRODUCTIVITY CENTER

Productivity programs in the public sector

In the public sector, efforts to improve productivity have been initiated by national associations and public interest groups as well as individual State governments. Two of the major national efforts are the International City Management Association's Productivity Program and Public Technology, Inc.

The International City Management Association has published several documents on productivity. The Jurisdictional Guide to Productivity Improvement Projects, originally developed under contract with the National Commission on Productivity, is an abstract of over 400 productivity-related projects implemented by various local governments. The association evaluates management studies as part of its local government management innovation transfer project, funded by the National Science Foundation. With National Training and Development Service, the association is developing a comprehensive productivity improvement training package. Most of the association's conferences include sections on productivity in management.

Public Technology, Inc., is a public interest organization established in 1971 by the major associations representing general State and local governments to encourage the use of new technology to solve governmental problems. One hundred and ten cities and counties currently subscribe to its services, which include articulation of State and local technology needs, development and testing of new products and systems, and distribution of information and onsite technical assistance needed to help State and local governments implement new technology. Projects include productivity improvement and new management systems.

Some States offer assistance to their local governments in general management through State agencies, such as Departments of Community Affairs. The Wisconsin Department of Local Affairs and Development established a management services staff in 1974 which assists local productivity efforts.

In other States, State productivity centers have been established, usually under academic auspices. These include:

- Utah Center for Productivity and Quality of Working Life, which sponsors conferences and provides some technical assistance.

--Arizona Productivity Institute, formed in 1975 as part of Arizona State University.

--Georgia Productivity Center, which performs reimbursable technical assistance and training.

It should be noted that these efforts are small in comparison with the potential demand for services in State and local governments.

FEDERAL ACTIVITIES AFFECTING PRODUCTIVITY GROWTH

The Federal Government already plays a significant role that has a pervasive impact on the Nation's productivity, both directly through ongoing programs administered by individual agencies, and indirectly through taxes, subsidies, regulations, fiscal policies, etc.

Federal programs affecting productivity indirectly

The Federal Government has an indirect impact on national productivity by

--setting pricing policies in regulated industries, such as transportation, power, and communications,

--establishing fiscal and monetary policies that alter demand, supply, investment, and income distribution,

--establishing tax laws which affect investments in productivity-enhancing enterprises,

--setting standards for quality of output (e.g., drugs, food, and environmental pollution),

--regulating quality and quantity of input (e.g., through equal opportunity laws or occupational safety and health laws),

--providing loan programs and loan guarantees,

--setting antitrust laws,

--establishing policies of the patent system, and

--defining the general social and economic context in which the business enterprise must operate.

Federal programs affecting productivity directly

The center, in its 1976 annual report, surveyed 50 agencies and reported obligations in fiscal year 1976 amounting to \$933 million on projects which are related directly to national productivity growth. This amount reportedly represented an 86-percent increase and a 27-percent increase over fiscal years 1974 and 1975, respectively.

These costs are incurred for numerous programs sponsored by Federal agencies which provide research and development, information and assistance, and capital related to various aspects of productivity improvement.

Some Federal agencies, like the Department of Agriculture, conduct research to provide knowledge and technology to particular industries, such as farming; some, such as the National Science Foundation, support research through grants; others, such as the Small Business Administration, provide loans to help finance plant construction and acquire equipment; and still others, like the Department of Commerce, provide information and assistance related to particular aspects of productivity.

According to the center's analysis of the fiscal year 1976 obligations:

- About 85 percent can be classified as supporting improved technology, largely research and development and dissemination of new technical knowledge.
- About 9 percent was directed toward programs for managerial and organizational improvements.
- About 5 percent was spent on projects aimed at improving labor productivity, such as skill training, greater worker mobility, job security, and labor-management cooperation.

Examples of direct support of private sector productivity include:

- Seed money made available by the Department of Defense to provide manufacturers the know-how to translate findings resulting from research and development projects into full production. Over \$90 million was invested in fiscal year 1976.

--National Science Foundation invested \$3.8 million to improve manufacturing processes.

--\$27.6 million was spent to improve electric power technology. The Federal Energy Administration and the Energy Research and Development Administration committed significant sums to this effort.

There are many other Federal programs and agencies which sponsor technical and financial assistance programs for either central management or functional area management improvement at the State and local level. An OMB study published in 1975 found that most of the \$512 million of Federal management assistance available for State and local governments in fiscal year 1974 was oriented to functional areas (such as law enforcement and health), with less than \$70 million available for general management needs. A 1977 study by the staff of the President's Federal personnel management project indicated that the amount of Federal program funds available for general management purposes has remained essentially unchanged from 1975 general management expenditures.

Although there is no single recognized Federal program providing general management assistance for State and local governments, there are several significant Federal programs that have provided research, demonstration grants, and direct funding for State and local managers interested in productivity. Primary among those programs are:

--Civil Service Commission's Intergovernmental Personnel Program. The Commission reports that 15 percent of all grants are awarded for productivity projects. This amounted to \$3 million of their \$20 million fiscal year 1978 budget.

--Department of Housing and Urban Development's Office of Policy Development and Research. This office develops programs to increase the capacity of State and local managers to promote the effectiveness of Federal urban policy programs, including the funding of innovative productivity projects in local governments. The fiscal year 1978 budget for these programs is \$2.5 million.

--National Science Foundation provides funds for research to develop means of measuring the efficiency and equity of public service delivery systems. It also provides funds for a series of programs

to integrate science and technology research into State and local policy planning and program execution activities. We estimate fiscal year 1978 funding for these efforts to be at least \$8.5 million.

OUTLOOK FOR THE FUTURE

Looking ahead to the 1980s, a higher rate of productivity growth will be even more important than in the past to achieving higher living standards. As consumers we want more goods and services, better living, improved health, and more education for more of our people. Our national objectives include cleaner rivers and lakes, pollution-free air, and cities with public amenities. At the same time the American people want to enjoy longer vacations and holidays and earlier retirement.

If the labor force grows more slowly in the 1980s than in the 1970s, as is expected, and the ratio of employment to population remains constant, then the extent that we can achieve greater output per capita and more leisure at the same time will depend on producing more per hour worked.

A higher rate of productivity is also helpful in mitigating inflationary pressures. Increases in productive efficiency make it possible to save costs of labor, materials, energy, and capital input per unit of output. Accordingly, hourly wages and input prices can rise without generating undue inflationary pressures. Efforts to encourage productivity improvements are a useful element of a program designed to reduce inflation without imposing wage and price controls.

Finally, the prospect that U.S. productivity will continue to grow more slowly than that of other major nations gives rise to concern over our competitiveness in world markets. In recent decades, American industry has been able to meet foreign competition without protective trade barriers. Productivity growth played a role in achieving this. However, as some industries have begun to face stiffer foreign competition, they have requested restrictions on imports.

The level of productivity in U.S. manufacturing remains higher than that of its trading partners, but the gap is being narrowed as other industrial nations modernize their technology and management. A higher rate of productivity growth could improve the competitiveness of American goods and help reduce trade deficits.

The President's Council of Economic Advisers considers the slowdown in productivity to be one of the most significant economic problems facing this Nation. A higher rate of productivity growth in the decade ahead will provide opportunities for expanding the productive capacity of the economy at a time when private and public demands on the Nation's resources are expanding at a rapid rate. It is essential to achieving a more stable, less inflationary economy in which the real incomes of all groups in the economy can rise without one group taking income from another. It offers a more sound and sure basis for international competition in a rapidly developing world economy. In our opinion, the need for an integrated Federal effort that would provide for stronger leadership of the diverse array of Federal programs and policies is more important than ever before.

NEED FOR A NATIONAL PRODUCTIVITY PROGRAM

The factors and Federal policies and programs which have inhibited our productivity growth are complex, and the actions needed to improve the rate of growth are only partially understood. However, at least one thing is clear: We can no longer afford to let productivity "take care of itself." This principle is recognized by every other industrial nation--all of which understand the critical role of productivity in meeting their national objectives and all of which have had extensive national programs to promote productivity growth for many years. These countries have found ways to achieve close harmony among government, industry, and academia in attacking productivity problems. In the United States, by contrast, many perceive an almost adversary relationship among these elements. As a result there is no institutionalized attack in this country on productivity problems.

To summarize, productivity improvement is a problem that merits national attention and informed action. The many efforts now underway in the private sector and in State and local governments are worthwhile and deserve support and encouragement. However, these efforts in themselves are not adequate. We need a Federal program because only the Federal Government has the breadth of authority to bring about some of the changes that are needed to correct the downward trend and produce larger increases in productivity in future years.

CHAPTER 3

AN ASSESSMENT OF THE CENTER'S ACCOMPLISHMENTS

IN RELATION TO ASSIGNED RESPONSIBILITIES

The center's accomplishments have been modest given the magnitude of the goals set forth by its authorizing legislation, or even in comparison to the more limited responsibilities adopted by the executive committee of the center's Board of Directors. Our evaluation of the center was based on a comparison of its accomplishments against each of the seven objectives set forth by its executive committee. The center's objectives were not expressed in terms that facilitate measuring success or failure. Consequently, assessments of its accomplishments must be somewhat judgmental. Our assessments were based on interviews with involved agency personnel, industry representatives, State and local officials, and experts in productivity. We also utilized the results from three questionnaires sent to businesses, State and local governments, and labor unions.

DEVELOP MORE EFFECTIVE APPROACHES FOR IMPROVING PRODUCTIVITY IN THE PUBLIC SECTOR

The approaches taken to solve productivity problems in the public sector are much the same at all levels of government, but the mechanisms for dealing with them are different at the Federal than they are at the State and local levels. Because of these differences, the two levels are discussed separately below.

Center's efforts for improving productivity at the Federal level

Under the act which established the center, one of its objectives is to improve the productivity of the Federal work force. The act also places a responsibility both on Federal agencies to develop programs to improve their own productivity and on the center to assist them in carrying out this assignment.

The center's efforts in improving Federal productivity have been limited to (1) issuing an annual call for the measurement data needed by the Bureau of Labor Statistics to construct overall Federal productivity measures, (2) reporting productivity data to the President and the Congress in its annual report, and (3) awarding a consultant contract for conducting productivity workshops. (The center

reports that the workshops were intended to demonstrate an approach and thus engender support, but they have received little attention from OMB.) The two functional workshops held have been termed very successful by center personnel responsible for them. This conclusion was based on feedback received from Federal managers attending the workshops.

In our discussions with agency officials we found that the activities of the center had little effect in encouraging them to increase their efforts to measure productivity or to use productivity measurement data as a management tool. These officials told us that to increase concern about productivity in the agencies would have required a central manager that would:

- Be a catalyst for improving productivity throughout the Federal Government.
- Ensure that productivity data was used in the budget process.
- Provide technical assistance.

As we indicated, the center accomplished only a small part of these roles that agency managers considered necessary.

Center's efforts for improving productivity at the State and local level

The act creating the center also provided that it develop and recommend more effective approaches for improving productivity in the State and local sector of the economy. Initially the center's predecessor, the National Commission on Productivity, was an effective force in focusing national attention on the productivity problem of State and local governments. Its earlier efforts helped stimulate the involvement of key State and local interest groups in the problem. For example, the commission's leadership was important in the development of the International City Management Association's local government productivity program.

The center continued to sponsor research, demonstration, and information dissemination. More recently, however, productivity has become part of the agendas of many other Federal agencies and public interest groups. As a result, the center's work has often been overshadowed by these other efforts, initiated without its direct leadership or involvement.

For example, the National League of Cities recently proposed a project to develop a comprehensive model for cities to use in analyzing worker tasks. In this instance the project proposal was presented to the National Science Foundation for funding without any prior consultation with the center.

Many of the center's efforts to improve State and local productivity have focused on indirect activities, such as sponsoring research and demonstration and promoting interest at the national level. It nevertheless made some limited direct efforts through the widespread distribution of publications to State and local officials. However, publications alone on such a complex issue as productivity do not seem to significantly influence State and local productivity efforts.

In spite of a proliferation of Federal and non-Federal activities in this area, the center itself had insufficient resources and leverage needed to take a leadership role and coordinate other Federal agencies. The center's staff has participated in the review process and on advisory panels of those Federal agencies having programs to improve State and local productivity. However, most Federal program officials told us that their efforts were initiated without the benefit of center involvement. We conclude, therefore, that the center has not been able to serve as a Federal broker to help interested State and local governments obtain Federal assistance or deal with other Federal programs that impact on State and local management and productivity.

In summary, the earlier work of the center (and its predecessor) was an effective catalyst in State and local government productivity improvement activities. However, now that many Federal and non-Federal organizations are involved in State and local productivity efforts, the center's effectiveness as a catalyst and leader in the area has diminished.

STIMULATE AND SUPPORT INDUSTRY EFFORTS TO IMPROVE PRODUCTIVITY

The center's legislation directed it to carry out its responsibilities in the private sector by soliciting participation of labor organizations, associations, business enterprises, educational institutions, and research centers. These responsibilities greatly exceeded the center's resources, and, therefore, its projects had to be selectively chosen based on size, existence of productivity problems, and relevance to an anti-inflation program.

In an attempt to bring about concrete and practical improvements in productivity, the center, and its predecessor, aimed at stimulating and supporting industry-wide efforts as opposed to individual company efforts. These broader efforts were focused on systemic barriers to change, that is, barriers that no one firm could overcome by itself. The center, and its predecessor, selected specific problems in the food, health care, railroad, construction, mining, and airline industries for direct involvement. In each case, productivity improvement required the cooperation of two or more organizations. The general approach followed by the center was to conduct studies to identify opportunities to improve productivity, bring the concerned parties together to develop a plan of action they could all agree on, and then stimulate them to put the plan into practice.

After we started our evaluation, the center began an effort in the apparel industry aimed primarily at improving industry productivity through the formation of a labor-management group. Work is also underway in the construction and mining industries. Because of their late starts, we were unable to assess these efforts in our evaluation.

The center's predecessor proved, however, that such an organization could be an effective catalyst in the private sector in the areas of health care and food distribution. In health care, the commission is credited as having successfully acted as a catalyst in establishing the Texas Hospital Association's statewide productivity center, which resulted in saving an estimated \$96 million in hospital costs. Participants in a successful food distribution effort that united railroads, growers, food chains, and unions to reduce delays in shipping perishables from California and Arizona to eastern markets generally credit the commission with the effort's success.

We did indepth evaluations of the center's work in two industry studies--a followup effort in the food area and a new start in airlines. The center's followup work in the food industry study was guided by a task force on food distribution that aimed at identifying and analyzing bottlenecks in distribution and then identifying proposals to eliminate them. Its work toward this end consisted of sponsoring conferences and funding projects.

We reviewed center projects in food distribution and found their success limited. Three efforts were either shelved or abandoned primarily because of lack of support from the industry or labor unions. In another effort, the

project was completed but the study failed to attract needed industry financial support. Our interviews with food industry and government officials indicate that the center's work has not been successful in developing efforts to eliminate productivity-inhibiting problems in food distribution. Contributing to its ineffectiveness was the center's inability to attract industry, labor, and government support for its projects.

The center's work in airlines was also guided by an industry task force. This task force generated two topics for center work: industry accounting practices and the air traffic control system. Consultants supported the center's efforts in these areas and provided two preliminary reports. The task force, however, sponsored neither of the reports and was disbanded in 1977.

The center's predecessor, the commission, concentrated on its role as catalyst and, as explained above, had some successes. They were able to bring together labor, management, and government, who collectively worked out solutions to productivity-inhibiting problems. The center, on the other hand, concentrated on indepth studies which our evaluation showed had little impact. We believe the center would have been more effective if it had continued its catalyst role.

COORDINATE PRODUCTIVITY-ENHANCING EFFORTS OF FEDERAL AGENCIES

The act clearly describes the center's responsibilities in coordinating the efforts of Federal agencies to improve productivity. The center was responsible for (1) accounting for all funds obligated or expended by agencies to improve productivity, (2) assessing the extent to which these funds have furthered the policies of the center, and (3) recommending how these can better be coordinated. The act also gives Federal agencies a responsibility to assist the center by keeping it informed on their programs and policies to improve productivity. Most Federal agency officials we interviewed believe that the center has not had the necessary resources to carry out its designated role.

The center's efforts to carry out these responsibilities for coordinating Federal agency activities and expenditures have been primarily of a factfinding nature. The center made a survey to determine the amounts Federal agencies were spending and for what, but it neither assessed the extent the expenditures had furthered its policies nor made recommendations

on how these activities might be better coordinated. Also, agencies for the most part have not fulfilled their responsibility of keeping the center informed of their productivity activities.

On the positive side, the center invited agency officials to meetings and conferences in order to encourage Federal interest in public and private sector productivity improvement projects. It also helped establish labor-management committees and attempted to coordinate communications between the Federal Mediation and Conciliation Service and State employment services.

ENCOURAGE LABOR-MANAGEMENT COOPERATION TO ENHANCE PRODUCTIVITY

Efforts to encourage labor-management cooperation were part of what the center called its human resources program. The program focused on four major areas: (1) labor-management cooperation, (2) job security, (3) quality of worklife, and (4) education and training. These areas were specified in Public Law 94-136 as matters within the center's purview and were also identified by the center's predecessor as being of primary importance.

The center used three methods to address its responsibilities in these areas; it

- sponsored and conducted workshops and conferences,
- sponsored and developed publications and reports,
and
- provided technical and other assistance.

Within these four areas, the center has concentrated on ways to improve labor-management cooperation, where it spent over half of its human resource budget. The center has been successful as a catalyst in the establishment of a number of labor-management committees. For example, center personnel helped organize joint labor-management councils among civilian employees at four defense installations. Also, the center has assisted and cosponsored 12 workshops and conferences which have addressed, in part, the subject of labor-management cooperation. These sessions offered management and labor leaders the opportunity to learn by interaction with experienced practitioners.

The center also developed two "how to" guides for forming labor-management committees. Along with these, the center has updated a directory of labor-management committees.

In the area of job security, the center has provided information on practices in personnel planning and retraining. Through several of their sponsored workshops and conferences, forums for discussion of the issues have been provided. In addition, the center has sponsored two publications specifically concerned with job security.

The center's efforts to stimulate quality of working life activity were through several of the workshops and conferences they have assisted and cosponsored and through its support for the initiation of a number of State-centered quality of working life programs. The center takes credit for helping establish three quality of working life programs-- at Utah State University, University of Maryland, and in Massachusetts.

Center activities directed specifically at improving the education and training of the work force have been limited. Recent initiatives have involved assistance to review Federal education and training programs and to develop a business productivity course for the community college level.

In summary, most of the center's emphasis in its human resource program has been on labor-management cooperation, specifically, the establishment of joint labor-management committees as a vehicle to productivity and quality of working life improvement. The center functioned effectively as a catalyst in the formation of a number of such committees, but its performance in promoting quality of working life, job security, and education and training was more limited.

Outside of the basic framework of the human resources program, the center was assigned the function of studying jointly with the Civil Service Commission the impact of Federal personnel policies, statutes, and regulations affecting both the productivity of Federal agencies and the quality of working life of Federal employees. Specific actions have not been taken by the center to carry out this responsibility.

DOCUMENT AND RECOMMEND POLICIES TO SATISFY THE NATION'S CAPITAL INVESTMENT NEEDS

Another of the center's responsibilities was to document and recommend policies to satisfy the Nation's

capital investment needs. Due to a number of problems which the center could not completely control, very little was done in the areas of capital and technology development.

In an effort to fulfill its mandate, the center set up a committee on capital and technology which met three times in 1976. It was to develop policy recommendations to be presented to the President, the Congress, and the public and to exert its efforts toward implementing these recommendations.

The committee's three sessions, however, resulted only in enumerating and discussing national problems pertaining to (1) the availability of capital for expansion and modernization, (2) the impact of capital on employment and the standard of living, (3) the impact of capital on research and development, and (4) the combined impact of capital and technology on productivity and economic growth.

Although the center's, and its predecessor's, annual reports for 1974 through 1977 described various problems in the areas of capital and technology, they made no recommendations for specific actions.

As with the center's Board of Directors, no committee on capital and technology now exists to carry on. However, by the end of fiscal year 1977, the center had developed and contracted for a number of projects for study and research. Unfortunately, none of these projects had progressed far enough to evaluate the results satisfactorily.

RECOMMEND CHANGES IN GOVERNMENT REGULATIONS WHICH WILL IMPROVE PRODUCTIVITY

The center is directed by Public Law 94-136 to identify, study, and review government regulations which adversely affect productivity growth. Based on this review, it is to recommend to the President, the Congress, and the appropriate agencies and departments of the Federal, State, and local governments any legislation and revisions of regulations necessary to remove adverse effects on productivity. As in other areas, the center has attempted to do this by contracting for studies and sponsoring conferences and workshops.

The center has made no recommendations for revising specific laws or regulations adversely affecting productivity. However, its efforts have resulted in some understanding of the relationships between regulatory behavior and productivity. This was accomplished by funding several studies and

bringing interested parties together to discuss regulation-related productivity problems.

In our opinion, the center has not made a significant contribution to changing regulations that impede productivity, but this should not come as a surprise. Regulatory reform has proven difficult to achieve, and more formidable organizations than the center have met with little success..

ENCOURAGE UNDERSTANDING AND THE USE OF PRODUCTIVITY MEASURES

In establishing the center, the Congress recognized the importance of measurement. The act charged the center to encourage research in the development of accurate and reliable techniques for evaluating changes in productivity.

The center recognized the need for research on the measurement techniques now being used and initiated an overall evaluation of the system of measuring productivity. It sponsored an overall evaluation by a National Academy of Sciences panel of experts on productivity measurement. These experts are studying the strengths and weaknesses of the present measures.

Some of the questions being considered by the panel include:

- Whether better measures of output can be derived.
- Whether input measures can be made more accurate.
- Whether government should be included in the present overall economy measures.

Since this study is not due to be completed until the fall of 1978, any evaluation by us at the present time would be premature.

COLLECT AND DISSEMINATE PRODUCTIVITY INFORMATION

Another objective of the center, although not a major one selected by its Board, was to collect and disseminate information on productivity enhancement. The center established a clearinghouse for distributing productivity-enhancing information, but it was not very effective in reaching wide audiences. It did succeed in specific areas

(such as State and local governments) in increasing, to a limited extent, the amount of information available.

Federal agency and department officials with whom we have discussed the operation of the center's clearinghouse felt that it was not meeting the needs of the public and private sectors of the economy in adequately providing productivity information. They believed that the reason for this was that the clearinghouse lacked resources, infrastructure, and sufficient authority to carry out the mission called for in Public Law 94-136.

Further, the center did not attempt to take advantage of the other sources of productivity information inside and outside of government. These sources could have been used to develop a productivity information network.

CHAPTER 4

WHY THE CENTER'S ACCOMPLISHMENTS

WERE LIMITED

The previous chapter described the center's limited success in accomplishing its legislative objectives and also the more limited goals set forth by the executive committee of its Board of Directors. Our evaluation of the center and its activities indicates that three basic problems are responsible for the its limited success. The first two problems--the lack of Presidential, congressional, and agency support and commitment and the center's inadequate authority and resources--were not under the direct control of the center and constituted significant roadblocks to its operations. The third problem involved internal inadequacies and, as such, was a directly controllable problem.

LACK OF SUPPORT FOR THE CENTER

In our opinion the center could not be expected to effectively fulfill its legislative responsibilities without a high level of support from the administration, Federal agencies, and the Congress. The term "support" is used here to mean not only financial backing, but concern about the center's activities and the taking of positive actions to help get its programs accepted. Because this support was lacking, the center was not in the mainstream of Federal policy formulation and decisionmaking and, therefore, its influence and ability to get things done was impaired.

In our testimony in 1974 and 1975 on proposed productivity legislation, we emphasized the requirements for this support. We indicated the need for

- a stronger commitment by the Congress and executive branch on the issue of productivity,
- an independent organization with direct and authoritative access to OMB, to the Council of Economic Advisers, and to the heads of principal agencies concerned, and
- an executive director at executive level III, in order to give the incumbent adequate status.

During its first 2 years, the level of support provided to the center by both the administration and the Congress has

been far from what we recommended. As discussed earlier, the legislation required the center to achieve results in many diverse areas. While each area is important in improving the Nation's productivity, the center's direct ability to deal well with any one of them has been beyond its capability. It has been unable to engender acceptance as the Federal focal point for the U.S. productivity effort.

Early in the first year of operation, administration support existed when the President appointed Vice President Rockefeller as the center's first Board chairman. The Vice President's strong interest in productivity provided credibility to the center's early activities and a channel for access to other Federal agencies when necessary. The Board of Directors also was expected to provide credibility to the center's efforts through its policy guidance. The Board members were to help mobilize their own organizations and provide assistance in center interactions with business, labor, State and local governments, and Federal departments and agencies.

Unfortunately, the center's first full Board was not appointed and confirmed until October 1976, 10 months after it began operation. This delay was caused by the need for full financial disclosure and a background investigation of each nominee. Since the Board members serve a term coterminous with the President, the Board was dissolved in January 1977 after meeting only once.

Another key to success of the center's efforts is OMB. OMB cooperation is necessary for carrying out some of the center's legislated functions, including making recommendations to alter Federal laws that impede productivity, promoting internal Federal productivity, and coordinating Federal productivity efforts. According to center officials, OMB support for center activities was essentially nonexistent. OMB issued one memorandum concerning the center and that dealt almost exclusively with internal Federal productivity. In addition, OMB provided no assistance to the center in carrying out its responsibility to account for all funds expended by Federal agencies to improve productivity growth.

The current administration has to date neither appointed a new Board of Directors nor named a chairman. The absence of a Board of Directors reduced the center's leadership ability and significantly reduced its capability in national affairs.

Federal agencies also had a role in supporting the center's efforts. In our interviews with agency personnel, we found in most cases that these agencies did not fulfill their legislated requirement of keeping the center informed of their productivity activities and have had little, if any, contact with the center.

INADEQUATE AUTHORITY AND RESOURCES

Another reason why the center was not more successful was that it did not have enough authority or sufficient funds for the job it had been assigned.

As we have stated, the center was assigned a large number of responsibilities in the area of productivity. These responsibilities involve 15 functions, which range from coordinating all productivity-related activities of Federal agencies to a study of government statutes, regulations, and fiscal policies adversely affecting productivity growth. However, the specific powers authorized to the center to carry out these responsibilities are limited to administrative functions, such as entering into contracts and making recommendations to the President and the Congress. In fact, during the House of Representatives debate on the legislation, one of the sponsors of the bill stressed that the bill was written so that the center had no power and could do nothing but advise and comment.

In our opinion, this limited authority and power is not sufficient to carry out the assigned functions. For example, total cooperation of Federal agencies is needed to fulfill many of the functions. Without support and backing for the center by the President, however, it is not realistic to expect such cooperation, especially regarding decisions about agency activities and allocation of resources. In addition, since the executive director is comparable to the level of most assistant secretaries, we believe it was even more difficult for the center to deal with heads of departments and agencies.

The financial resources allocated to the center to carry out its assigned functions have also caused problems for it. In March 1975, when proposed productivity legislation was being considered by the Senate Committee on Government Operations (now Governmental Affairs), the two proposed productivity bills included \$70 million and \$65 million, to be expended by the center over a 5-year period. One bill proposed authorizations starting at \$5 million annually and rising to \$20 million, while the other proposed legislation recommended

first-year funding of \$20 million. In his testimony on the bills, the Comptroller General recommended first-year funding of at least \$10 million to cover startup costs and initial contract efforts. Public Law 94-136, however, provides for a total 3-year authorization of \$16.25 million: \$6.25 million for fiscal year 1976 (including the transition quarter), \$5 million for 1977 and \$5 million for 1978. In our opinion, this level of funding is inconsistent with the mandate given to the center.

Although the Congress authorized \$16.25 million for the center's 3-year life, only \$8.15 million has been appropriated for the entire period. The following table describes the President's requests and the final appropriations made by the Congress.

	<u>President's request</u>	<u>Appropriation</u>
	(millions)	(millions)
FY 76 (including transition quarter)	\$ 2.75	\$2.5
FY 77	5.0	2.75
FY 78	a/ <u>2.9</u>	<u>2.9</u>
Total	<u>\$10.65</u>	<u>\$8.15</u>

a/Revised by the current administration from \$5 million.

The financial resources available to the center limited the types of activities it undertook in trying to carry out all aspects of the legislation. Consequently, progress toward meeting the ambitious goals of the act is not apparent. How well the center would have performed with funds more consistent with its mandate or by focusing its limited resources on fewer activities, can only be a matter of speculation.

INTERNAL MANAGEMENT PROBLEMS

The overall effectiveness of the center has also been hindered by certain internal management problems. The problems fall into two areas--staffing and planning and evaluation. In our opinion, these problems, while of concern, did not have as great an impact on the operation of the center as did the lack of support and authority.

Staffing

The work of the center primarily revolves around six program directors who report directly to the center's executive director and are responsible for the majority of the center's professional staff. The program directors' duties include maintaining awareness of productivity activities in their areas, designing programs, determining whether other organizations are better equipped to do their work, and obtaining funding from other agencies and organizations. These individuals are the key to the center's success. As we stated in our 1975 testimony on the productivity legislation:

"First year funds must be adequate to build a high quality professional staff. Without such a foundation of staff expertise, only limited progress can be made in launching programs of the scope and complexity envisioned in these bills."

Although we did not assess the competency of each program director, our review did point out that some members of the center's staff did not meet the criteria we proposed in our testimony. We found that some center program directors had no prior experience in their assigned program areas. Over time this problem might dissolve with experience gained by each of these professionals. The center, however, given its 3-year life, did not have the time to build such staff experience in complex areas.

Planning and evaluation

Because of its limited financial resources and broad responsibilities, it was critical for the center to have adequate planning and evaluation mechanisms to get maximum results.

Our assessment of these functions indicates:

- Planning mechanisms were inadequate. Until recently the center has had no formal planning process to guide the overall organization and set priorities for activities in program areas.
- Criteria used for selecting areas of study with certain programs did not identify those with the greatest probability for success.

--Program and project evaluation was absent. Our review of a group of selected center programs indicates that generally the center did little formal evaluation of its programs, individual projects, and contracts within these programs to determine their effectiveness.

SUMMARY

Most of the same basic functions contained in Public Law 94-136 had long been assigned to agencies throughout the Federal Government prior to the creation of the center. It is not surprising that the center has been unable to do in its short lifetime what other more established agencies have been equally unsuccessful in doing over many years. On the contrary, we believe that greater success by the center, with its small staff, insufficient budget, and, at best, lukewarm support from both the Congress and the administration, would have been surprising.

Further, it should be recognized that it has taken as long as 20 years for productivity centers in other industrial nations to establish government and private sector support. The U.S. center has had support from neither sector.

Under these circumstances, it seems that performance along the broad front of all the center's functions could not be expected. If anything, the center could be faulted for trying to address too much with a staff too small and inexperienced and with too little support.

We cannot conclude definitely whether an organization, even properly supported, staffed, and directed, could make the kinds of contributions to U.S. productivity that are needed. We do believe, however, that based on the experiences of other nations, a fully supported center, with modifications derived from the lessons learned, would be an effective instrument in improving the Nation's rate of productivity growth.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

It seems clear to us that the decline in the rate of productivity improvement in the United States is a major national problem and deserves greater attention by both the private and public sectors of the economy. We also believe that the Federal Government can make a major contribution to improved productivity in all sectors because it alone has the breadth of authority and concern to deal with issues on a national basis. Therefore, we believe the Government should increase its efforts to help solve this problem with an integrated national productivity plan.

Although we believe that the Federal Government should increase its efforts to establish a viable program to improve productivity in the United States, the National Center for Productivity and Quality of Working Life, given the low level of support which it has received, has little prospect of meeting the objectives set out in the statute which created it. The center has been underfunded; it has had mixed support from the last two administrations; and it has been operating without a Board of Directors to guide its staff. Under these conditions, it is not surprising that the center's accomplishments are as limited as they are. As the center is presently constituted, we do not believe that it should be continued. It is simply too weak to deal with the productivity problem, and its existence may lead many to believe that the Federal Government is doing all that is necessary for productivity improvement, when this is not the case.

If the center is to be continued, it should be reconstituted so as to limit its functions to private sector productivity. A separate organization with proper support from the administration and adequate funding would be the most desirable type of organization to deal with problems of private sector productivity.

Since the needs and incentive structures of public and private sector organizations are so different, public productivity efforts should be separate from those of the private sector. In our opinion, public sector productivity can best be handled by existing agencies, with the State and local productivity improvement effort administered through the Federal grants program and the internal Federal Government effort lodged in an agency that has central management responsibilities.

Just prior to releasing this report, we learned that the President had decided to let the center's authorization expire at the end of fiscal year 1978, to assign the center's functions to existing agencies, and to charge the Office of Management and Budget with formulating the policy and coordinating the activities of the agencies assigned productivity functions. If the President's decision to withdraw support from the center is not altered, we agree that all of the center's functions should be assigned to other existing agencies. Several agencies have the interest and managerial support to carry out a part of the necessary functions more effectively than an underfunded, independent agency with no support from the administration.

Regardless of whether or not the center is continued, there remains a need for a national productivity program plan for harnessing and directing the many activities and functions of the Federal Government that affect productivity.

RECOMMENDATIONS TO THE CONGRESS

Although we believe an adequately funded and supported independent center would be best for the private sector productivity effort, the President's decision not to continue the center removes the likelihood that the needed support will be forthcoming. Therefore, we recommend that leadership for the private sector effort be assigned to an existing Federal agency and that it be given the strong support of the Congress and adequate funding. The Department of Commerce might be an appropriate location for this responsibility.

Regardless where leadership for the private sector productivity effort is located, we recommend that it be guided by a National Productivity Council. This council should consist of representatives of selected Federal agencies having productivity-related missions (for example, Council of Economic Advisers, Department of the Treasury, OMB, etc.) and be cochaired by the Secretaries of Commerce and Labor. Such cochairing will ensure that equal emphasis is given to the views of management and labor and will also ensure that quality of working life is considered in efforts undertaken to improve productivity.

The council would be charged with developing a national productivity program plan that integrates all Federal policies and programs affecting national productivity and with identifying gaps and additional initiatives that need to be taken. This would provide a central focus for the Federal Government in attacking the private sector productivity problem.

There should also be an external advisory group reporting to the council that is made up of representatives from industry, labor, and the general public. The advisory group would present to the council particular productivity issues to address.

We also recommend that the remaining productivity effort--Federal, State, and local, as well as labor-management relations--be assigned, with adequate funding, to existing Federal agencies. Our suggestions for such assignments are as follows.

- Leadership responsibility for the Federal sector productivity improvement effort be assigned to the Office of Management and Budget 1/.
- A separate State and local government productivity effort be established. The Civil Service Commission appears to be the most appropriate location for leading this effort.
- Leadership responsibility for improving labor-management cooperation in all sectors be assigned to the Federal Mediation and Conciliation Service.
- Authority for the Civil Service Commission's Intergovernmental Personnel Program be broadened to fund general management improvement projects for State and local governments.
- Funding be provided to Department of Labor's Bureau of Labor Statistics to (1) carry out added responsibilities in measuring the productivity of State and local government and (2) support OMB's effort to expand and improve Federal Government productivity measurement.

RECOMMENDATIONS TO THE PRESIDENT AND
TO THE DIRECTOR, OFFICE OF MANAGEMENT
AND BUDGET

The productivity plan of the proposed council must be linked to the budget process to be effective. Therefore,

1/Or the new Office of Personnel Management, if the current proposal for its establishment is adopted. (Explained in app. III.)

to ensure coordination of Federal funds expended to enhance productivity, a special analysis of the funds should be made as part of the President's budget. We recommend that OMB take the lead in developing this analysis in conjunction with the proposed council.

We also recommend to the President that a unit dealing with regulatory mediation be established in the Executive Office to develop recommendations to resolve specific regulatory problems inhibiting productivity

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The basis for our suggestions as to the agencies to which productivity efforts might be assigned and our views as to appropriate roles for them are explained in appendix III.

AGENCY COMMENTS

Written comments were requested from the National Center for Productivity and Quality of Working Life and the Office of Management and Budget. Their comments are included as appendixes IV and V. We also received written comments from the Department of Labor, which are included as appendix VI. Oral comments were obtained from the Department of Commerce, the Civil Service Commission, the Federal Mediation and Conciliation Service, and the Council of Economic Advisers. All comments have been considered in preparing this report.

As previously indicated, OMB advised us in its comments that the President has decided to discontinue the center.

NATIONAL PRODUCTIVITY AND QUALITY OF WORKING LIFE ACT OF 1975



Public Law 94-136
94th Congress, S. 2195
November 28, 1975

An Act

To establish a National Center for Productivity and Quality of Working Life; to provide for a review of the activities of all Federal agencies including implementation of all Federal laws, regulations, and policies which impede the productive performance and efficiency of the American economy; to encourage joint labor, industry, and Government efforts to improve national productivity and the character of working conditions; to establish a Federal policy with respect to continued productivity growth and improved utilization of human resources in the United States; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Productivity and Quality of Working Life Act of 1975".

National Productivity and Quality of Working Life Act of 1975, 15 USC 2401 note.

TITLE I—FINDINGS, PURPOSE, AND POLICY; DEFINITIONS

Sec. 101. The Congress finds that—

- (1) the rate of productivity growth in the United States has declined during four of the past six years;
- (2) the decline in the rate of productivity growth has contributed to inflation, to economic stagnation, and to increasing unemployment;
- (3) since 1965, the rate of productivity growth of the United States has been consistently lower than that of many industrial nations in the world, adversely affecting the competitive position of the United States in world markets;
- (4) growth in productivity of the economy of the United States is essential to the social and economic welfare of the American people, and to the health of the world economy;
- (5) growth in the productivity of the Nation's economy is essential to maintain and increase employment, to stabilize the cost of living and to provide job security;
- (6) mounting worldwide material shortages and their consequent inflationary results make increased efficiency in the utilization of these resources of urgent importance;
- (7) sharing the fruits of productivity gains among labor, management, and owners may considerably influence productivity;
- (8) the continued development of joint labor-management efforts to provide a healthy environment for collective bargaining can make a significant contribution to improve productivity and foster industrial peace;
- (9) factors affecting the growth of productivity in the economy include not only the status of technology and the techniques of management but also the role of the worker in the production process and the conditions of his working life;
- (10) there is a national need to identify and encourage appropriate application of capital in sectors of American economic activity in order to improve productivity;
- (11) there is a national need to identify and encourage appropriate application of technology in all sectors of American economic activity in order to improve productivity;

15 USC 2401.

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(13) there is a national need to identify and encourage the development of social, economic, scientific, business, labor, and governmental contributions to improve productivity growth, and increased economic effectiveness in the public and private sectors of the United States; which objectives can best be accomplished through maximizing private sector and State and local development of such contributions;

(13) there is a national need to identify, study, and revise or eliminate the laws, regulations, policies, and procedures which adversely affect productivity growth and the efficient functioning of the economy;

(14) there is a national need to increase employment security through such activities as manpower planning, skill-training and retraining of workers, internal work force adjustments to avoid worker displacement, assistance to workers facing or experiencing displacement, and all other public and private programs which seek to minimize the human costs of productivity improvement, thereby diminishing resistance to workplace change and improving productivity growth;

(15) there is a national need to develop new technologies for the more effective production of goods and services;

(16) there is a national need to encourage and support efforts by qualified institutions of higher learning to identify and inaugurate programs which will improve productivity;

(17) there is a national need to develop precise, standardized measurements of productivity; and

(18) there is a national need to gather and disseminate information about methods and techniques to improve productivity.

STATEMENT OF PURPOSE

15 USC 2402.

Sec. 102. It is the purpose of this Act--

(1) to establish a national policy which will encourage productivity growth consistent with needs of the economy, the natural environment, and the needs, rights, and best interests of management, the work force, and consumers; and

(2) to establish as an independent establishment of the executive branch a National Center for Productivity and Quality of Working Life to focus, coordinate, and promote efforts to improve the rate of productivity growth.

POLICY

15 USC 2403.

Sec. 103. (a) The Congress, recognizing the profound impact of productivity on the interrelations of all components of the national economy, declares that it is the continuing policy of the Federal Government, in cooperation with State and local governments, to use all practicable means and measures, including financial and technical assistance, to stimulate a high rate of productivity growth.

(b) It is the continuing responsibility of the Federal Government to use all practicable means to improve and coordinate Federal plans, functions, programs, and resources to carry out the policy set forth in this Act.

(c) The laws, rules, regulations, and policies of the United States shall be so interpreted as to give full force and effect to this policy.

89 STAT. 734

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DEFINITIONS

Sec. 104. For the purposes of this Act

15 USC 2404.

(1) the term "Center" means the National Center for Productivity and Quality of Working Life;

(2) the term "Board" means the Board of Directors of the Center;

(3) the terms "productivity growth" and "improved productivity" shall be interpreted to include, but not be limited to, improvements in technology, management techniques, and the quality of working life; and

(4) the term "quality of working life" shall be interpreted to mean the conditions of work relating to the role of the worker in the production process.

TITLE II—NATIONAL CENTER FOR PRODUCTIVITY AND QUALITY OF WORKING LIFE ESTABLISHED

Sec. 201. There is hereby established as an independent establishment of the executive branch of the Government the National Center for Productivity and Quality of Working Life.

15 USC 2411.

BOARD OF DIRECTORS

Sec. 202. (a) The Center shall have a Board of Directors, to be comprised of not more than twenty-seven members, as follows:

Membership.
15 USC 2412.

(1) a Chairman, appointed by the President, by and with the advice and consent of the Senate;

(2) the Secretary of the Treasury;

(3) the Secretary of Commerce;

(4) the Secretary of Labor;

(5) the Director of the Federal Mediation and Conciliation Service;

(6) the Executive Director of the Center;

(7) not less than five members who shall be appointed by the President, by and with the advice and consent of the Senate, from among qualified private individuals in manufacturing and service industries;

(8) not less than five members who shall be appointed by the President, by and with the advice and consent of the Senate, from among qualified private individuals from labor organizations;

(9) not less than two members who shall be appointed by the President, by and with the advice and consent of the Senate, from among qualified individuals in State or local governments;

(10) not less than one member who shall be appointed by the President, by and with the advice and consent of the Senate, from among the general public;

(11) not less than one member who shall be appointed by the President, by and with the advice and consent of the Senate, from among qualified individuals associated with leading institutions of higher education; and

(12) such other qualified members from the public or private sectors whom the President may deem appropriate who shall be appointed by the President, by and with the advice and consent of the Senate.

When unable to attend a meeting of the Board, a member appointed under clauses (2), (3), (4), and (5) shall appoint an appropriate

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- alternates from such member's Department or agency to represent such member at that meeting.
- Term.** (b) (1) The members of the Board appointed under clauses (7), (8), (9), (10), (11), and any private sector members appointed pursuant to clause (12) of subsection (a) shall be appointed for a four-year term coterminous with the term of the President. Members other than members appointed under such clauses, with the exception of the Chairman, shall serve as long as such member is head of the department or agency represented on the Board. No person shall serve as an acting or temporary member in positions requiring Senate confirmation including that of Chairman, for a period in excess of three months.
- (2) The President shall appoint a Chairman for a term of four years coterminous with the term of the President. In appointing a Chairman, the President may appoint an individual who is an officer of the United States. If that officer has been appointed to his current position, by and with the advice and consent of the Senate, or if such individual is the Vice President of the United States, such individual may be appointed chairman by the President without the requirement of confirmation by the Senate.
- Vacancies.** (c) Any member appointed to fill a vacancy occurring before the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of that term.
- Compensation, travel expenses.** (d) (1) Each member of the Board appointed under clauses (7), (8), (9), (10), (11), and any private sector members appointed pursuant to clause (12) of subsection (a) may be compensated at the daily rate provided for GS-18 of the General Schedule under section 5332 of title 5, United States Code, including traveltime, for each day such member is engaged in the performance of his duties as a member of the Board and shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred in carrying out the functions of the Board.
- (2) Other members of the Board, with the exception of the Chairman, and the Executive Director of the Center shall serve without additional compensation but shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in carrying out the functions of the Board.
- (3) The Chairman shall be compensated as set forth in paragraph (1) of this subsection, except if the Chairman holds some other position in the Federal Government such individual shall be compensated as set forth in paragraph (2) of this subsection.
- (e) (1) The Chairman shall appoint an Executive Committee of the Board, not to exceed seven members, including the Executive Director of the Center.
- (2) The Executive Committee of the Board shall meet at the call of the Chairman, but in no case less frequently than once every ninety days.

EXECUTIVE DIRECTOR; DEPUTY DIRECTOR

15 USC 2413.

SEC. 203. (a) The Center shall have an Executive Director, who shall be appointed by the President by and with the advice and consent of the Senate, without regard to political affiliation and solely on the basis of fitness to perform the duties and functions of the office. No person shall serve as acting or temporary Executive Director for a period in excess of three months.

(b) The Executive Director shall appoint a Deputy Director, who shall perform such functions as the Executive Director may prescribe.

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The Deputy Director shall act for and exercise the powers of the Executive Director during the absence or disability of the Executive Director.

(c) The Executive Director shall be responsible for the exercise of all powers and the discharge of all duties of the Center. The Executive Director shall have authority over and control of all of the staff of the Center and their activities. The Executive Director shall maintain budgets and allocate available funds as appropriate in carrying out the provisions of this Act.

(d) The Executive Director shall be compensated at a rate not to exceed that provided for Executive level IV under section 5315 of title 5 of the United States Code as determined by the President, and shall have no other employment, public or private, during the tenure of his appointment.

~~FUNCTIONS OF THE CENTER~~

Sec. 904. The Center shall—

15 USC 2414.

(1) develop and establish, in consultation with the appropriate committees of the Congress and with the appropriate departments and agencies of the executive branch, a national policy for productivity growth in the public and private sectors of the United States consistent with the purposes of this Act;

(2) seek, stimulate, and encourage maximum active participation of—

(A) the private sector of the Nation's economy, including labor organizations, associations and confederations, business enterprises and associations, institutions of higher education, foundations and other philanthropic organizations and research centers and institutes; and

(B) the public sector of the Nation's economy, including Federal, State, and local governments and agencies thereof, including institutions of higher education,

in efforts to improve the rate of productivity growth in all sectors of the Nation's economy;

(3) seek, stimulate, and encourage maximum active participation of the public agencies and private organizations identified in clause (2) of this section through identification and encouragement of selected research and demonstration programs implemented by public agencies and qualified private organizations which will—

(A) increase the rate of productivity growth in the public and private sectors of the national economy through improved and innovative utilization of technological and human resources; and

(B) develop, refine, and apply accurate and reliable measurement techniques to evaluate changes in productivity;

(4) to identify, study, and review—

(A) existing Federal, State, and local statutes, regulations, and fiscal policies which adversely affect productivity growth or the economic performance of the public and private sectors of the United States;

(B) incentives to encourage industry and labor initiatives in the development of methods, techniques, and systems for the improved utilization of technological and human resources in the public and private sectors;

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Recommendations to President and Congress.

(C) existing and new programs, plans, and other methods, including advanced warning systems, retraining programs, retirement and separation programs, designed to counteract threats to job security which may result from efforts to improve productivity;

(D) jointly, with the Civil Service Commission, the impact of Federal personnel policies, statutes, and regulations affecting the productivity of Federal agencies and the quality of working life of Federal employees; and

(E) the need and feasibility of providing, directly to potential users, public or private, various Center services in return for payment to the Center, and methods by which charges for such services will be established;

(5) recommend to the President, the Congress, the appropriate agencies and departments of the Federal Government, and State and local governments, any legislation, revisions of regulations, policies, practices, and procedures which result from the activities carried out under clause (4) of this section;

(6) encourage, support, and initiate efforts in the public or private sector specifically designed to improve cooperation between labor and management in the achievement of continued productivity growth: *Provided, however,* That no activities of the Center involving consideration of issues included in a specific labor-management agreement shall be undertaken without the consent and cooperation of the parties to that agreement;

(7) encourage departments and agencies of the Federal Government to initiate, stimulate, and support efforts in both the public and private sectors of the United States to improve the rate of productivity growth;

(8) coordinate all activities referred to in subsection (7) of this section in order to eliminate interagency duplication of effort and cost, to insure that Center activities will not unnecessarily conflict or overlap with such other activities, and to maximize the effectiveness of all such Federal programs and activities;

(9) coordinate and consult with the departments and agencies of the Federal Government in the obligation and expenditure of funds for activities and projects in both the public and private sectors to improve productivity growth;

(10) identify, develop, and support activities, programs, systems, and techniques, in the various departments and agencies of the Federal Government for measuring productivity growth within such departments and agencies;

(11) collect and disseminate relevant information obtained by the Center or other public agencies, institutions of higher education, or private organizations engaged in projects under this Act, including information related to new or improved methods, systems, technological developments, equipment, and devices to improve and stimulate productivity, growth, and to develop and implement a public information program designed to inform the public of the meaning and importance of productivity, and productivity growth;

(12) encourage and coordinate the efforts of State and local governments, and institutions of higher education, to improve productivity;

(13) maintain liaison with organizations, both domestic and foreign, involved in efforts to improve productivity;

(14) determine the Nation's needs for productivity-related management and analytical skills and to encourage and facilitate the development of training programs in such skills; and

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(1F) study the effects of materials availability upon productivity growth.

FORUMS

Sec. 205. In carrying out its functions, the Center is authorized— 15 USC 2415.

(1) to enter into contracts or other funding arrangements, or modifications thereof, in order to carry out the provisions of this Act;

(2) to organize and conduct, directly by contract or other funding arrangements with other public agencies or private organizations, conferences, meetings, seminars, workshops, or other forums for the presentation and dissemination of relevant information generated or collected pursuant to the provisions of this Act;

(3) to make such studies and recommendations to the President and to Congress as may be necessary to carry out the functions of the Center; Studies; recommendations to President and Congress.

(4) to implement a program and secure necessary facilities for the collection, collation, analysis, and interpretation of data and information as required in order to carry out the public information functions under this Act; and

(5) to undertake such other studies, reviews, activities, and to make such recommendations and reports as may be required to carry out the functions of the Center.

CONTRACTS AND OTHER FUNDING ARRANGEMENTS—CONDITIONS

Sec. 206. (a) No contracts or other funding arrangements may be entered into under this Act unless— 15 USC 2416.

(1) such contracts or other funding arrangements will be consistent with the policies and purposes of this Act and of potential benefit to other users in the public or private sectors;

(2) provisions are made to evaluate the demonstration program and maintain improvement data, such evaluation either to be implemented by the participating parties in accordance with specifications established by the Center, or to be implemented by or on behalf of the Center; and

(3) the participating parties agree that all information relating to any innovation or achievement generated in the course of any Center-funded demonstration program shall be public information.

(b) No contract or other funding arrangement shall be made or entered into pursuant to the provisions of this Act for a period of more than three years.

(c) Any non-Federal share of a project may be in cash or in kind, fairly evaluated, including, but not limited to, plant, equipment, or services.

CONTRACT AND OTHER FUNDING ARRANGEMENTS—CRITERIA

Sec. 207. (a) The Center shall prescribe by regulation, after consultation with appropriate agencies and officials of Federal, State, and local governments, basic criteria for the participating parties under this Act. 15 USC 2417.

(b) If the Center determines, on the basis of information available to it during any fiscal year, that a portion of the funds provided to a participating party for that fiscal year will not be required by the party or will become available by virtue of the application of regulations established by the Center to govern noncompliance by a participating party, that portion shall be available for reallocation under this section.

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(c) The Center shall by regulation prescribe the basic criteria for determination of noncompliance by participating parties including appropriate provisions for notice and hearing with respect to such determination.

ANNUAL REPORT

Report to
President and
Congress.
15 USC 2418.

SEC. 300. (a) Not later than December 31 of each year, the Center shall report to the President and to the Congress on activities pursuant to the provision of this title during the preceding fiscal year; such reports shall include a detailed statement of all public and private funds received and expended together with such recommendations as the Center deems appropriate. Such report shall include an analysis of the extent to which each agency of the Federal Government which has significant responsibilities for assisting in the improvement of productivity is carrying out such responsibilities consistent with the provisions of this Act, including (A) an accounting of all funds expended or obligated by such agencies for activities and projects to improve productivity growth, (B) an assessment of the extent to which such expenditures or obligations have furthered the policies of the Center, and (C) the Center's recommendations on how these expenditures and obligations can be better coordinated to accomplish the purposes of this Act.

(b) Each report required to be submitted to the Congress by this Act shall be referred to the standing committee or committees having jurisdiction over any part of the subject matter of the report.

TITLE III—FEDERAL AGENCY COORDINATION AND
LIAISON WITH CENTER

15 USC 2431.

SEC. 301. (a) Each department, agency, and independent establishment of the Federal Government shall designate a qualified individual to serve as liaison with the Center and to assist the Center in carrying out its functions pursuant to this Act.

(b) Each department, agency, and independent establishment of the Federal Government shall keep the Center currently informed of its programs, policies, and initiatives to improve productivity which relate to the responsibilities of the Center, and shall consult with the Center prior to the obligation or expenditure of funds for activities or projects to improve productivity growth.

(c) Each Federal department, agency, and independent establishment of the Federal Government is authorized and directed to furnish or allow access to all relevant materials and information required by the Center to carry out its functions under this Act.

INTERNAL REVIEW

15 USC 2432.

SEC. 302. Each department, agency, and independent establishment of the Federal Government, in coordination with the Center, shall study and review the promulgation and implementation of its statutory authority, policies, and regulations, and shall identify such statutes, policies, and regulations which adversely affect productivity growth in the public or private sectors of the United States, or those which impede the efficient functioning of the Nation's economy, and shall recommend to the President and the Congress, or implement where appropriate, alternative statutes, policies, and regulations which will contribute to the achievement of the purposes of this Act.

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SUPPORT OF EXTERNAL ACTIVITIES

Sec. 303. Each department, agency, and independent establishment of the Federal Government, in coordination with the Center, shall, to the extent appropriate, make available to State and local governments, labor organizations, industry, public institutions, and other qualified organizations advice, information, and support, including financial and other assistance, designed to maintain, promote, and enhance sustained productivity growth in the public and private sectors of the United States. 15 USC 2433.

INTERNAL PRODUCTIVITY

Sec. 304. Each department, agency, and independent establishment of the Federal Government shall identify, develop, initiate, and support appropriate programs, systems, procedures, policies, and techniques to improve the productivity of such departments and agencies, including the implementation, where desirable, of specific programs recommended, supported, or implemented by the Center. 15 USC 2434.

EFFECT ON PRIOR PROVISIONS

Sec. 305. Nothing in this title affects any specific statutory obligation of any Federal agency (1) to coordinate or consult with any other Federal or State agency or (2) to act, or to refrain from acting, contingent upon the recommendations or certification of any other Federal or State agency. 15 USC 2435.

TITLE IV—ADMINISTRATIVE PROVISIONS

Sec. 401. The Executive Director is authorized to— 15 USC 2451.

(1) prescribe such regulations as are deemed necessary to carry out the purposes of this Act;

(2) receive money and other property donated, bequeathed, or devised, or remitted in payment for services rendered, without condition or restriction other than that it be for the purposes of the Center;

(3) receive (and use, sell, or otherwise dispose of, in accordance with clause (2)) money or other property donated, bequeathed, or devised to the Center, except for such money and other property which includes a condition that the Center use other funds of the Center for the purpose of the gift, in which case two-thirds of the members of the Board of the Center must approve such donations;

(4) appoint and fix the compensation of such personnel as may be necessary to carry out the provisions of the Act in accordance with the provisions of title 5, United States Code, governing appointments in the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates; 5 USC 5101 et seq., 5331.

(5) obtain the services of experts and consultants in accordance with the provisions of section 5109 of title 5, United States Code, at rates for individuals not to exceed the maximum daily rate prescribed for GS-18 under section 5332 of title 5, United States Code;

(6) accept and utilize the services of voluntary and noncompensated personnel and reimburse them for travel expenses, including per diem as authorized by section 5703 of title 5, United States Code; 5 USC 5332 note.

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(7) utilize, on a reimbursable or nonreimbursable basis the services, equipment, personnel, and facilities of any other department or agency of the United States;

5 USC 5332
note.

(8) establish one or more task forces to assist and advise the Center, composed of individuals who, by reason of experience, are qualified for such service. Each member of any such task force who is not an officer or employee of the Federal Government may receive an amount not to exceed the maximum daily rate prescribed for GS-18 under section 5332 of title 5, United States Code, for each day such individual is engaged in the actual performance of duties (including traveltime) as a member of such a task force. Members may be reimbursed for travel, subsistence, and necessary expenses incurred in the performance of their duties; and

(9) make advances, progress, and other payments deemed necessary under this Act without regard to the provisions of section 5048 of the Revised Statutes, as amended (21 U.S.C. 599).

TITLE V—EVALUATION BY THE COMPTROLLER GENERAL

15 USC 2461.

Sec. 501. (a) The Comptroller General of the United States shall audit, review, and evaluate the implementation of the provisions of this Act by the Center.

Report to
Congress.

(b) Not less than thirty months nor more than thirty-six months after the effective date of this Act, the Comptroller General shall prepare and submit to the Congress a report on his audit conducted pursuant to subsection (a), which shall contain, but not be limited to, the following:

(1) an evaluation of the effectiveness of the Center's activities;

(2) an evaluation of the effect of the activities of the Center on the efficiency, and effectiveness, of affected Federal agencies in carrying out their assigned functions and duties under this Act; and

(3) recommendations concerning any legislation he deems necessary, and the reasons therefor, for improving the implementation of the objectives of this Act as set forth in section 102.

TITLE VI—REPEAL AND TRANSFER

REPEAL OF PUBLIC LAWS 92-210 AND 92-311

15 USC 1026.

Sec. 601. Section 4 of Public Law 92-210, and Public Law 92-311, relating to the National Commission on Productivity and Work Quality, are repealed.

TRANSFER OF FUNCTIONS AND STAFF

15 USC 2401
note.

Sec. 602. (a) The functions and staff of the National Commission on Productivity and Work Quality are hereby transferred to the Center.

(b) All property, records, and contracts as are determined by the Director of the Office of Management and Budget to be employed, held, or used primarily in connection with any function transferred by subsection (a) are transferred to the Center.

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TITLE VII—AUTHORIZATION OF APPROPRIATIONS

Sec. 701. There are authorized to be appropriated to carry out the purposes of this Act, not to exceed \$6,850,000 for the fiscal year ending June 30, 1976, and the subsequent transition period ending September 30, 1976; not to exceed \$5,000,000 for the fiscal year ending September 30, 1977; and not to exceed \$5,000,000 for the fiscal year ending September 30, 1978. Funds appropriated for any fiscal year shall remain available for obligation until expended. 15 USC 2471.

Approved November 28, 1975.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 94-840 (Comm. on Banking, Currency and Housing).

SENATE REPORT No. 94-335 (Comm. on Government Operations).

CONGRESSIONAL RECORD, Vol. 121 (1975):

Sept. 4, considered and passed Senate.

Oct. 28, considered and passed House, amended.

Nov. 14, Senate concurred in House amendments.

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BOARD OF DIRECTORS OF THE CENTER 1/

Nelson A. Rockefeller, Chairman
Vice President of the United States

I. W. Abel
President, United Steelworkers of America

Donald C. Burnham
Director-Officer, Westinghouse Electric Corporation

Berkeley G. Burrell
President, National Business League

Edward E. Carlson
Chairman and Chief Executive Officer, UAL, Inc.

C. L. Dennis
International President, Brotherhood of Railway, Airline,
Steamship Clerks, Freight Handlers, Express and Station
Employees

John T. Dunlop
Professor, Harvard Business School

Daniel J. Evans
Governor of Washington

Frank E. Fitzsimmons
President, International Brotherhood of Teamsters

Gaylord Freeman
Honorary Chairman, First National Bank of Chicago

Robert A. Georgine
President, Building and Construction Trades, AFL-CIO

Andrew E. Gibson
President, Maher Terminals

James E. Holshouser, Jr.
Governor of North Carolina

Wayne L. Horvitz
Chairman, Joint Labor/Management Committee of the Retail
Food Industry

1/The Board of Directors resigned on January 2, 1977,
in accordance with Public Law 94-136.

J. Lane Kirkland
Secretary-Treasurer, AFL-CIO

R. Heath Larry
Vice Chairman of the Board, United States Steel Corporation

Bess Myerson
Syndicated columnist and consumer advocate

Elliot L. Richardson
Secretary of Commerce

Herbert S. Richey
President and Chief Executive Officer, Valley
Camp Coal Company and Chairman, United States
Chamber of Commerce

James F. Searce
Director, Federal Mediation and Conciliation Service

L. William Seidman
Assistant to the President for Economic Affairs

William E. Simon
Secretary of the Treasury

William J. Usery, Jr.
Secretary of Labor

George H. Kuper
Executive Director

BASIS FOR GAO SUGGESTIONS FOR
ASSIGNMENT OF RESPONSIBILITIES
FOR INCREASING THE RATE OF PRODUCTIVITY
IMPROVEMENT IF THE NATIONAL CENTER
FOR PRODUCTIVITY AND QUALITY OF
WORKING LIFE IS NOT CONTINUED

SUGGESTED LOCATION OF THE
FEDERAL GOVERNMENT PRODUCTIVITY
EFFORT

Within the Federal Government there is a need to establish a focal point for internal productivity improvement. The Office of Management and Budget, being the Government's central manager and having statutory authority for improving the efficiency of Government operations, would be the most likely location for leading the Federal Government productivity effort.

Among executive branch agencies, OMB is presently the only organization with adequate authority for holding agency managers throughout the Government accountable for improving productivity. It can act as a catalyst in providing technical assistance for productivity improvement and can require agencies to support their budget submissions with productivity measurement data.

As this review was being completed, the administration was proposing to partially reorganize the central management function by creating an Office of Personnel Management with authority and status equal to that of OMB. In recent discussions with us, the Chairman of the present Civil Service Commission suggested that this new agency might be an alternative to placing responsibility for Federal productivity in OMB.

We agree that this new office could serve equally as well as OMB in providing a focal point for internal Federal productivity. However, if the new office is selected, the proposed legislation establishing it should be amended to provide specifically for this role.

As presently envisioned, the new Office of Personnel Management would be concerned exclusively with personnel

matters. If it is to assume a central role in productivity, its responsibility should be extended to include responsibility for fostering improvements through attention to other factors responsible for productivity improvement, such as measurement, investment in capital equipment, and application of improved methods and techniques.

We believe a Federal Government productivity effort in OMB or in the Office of Personnel Management should have the following functions:

- Enforce the requirements of OMB Circular No. A-11, "Preparation and Submission of Budget Estimates," concerning the use of productivity data in support of staffing resources and rewarding agencies demonstrating improvement.
- Develop legislation that will provide meaningful rewards for high performance to managers and employees through merit pay and the incentives program.
- Systematically study all personnel policies which presently impede productivity improvement and recommend appropriate changes.
- Assume a catalytic role in bringing together common agency functions in workshops where productivity improvement ideas can be shared.
- Establish a central technical assistance capability to assist managers in developing measurement systems for their agencies. The Bureau of Labor Statistics could serve as a resource in carrying out this responsibility.
- Encourage agencies to identify productivity improvements that can be made through investments in capital equipment.

LOCATION AND MISSION OF THE STATE
AND LOCAL GOVERNMENT PRODUCTIVITY
EFFORT

The needs of State and local governments regarding productivity improvement and their relationships with the Federal Government are different from those in the private sector; therefore, we suggest that the Congress establish a separate Federal focal point for State and local government productivity improvement. Since improved State and local

management capacity is necessary for the implementation of specific productivity improvement programs, the Federal effort to improve State and local productivity should be part of a broader program to improve the managerial capacity of these governments. While the Federal Government has a large array of funding and technical assistance available to improve State and local management of specific programs, there is currently no single (recognized) Federal program charged with improving State and local government management on a governmentwide basis.

The mission of such a program would be to set policy and provide leadership for existing Federal research, demonstration, and capacity-building efforts to improve State and local government management and productivity. The designated focal point for the program would reflect the needs of State and local managers and attempt to change Federal programs and policies accordingly. Most importantly, this Federal effort could study and deal with critical governmentwide issues affecting State and local productivity, especially the impact of the Federal grants system. As such, the primary emphasis would be to institutionalize within the Federal Government a concern for productivity and management improvement in its relationships with State and local governments.

The Federal effort to improve State and local government productivity should be concerned with the following major functions:

- Assessing of State and local governments to identify productivity problems and to determine the status of ongoing productivity programs.
- Reviewing the adequacy both of research and development strategies of existing Federal programs and plans for using Federal discretionary general management support funds.
- Encouraging other Federal agencies to commit more resources and effort to State and local government productivity problems; for example, (1) mobilizing a more extensive effort by the Bureau of Labor Statistics to measure State and local productivity trends, (2) encouraging Federal agencies to offer reimbursable technical assistance pursuant to the 1968 Intergovernmental Cooperation Act, and (3) developing more and better productivity courses and training programs for public managers.

--Relaying relevant research findings and information on measurement systems, comparative performance data, the relationship between productivity and the quality of working life, and other ongoing successful efforts to State and local government managers through networks of State and local public interest groups.

In addition, improvement of the Federal grants system should be promoted. There is a need to incorporate more performance criteria in funding distribution formulas and standards used to evaluate grantee performance. The concept of incentives and performance standards needs to be considered when grant programs are either created or reauthorized. Also, fundamental changes need to be made in the grants system to remove barriers to grantee productivity. Reforms, such as reduction of Federal reporting and paperwork requirements and consolidation of categorical grant programs, are still needed. These reforms have been recommended by the Federal Paperwork Commission and by us.

The Federal Government presently has no recognized program to build the capacity of and encourage innovation in State and local management. There is a need for limited Federal seed money for State and local governments to support research and development programs. Therefore, a limited Federal general management improvement program should be formed by modifying the Civil Service Commission's Intergovernmental Personnel Program. This would provide the necessary seed money and would also coordinate the existing management capacity-building programs of other Federal agencies.

These discretionary funds should also be used as leverage for the financial support of other Federal agencies for specific projects of national interest.

The State and local government productivity focus should be placed in an agency that is familiar with productivity improvement issues and has had some direct experience in the area. The organization's scope should be large enough to encompass all State and local governmental functions, and its focus should be managerial, not programmatic in nature. Finally, it should have an overview perspective to permit easier direction of other Federal agencies.

The Civil Service Commission appears to be the best location for leading the State and local government productivity effort. The Commission is involved with State and

local government management improvement and is not a "program agency," such as the Department of Housing and Urban Development and the Department of Labor. The Commission, therefore, is in a better position to deal with State and local government productivity problems that cut across agencies. In addition, the Commission, through its Bureau of Intergovernmental Personnel Programs, currently has the largest Federal funding effort for building State and local public management capacity, and it is the only Federal effort with statutory authority in this area. A productivity effort within the Commission would have a great potential for improving State and local government productivity through its control of these funds.

Top Commission officials, including the Chairman, have indicated their receptivity and support for a broad State and local government productivity (management) improvement effort located within the Commission. In fact, the Commission itself has recently proposed expanding its Intergovernmental Personnel Program effort to a broader management improvement grant program.

To give greater visibility to the effort, we believe the State and local government productivity organization should be a separate office in the Civil Service Commission, with the director reporting directly to the Chairman. Formation of an advisory committee should be considered with representation from a broad cross-section of Federal, State, and local officials to provide better credibility and support within the State and local sector.

To enhance the prospects for coordination of other Federal agency efforts, we suggest that the Commission be considered as the lead Federal agency for State and local management improvement, with authority to review the plans and proposals of all Federal agencies in the area.

LOCATION OF LABOR-- MANAGEMENT ACTIVITIES

The Federal agency which could best take the lead in encouraging improved labor-management cooperation as a means to enhance productivity and quality of working life should

--be a "neutral" agency without real or perceived affiliation that favors either labor or management,

--enjoy the respect and trust of both labor and management,

- possess a field structure with personnel who, by the nature of their primary responsibilities, are in a position to identify the best opportunities for improved labor-management cooperation, and
- have a top management committed to promoting improved labor-management cooperation.

In our view, the Federal Mediation and Conciliation Service comes closest to meeting these criteria. It is a "neutral" agency and, from our limited contacts, it seems to enjoy the trust and respect of both labor and management. Much of its technical assistance activities results from the direct request of labor and management, which develops primarily as an outgrowth of a mediator's involvement during a contract dispute. The Service also has a field structure with over 300 professional mediators located in major metropolitan areas throughout the United States, thus putting itself in an opportune place to identify where improved labor-management cooperation can be achieved. Finally, it is already providing assistance in developing labor-management committees.

The Service's Director agreed that, if the center no longer exists, his organization is the logical place to put the leadership responsibility for encouraging improved labor-management cooperation, and he stated he would be willing to accelerate the Service's efforts in this area.

Although the Service already has done some work with State and local governments, their office of General Counsel believes that minor changes to its enabling legislation, making its responsibilities for labor-management cooperative efforts in State and local governments more explicit, would enable the Service to play a more effective role in promoting such cooperation.

The Secretary of Labor indicated his preference to assign lead responsibilities for encouraging labor-management cooperation to the Labor-Management Services Administration of the Department of Labor. While this is an alternative, we believe that lead responsibilities should be located in what is considered a neutral agency; therefore, we continue to believe that the Federal Mediation and Conciliation Service would be a more appropriate agency.

Designation of lead responsibility to the Service, however, does not mean that other agencies engaged in labor-management cooperative efforts should discontinue their

activities. The lead agency will simply ensure coordination of these activities.

In our view, the Service, in its leadership role, should rely heavily on the Department of Labor, as well as other Federal agencies, for continued involvement and support in the labor-management area.

LOCATION OF REGULATORY ACTIVITIES

As with labor-management activities, Federal regulatory activities designed to improve productivity should be located in what is considered neutral ground. In addition, this organization should have stature and clout. In our opinion, a unit dealing with regulatory mediation in the Executive Office of the President would provide the best opportunity for removing regulatory barriers to improved productivity.

The unit should be staffed with trained mediators and regulatory analysts. The mediators would assist in the problemsolving negotiations of the interested parties. The analysts would evaluate reform proposals and identify their direct and indirect effects.

All agencies and independent establishments of the Federal Government with regulatory authority should be required to provide the unit with annual inventories of major regulatory problems. These inventories would assist the unit in establishing its priorities and objectives.

The unit would be responsible for bringing together representatives of all interested parties to mediate their differences and develop broadly accepted recommendations for solving specific regulatory problems. These recommendations would be referred to the appropriate government authorities for consideration.

The private and public sector productivity organizations should, in the course of their needs assessments, refer identified regulatory problems to the unit.

LOCATION OF PRIVATE SECTOR PRODUCTIVITY IMPROVEMENT EFFORT

From our analysis, we have determined that an independent organization could best handle private sector productivity improvement. It would not be aligned or identified with any particular set of interest groups. Because of its neutral

position, it would be more likely to structure its programs with consideration to the concerns of all interested parties. An independent organization would also have high visibility and would not be tied to or lost within an ongoing department. To be effective, however, an independent organization needs Presidential and congressional support in order to have sufficient influence and status. By "support" we mean

- an appropriate budget to enable it to fulfill its mission,
- appointment of a strong leader who has access to other top leaders of the administration,
- recognition by the President and heads of agencies that the organization is the focal point for the Federal productivity effort, and
- a demonstrated commitment to the concept of productivity improvement.

If this support is not forthcoming, one alternative would be to house the leadership effort in an existing agency. This agency would need to be familiar with productivity and be willing to provide the support the national productivity effort requires. The Department of Commerce seems to meet these requirements. The Department's primary mission, "to foster, promote, and develop the foreign and domestic commerce of the United States," may be considered an integral part of productivity improvement. The Department is already involved with numerous productivity related programs, including:

- Research and development programs promoting the utilization of improved manufacturing, technology, and standards.
- Productivity measurement seminars for U.S. firms.
- Increased diffusion of technological knowledge for application by private industry.
- Demographic and economic research on the economic health of the United States, including productivity.
- Development of science and technology policy options that have a bearing on private and public sector advances in productivity growth.

- Financial and informational assistance to economically depressed regions, industries, firms, or individuals to help regain productivity capability.
- Examination of Federal regulations, seeking the elimination or modification of those requirements adversely affecting private sector productivity.

Placing a separate productivity organization in the Department of Commerce, which reports directly to the Secretary of Commerce, would provide a proper setting for the focus on private sector productivity. This would place the leadership organization in an agency that has already demonstrated its interest in improved national productivity through the programs it administers.

At the same time, we recognize the longstanding commitment that the Department of Labor has had and the efforts it has undertaken in human resources productivity and quality of working life improvement. The Department has responsibility to foster, promote, and develop wage earner welfare. To accomplish this the Department addresses the topics of worker rights, safety and health, compensation, training, labor-management relations, as well as keeping track of changes in employment, prices, and other national economic measures. These topics are pursued through several of the Department's administrations, including Employment and Training, Labor-Management Services, Employment Standards, and Occupational Safety and Health. In our view, the Department of Commerce, in its leadership role, should rely on the Department of Labor for continued support in these areas.

FUNCTIONS OF THE PRIVATE SECTOR PRODUCTIVITY EFFORT

Whether the private sector productivity effort is located in a reconstituted center or in an ongoing department, it must be undertaken in partnership with the private sector. The Federal Government should provide the framework and incentives for improving productivity by means of a consensus among business, labor, and government as to the best policies and procedures to be pursued. We believe that the Federal focus for the private sector productivity effort should be limited to five functions:

- Develop periodic needs assessments to determine the nature and extent of private sector productivity problems, and refer identified labor-management and regulatory problems to the proper agencies for consideration.

- Act as a facilitator in bringing together various groups on neutral ground to discuss widespread industry productivity problems.
- Operate a productivity clearinghouse to provide national and international data and knowledge on various aspects of productivity--effective methods, their costs, how long they take to provide results, etc. This would benefit all sectors of the economy.
- Promote a better understanding of all the factors affecting productivity, including human resources, quality of working life, capital, technology, research and development, transformation of knowledge into practical terms, and the importance of productivity to our national economy.
- Interact with the Joint Economic Committee of the Congress, the Council of Economic Advisers to the President, and the Federal Reserve Board to assess the productivity effect of fiscal, monetary, tax, and regulatory policies on the private sector.

The Federal role for private sector activities would also be to serve as a focal point for the growing network of non-Federal institutions already dealing with productivity, such as trade associations, public interest groups, and private organizations. This role would also include an emphasis on productivity measurement at the plant and industry level as well as at the overall economy level. In this effort the focal point entity should work closely with the Bureau of Labor Statistics, which is presently the major Government publisher of productivity statistics.

National Center for Productivity and Quality of Working Life

April 11, 1978

Dear Mr. Scantlebury:

We are pleased to have the opportunity to comment on the recommendations of the General Accounting Office report "The Federal Role in Improving Productivity--Is the National Center for Productivity and Quality of Working Life the Proper Mechanism?" Although these observations are restricted to the recommendations, we have conveyed more detailed comments directly to the staff on an earlier draft of the summary report.

We, of course, share the concern of the GAO that the United States continues to lag behind other industrialized nations in productivity growth. As President Carter has noted, while the productivity of the labor force increased at an average annual rate of about 3 percent during the first two decades of the postwar period, during the past ten years it has slowed markedly to about 1.5 percent a year. During this same ten year period, the productivity of Germany, Japan, and some other industrialized nations increased at rates of from 6 to 14 percent a year. The productivity lag is reflected in persistent inflation and a weakening of our competitive trade position and will, over the long term, erode our Nation's basic economic health--including the ability to create new jobs--and the prime source of increases in our standard of living.

Therefore, we agree with you that a need remains for a "strong, well-coordinated [Productivity Improvement] effort at the Federal level that can harness and provide direction for the many activities already underway and insure that new efforts are developed where they are needed." We believe, however, that it is critical to establish the essential difference between a Federal "effort" and a Federal "program." What is needed is the leadership and commitment of the Federal government--which as the report notes has a variety of individual programs that can contribute to productivity improvement-- to participate with labor and management leadership in an ongoing effort to improve productivity. By itself, no single agency or program can fulfill this need. An independent center, capable of drawing upon both private and public sector resources, is required.

Mr. D. L. Scantlebury
April 11, 1978
Page Two

Under a reconstituted charter, the National Center or a similar agency, should concentrate on supporting efforts to improve productivity in various private sector industries, as well as develop new, innovative responses to productivity problems and generally stimulate commitment to improve productivity. The function of helping an industry identify its productivity problems and gain support for addressing those problems can best be performed by a non-aligned, independent agency, but it must have the active support of government and representatives of labor and business. The National Center has been the catalyst in getting together labor, management and government to help undertake productivity improvement plans in particular industries. If this basic function were placed in one department or agency it would be very difficult to support an industry-wide agenda that incorporated the necessary diverse aspects of productivity improvement.

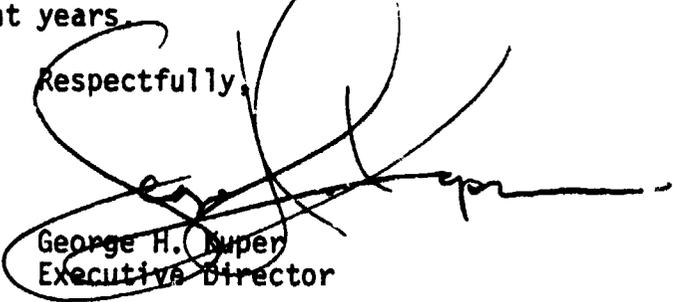
A number of other productivity improvement efforts initiated by the Center in response to its legislative mandate have now matured to a point where they may best be advanced by other agencies or departments. The GAO report has made specific recommendations regarding the location of the focus for Federal government productivity improvements, State and local government, labor-management cooperation and regulatory reform.

In evaluating these recommendations we should be aware that the underlying need for productivity improvement that initiated these activities could be overshadowed by other constituent needs of any new host agency. For instance, although it is clear that the Office of Management and Budget has the authority (or the proposed Office of Personnel Management could be assigned such authority) to influence productivity improvement throughout the Federal establishment, narrow budgetary (or personnel management) pressures could result in negative productivity incentives. Similarly, State and local government productivity improvement efforts would be enhanced only if carefully placed as part of a broader program to improve the managerial capacities of such governments which should include important revisions to the Federal grant system. We agree with the GAO that "labor-management activities must be located in what is considered neutral ground." It should be recognized, however, that while the Federal Mediation and Conciliation Service has responsibility for encouraging industrial peace in labor-management relations, it is not now in a position to stimulate interest in the wide range of human resource programs of direct interest to labor and management that affect productivity such as retraining, job security, working conditions and incentive plans.

Mr. D. L. Scantlebury
April 11, 1978
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In summary, there is a need for an executive and legislative commitment to reinforce the individual roles of line agencies of the Federal government in a national productivity improvement effort. A reconstituted National Center should focus its catalytic efforts in those areas where the recognition of productivity problems has not been evidenced by action. Any alternative which did not include an independent center would result in a diffused, unfocused activity. It would certainly not constitute the type of effort that measures up to the urgency of the problem that the CAO report has outlined. Assigning all the responsibilities to line departments or agencies could signal a lack of national commitment to one of the most significant economic problems of recent years.

Respectfully,



George H. Super
Executive Director

Mr. D. L. Scantlebury
Director
Division of Financial and
General Studies
U. S. General Accounting Office
Washington, D. C. 20548



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

APR 4 1978

Mr. D. L. Scantlebury
Director, Division of Financial
and General Management Studies
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Scantlebury:

I am responding to your request to Mr. McIntyre for comments on your draft report, "The Federal Role in Improving National Productivity--Is the National Center for Productivity and Quality of Working Life the Proper Mechanism?" We appreciate the opportunity to review the draft report since the subject of the Federal role in productivity and the future of the Center is of great concern to us.

As you and your associates are aware, the issues addressed by your report have been the subject of intensive review within the Administration during recent months. The President specifically requested a decision paper on the future of the National Center for Productivity and Quality of Working Life. We consulted the other interested agencies in developing the analysis and options. Director McIntyre submitted his memorandum to the President just a short while ago, and we are awaiting the President's decision.

Since our review covered much of the same ground covered by yours, we are familiar with the bases for your recommendations and understand them fully. However, in view of the President's interest and our expectation that he will provide specific guidance in the near future on some of the major aspects covered by your report, we do not feel we can comment in detail at this time. We should be able to be more specific in Mr. McIntyre's response to the Comptroller General's final report.

I would like to take this opportunity to point out one area where the President has announced a specific policy initiative that would guide our reaction to one of your recommendations. In his Message to the Congress of March 27 on Urban Policy the President referred to the

planning and technical assistance provided to communities through HUD and Commerce to help cities improve their management and planning practices. He said that "these funds will be used increasingly to build the local government's capacity to undertake the necessary fiscal and management reforms." The President's statement would guide our response to your recommendation regarding State and local government productivity efforts.

Again, thank you for the opportunity to review your draft report.

Sincerely,



Wayne G. Grandquist
Associate Director for
Management and Regulatory Policy



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

APR 17 1978

Mr. D. L. Scantlebury
Director, Division of Financial
and General Management Studies
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Scantlebury:

In my letter to you of April 4, 1978, on the future of the National Center for Productivity and Quality of Working Life, I indicated we were awaiting a Presidential decision on the issue. The decision was made just a few days ago; and I would like to inform you of it so that our comments on your draft report can be more definitive.

After considering the recommendations of the interested executive agencies and the Center, the President decided that the best course of action would be to allow the Center to expire; assign all operating functions to established line agencies; and assign overall policy formulation and coordination responsibilities within the Executive Branch to the Office of Management and Budget. He also determined that responsibility for productivity improvement within the executive agencies would be most appropriately assigned to the Civil Service Commission (or the Office of Personnel Management if Civil Service reorganization is adopted).

We have notified Senator Glenn and Congressman Moorhead, chairmen of the authorizing subcommittees, and will be consulting with them on our future course of action.

Sincerely,

A handwritten signature in cursive script, reading "Wayne G. Granquist".

Wayne G. Granquist
Associate Director for
Management and Regulatory Policy

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

APR 20 1978

Honorable Elmer B. Staats
Comptroller General
General Accounting Office
441 G Street, N.W.
Washington, D. C. 20548

Dear Elmer:

I appreciate the opportunity to review the proposed GAO report, "The Federal Role in Improving Productivity." It obviously represents a major accomplishment by the GAO staff who have done an excellent job of assembling and analyzing material to assist Congress in deciding the future of the National Center for Productivity and Quality of Working Life.

As you probably know, the President has concluded that the authority granted to the National Center by P.L. 94-136 should be allowed to expire on September 30, 1978. For this reason I was particularly interested in the report's recommendations regarding the reassignment of the Center's responsibilities in the event of its dissolution. I must confess that, in reviewing them, I was surprised and disappointed by the report's failure to consider the obvious relevance of the Labor Department's mission and functions to any national productivity program. With the exception of the limited attention given to but one part of the extensive BLS measurement and analysis program, it reflects virtually no recognition of the many pertinent activities already taking place in the Department's principal operating agencies.

Despite the emphasis placed on the vital human resources factor, the report does not so much as mention the comprehensive programs of the Employment and Training

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Administration, whose purpose it is to develop and maintain a skilled and effectively functioning workforce. Surely the provision of adequate human resources is no less crucial to productivity growth than is the availability of capital or the development of improved technology.

Similarly, I would have expected the report to take cognizance of the key role played by the Labor-Management Services Administration in promoting more cooperative and mutually beneficial relations between employers and unions. Had this agency's programs and potential been appraised more carefully, I wonder if the report would still have concluded with the recommendation that the FMCS should bear the responsibility for encouraging labor-management cooperation as an adjunct of the Federal productivity effort. Indeed, I feel impelled to question the wisdom of what would be tantamount to a drastic change in the FMCS role. While this organization recently has had some limited experience in promoting cooperation through joint committees, it should be recognized that there is a vital distinction between accomplishing this as part of its basic mission of reducing industrial conflict and encouraging collaboration for the purpose of achieving productivity improvement.

I fail to see the latter function as a natural extension of the FMCS role, and I suspect that many employers and unions would have serious misgivings about such a change. For this reason, if there is not to be a continuing, independent agency akin to the existing Center, I believe that there is sound logic in designating the Department's Labor-Management Services Administration as the more appropriate agency to assume responsibility for this aspect of the overall Federal productivity effort.

Finally, I was pleased to note the report's acknowledgment of the inextricable linkage between productivity growth and that set of concerns that has come to be identified as "the quality of working life." It seems highly unlikely that the active support of workers and their unions in any productivity campaign can be achieved without providing assurance to them that their basic interests will be protected. Reasonable guarantees of job security, safety

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and health on the job, and equitable gains-sharing are essential requisites for cooperation. And, of course, these concerns constitute the essence of the Labor Department's mission.

I hope that the final GAO report to Congress will reflect due consideration of these important issues.

Sincerely,



Secretary of Labor

(91037)