

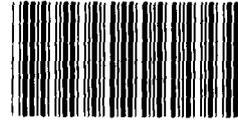
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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Stronger Federal Effort Needed To Foster Private Sector Productivity



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Declining growth in U.S. productivity is a serious national issue that fuels inflation and reduces our standard of living and international competitiveness. Recognizing the need for Federal action to improve productivity, the President established the National Productivity Council in 1978.

In over two years of existence the Council has been relatively inactive, has largely ignored the functions assigned to it, and has lacked support.

A need still exists for a productivity organization to effectively guide and coordinate Federal programs aimed at improving national productivity, and work with the private sector to develop a national productivity plan. This organization should be established by legislation, with a Presidentially appointed Chairperson and its own budget authorization. To be effective, it must have the strong support of the President and the Congress.

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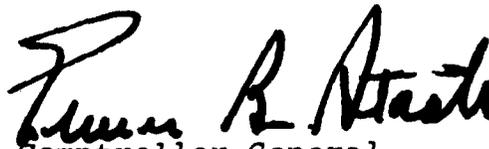
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To the President of the Senate and the
Speaker of the House of Representatives

This report discusses our review of the national productivity effort established under Executive Order 12089 and presents our recommendation for an effective national productivity effort.

We prepared this report at the request of Congressman John J. LaFalce, Chairman of the Subcommittee on General Oversight, House Committee on Small Business. At his request, we did not take the additional time needed to obtain agency comments on the matters discussed in this report.

We are sending copies of this report to the President of the United States, the Director of the Office of Management and Budget, the Director of the Office of Personnel Management, and the Secretaries of Commerce and Labor. We are also sending copies to the Chairmen of the Senate Committees on Governmental Affairs and Banking, Housing, and Urban Affairs; to the Chairmen of the House Committees on Government Operations and Banking, Finance and Urban Affairs; and to the Chairman of the Joint Economic Committee.


Comptroller General
of the United States

D I G E S T

U.S. productivity growth has declined dramatically over the past 12 years. In the past 3 years it has virtually ceased. Concern over this serious problem is increasing since declining productivity fuels inflation and reduces both our standard of living and our international competitiveness.

Recognizing the importance of productivity, the President established the National Productivity Council in October 1978, and assigned private sector productivity responsibilities to the Departments of Labor and Commerce. The Council was to guide and coordinate these and other Federal efforts to improve productivity and to serve as the Government's primary contact with the private sector on productivity issues.

At the request of the Chairman, Subcommittee on General Oversight and Minority Enterprise, House Committee on Small Business, GAO examined the effectiveness of the Council regarding private sector productivity. GAO met with Council staff and numerous officials directly involved with productivity improvement programs. (See p. 4.)

GAO found that in over 2 years of existence, the National Productivity Council has been relatively inactive and has largely ignored the functions assigned to it. It has seldom met, has not provided guidance to Federal productivity programs, and has not become recognized as the Government's productivity focal point. (See p. 6.)

GAO also found that the Department of Labor did not act on its leadership responsibilities and that the Department of Commerce undertook significant productivity initiatives despite the Council's lack of involvement. (See p. 14.)

GAO concludes that the national productivity effort established under Executive Order 12089 has been ineffective because it lacked support from the executive branch. As a result

--Federal programs directly related to productivity improvement, now totaling more than \$2 billion annually, are funded and operated without any central review, direction, coordination, or evaluation.

--There is no recognized spokesperson for productivity concerns.

--There is no open channel for airing private sector problems and concerns about productivity related policies. (See p. 17.)

Productivity is a vitally important national issue that requires a Federal commitment stronger than the current Council has provided.

An effort is needed to coordinate and guide existing Federal productivity programs and provide a productivity perspective in economic and budgetary decisionmaking. An organization should be established to

--provide central review and coordination of Federal programs directed at productivity improvement,

--provide a productivity perspective in economic and budgetary decisionmaking,

--provide an open and nonthreatening channel for private sector problems and concerns about productivity-related policies, and

--develop a national productivity plan outlining what the Federal Government is doing and should be doing to improve productivity. (See p. 22.)

GAO believes the latter is the most important element. The plan should be developed with the extensive involvement of the private sector and should

--identify and describe the relationship and effect of existing Federal policies, programs and activities on private sector productivity and

--delineate clearly the responsibilities of those Federal departments and agencies that have direct program functions within the plan. (See p. 23.)

Such an effort should be established by law, have clear and reasonable functions, and be guided by an organization with its own budget authorization and a small but highly capable staff. The organization should be devoted to developing and monitoring a productivity plan and coordinating the national productivity effort.

The specific organizational arrangement is of secondary importance for the success of the effort compared to the need for strong support from the President and the Congress.

RECOMMENDATION TO THE CONGRESS

GAO recommends that the Congress enact legislation to establish a National Productivity Council with a full-time, presidentially appointed chairperson and its own budget authorization. The substance of such an organization was included in S. 2417, a bill introduced in the 96th Congress that incorporates previous GAO recommendations. The bill appears in appendix V.

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At the Chairman's request, GAO did not take the additional time needed to obtain agency comments on the matters discussed in this report.



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ABBREVIATIONS

GAO	General Accounting Office
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OPTI	Office of Productivity, Technology, and Innovation

CHAPTER 1

INTRODUCTION

On May 29, 1980, Congressman John J. LaFalce, Chairman of the Subcommittee on General Oversight and Minority Enterprise, House Committee on Small Business, requested that we assess the effectiveness of the National Productivity Council and its member agencies in carrying out the private sector aspects of Executive Order 12089 and its implementing memorandum. In accordance with a later request from the Chairman, we expanded the review to examine the way the Government currently plans and coordinates productivity efforts and to develop recommendations for improving this process.

ESTABLISHMENT AND ORGANIZATION OF THE NATIONAL PRODUCTIVITY COUNCIL

Executive Order 12089 (see app. II) established the National Productivity Council on October 23, 1978, less than one month after the National Center for Productivity and Quality of Working Life was terminated. As outlined in the Executive order, the primary function of the Council was to coordinate and guide Federal efforts to improve public and private sector productivity and to serve as the Government's primary contact with the private sector on productivity issues.

The Council is chaired by the Director of the Office of Management and Budget (OMB) and is composed of the heads of 9 other agencies that have productivity-related programs.

- The Department of Commerce.
- The Department of Labor.
- The Department of the Treasury.
- The Office of Personnel Management.
- The Council of Economic Advisers.
- The Council on Wage and Price Stability.
- The Special Representative for Trade Negotiations.
- The Office of Science and Technology Policy.
- The Council on Environmental Quality.

The implementing memorandum for the Executive order (see app. III), also dated October 23, 1978, assigned specific responsibilities for private sector productivity to the Departments of Commerce and Labor.

The National Productivity Council has no statutory authority and no budget authorization. The Council meets at the Chairman's initiative and, during its first year, held meetings quarterly. The Council last met in January 1980. At its first meeting, the Council created a steering committee which was made up of lower level representatives of each of the member agencies. The steering committee met five times during the first year; its last meeting was also in January 1980.

Staff work for the National Productivity Council is carried out by two Office of Management and Budget employees. These employees are assigned to the Council full time but have occasionally been assigned projects unrelated to the Council.

PRODUCTIVITY IS RECOGNIZED AS
A MAJOR ECONOMIC ISSUE

Over the past 20 years, productivity ^{1/} has evolved from an issue of concern only to industrial engineers and a few economists, into a major national issue.

Private sector productivity grew steadily for the first 2 of the last 3 decades, but in the past 12 years the growth rate has fallen by about one-half. From 1947 to 1966 the growth rate was about 3.2 percent per year. From 1966 to 1977 productivity grew only 1.6 percent per year. Although the rate of productivity growth was declining, many followers of economic trends were not particularly concerned since the Nation's absolute productivity rate was so much greater than any other nation's, and the decline in our growth rate was considered temporary.

In the past 3 years, however, productivity growth virtually ceased. This is a very serious problem since declining productivity fuels inflation and reduces both our standard of living and our international competitiveness. Productivity has now become a major national issue discussed in numerous articles and speeches. In its past three reports on the economy, the Joint Economic Committee has called attention to the significant problems caused by lagging productivity growth. In its 1979 midyear report, the Committee warned that, unless the Nation's productivity growth rate accelerates, the average American will likely experience a declining standard of living in the 1980s.

The President's Commission for a National Agenda for the Eighties stated in its recent report on the economy that "Higher

^{1/}Productivity can be defined as the physical relationship between resource inputs (capital, material, and labor) to outputs of goods or services. When the output of goods and services increases faster than input, productivity is increasing.

productivity is a fundamental source of improvement in the economic well-being of the nation." The 1981 Economic Report of the President states that

"Because declining productivity growth brings with it prospects for slower improvement in our standard of living and contributes to inflation, a program to stimulate productivity must be a keystone of economic policy."

In his inaugural address, President Reagan also pointed to the need to improve productivity to strengthen our economy.

Similar concerns have been voiced by top Government officials in such agencies as the Council of Economic Advisers, the Departments of Commerce and the Treasury, and the Council on Wage and Price Stability. Business and labor leaders have also expressed their concern about the productivity trend.

General awareness of the need to improve our national productivity is now at an all-time high. What remains to be done is to convert this awareness into action. The Government can play an important role in encouraging this action.

THE FEDERAL GOVERNMENT HAS RECOGNIZED THE NEED FOR A PRODUCTIVITY FOCAL POINT

A Federal role in national productivity is needed because the Government has a pervasive effect on private sector productivity. The Government directly affects productivity through numerous programs that fund research, develop technology, and upgrade worker skills. The Government also has an indirect effect on productivity through tax and regulatory policies.

The National Productivity Council is the fifth in a line of national productivity organizations dating back to 1970 that have attempted to deal with the Federal role. It was established 1 month before the National Center For Productivity and Quality of Working Life was terminated. (See app. IV for a brief explanation of previous national productivity organizations.)

The fact that national productivity organizations have existed continuously for the past decade demonstrates that the Government has long recognized that Federal productivity policies and programs should be subject to central review and coordination. Yet, the organizations preceding the current productivity council were poorly funded and inadequately supported. Our 1978 report on the National Center for Productivity and Quality of Working Life ^{1/} documented that organization's shortcomings and contributed to its termination.

^{1/}"The Federal Role In Improving Productivity: Is The National Center For Productivity And Quality Of Working Life The Proper Mechanism?" (FGMSD-78-26, May 23, 1978).

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this review were to:

- Assess the effectiveness of the national productivity effort established under Executive Order 12089. Specifically, this entailed assessing the work of the National Productivity Council regarding the private sector and the performance of the Departments of Labor and Commerce under their assigned productivity responsibilities.
- Develop our views of what is needed to make Federal efforts to improve national productivity more effective.

In accordance with the Chairman's request, we limited our scope to Federal efforts to encourage private sector productivity.

This review was conducted in Washington, D.C. We examined all materials relating to the Executive order establishing the Council, interviewed the Council staff and examined council records including minutes of meetings, task force reports, and the Council inventory of Federal programs designed to improve productivity. In addition, we interviewed top officials who are directly involved in productivity improvement programs at the Departments of Labor and Commerce, the Office of Management and Budget, the Council on Wage and Price Stability, the Council of Economic Advisers, and the Office of Personnel Management. The purpose of these interviews was to determine what actions have been taken as a result of the Executive order and to obtain their views of the national productivity effort.

We also interviewed selected officials in other agencies responsible for productivity improvement programs identified in a Council report. These included the Federal Railroad Administration and the Federal Highway Administration, both under the Department of Transportation; the Small Business Administration; the National Aeronautics and Space Administration; and the Bureau of Mines under the Department of the Interior. These agencies were selected because they administered programs that represented both a significant portion of funds spent on productivity improvement and a diversity of methods for improving productivity.

In preparing this report, we have also drawn upon the expertise we have developed over the past 10 years from reviewing various productivity issues in the private sector, within the Federal Government, and in State and local governments. In the course of this work, we met with leading productivity experts in all sectors and issued the following reports.

- "The Federal Role In Improving Productivity--Is The National Center For Productivity And Quality Of Working Life The Proper Mechanism?" (FGMSD-78-26, May 23, 1978).

- "State and Local Government Productivity: What Is The Federal Role?" (GGD-78-104, Dec. 6, 1978).
- "Framework For Proposed Legislation For A National Productivity Council" (B-163762, Nov. 13, 1979).
- "Government Measures of Private Sector Productivity: Users Recommend Changes" (FGMSD-80-45, July 8, 1980).
- "The Council On Wage And Price Stability Has Not Stressed Productivity In Its Efforts To Reduce Inflation" (FGMSD-81-8, Oct. 16, 1980).
- "The Department Of Labor Has Failed To Take The Lead In Promoting Private Sector Productivity" (AFMD-81-10, Dec. 4, 1980).

CHAPTER 2

THE NATIONAL PRODUCTIVITY COUNCIL HAS NOT ACTED ON THE FUNCTIONS IT WAS ASSIGNED

In the 2 years since it was created, the National Productivity Council has been relatively inactive and has largely ignored the functions assigned to it. The Council has seldom met, has not provided guidance to Federal productivity programs, and has not become recognized as the Federal productivity focal point.

In establishing the National Productivity Council, the President assigned it five key functions. The Council was charged to

- work with executive agencies to assure that activities designed to improve productivity were carried out in a manner that realizes the maximum benefit from the resources invested;
- identify issues pertaining to private and public sector productivity improvement and assign Council members or other executive agencies to study and resolve the issues;
- identify, for the President's consideration, major policy issues with productivity implications, including the need for legislative initiatives;
- serve as the focal point within the executive branch for liaison with elements of the private sector concerned with improving productivity and seek the advice and assistance of business, labor, and academic leaders, as well as of representatives of State and local governments and others concerned with productivity; and
- serve as the focal point within the executive branch for liaison with organizations of foreign governments involved in efforts to improve productivity.

Our review showed that the Council has not effectively accomplished any of these functions.

WORK WITH EXECUTIVE AGENCIES TO COORDINATE PRODUCTIVITY PROGRAMS HAS NOT TAKEN PLACE

The National Productivity Council has taken no significant action to coordinate Federal productivity programs even though this is its key function and was specifically mentioned by the President when he established the Council. The coordination function is important since many productivity programs cut across agency lines. A mechanism is needed to prevent needless overlap and duplication of effort and ensure that the programs are efficiently and effectively administered.

Council officials said that before they could coordinate and guide Federal agency productivity programs, they needed to identify what programs existed. The Council, therefore, undertook an inventory of Federal programs directly related to productivity improvement. The inventory was to update a similar inventory compiled by the National Center for Productivity and Quality of Working Life in 1976. The results of the inventory have remained in draft form for more than 6 months.

The inventory shows that the Government now spends more than \$2 billion annually on programs directly related to productivity improvement. Despite the existence of the Council, these programs are operated without any central review, direction, coordination, or evaluation of their effect on productivity.

Although the Departments of Labor and Commerce were assigned specific productivity responsibilities when the Council was established, the Council has not attempted to monitor their progress in meeting these assigned responsibilities and has not coordinated related programs.

In a recent review of the Department of Labor's actions to fulfill its leadership responsibilities for productivity, 1/ we found that the Department has failed to respond to the President's directive to provide leadership in human resources productivity. (These responsibilities are discussed in more detail in ch. 3.) According to a Productivity Council official, the Department of Labor's lack of action in these areas was appropriate since the Council had not specifically requested the Department to take any such actions. This was confirmed by Labor Department officials who said the Council had not provided them guidance regarding their productivity leadership responsibilities.

Because the Department of Labor has not provided leadership, productivity-related programs in the human resources area are not being coordinated. We were told by officials in several agencies that the National Center for Productivity and Quality of Working Life had provided interagency coordination, but that coordination ended with the Center and has not been reinstated by the Department of Labor or the National Productivity Council.

The Department of Commerce has taken several steps to carry out its productivity responsibilities. (These are also discussed in more detail in ch. 3.) Most of these steps were taken on the Department's own initiative or in response to Presidential statements rather than as a result of Council decisions or recommendations. The Council made no attempt to evaluate these programs or coordinate them with related ones administered by other agencies.

1/"Department of Labor Has Failed To Take The Lead In Promoting Private Sector Productivity" (AFMD-81-10, Dec. 4, 1980).

During meetings with officials of several agencies who administer productivity-related programs included in the inventory, we gained further proof that the Council has not acted on its coordinating function. Some programs included in the inventory are:

- The Small Business Administration's Technology Assistance program, which provides small businesses with information on relevant Government research and development; and the Management Assistance Program, which provides counseling and training to owners of small businesses and those interested in starting small businesses.
- The Bureau of Mines program for advancing mining technology through the development and testing of new and improved production techniques for the mining industry.
- The Federal Railroad Administration's research and technology programs for improved equipment performance, using computer models for designing freight yards, improving energy efficiency, and reducing pollution.
- The National Aeronautics and Space Administration's Technology Innovation program that provides information on Government-developed technology and computer software packages for industrial applications.

Officials responsible for these programs were generally unaware of the National Productivity Council's existence. Those who had heard of the Council had not had any meaningful interaction with it. Some of the administrators we spoke to had identified other Federal programs that were similar to or related to their own and had tried to minimize overlap and duplication on their own. Many program managers have found that OMB generally takes a dim view of productivity programs such as these and considers them "cuttable."

COUNCIL HAS NOT IDENTIFIED KEY PRODUCTIVITY ISSUES

The National Productivity Council has not identified key productivity issues for executive action. The Council has established task forces on a number of important issues but has not monitored their work or used them to identify key productivity issues. The Council's own meetings have addressed numerous important productivity topics, but discussion of these topics was simply informational and only once did the Council go on record as recommending a policy action. The Council completely avoided examining the areas of tax and regulatory policy--two important factors in productivity performance.

The Council established three groups to review productivity issues and identify needed actions. These included the Committee

on Industrial Innovation, the Committee on Productivity Statistics, and the Study Team on State and Local Government Productivity.

Committee on Industrial Innovation

In an October 31, 1979, message to the Congress, the President assigned continuing responsibility for industrial innovation to the National Productivity Council. The Council, in turn, established the Committee on Industrial Innovation to carry out this responsibility. The committee, chaired by the Assistant Secretary of Commerce for Productivity, Technology and Innovation, is composed of the heads of the following departments and agencies or their designated representatives.

- The Department of Labor.
- The Office of Science and Technology Policy.
- The Small Business Administration.
- The Department of Defense.
- The Department of Energy.
- The National Aeronautics and Space Administration.
- The National Science Foundation.

The Committee was assigned to:

- Monitor industrial innovation in the United States, using new or existing indicators of technological innovation, and report its findings and conclusions to the Council annually.
- Identify issues pertaining to industrial innovation and propose to the Council appropriate actions for studying and resolving the issues.
- Identify major industrial innovation policy issues for consideration by the Council and the President, including the need for legislative initiatives.
- Assist Federal departments and agencies in implementing policies and initiatives to encourage innovation.

The Industrial Innovation Committee held its first meeting on May 20, 1980. The Committee has had only one other meeting and has not fulfilled any of its assigned functions.

Committee on Productivity Statistics

The National Productivity Council established a Committee on Productivity Statistics in December 1978 to review a report on the

subject prepared by the National Academy of Sciences at the request of the former National Center for Productivity and Quality of Working Life. The committee, chaired by the Assistant Commissioner of the Bureau of Labor Statistics, is composed of heads of the following Federal departments and agencies or their designates.

- The Department of Labor.
- The Department of Commerce.
- The Federal Reserve Board.
- The Council of Economic Advisers.
- The Council on Wage and Price Stability.

The Committee was to prepare for the Council a report on the Academy's numerous recommendations for improving federally maintained productivity statistics. The report was to (1) examine the significance, feasibility, and cost of the Academy's recommendations, (2) assign priority to the recommendations, and (3) address how interagency cooperation for productivity measurement can be strengthened.

The Committee on Productivity Statistics has met only twice and has not yet issued its report to the Council.

Study team on the Federal role for improving State and local government productivity

At the first National Productivity Council meeting in December 1979, it was decided that the Office of Management and Budget and the Office of Personnel Management (OPM) would co-chair a study team to develop recommendations on the Federal role in improving State and local government productivity. The team also included representatives from the

- Department of Labor,
- Department of Housing and Urban Development,
- Advisory Commission on Intergovernmental Relations,
- Office of Science and Technology Policy, and
- National Science Foundation.

The study team's report was released in November 1979. The report recommendations included the following.

- OPM should be designated the lead Federal agency for State and local government productivity.

- The Intergovernmental Personnel Act, which authorizes grants and cooperative agreements for personnel management, should be amended to include grants and agreements that cover any management programs or techniques that can be transferred to other jurisdictions.
- OPM should assess Federal management capacity-building programs.
- OPM should encourage agencies to expand support for State and local government productivity measurement efforts.
- The Office of Science and Technology Policy should take the lead in identifying the research needs of State and local governments.
- OPM should prepare a plan for productivity information sharing that incorporates the resources of Federal and non-Federal groups.

The Office of Personnel Management has undertaken a number of initiatives to fulfill the recommendations addressed to it without any further followup or assistance from the Productivity Council.

Council meetings

A review of the minutes of the four National Productivity Council meetings indicates that, while important productivity topics were discussed at the meetings, the discussions were almost entirely informational and were not used to identify key productivity issues. The following topics were discussed:

- The difficulty of developing wage and price standards that encourage productivity.
- OPM's productivity improvement program for Federal workers.
- Findings of the National Academy of Sciences, Panel on Productivity Statistics.
- Findings of a Department of Commerce study entitled "The Decline in Productivity Growth: Its Causes and Approaches to Remedial Actions."
- Preliminary results of the domestic policy review of industrial innovation.
- The relationship between research and development and productivity.

The only discussion recorded in the minutes that concluded with a polling of Council members occurred on September 4, 1979, after the Secretary of Labor presented a proposal for expanded

support of labor-management committees to help improve productivity. After the Council expressed unanimous support for the proposal, the Chairman directed that OMB, the Department of Labor, and the Federal Mediation and Conciliation Service work together to develop a detailed plan to implement the proposal.

The only other policy proposal the National Productivity Council has endorsed was included in OPM's report to the Council discussing State and local government productivity. The Council endorsed legislation that would expand the Intergovernmental Personnel Act to provide greater support for State and local government productivity programs. No congressional action has been taken on this legislation.

The Productivity Council recognized that tax and regulatory policy are important factors in private sector productivity performance, but it specifically avoided these issues since Council officials expected them to be fully addressed by other agencies and policy groups.

LIMITED EFFORTS HAVE BEEN MADE TO IDENTIFY POLICY ISSUES AND DEVELOP LEGISLATIVE INITIATIVES

The Council has made limited efforts to identify policy issues and develop legislative initiatives. The Council has not developed legislative initiatives or recommended legislation to the President to encourage or stimulate productivity growth through the revision of tax or regulatory policy or through increased support for industrial innovation and research and development.

The Council did express its support for additional funding of a Federal Mediation and Conciliation Service program to encourage the development of labor-management committees. Although the Council supported increased funding for the program and provided staff assistance to the Federal Mediation and Conciliation Service, congressional staff who supported the legislation said that the Council did not strongly recommend the funding to the Congress. The administration's funding request for the program was sharply reduced.

The Council, through the Office of Personnel Management, recommended that the Intergovernmental Personnel Act be expanded to permit funding of all types of important State and local government programs rather than just personnel management programs. As noted above, no congressional action has been taken.

COUNCIL HAS NOT SERVED AS EXECUTIVE BRANCH CONTACT POINT FOR INTERACTION WITH THE PRIVATE SECTOR

The National Productivity Council has not developed any formal mechanism to obtain information from the private sector or State

and local governments regarding Federal productivity policy. According to Council officials, a number of departments and agencies that are members of the Council have their own private sector advisory groups dealing with various industry problems. None of these advisory groups, however, specifically address productivity problems.

When the Council was established, the President said that, in its work, "the Council will be seeking advice and assistance from business, labor, and academic leaders." But officials at the National Productivity Council have stated they do not believe much would be gained by creating a private sector advisory group to recommend Government actions to help improve productivity. However, in numerous discussions with private sector leaders in business, labor, and nonprofit organizations, we have been told of the need for a neutral forum where representatives of business, labor, and Government could constructively discuss problems in which they have a common interest.

While the Council was charged to play this type of role with the private sector, it has not done so. Its involvement with the private sector has been limited to sending representatives to a number of industry-oriented productivity conferences.

As a part of its review of OPM's report on State and local government, the Council did host a conference where State and local governments and Federal agencies could express their thoughts on how the Federal Government can encourage and improve productivity in State and local governments.

LIMITED EFFORTS HAVE BEEN MADE
AS U.S. FOCAL POINT FOR LIAISON WITH
FOREIGN GOVERNMENT PRODUCTIVITY ORGANIZATIONS

As a member of the Association of European Productivity Centers, the Council has sent representatives to three association meetings in Europe. The results of one of these meetings was reported to the Council and no attempt was made by the Council to identify what information or projects discussed at the meetings would be useful to Federal agencies administering productivity-related programs.

CHAPTER 3

AGENCY PERFORMANCE UNDER ASSIGNED

PRODUCTIVITY RESPONSIBILITIES HAS BEEN MIXED

AND HAS LACKED COUNCIL INVOLVEMENT

Under the implementing memorandum for Executive Order 12089, the Departments of Labor and Commerce were assigned leadership responsibilities for encouraging private sector productivity. The memorandum specified that the National Productivity Council was to assure that these efforts were carried out as productively as possible. The Council did not act on this charge. Therefore, the Department of Labor did not act on its leadership responsibilities. The Department of Commerce undertook significant productivity initiatives despite the Council's lack of involvement.

THE DEPARTMENT OF LABOR DID NOT
ACT ON ITS RESPONSIBILITIES

In his memorandum implementing Executive Order 12089, the President directed the Labor Department to provide Federal leadership in three human resources areas:

- Productivity growth through improvement and innovative use of employee skills and capabilities.
- Protection and improvement of the quality of working life in conjunction with productivity improvement.
- Labor-management cooperation in productivity growth.

Labor was also given leadership responsibility for productivity measurement, a duty it was already performing.

Our recent report on Labor's productivity activities, 1/ showed that the Department of Labor had not

- assessed private sector needs to determine what Federal actions should be taken to improve productivity,
- developed a Department-wide productivity plan,
- evaluated its ongoing productivity projects in terms of their impact on productivity, and

1/"Department of Labor Has Failed to Take the Lead for Promoting Private Sector Productivity," (AFMD-81-10, Dec. 4, 1980).

--coordinated its ongoing productivity projects within the Department of Labor and with other Federal departments and agencies.

We concluded that the Department of Labor had not implemented its leadership role as directed by the President because of the low priority the President assigned this responsibility. As stated earlier, the National Productivity Council was not concerned with the Labor Department's lack of action in this area.

In the area of productivity measurement, the Labor Department's Bureau of Labor Statistics continued its work of compiling national productivity statistics. In a July 8, 1980, report to the Congress, 1/ we found that the Bureau's measures of private sector productivity could be improved. We found the most needed improvements to be:

- Developing a new productivity measurement program which is directed at promoting productivity improvement at the firm level.
- Providing more information to aid in interpreting and understanding productivity measures.
- Developing multifactor productivity measures for the macro-economic sector, such as we developed for the private business sector.

The Department of Labor generally agreed with our report and is presently attempting to improve the productivity statistics compiled by the Bureau of Labor Statistics. One high level Bureau official told us, however, that the National Productivity Council had not given the Bureau any guidance on how it should undertake its leadership responsibilities for improving productivity statistics.

THE DEPARTMENT OF COMMERCE TOOK ACTIONS ON PRODUCTIVITY WITHOUT COUNCIL INVOLVEMENT

In a memorandum implementing Executive Order 12089, the President assigned the Department of Commerce leadership responsibility in 2 areas:

- Technological innovation, including improved management systems and production methods.
- Collection and dissemination of information on productivity and productivity improvement.

1/"Government Measures of Private Sector Productivity; Users Recommend Changes," (FGMSD-80-45).

The Department of Commerce has taken several steps to carry out the first of these responsibilities. Most of these steps, however, were taken on the Department's own initiative or in response to Presidential statements without the involvement of the National Productivity Council.

The most significant productivity initiative at the Department of Commerce since it was assigned productivity responsibilities was the establishment of the Office of Productivity, Technology, and Innovation (OPTI) at the Assistant Secretary level. The Assistant Secretary for Productivity, Technology, and Innovation is the focal point for productivity at the Department.

OPTI's 1981 productivity initiatives included programs that would

- help promote significant technological advances that can be transferred to the private sector through three cooperative generic technology centers,
- provide the private sector with large quantities of technical information developed and financed largely by the Federal Government through a center for the utilization of Federal technology, and
- set up two corporations for innovation and development to provide initial capital for promising, technology-based, high risk firms.

In response to the Department of Commerce's leadership charge for the collection and dissemination of productivity information, the Department had considered establishing a Productivity Reference Service to make productivity data and materials readily available to the private sector. However, no action has been taken.

The Department had also proposed for fiscal 1982 the establishment of a technology-oriented productivity center at the National Bureau of Standards that would focus on technological development. The Center would permit the joint development and demonstration of process improvements and automation techniques by industry and government. The administration denied all funding for this program, and recommended that the OPTI program be funded at 68 percent below the level requested.

According to Department of Commerce officials, the National Productivity Council was of no assistance in attempts to obtain the funding they believed was required to meet their productivity responsibilities.

CHAPTER 4

A STRONGER FEDERAL ORGANIZATION IS NEEDED TO PROPERLY ADDRESS PRODUCTIVITY FROM A NATIONAL PERSPECTIVE

The national productivity effort established under Executive Order 12089 and directed by the National Productivity Council has been ineffective because it lacked the support of the President and its own chairman. As a result, the Council was never recognized as the Federal productivity focal point and the numerous Federal productivity programs were funded and operated without any central review, direction, coordination, or evaluation.

Productivity is now recognized as an issue crucial to our economic well-being. A strong Federal organization is needed, however, to properly address productivity from a national perspective and help foster private sector productivity improvement. Yet, lacking central review and coordination, the myriad existing Federal productivity programs could inadvertently do more to stifle productivity than to foster it. An effective organization and spokesperson are also needed to keep productivity issues in the forefront. In economic decisionmaking that emphasizes broad macroeconomic policies, productivity tends to be viewed simply as a factor affected by such policies rather than as an economic tool in itself. The beneficial effects of direct efforts to improve productivity are therefore often overlooked.

A recognized and effective organization is also needed to provide an open and nonthreatening channel to air private sector problems and concerns about productivity-related policies.

While there are numerous organizational alternatives for a productivity effort, the key is to establish an organization with a clear mission and provide it the support it needs to be effective. The organization should be small and should participate in the economic and budgetary decisionmaking processes. It would not increase Federal involvement in the economy.

THE PRODUCTIVITY EFFORT HAS BEEN INEFFECTIVE BECAUSE IT LACKED SUPPORT

The National Productivity Council and the Departments of Labor and Commerce were assigned functions as part of the productivity effort that were more reasonable and realistic than those assigned its predecessor productivity organization. Yet, because the Council was not properly supported by the administration, it did not fulfill its functions and did not guide or assist other agencies in meeting their productivity responsibilities. As a result, the productivity effort was even less effective than that directed by its predecessor.

In previous reports and in congressional testimony, we have stated that the success of a national productivity effort is not dependent on organizational structure but on the support it receives from the Congress and the President. We define "support" in this case as

- appointment of a strong leader who has access to other top leaders of the administration and is included in policymaking decisions,
- recognition by the President and heads of agencies that the organization is the focal point for Federal productivity efforts, and
- appropriate resources to enable the organization to fulfill its mission.

The Council is chaired by the Director of the Office of Management and Budget, but the Director has many demands on his time. Those demands have left him limited time for the Council and have prevented him from becoming the recognized spokesperson for productivity. In numerous interviews with top agency officials, we found that, in fact, the Council is not perceived as the focal point for Federal productivity improvement efforts. Most officials we spoke with had not even heard of the National Productivity Council, even though their work directly related to improving private sector productivity.

The Council was assigned only two full-time employees, and they were occasionally assigned projects unrelated to the Council's work. Perhaps the clearest demonstration of the administration's lack of interest in the Council is the Council's time in session. Since October 1978 the Council has met only 4 times, for a total of about 4 and 1/2 hours, and last met over a year ago.

When President Carter made his March 14, 1980, speech on the economy, he mentioned the need to develop policies to reverse the Nation's declining productivity growth. In assigning responsibility for developing policy recommendations for reversing the decline, the President ignored the National Productivity Council and assigned the responsibility to the President's Commission for an Agenda for the Eighties--an organization developed to examine a wide range of social and economic issues that will be important in the current decade. Officials at the Council and the Commission were unable to explain why this responsibility had not been given to the Council.

According to top executive branch officials, the lack of support provided the Council was due to the predominant belief in the administration that the decline in U.S. productivity is an effect of economic problems and not a cause. Therefore, productivity could best be improved by macroeconomic policies designed to reduce inflation.

THE LACK OF AN EFFECTIVE ORGANIZATION
HAS LEFT FEDERAL PRODUCTIVITY PROGRAMS
WITHOUT COMMON GOALS AND OBJECTIVES

The Federal Government is heavily committed to numerous programs to encourage productivity improvement. The National Productivity Council's inventory found that the Government spends more than \$2 billion annually on programs directly related to productivity improvement. (See Table 1.) However, since no effective productivity organization exists, these programs are funded and operated without any central review, direction, coordination, or evaluation. Lacking a productivity plan that specifies Federal goals and objectives for national productivity, these efforts cannot be properly assessed. An effective central organization is needed to review and analyze Federal productivity programs, to develop a productivity plan, and to coordinate ongoing efforts.

The existence of numerous Federal productivity programs was documented in the productivity inventory that found:

- A total of \$2 billion was obligated in fiscal 1979 for programs to improve productivity in the private sector; an estimated \$2.2 billion would be spent in fiscal 1980.
- A total of \$112 million was obligated in fiscal 1979 for programs to support productivity improvement in State and local governments; an estimated \$105 million would be spent in fiscal 1980.

The programs included in the inventory demonstrate the widespread efforts of Federal agencies to help improve national productivity. Of the total obligations dealing with private sector productivity, over 80 percent can be broadly classified as support for activities to improve civilian technology through research and development. About 6 percent of the funds is devoted to financial and technical assistance programs to implement new technologies and methods in the private sector. Less than 2 percent is spent for improving human resources through programs for skill training, improved labor mobility, job security, and labor-management cooperation.

Lacking a productivity plan or overall goals and objectives for Federal productivity programs, there is no way to properly evaluate these programs to determine if the current level of funding is appropriate, to identify the need for new programs, or to assign priority to existing programs.

Without overall goals and objectives, each of these programs is reviewed by OMB as a small program or effort within a given department or agency. Since no overall Government goal or objective exists for these productivity programs, they are not reviewed as part of a Federal effort to encourage productivity. As a result, programs that may have valuable long term effects on productivity are rejected or reduced during budget reviews.

FEDERAL FUNDS FOR PRODUCTIVITY IMPROVEMENT--FISCAL 1980

(thousands of dollars)

Department or agency	Productivity measurement	Utilization of employee skills	Labor-management cooperation	Technological innovation	Management and operations	Other	Total private	State and local government	Total
Energy	\$ 50.0	\$ -	\$ -	\$ 697,931.0	\$ 64,600.0	\$ -	\$ 762,581.0	\$ 22,990.0	\$ 785,571.0
Agriculture	15.0	-	-	442,794.0	16,390.0	172,822.0	632,021.0	-	632,021.0
NASA	-	-	-	473,740.0	2,734.0	-	476,474.0	13,116.0	489,590.0
Defense	-	-	-	164,000.0	-	-	164,000.0	-	164,000.0
Commerce	2,470.0	464.4	27.6	33,352.4	11,395.4	13,345.0	61,054.8	104.6	61,159.4
Transportation	-	1,060.0	1,760.0	17,859.4	15.0	1,800.0	22,494.4	35,180.9	57,675.3
Health, Education & Welfare	-	30,832.1	-	-	1,088.9	-	31,921.0	14,697.7	46,618.7
Small Business Administration	-	-	-	-	20,975.0	-	20,975.0	-	20,975.0
National Science Foundation	1,823.0	-	-	6,052.0	-	-	7,875.0	6,539.0	14,414.0
Interior	-	-	-	6,690.0	-	-	6,690.0	-	6,690.0
Office of Personnel Management	-	-	-	-	-	-	-	5,411.3	5,411.3
Labor	3,203.0	368.1	597.0	-	-	-	4,168.1	687.9	4,856.0
Housing and Urban Development	-	-	-	-	-	-	-	4,513.4	4,513.4
Justice	-	-	-	-	-	-	-	1,452.0	1,452.0
Environmental Protection Agency	-	1,000.0	-	-	-	-	1,000.0	-	1,000.0
Federal Home Loan Bank Board	-	-	-	-	-	-	-	400.0	400.0
Treasury	-	-	-	-	-	-	-	302.0	302.0
Office of Management and Budget	-	-	-	-	-	137.7	137.7	-	137.7
General Services Administration	-	-	-	-	1.7	-	1.7	27.0	28.7
Total	\$7,561.0	\$33,724.6	\$2,384.6	\$1,842,418.8	\$117,200.0	\$188,104.7	\$2,191,393.7	\$105,421.8	\$2,296,815.5

Source: The National Productivity Council's draft report, "Resources for Productivity Improvement," July 1980, (submitted to the Subcommittee on Economic Stabilization, House Committee on Banking, Finance, and Urban Affairs).

One rejected program was a Department of Commerce proposal to establish a technology-oriented productivity center at the National Bureau of Standards. Department officials strongly believed that this program would be extremely effective in helping industry develop and improve technology in needed areas. The Department viewed the program as a modest but very important investment that would have a great long term payback in terms of improved productivity. OMB, however, viewed the proposal as an unnecessary increase in the Department's budget and an effort that belongs in the private sector.

Another example of a reduced program is the Federal Railroad Administration's research and technology program to improve railroad productivity, which has been cut about 50 percent in real dollars since 1974. A Railroad Administration official said OMB has not supported this program because of the Office's belief that applied research and development should be done by the railroad industry and not by the Government.

While we are not attempting to pass judgment on OMB's decisions, we believe that programs such as these, and others we have identified, must be examined in terms of the overall Federal effort to improve productivity. For this to be done properly, criteria must be established that specify how the Government plans to encourage private sector productivity.

A NEW PRODUCTIVITY ORGANIZATION IS NEEDED TO STRENGTHEN PRODUCTIVITY EFFORTS

Productivity is now recognized as a vitally important national issue. This issue requires a stronger Federal commitment than the current Council can provide. All key economic decisionmakers in recent years have recognized the importance of productivity growth to our economic strength. Yet, when economic policies are made, productivity concerns seem to be given low priority.

One of the key leverage points for the Federal Government to improve productivity is through tax and regulatory policy. While numerous factors must be considered in deciding these policies, a strong spokesperson must be present in the decisionmaking process to represent concerns for productivity. This is not the current situation.

Of equal importance, an effective organization would be able to provide needed guidance and coordination to the many existing Federal efforts to encourage private sector productivity.

Finally, a new national productivity organization is needed to provide a neutral forum where private sector concerns about productivity can be discussed with Government representatives. Such a forum cannot be provided by individual Federal agencies that administer programs that regulate private sector activities. A truly neutral ground where representatives of business, labor, and Government can discuss and resolve common problems is required.

A properly structured and supported productivity council could play such a role. Bringing private and public sector representatives together under these circumstances could help build needed cooperation and trust among business, labor, and the Government as well as provide the Government with accurate information on the needs and problems of the private sector in terms of productivity.

ELEMENTS NEEDED FOR A SUCCESSFUL
NATIONAL PRODUCTIVITY PROGRAM
HAVE BEEN IDENTIFIED

We have identified the key elements needed for an effective national productivity program. The program, which should be led by a new organization, includes functions for the organization and for existing agencies.

Regardless of where it is located, the lead organization would require a small but highly capable staff. A large organization with extensive program responsibility is not called for. Most of the productivity work would remain with the agencies. To be successful, a national productivity program must have (1) support from the President and the Congress and (2) clear and reasonable functions for fostering private sector productivity. The program should be established by law, and the organization directing it should have its own budget authorization. As a statutory body rather than an organization established by Executive order, the productivity organization would have needed authority and stability and would be accountable to the Congress. In addition, from a legal point of view, statutory authority would enable the organization to provide interagency coordination without any funding problems. ^{1/}

While organizational considerations are secondary, a decade of various ineffective productivity organizations has shown that to be effective, such a national productivity organization should:

- Be chaired by a high level, full-time Chairperson who is included in economic and budgetary decisionmaking.
- Provide oversight, direction, control, and coordination to departments and agencies in the areas of productivity improvement.

^{1/}This is because a Government-wide provision carried each year in the Treasury, Postal Service, and General Government Appropriation Act prohibits the use of appropriations to fund certain interdepartmental organizations without prior and specific congressional approval of such method of financial support. In fact, this provision would have required congressional funding approval for the National Productivity Council had the Council undertaken the administrative functions envisioned for it under Executive Order 12089.

--Establish a National Productivity Advisory Board composed of members representing business, labor, and academia to advise the organization on appropriate actions to improve productivity and foster improved cooperation between the public and private sectors in attempts to improve productivity.

--Be required to develop a national productivity plan to outline what the Federal Government is doing and should be doing to improve productivity.

We consider the development of a national productivity plan as the most important element. Such a plan should be developed with the extensive involvement of business, labor, and academic representatives as well as the existing national and regional productivity centers. A private sector advisory board could be instrumental in this effort. The productivity plan should address two types of Federal actions; those that are uniquely national in that only the Federal Government can carry them out, and those that will assist industry efforts to improve productivity. Specifically, the plan should

--identify and describe the effect of existing Federal policies, programs, and activities on private sector productivity;

--delineate clearly the responsibilities of those Federal departments and agencies that have direct program functions within the plan;

--identify existing unnecessary obstacles to productivity improvement created by the Federal Government; and

--provide alternative policies, programs, activities, and lines of responsibility to improve private sector productivity.

In addition, the plan should contain

--an analysis of the Federal budget to document where Federal funds in support of private sector productivity improvement are being spent;

--an assessment of Federal efforts during the past year to improve productivity, including an identification of gaps, duplicated efforts, successes, and failures; and

--a priority listing of short and long term objectives, and specific projects and programs for the next year to attain these objectives.

The plan should be dynamic, and as such must be updated regularly. It should be used to guide the numerous Federal actions to improve productivity, and will enable decisionmakers to put productivity-related proposals into meaningful context.

A national productivity organization should also be responsible for:

- Bringing together representatives of business, labor, academia, and Government to identify Federal targets of opportunity for private sector productivity improvement.
- Conducting broad issue studies to refine and update the national productivity plan.
- Performing economic analyses of the short and long term impact on productivity of selected Government regulations and laws.
- Providing continuing guidance to the departments and agencies on the implementation of the national productivity plan.
- Recommending to the President, the Congress, and appropriate departments and agencies legislation, regulations, policies, and specific actions to improve private sector productivity.
- Acting as the primary Federal Government focal point for national productivity in dealing with the private sector and other productivity organizations.
- Reporting to the President and the Congress annually on accomplishments and revisions to the national productivity plan.

As an important part of the program, the Departments of Labor and Commerce should be assigned leadership responsibilities for encouraging private sector productivity in the areas of human resources and technology.

Needed elements are in line with
previous GAO recommendations

These elements needed for a successful productivity program are in line with the recommendations we made in our 1978 report on the National Center for Productivity and Quality of Working Life (FGMSD-78-26, May 23, 1978). We stated that

"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."

When that report was issued, it was clear that support for such an independent organization was not forthcoming. Since then,

with the increased awareness of the importance of productivity to our economy, the attitude toward such an organization seems to have changed, and the support needed to make a national productivity program successful may now be forthcoming.

ESTABLISHMENT OF A PRODUCTIVITY ORGANIZATION
HAS MET RESISTANCE

In congressional testimony and at conferences we have hosted and attended, some participants have questioned the need for a productivity organization. Resistance to this concept seems based on three things--a basic opposition to establishing new organizations, fear of increased Federal intervention in the economy, and fear that such an organization would propose actions contradictory to broader economic policies.

Although establishing an effective organization would result in a new organizational entity, it would be a small organization that would simply try to organize and direct existing productivity efforts. It would not represent an attempt to increase Federal involvement in the economy but would review current Federal involvement as it relates to national productivity. Finally, the organization would not be an economic decisionmaker but would participate in economic and budgetary decisionmaking to ensure the presence of a productivity perspective.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATION

The Nation is currently in the midst of a serious decline in productivity growth. The productivity problem and its implications are now widely recognized. The existence of numerous Government programs to encourage private sector productivity is evidence that the Government recognizes this problem. Yet, with over \$2 billion being spent on such productivity-related programs, the Government lacks an effective organization to harness and direct these programs.

Over the past decade, the Federal Government has made several attempts to organize and direct Federal productivity efforts. The only common thread running through these attempts, including the current Council, is the lack of support they have received and their ineffectiveness. As we have stated in previous reports and in congressional testimony, any Federal effort to encourage productivity growth must have strong support from the President and the Congress and must include the concerns of the private sector. We continue to believe a productivity effort is needed and can be effective.

A concerted, national effort that draws from the experience and concerns of all sectors of our society is urgently needed to meet the challenges of productivity improvement. Productivity improvement must be made an explicit goal of American society. The effort must proceed on many fronts since there is no dominant source of growth on which we can concentrate our efforts. To sustain such a national productivity effort, the Federal Government must assume a leadership role.

Productivity growth has been achieved primarily as a result of private initiatives. Private sector productivity growth must be restored to strengthen our economy and to increase our international competitiveness. In our mixed and interdependent economy, Government policies play an important role in making restored productivity growth possible. Although the private sector is the key to our national productivity performance, it is not always able to maximize productivity because the incentives to do so are not always appropriate or strong enough or because the efforts to improve productivity are needlessly hampered by Government policies and regulations.

The Federal Government must, in addition to tax incentives and regulatory reform, demonstrate its commitment to productivity by organizing its existing productivity improvement programs more coherently and by working with the private sector to develop a national productivity plan. Such a plan can guide Federal productivity efforts and provide criteria against which existing and proposed programs related to productivity improvement can be examined.

While the Federal effort we envision would require a new organizational entity to lead it, the organization would be small and would require minimal funding. It would not be a decisionmaking body and would not involve increased Federal intervention in the economy. It would have a small, highly capable staff that would work closely with existing departments and agencies, identify opportunities for improving productivity, and, through its leader, bring a productivity perspective to the economic and budgetary decisionmaking processes.

Although an effective productivity effort can be organized in many ways, we prefer the approach of an independent, statutory council with a full-time, presidentially appointed chairperson. However, organizational considerations are secondary. The primary need is for a properly supported organization that will work closely with business, labor, and academic representatives to develop a national productivity plan that will simply guide and coordinate the numerous Federal policies and programs that affect productivity and recommend needed changes for encouraging national productivity growth while meeting other policy objectives.

RECOMMENDATION TO THE CONGRESS

We recommend that the Congress enact legislation to establish a National Productivity Council with a full-time, presidentially appointed chairperson and with its own budget authorization. The main function of the Council would be to prepare, with the involvement of private sector representatives, a national productivity plan. The substance of such an organization is included in S. 2417, a bill introduced in the 96th Congress that incorporates previous GAO recommendations. The bill appears in appendix V.

JOHN J. LaFALCE, N.Y.
CHAIRMAN

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JOSEPH P. ADDABO, N.Y.
FARREN J. MITCHELL, MD.
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Subcommittee on General Oversight and
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May 29, 1980

The Honorable Elmer B. Staats
Comptroller General of the United States
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Staats:

On March 14, 1979, my Small Business Subcommittee on General Oversight conducted a hearing concerning declining productivity growth in this country and the performance of the National Productivity Council. A number of the witnesses expressed concern about the effectiveness of the National Productivity Council and the Administration's future productivity policies.

Since that hearing, I have experienced considerable difficulty in locating meetings and actions of the Council; and I have encountered considerable skepticism concerning the activities of the Council.

Therefore, I am formally requesting the General Accounting Office to conduct an assessment of the overall performance of the National Productivity Council.

I look forward to receiving your support, and I want to thank you in advance for your kind cooperation.

Sincerely,


JOHN J. LaFALCE
Chairman

JJL:TN

EXECUTIVE ORDER 12089

FOR IMMEDIATE RELEASE

OCTOBER 23, 1978

Office of the White House Press Secretary

THE WHITE HOUSE

EXECUTIVE ORDER

NATIONAL PRODUCTIVITY COUNCIL

By the authority vested in me as President by the Constitution of the United States of America, and in order to provide for coordinated and effective Federal programs to improve productivity in the public and private sectors, it is hereby ordered as follows:

1-1. Establishment of the Council.

1-101. There is established the National Productivity Council.

1-102. The Council will be composed of the heads of the following agencies, or a designated representative, and such others as the President may designate:

- (a) Department of the Treasury.
- (b) Department of Commerce.
- (c) Department of Labor.
- (d) Office of the Special Representative for Trade Negotiations.
- (e) Council of Economic Advisers.
- (f) Office of Management and Budget.
- (g) Office of Science and Technology Policy.
- (h) Council on Environmental Quality.
- (i) Civil Service Commission, and
- (j) Council on Wage and Price Stability.

1-103. The Director of the Office of Management and Budget will serve as Chairman of the Council.

1-2. Functions of the Council.

1-201. The Council will work with Executive agencies to assure that activities designed to improve productivity in the private and public sectors are carried out in a manner that realizes maximum benefit from the resources invested. As part of this responsibility the Council will identify opportunities for cooperative or innovative projects to be undertaken by the agencies, as well as overlapping or duplicative programs which should be eliminated.

1-202. The Council will identify issues pertaining to private and public sector productivity and productivity improvement, and will make assignments to Council members or other Executive agencies for studying and resolving the issues.

1-203. The Council will identify major policy issues with productivity implications for consideration by the President, including the need for legislative initiatives.

1-204. The Council will serve as the focal point within the Executive Branch for liaison with elements of the private sector concerned with improving productivity, and will seek the advice and assistance of business, labor, and academic leaders, as well as representatives from State and local governments and others concerned with productivity.

1-205. The Council will serve as the focal point within the Executive Branch for liaison with organizations of foreign governments involved in efforts to improve productivity.

1-3. Administrative Provisions.

1-301. Executive agencies shall cooperate with and assist the Council in performing its functions.

1-302. The Chairman shall be responsible for providing the Council with such administrative services and support as may be necessary or appropriate.

1-303. The Chairman may establish working groups or subcommittees of the Council. The Chairman may invite representatives of nonmember agencies to participate from time to time in the functions of the Council.

1-304. The Chairman shall report to the President on the performance of the Council's functions.

JIMMY CARTER

THE WHITE HOUSE,
October 23, 1978.

#

THE WHITE HOUSE
WASHINGTON

October 23, 1978

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

SUBJECT: Productivity Improvement Program

Today I have signed an Executive order establishing a National Productivity Council. I have established this Council in recognition of the vital role productivity plays in the Nation's economy by helping control inflation, making U.S. goods more competitive in world markets, and increasing the real income of the American worker.

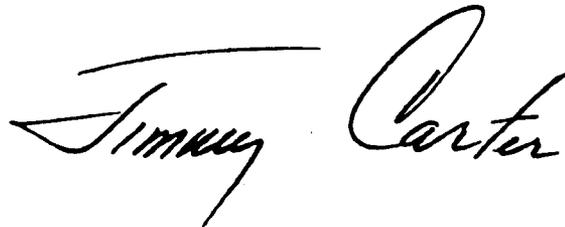
The Council will serve as the focal point in the executive branch for efforts to improve productivity in the private and public sectors of our economy. One of its major functions will be to assure that these efforts are themselves carried out in the most productive fashion.

I would like to highlight the major responsibilities for improvement that are assigned by statute to the executive branch, and identify the departments and agencies to which I look for leadership in carrying out these responsibilities:

- ° Technological innovation, including improved management systems and production methods--
Department of Commerce;
- ° Collection and dissemination of information on productivity and productivity improvement--
Department of Commerce;
- ° Productivity growth through improved and innovative utilization of employee skills and capability--
Department of Labor (in cooperation with the Department of Commerce);
- ° Protecting and improving the quality of working life of employees in conjunction with productivity improvement--Department of Labor (in cooperation with the Department of Commerce);

- Productivity measurement--Department of Labor;
- Labor-Management cooperation in productivity growth--Department of Labor;
- Productivity of the Federal Work Force--Civil Service Commission (in cooperation with the Office of Management and Budget); and
- Assuring that productivity concerns are taken into account in regulatory policy--Office of Management and Budget (including assuring consideration of productivity in regulatory analyses provided for in Executive Order 12044).

Improved productivity is vital to the social and economic well-being of our Nation. The Federal Government can make a major contribution to improving productivity. I expect all agencies to cooperate with and assist the Council in meeting its responsibilities so we realize maximum benefit from the Federal effort to improve productivity growth.

A handwritten signature in black ink, reading "Jimmy Carter". The signature is written in a cursive style with a large, sweeping initial "J" and "C".

HISTORY OF NATIONAL PRODUCTIVITY ORGANIZATIONS

The National Productivity Council is the most recent in a series of productivity organizations. The first was the National Commission on Productivity established in 1970 by presidential order. The purpose of this commission was to revitalize slackening productivity that would lead to more stable prices. In December 1971 an amendment to the Economic Stabilization Act (Public Law 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 work-life. This bill was defeated in the House of Representatives, objections being voiced to its \$5 million cost. However, a curtailed commission was temporarily transferred to the Cost of Living Council. In the spring of 1974 the House reversed its earlier vote and a new law (Public Law 93-311) was enacted establishing the National Commission on Productivity and Work Quality. 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 to overcome the year-to-year existence, interruptions, and funding problems of the previous organizations.

The Center, though, suffered from a low level of funding and administration support in relation to its broad mandate. The Center's authorization was allowed to expire at the end of September 1978. The President then established the National Productivity Council.

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

History and Funding of the National Productivity Council
and Its Predecessor Organizations

<u>Organization</u>	<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 Productivity and Quality of Working Life (Nov 1975 to Sept 1978)	Public Law 94-136	FY 1976 - 2,500
		FY 1977 - 2,750
		FY 1978 - 2,900
		FY 1979 - 0
National Productivity Council (Oct 1978 to present)	Executive Order 12089	FY 1980 - 0
		FY 1981 - 0

II

96TH CONGRESS
2D SESSION**S. 2417**

Entitled the "Productivity Improvement Act of 1980".

IN THE SENATE OF THE UNITED STATES

MARCH 12 (legislative day, JANUARY 3), 1980

Mr. BENTSEN introduced the following bill; which was read twice and referred to
the Committee on Governmental Affairs

A BILL

Entitled the "Productivity Improvement Act of 1980".

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*
 3 That this Act may be cited as the "Productivity Improve-
 4 ment Act of 1980".

5 **STATEMENT OF FINDINGS AND PURPOSE**6 **SEC. 2. (a) The Congress finds and declares that—**

7 (1) the rate of growth of productivity in the
 8 United States has been declining in recent years and at
 9 present is less than the rate of such growth in each of
 10 the major industrial nations;

1 (2) the Federal Government is taking many ac-
2 tions which affect productivity in the private sector,
3 but such actions are not coordinated and are, in some
4 cases, contradictory; and

5 (3) there is no comprehensive national productiv-
6 ity plan which addresses in a cohesive manner prob-
7 lems relating to productivity in the private sector and
8 which delineates possible Federal activities to improve
9 productivity in the private sector.

10 (b) Therefore, it is the purpose of this Act to—

11 (1) improve the effectiveness of Federal policies,
12 programs, and activities related to productivity in the
13 private sector; and

14 (2) eliminate unnecessary barriers and obstacles
15 created by the Federal Government to the improve-
16 ment of productivity in the private sector.

17 NATIONAL PRODUCTIVITY COUNCIL

18 SEC. 3. (a) There is established the National Productiv-
19 ity Council (hereinafter referred to as the "Council"). The
20 Council shall be composed of—

21 (1) a Chairperson, who shall be appointed by the
22 President by and with the advice and consent of the
23 Senate;

24 (2) the Secretary of Commerce;

25 (3) the Secretary of Labor;

- 1 (4) the Secretary of the Treasury;
- 2 (5) the Director of the Office of Management and
- 3 Budget;
- 4 (6) the Chairman of the Council of Economic Ad-
- 5 visors;
- 6 (7) the Chairman of the Council on Wage and
- 7 Price Stability;
- 8 (8) the Special Representative for Trade Negotia-
- 9 tions;
- 10 (9) the Director of the Office of Science and Tech-
- 11 nology Policy;
- 12 (10) the Director of the Federal Mediation and
- 13 Conciliation Service;
- 14 (11) the Administrator of the Small Business Ad-
- 15 ministration; and
- 16 (12) the heads of such other Federal agencies as
- 17 the President may designate.

18 (b) The Council shall—

- 19 (1) develop and annually revise a comprehensive
- 20 national productivity plan which—

- 21 (A) identifies and describes the relationship
- 22 and effect of Federal policies, programs and activ-
- 23 ities on productivity in the private sector;

1 **(B) delineates the responsibilities of Federal**
2 **agencies which carry out such policies, programs,**
3 **and activities;**

4 **(C) identifies unnecessary obstacles to pro-**
5 **ductivity in the private sector which are created**
6 **by the Federal Government;**

7 **(D) recommends alternative Federal policies,**
8 **programs, activities, and governmental structures**
9 **to facilitate the improvement of productivity in**
10 **the private sector;**

11 **(E) analyzes the Budget of the United States**
12 **in order to ascertain the areas in which Federal**
13 **financial assistance is being provided to improve**
14 **productivity in the private sector;**

15 **(F) annually assesses Federal activities to**
16 **improve productivity in the private sector, includ-**
17 **ing an identification of duplicative activities, suc-**
18 **cessful activities, unsuccessful activities, and areas**
19 **in which additional activities are necessary; and**

20 **(G) establishes priorities for short- and long-**
21 **term objectives to improve productivity in the pri-**
22 **vate sector and proposes recommendations for**
23 **specific projects and programs to retain such**
24 **objectives;**

1 (2) bring together representatives of business,
2 labor, academic institutions, and government to identify
3 possible Federal activities to improve productivity in
4 the private sector and to obtain the support and par-
5 ticipation of the private sector in creating and imple-
6 menting the national productivity plan developed pur-
7 suant to clause (1);

8 (3) conduct studies to assist in the refinement and
9 annual revisions of the national productivity plan de-
10 veloped pursuant to clause (1);

11 (4) perform economic analyses of the short- and
12 long-term impact on productivity of such Federal stat-
13 utes and regulations as the Council may select;

14 (5) provide guidance and direction to Federal
15 agencies concerning the implementation of the national
16 productivity plan developed pursuant to clause (1);

17 (6) make recommendations to the President, the
18 Congress, and Federal agencies concerning legislation,
19 regulations, policies, and activities to improve produc-
20 tivity in the private sector;

21 (7) act as the primary source of information in the
22 Federal Government concerning efforts to improve pro-
23 ductivity in the private sector by—

1 (A) receiving and disseminating information
2 relating to Federal efforts to improve productivity
3 in the private sector;

4 (B) promoting the activities of national, re-
5 gional, and local productivity centers, serving as a
6 liaison between such centers and Federal agen-
7 cies, and establishing mechanisms to permit the
8 consideration by Federal agencies of recommenda-
9 tions made by such centers concerning Federal
10 activities to improve productivity in the private
11 sector;

12 (C) providing assistance to such centers con-
13 cerning the implementation of Federal policies,
14 regulations, programs, and activities to improve
15 productivity in the private sector;

16 (D) representing the United States with for-
17 eign productivity centers and the monitoring of
18 activities in other countries to improve productiv-
19 ity in the private sector; and

20 (E) monitoring the status of policies, pro-
21 grams, regulations, and activities of the Federal
22 Government which affect productivity in the pri-
23 vate sector;

24 (8) report annually to the President and the Con-
25 gress concerning the implementation and revisions of

1 the national productivity plan developed pursuant to
2 clause (1); and

3 (9) delineate the functions of Federal agencies re-
4 lating to the improvement of productivity in the private
5 sector.

6 (c) The Chairman shall be responsible for carrying out
7 the duties of the Council.

8 (d) The Secretary of Commerce and the Secretary of
9 Labor shall serve as the Vice Chairmen of the Council. There
10 shall be an Executive Committee of the Council, which shall
11 consist of the Chairman and the Vice Chairmen of the
12 Council.

13 (e) The Chairman of the Council is authorized—

14 (1) to appoint and fix the compensation of such
15 employees as may be necessary to carry out the provi-
16 sions of this Act;

17 (2) to procure temporary and intermittent services
18 in accordance with section 3109 of title 5, United
19 States Code, at rates not to exceed the daily rate pay-
20 able for GS-18 under section 5332 of such title;

21 (3) without regard to the provisions of section
22 3648 of the Revised Statutes (31 U.S.C. 529), to enter
23 into and perform such contracts, leases, cooperative
24 agreements, or other transactions as may be necessary
25 to carry out the provisions of this Act, with any public

1 agency or with any person, and make payments (in ad-
2 vance, by transfer, or otherwise) and grants to any
3 public agency or private organization;

4 (4) to organize and conduct, directly or by grant,
5 contract, or other arrangement, conferences, meetings,
6 seminars, or other forums for the purpose of—

7 (A) presenting and disseminating relevant in-
8 formation concerning productivity in the private
9 sector; and

10 (B) obtaining information and opinions from
11 sources outside the Federal Government concern-
12 ing the improvement of productivity in the private
13 sector.

14 (f) Upon request of the Chairman, the head of a Federal
15 agency is authorized to detail any employee of the agency to
16 the Council on a reimbursable basis.

17 (g) The Secretary of Commerce, the Secretary of Labor,
18 and the Director of the Federal Mediation and Conciliation
19 Service shall provide such assistance and support to the
20 Council as may be necessary in order to carry out its func-
21 tions under this Act.

22 NATIONAL PRODUCTIVITY COUNCIL ADVISORY BOARD

23 SEC. 4. There is established a National Productivity
24 Advisory Board, which shall be composed of up to ten mem-
25 bers appointed by the Chairman upon such terms and condi-

1 tions as may be prescribed by the Council. The Chairman
2 shall appoint such members from among individuals with ex-
3 perience in business, labor, and academics. The Advisory
4 Panel shall advise the Council concerning appropriate activi-
5 ties for the improvement of productivity in the private sector.

6 **PRODUCTIVITY IMPROVEMENT FUNCTIONS OF THE**

7 **DEPARTMENT OF COMMERCE**

8 **SEC. 5.** With the guidance of the Council, the Secretary
9 of Commerce shall—

10 (1) carry out studies concerning productivity prob-
11 lems in particular industries;

12 (2) conduct workshops and other activities for
13 business and industry to increase awareness of the im-
14 portance of productivity growth;

15 (3) develop studies concerning activities to im-
16 prove productivity in the private sector that may be
17 carried out jointly by the Federal Government and the
18 private sector, such as joint efforts to increase techno-
19 logical innovation;

20 (4) operate a clearinghouse to provide information
21 concerning various aspects of productivity; and

22 (5) make such recommendations to the Council as
23 the Secretary determines appropriate for the revision of
24 the national productivity plan established pursuant to
25 clause (1) of section 3(b).

1 sion of the national productivity plan established pursu-
2 ant to clause (1) of section 3(b).

3 **PRODUCTIVITY FUNCTIONS OF THE FEDERAL MEDIATION**
4 **AND CONCILIATION SERVICE**

5 **SEC. 7.** Under the guidance of the Council, the Director
6 of the Federal Mediation and Conciliation Service shall—

7 (1) provide guidance and encouragement for the
8 establishment of cooperative advisory committees com-
9 posed of representatives of labor and management to
10 make recommendations concerning the revision of pro-
11 duction techniques in order to improve productivity,
12 and provide successful examples of such committees to
13 persons seeking to establish such committees;

14 (2) be available and responsive to requests of rep-
15 resentatives of labor, management, and community
16 action groups seeking advice from counsel;

17 (3) identify and recommend experts and consult-
18 ants, including national, regional, and local productivity
19 centers, who are available to provide assistance in the
20 resolution of labor, management, or community prob-
21 lems;

22 (4) provide information to the Secretary of Com-
23 merce for use in the productivity clearinghouse estab-
24 lished pursuant to clause (4) of section 5;

1 (5) provide information to the Secretary of Labor
2 for use in conducting the assessment required by clause
3 (1) of section 6; and

4 (6) make such recommendations to the Council as
5 the Director determines appropriate for the revision of
6 the national productivity plan established pursuant to
7 clause (1) of section 3(b).

8 **AUTHORIZATION OF APPROPRIATIONS**

9 **SEC. 8.** To carry out the provisions of this Act, there
10 are authorized to be appropriated \$3,000,000 for fiscal year
11 1981 and each succeeding fiscal year. Funds appropriated for
12 any fiscal year pursuant to this section shall remain available
13 until expended.

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