

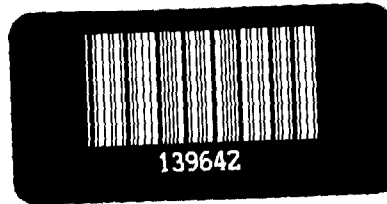
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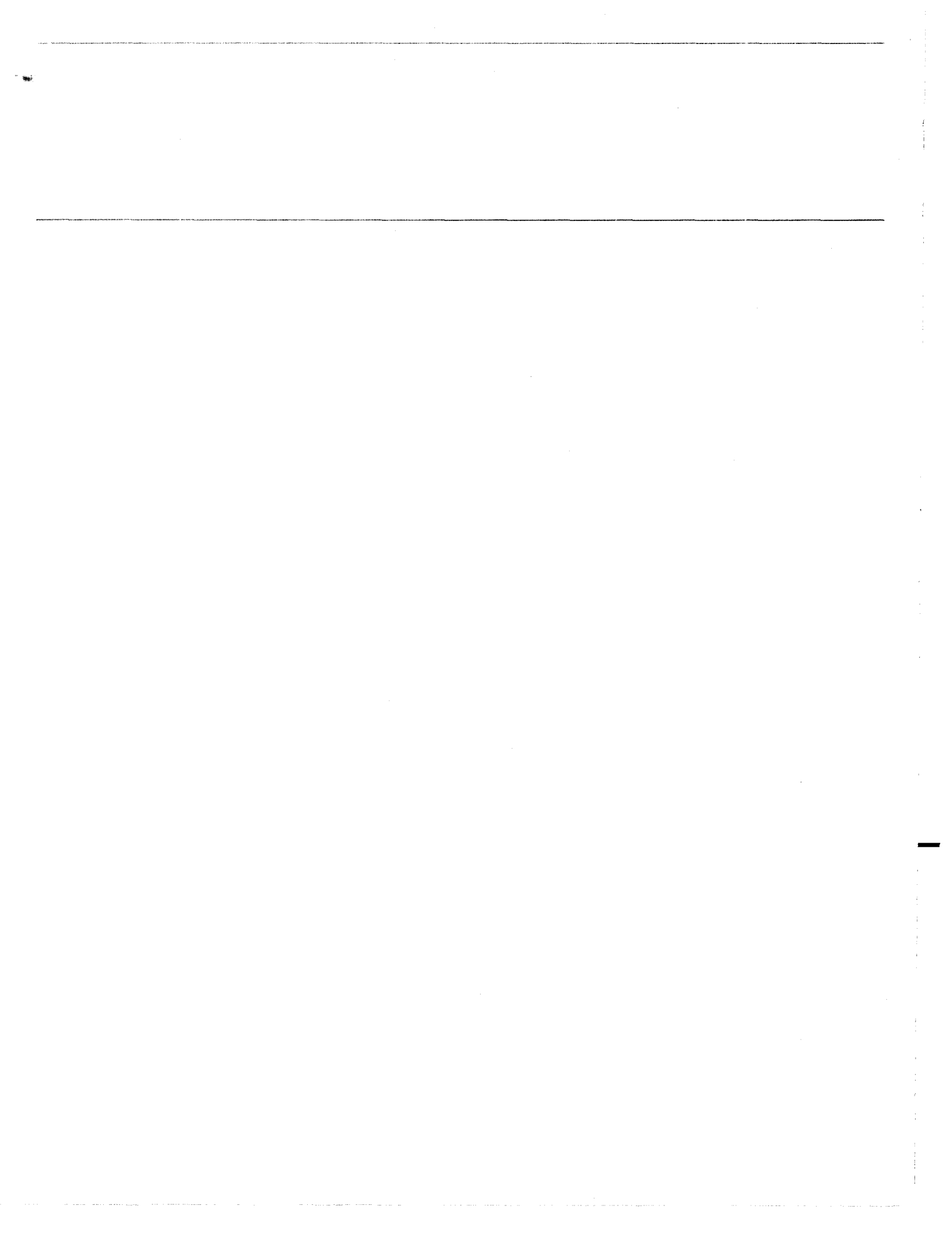
Report to the Chairman, Special
Committee on Aging, U.S. Senate

September 1989

SOCIAL SECURITY

Leadership Structure for an Independent Social Security Administration





Human Resources Division

B-236909

September 13, 1989

The Honorable David Pryor
Chairman, Special Committee on Aging
United States Senate

Dear Mr. Chairman:

This report is in response to your August 24, 1989, request that we summarize our position on the use of boards to direct the operations of federal agencies. You asked for this summary to help the Congress in its determination of the appropriate management structure (a board versus a single administrator) when it considers legislation making the Social Security Administration (SSA) an independent agency.

We conclude that a single administrator would be the best management structure for SSA. Our conclusion is based both on our own reviews of the management experience of different agencies and on the studies that others have undertaken.¹ Though a single administrator is not a panacea, the evidence we found suggests that such an administrator would be more effective in managing SSA than would a board.

Under a board form of organization, members of the board typically serve for overlapping terms. In principle, they are able to bring different points of view and different experiences to the decision-making process. Many have argued that this form of organization has the potential to provide greater continuity in policy, more stable leadership, and a more effective barrier to arbitrary action. Because of these attributes, the board form has been employed in many regulatory agencies.

Our work—and the work of others that we have reviewed—suggests, however, that, in practice, the board form of organization has not proven effective in providing stable leadership, in insulating decisions from political pressures, and in assuring that diverse viewpoints are considered in the decision-making process. In the regulatory agencies that we have studied, we have concluded that a single administrator would provide more effective and stable leadership than a board. In our view, the need for stable and effective leadership is more critical in the management of an organization of the size and complexity of SSA than it is in the management of the relatively small regulatory agencies that we

¹A Plan to Establish an Independent Agency for Social Security, Congressional Panel on Social Security Organization, June 12, 1984; The Railroad Retirement System: Its Coming Crisis, Commission on Railroad Retirement, June 30, 1972; An Independent Social Security Organization: Thoughts on Its Creation, Congressional Research Service, Feb. 19, 1984.

have reviewed. The management problems that we found in these regulatory agencies cause us to believe that SSA should not be managed by a board.

We recognize that a board could give the Congress and the executive branch a valuable source of informed opinion about major social security policy issues. We believe that this can be achieved without sacrificing management effectiveness if the board is created as a Social Security policy advisory board.

An SSA advisory board reporting to the commissioner would provide the means for considering major policy questions and proposed changes and give the administration and the Congress the opportunity to receive bipartisan views on such issues. We believe the idea of an advisory board has merit and have supported it in the past.² The board, however, should have no role in the management of SSA.

We recognize that an organizational structure headed by a single administrator, by itself, does not ensure management effectiveness. Excellence in management is a function of the leadership qualities of those selected for key agency positions. The single administrator form of organization, however, offers the advantage of allowing for a clear delineation of authority and responsibility—an operational characteristic found in most successful public enterprises. The absence of this characteristic is a key deficiency of the board structure. The single administrator form of management also creates a more favorable organizational environment to develop goals and objectives and to address and resolve major problems and issues promptly.

SSA is one of the federal government's largest operating agencies, with close to 65,000 employees located in offices across the country. The agency's main function is to deliver timely benefits to 38 million Americans through three major programs. Its operational nature demands an organizational structure that allows for clear authority and deliberate

²GAO's Views on the Report of the Congressional Panel on Social Security Organization Concerning Establishment of an Independent Agency for Social Security, Testimony before the House Subcommittee on Social Security, Committee on Ways and Means, July 30, 1984; GAO's Views on H.R. 825, A Bill to Make the Social Security Administration an Independent Agency, Testimony before the House Subcommittee on Social Security, Committee on Ways and Means, Apr. 23, 1985; GAO Views on H.R. 791, A Bill to Establish the Social Security Administration as an Independent Agency, Testimony before the House Subcommittee on Social Security, Committee on Ways and Means (GAO/T-HRD-89-07, Mar. 1, 1989); GAO's Views on an Independent Social Security Administration and the Personal Earnings and Benefit Statement, Testimony before the Senate Subcommittee on Social Security and Family Policy, Committee on Finance (GAO/T-HRD-89-23, June 2, 1989).

actions, aimed at achieving clear-cut goals and objectives. Though boards may be useful in operating some small regulatory agencies where deliberation in a quasi-judicial environment is valued, we believe that a board running a large operational organization such as SSA is inappropriate and not feasible.

You also requested our views on whether a board would help or hinder the resolution of the management problems that we identified in our management review of SSA. We believe a board will exacerbate rather than alleviate problems we identified in our management reports (see p. 5).³

GAO's Past Work on Board Leadership

Our position on the merits of a single administrator is based on work we have done over the last decade. During that time we studied the operations of three federal agencies that were managed by boards: the Federal Communications Commission (FCC), the Nuclear Regulatory Commission (NRC), and the Consumer Product Safety Commission (CPSC). In addition, we issued two reports on SSA's management.

In 1979, we studied the operations of FCC and found that its management and organizational effectiveness suffered due to a (1) failure to plan and develop long-range goals and objectives, (2) reluctance to formulate coherent regulatory policies as a guide to adjudication and rulemaking, (3) neglect of program review and evaluation, and (4) tendency to delay. In our view, these problems were partly due to the lack of a strong central management authority at the commission level. To improve FCC's management effectiveness, we made several recommendations to strengthen the chairman's administrative authority—by making him the administrative head of FCC and by modifying the size, composition, and structure of the commission or board. We found merit in the board form of organization for regulating domestic and international communications, but we also found that the activities of the agency staff are more effectively directed by a single administrator.

In 1980, we reviewed operations of NRC and found that its performance could best be characterized as slow, indecisive, and cautious. We attributed NRC's performance to the inherent limitations that a board imposes on an agency's ability to address and resolve regulatory issues and the

³Social Security Administration: Stable Leadership and Better Management Needed to Improve Effectiveness (GAO/HRD-87-39, Mar. 18, 1987); Social Security: Status and Evaluation of Agency Management Improvement Initiatives (GAO/HRD-89-42, July 24, 1989).

failure of the commissioners to provide leadership and direction to the staff, the regulated industry, and the public. We concluded that if the chairman's and executive director's roles were clarified and strengthened, the board structure should be continued because it offered an advantage for resolving long-term policy decisions. Boards, by their nature, provide different perspectives on key policy issues. We did note, however, that a single administrator could respond in a more timely, efficient manner to day-to-day nuclear regulatory decisions.

After observing NRC's operations over 8 years, we became convinced that the board form of organization was not workable. In April 1988, we testified before a Senate committee on proposed legislation to change the nuclear regulatory structure. Even though NRC had implemented our recommendations to better define and strengthen the chairman's role, these actions were not adequate to correct the leadership problems we noted in 1980. We found that the commission failed to provide direction to the staff in resolving major nuclear policy and management issues and had been slow to take decisive action in developing standards to ensure nuclear power plant safety. Thus, we concluded that the agency's functions could more effectively be carried out by a single administrator.

Likewise, during 1987, we reviewed CPSC and found that (1) board decisions were not prompt, (2) there was competition among the Commissioners concerning the agency's resources, and (3) the Commissioners tended to micromanage day-to-day operations. We concluded that CPSC's functions could be carried out more effectively by a single administrator because some basic assumptions about the advantages of boards did not prove to be valid.

Other Studies on the Board Form of Management

Some may question whether the performance of regulatory agencies is indicative of how SSA might perform under the leadership of a board, because of inherent differences in their respective functions. Although we have not evaluated the board leadership of an agency whose functions are similar to those of SSA, others have.

For example, in 1972 the Commission on Railroad Retirement performed an evaluation of the Railroad Retirement Board (RRB), and in 1984 the Congressional Research Service reviewed the operations of many examples of plural executives, including SSA's predecessor, the Social Security Board, which functioned between 1935 and 1946.⁴ The administrative

⁴See footnote 1.

structures of both RRB and the Social Security Board are similar to that being considered by the Congress for SSA. RRB and SSA are engaged in similar operations—the receipt and examination of claims, the maintenance of records, and the authorization and payment of benefits. At RRB, the Commission found that management, organizational, and systems problems were attributed to the lack of a strong central management authority. CRS reported that Social Security Board members found the board structure to be inadequate for operating the Social Security program. The board led to indecision, delay, and dissension among the board members.

Over the last 50 years, numerous groups have conducted independent assessments of various regulatory commissions and other government agencies. These groups, such as the Brownlow Committee, the Hoover Commission, and the Ash Council (see pp. 15-16), found significant problems with the board structure; and some recommended replacing them with single administrators.

GAO's Management Reviews at SSA

You requested our views as to whether a board would help or hinder the resolution of the long-standing management and operational problems at SSA. In our opinion, a board has serious disadvantages in that authority is diffused and the potential exists for the board chairman and other members to intervene directly in administrative matters properly the responsibility of the chief operational officer, causing indecision and delay. Our work⁵ has shown that SSA needs strong direction and stable leadership to begin and sustain action to resolve its management and operational problems. We believe a board would be less effective than a single administrator in achieving sustained direction and establishing accountability for results.

As a result of our concern about the need for strong and stable leadership at SSA, we recommended in our 1987 report on SSA management that the Congress enact legislation fixing the term of the commissioner at 8 years. At that time, we concluded that the governing board arrangement would be detrimental to improving agency management.

Appendix I summarizes our reports and testimony assessing the effectiveness of the board structure of organization. Appendix II summarizes

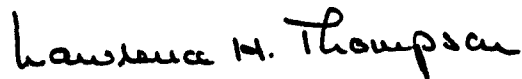
⁵See footnote 3.

governmentwide studies that recommended changes to improve board-run agencies or questioned the value of board leadership.

This report is being sent to cognizant congressional committees, the Secretary of Health and Human Services, the Director of the Office of Management and Budget, and other interested parties.

This report was prepared under the direction of Joseph F. Delfico, Director, Income Security Issues (Retirement and Compensation). Other major contributors are listed in appendix III.

Sincerely yours,



Lawrence H. Thompson
Assistant Comptroller General

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Abbreviations

CPSC	Consumer Product Safety Commission
FCC	Federal Communications Commission
NRC	Nuclear Regulatory Commission
RRB	Railroad Retirement Board
SSA	Social Security Administration

Summary of GAO Reports on Boards

Our past work at the Federal Communications Commission, the Nuclear Regulatory Commission, and the Consumer Product Safety Commission has shown that boards are not as effective as a single administrator. The performance of these agencies suffered because of (1) untimely decisions, (2) a tendency by board members to micromanage the agency's daily operations, and (3) diffused accountability. Furthermore, some of the basic assumptions about the advantages of a board structure—stability in leadership, insulation from political and economic pressures, and diversity of viewpoints—had not been realized.

Organizing the Federal Communications Commission for Greater Management and Regulatory Effectiveness (CED-79-107, July 30, 1979)

While this report's basic thesis was that there is merit in the commission form of organization for regulating domestic and international communications, we stated that activities of the agency's staff are most effectively directed by a single administrator. The report also pointed out that administrative matters were distracting commission members from their primary function of policymaking and substantive decisionmaking. Our work was based on a review of FCC operations in the late 1970s.

We found that the Executive Director's lack of authority to supervise and control the activities of the organization resulted in FCC bureaus and major offices operating largely independently of one another. They frequently failed to coordinate their efforts to efficiently and effectively carry out FCC's mission. This lack of central management authority also hampered efforts to strengthen, improve, and harmonize management processes throughout the agency. At the same time, management weaknesses at the bureau and office levels and at the division and branch levels caused similar problems of control and coordination and a neglect of such important management functions as planning, program review, budgeting, measurement of productivity, evaluation of performance, and personnel management.

We concluded that without a strong, central focus of management authority—one possessing a comprehensive view of FCC's mission; able to allocate, direct, and control resources with an agencywide perspective; and capable of coordinating the activities of constituent organizational units—it was difficult to see how FCC would be able to improve its overall management or regulatory effectiveness. In our view significant improvements in comprehensive planning, budgeting, program evaluation, management information, and control systems depend on the existence of a strong, centralized management authority at the Commission level, complemented by strong management capability at the bureau and office levels. This authority must be able to continually implement,

direct, and monitor the specific management improvements that are needed.

We noted that many of the criticisms of independent regulatory agencies, including FCC, concern weaknesses in areas that are related to internal organization and procedural matters—management of the organization. Such weaknesses include a failure to plan and develop long-range goals and objectives, a reluctance to formulate coherent regulatory policies as a guide to adjudications and rulemaking, a neglect of program review and evaluation of regulatory effectiveness and impact, and a tendency to delay. We concluded that by strengthening the administrative authority of FCC's Chairman—making him the agency's administrative head—and by modifying the size, composition, and structure of the multi-member Commission, it should be possible to improve FCC's management effectiveness substantially and enhance its decisionmaking ability.

**The Nuclear
Regulatory
Commission: More
Aggressive Leadership
Needed (EMD-80-17,
Jan. 15, 1980)**

We characterized NRC's performance as slow, indecisive, and cautious. This was due in part to the inherent limitations the commission form of leadership imposes on the agency's ability to efficiently identify, address, and resolve regulatory issues. But it was also due to the commissioners' failure to provide leadership and direction to the staff, the regulated industry, and the public.

The commissioners had not (1) established measurable goals, objectives, and systems for measuring performance; (2) taken active control of regulatory policymaking; and (3) clearly defined either their own roles or that of the Executive Director for Operations. We found substantial differences of opinion among commissioners and senior NRC staff on the Executive Director's role in nuclear regulation. The ambiguity over the Executive Director's role contributed to Commission inefficiency. In 1975 the Congress made the Commission Chairman the principal executive officer, but the commissioners never defined the limits of this expanded authority, nor did any chairman attempt to use the authority.

We believed the lack of strong leadership by the commissioners was a major contributing factor to NRC's slow, indecisive, and cautious performance in nuclear regulation. This had been particularly true in nuclear power plant and nuclear waste regulation.

While we directed our evaluation toward improving the present commission form of regulation, we also examined other organization forms that

might be better suited for the two dissimilar roles the Commission performed. One role—policymaking—requires the deliberate contemplation of issues that affect both the near- and long-term direction of regulated nuclear activities. By contrast, the second role—day-to-day regulation—requires firm and timely licensing, inspection, and enforcement decisions.

Our analysis of alternative organization forms showed that:

- The single administrator form would provide the best organization to develop goals and objectives, measure performance, and address and resolve regulatory issues in a timely manner—all of which had been failings of the Commission.
- The commission form, strengthened as recommended in the report, offered the distinct advantage of bringing to bear much deliberation and contemplation on regulatory issues.
- Separating the present NRC into a regulatory policymaking commission and a regulatory agency headed by a single administrator would take advantage of the strengths of both basic organization forms. Policymaking on critical unresolved nuclear regulation issues could have continued under the commission form, with the advantage of multi-member deliberations. At the same time, day-to-day nuclear regulation would have proceeded under an agency headed by a single administrator, with prospects for better management of these day-to-day activities.

**Proposal to Reorganize
NRC, Testimony
Before the Senate
Committee on
Governmental Affairs
(GAO/T-RCED-88-37,
Apr. 27, 1988)**

On March 29, 1988, the Senate Committee on Environment and Public Works proposed legislation to establish a Nuclear Safety Agency headed by a single administrator instead of a board to assume the functions of NRC.

We supported the move to establish a single administrator to be accountable for overseeing the operations of nuclear power plants and other licensed activities. We stated that our position on the merits of a single administrator had changed from that expressed in our January 1980 report. As noted above, in that report we concluded that a commission, with a strong chairman, was the most appropriate leadership for resolving long-term nuclear policy decisions on such issues as nuclear waste and breeder reactor development.

We attributed our change in position to two factors. First, we found that, even though NRC had better defined the roles of the chairman and the executive director, the commission had failed to provide leadership

and direction to staff in resolving major nuclear policy and management issues. It continued to rely on the staff to decide how policies should be written and had been slow to take decisive action in developing standards to ensure nuclear power plant safety. Second, we noted a growing perception among the Congress, the nuclear utility industry, and the public that the commission is indecisive, takes too long to effect change, and limits the staff's effectiveness because the staff sometimes receives direction from five individuals.

**Consumer Product
Safety Commission:
Administrative
Structure Could
Benefit From Change
(GAO/HRD-87-47,
Apr. 9, 1987)**

We concluded that CPSC could benefit from changing to a single administrator because some of the basic assumptions about the advantages of commissions—stability, insulation from political and economic pressures, and diversity of viewpoints—had not proven valid. First, the high turnover rate of chairpersons and executive directors, including the acting status of many of these, indicated a lack of stability in commission leadership. Second, although relative independence was a goal of the Consumer Product Safety Act, both the Office of Management and Budget and the Congress exercised authority over CPSC through various mechanisms. Finally, although the voting records are not the only indicator of differences in viewpoints, the votes of the commissioners were in agreement with the votes of the chairperson and the staff views a high percentage of the time.

We interviewed high-level officials, such as former chairpersons of CPSC, single administrators and other officials of five health and safety regulatory agencies, and officials of public interest and industry groups, to obtain their opinions about managing CPSC with a single administrator instead of a commission. Of the 28 high-level officials we interviewed who expressed an opinion, 19 (68 percent) believed that a commission is not an effective structure for CPSC. All former confirmed chairpersons and former executive directors of CPSC indicated that its administrative structure should be changed to that of a single administrator, citing many problems with the current structure, including the following:

- Commission decisions are not prompt.
- The commissioners often do not understand the technical issues that the staff has to deal with.
- There is competition among the commissioners concerning the use of CPSC resources.
- The commissioners tend to micromanage the agency's day-to-day operations and are too involved in preparing the budget and operating plan.

Officials in the five health and safety regulatory agencies we interviewed supported the single administrator structure, particularly because this structure expedited the decisionmaking process.

Summary of Major Studies on Board Forms of Leadership

A number of studies over the last 50 years have been critical of the board form of organization. Many of the studies focused on regulatory commissions, for which the board form may be more appropriate than in an operating agency like SSA. The studies reiterated the weaknesses of board leadership and recommended actions to correct identified problems and change leadership to a single administrator.

1937—Brownlow Committee Report

In 1937, the Committee on Administrative Management (the Brownlow Committee) published a report that highlighted the lack of coordination among independent regulatory commissions and between these commissions and other government branches. The proposed solution was to abolish the independent regulatory commissions and integrate them into the executive branch, where the commissions would become agencies within the executive departments. Once relocated, the commission functions would be divided between an administrative section, directed by a single administrator, and a judicial section, which would remain independent in the making of regulatory decisions.

The main thrust of the Brownlow Committee report was that policy and administration could be coordinated in the several regulatory fields only if the agencies were responsible to a Cabinet head and ultimately to the President.

1949—Hoover Commission Report

Unlike the Brownlow Committee, the first Hoover Commission concluded that the independent regulatory commissions had a rightful place in the political system, but found that they had generally failed to perform up to expectations. The Commission's recommendations tended to be concerned with the organizational status and administrative structure of commissions. The Commission's report argued that the regulatory commissions would be more effective and efficient if the administrative responsibilities were vested in the commission chairperson rather than diffused among board members.

1971—Ash Council Report

The 1971 report of the President's Advisory Council on Executive Organization (the Ash Council) found the regulatory commissions to be essentially ineffective and unable to respond promptly and well to economic, technological, and social changes, as well as to public needs. These weaknesses were attributed to the board form of leadership as well as to independence from presidential authority.

The Council's report recommended a major restructuring of the independent regulatory commission system "...to assure coordination of regulatory matters with national policy goals, to improve the management efficiency of regulatory functions, to improve accountability to the Congress and the Executive Branch, and to increase the probability of superior leadership for regulatory activities." This was to be accomplished by eliminating, in most cases, the plural-member commissions and replacing them with organizations headed by single administrators responsible to the President.

1972—Report by the Commission on Railroad Retirement

In 1972, the Commission on Railroad Retirement concluded that the Railroad Retirement Board should no longer operate as a separate independent agency and that it should be headed by a single administrator—a strong chairman—rather than a board.

The Commission's report was critical of the board or plural executive form of organization and stated that an agency that has predominantly administrative responsibilities should be headed by a single administrator. The Commission observed that boards suffer real handicaps in attempting to achieve effective administration or managerial leadership.

In developing its conclusion, the Commission reiterated the findings of the 1971 report by the Ash Council, which showed the merit of vesting responsibilities in a single administrator as opposed to a board.

1984—Report by the National Academy of Public Administration

The National Academy of Public Administration concluded that single administrators are far more effective and accountable than boards. Its report stated that even if a board's role is carefully defined and its membership carefully selected, it is almost impossible to keep it from interjecting itself into the organization's day-to-day management. In discussing the disadvantages of boards, the Academy's report stated:

"...the likelihood is that they would end up confusing and debilitating the authority of the agency head, creating conflict for the staff, and becoming another layer of management which adds little and detracts much. Furthermore, the composition of such boards becomes an issue in itself, and all too often breeds preoccupation with diversionary issues of balance, representativeness, or political fairness, rather than the ability of such boards to contribute to the success of the program."

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