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STATEMENT OF

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ASSISTANT COMPTROLLER GENERAL



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BEFORE THE

SUBCOMMITTEE ON CIVIL SERVICE
OF THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE
U.S. HOUSE OF REPRESENTATIVES

ON

H.R. 3116, A BILL FOR FEDERAL COST REDUCTION
AND PRODUCTIVITY IMPROVEMENT

Madam Chairwoman and Members of the Subcommittee:

I am pleased to be here to present the views of the General Accounting Office on H.R. 3116. At the request of the Committees on Government Operations and Post Office and Civil Service, we are preparing detailed comments on the bill's specific provisions. We will present these comments for the record, and I will limit my remarks today to our general reaction to the bill.

First, we heartily agree with the bill's purpose--to reduce Government cost and improve service through increased productivity. I believe it will be helpful to briefly mention why there has been little progress in these areas. Past GAO reviews have found five major problems.

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First, there has been no continuing focal point to lead Federal productivity and cost reduction efforts. Over the past few years leadership responsibility for Federal productivity has shifted from OMB to the Joint Financial Management Improvement Program, the National Center for Productivity and Quality of Working Life, and now to the Office of Personnel Management.

Second, there has been a lack of action directed toward overcoming the barriers to improving productivity. These barriers include the absence of profit motive, diverse missions, lack of high-level interest both in the Executive branch and the Congress, disincentives of classification standards and the budget process, absence of specific goals, and unnecessary regulations that erode managers' ability to manage.

Third, there has been little effort aimed at developing, using, and refining performance measures. Managers have often postponed using performance measures on the basis that available measures are either of inadequate quality or are not applicable to their needs. Unfortunately, postponement is often also related to a lack of support and commitment on the part of managers. While it is true that certain types of work are difficult to measure with reasonable accuracy, the majority of Government operations have specific, definable, and measurable goals and outputs.

Fourth, those performance measures which do exist have not been fully used for the management functions of performance appraisal and budgeting. Unless these linkages are made, managers can neither be held accountable for taking productivity improving actions nor be expected to identify savings in their budget submissions.

Fifth, there has been a stop and go emphasis on productivity improvement as top Federal managers come and go, each new group reflecting differing priorities. It is this fifth problem which we believe inhibits the resolution of the previous four problems.

We have concluded that constant emphasis is needed to successfully motivate Federal managers, to improve productivity. Our opinion is substantiated by the continuing approach used by successful private sector firms and foreign countries.

Since top agency management changes frequently, the legislative branch is in a good position to provide this constant emphasis. In this regard we agree with H.R. 3116 that a Congressional policy should be articulated which clearly defines Congressional intent concerning cost reduction and productivity improvement, and also affirms Federal management responsibilities. In particular, we believe that policy should spell out OMB and OPM responsibilities for holding agencies accountable for the major requirements of the bill-- identification of program goals, program appraisal, better

workforce planning and cost accounting, and added incentives for increased productivity.

H.R. 3116 could be a means of articulating a long-term policy for improved Federal productivity. Another means which the General Accounting Office supports is expressed in H.R. 16. That bill would create a commission with broad public and private representation to focus on issues for achieving a more effective Government, including the matters addressed in H.R. 3116.

Our primary concern is that H.R. 3116 would force the rapid creation of complex analytical and reporting mechanisms that will require lengthy preparation, and may be duplicative of other efforts. For example, the bill calls for work force planning systems, cost accounting systems, and productivity measurement systems to be in place by October 1, 1985, or 4 years after enactment. Although 4 years may seem generous, establishing these systems throughout the Government will be a major undertaking that, to be done well, could take longer than the bill allows. Sound work force planning alone will first require development of a policy and framework of preferred methods and procedures to establish Government-wide uniformity, followed by pilot testing and refinement, before a realistic schedule could be established for individual agencies to set up their own systems. We believe that establishing these major systems in phases would be more workable than trying to set them all up at one time. Much of our concern stems from work we have recently done on civil service reform where we have

seen that pretesting and slower implementation would have been more successful. In general, however, we agree that workforce planning, productivity, and cost accounting systems have received relatively little attention and that more emphasis is needed.

The effort required to implement this bill could be lessened if it allowed maximum use of work already underway and systems in place. For example, the bill requires agencies to identify programs but does not recognize that the General Accounting Office has a legislated responsibility in this area and has developed an automated inventory of Federal programs. The program inventory is substantially complete and in use in supporting many authorizing committees and other analysts in the legislative branch. Pending oversight reform legislation would use this inventory to support a systematic review and reauthorization process. In another example, the Bureau of Labor Statistics productivity measurement system, if improved, may provide the type of measurement envisioned in the bill.

Also, we believe that the Civil Service Reform Act of 1978 offers the tools to accomplish much of what H.R. 3116 intends to do. The Reform Act has provisions to link pay, awards, and other personnel actions to employees' performance. At management and executive levels, the Reform Act intends that individual performance and rewards be linked with organizational performance. Thus, for example, the program and cost-reduction objectives envisioned by H.R. 3116 could be made a part of the performance

expectations for Senior Executive Service and merit pay employees. Implementing the Reform Act is itself a complex and lengthy undertaking, and it is too early to tell how well it will improve Government service, although that is clearly a goal. One of our interests is monitoring implementation of the Reform Act to see if that goal will be met.

We have additional questions about the bill's provisions for disposition of cost savings by agencies without direct congressional control. We certainly agree that new budget procedures are needed to provide incentives for cost savings. However, I would like to caution that there are various options in this area that merit careful study. Managers should have the necessary flexibility, but so should Congress have adequate control over spending levels and priorities. Particular issues concern the bill's effect on rescission procedures established by the 1974 Congressional Budget and Impoundment Control Act, and whether there will be adequate safeguards to insure that savings identified by the executive branch are true productivity improvements, and not policy cutbacks. The bill appears to give the President wide latitude in this regard.

Much of the information and expertise for more diligent efforts as proposed in H.R. 3116 are already in place. However, instead of an attempt at Government-wide implementation at this time, we would like to suggest demonstration projects at selected agencies. The demonstrations could possibly be

done under Title VI of the Civil Service Reform Act and should lead to a joint OMB/OPM report to Congress with legislative recommendations for Government-wide action.

Congress needs to emphatically convey its views to OMB and OPM that aggressive productivity reform and cost reduction are necessary, and we look forward to working with the Subcommittee to achieve the results we both hope for.

That concludes my statement Madam Chairwoman. I will be glad to answer any questions.