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SSA CUSTOMER SERVICE

Broad Service Delivery Plan Needed to Address Future Challenges

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Messrs. Chairmen and Members of the Subcommittees:

We are pleased to be here today to discuss the Social Security Administration's (SSA) efforts to prepare to meet its future service delivery challenges. As you know, SSA is one of only a few federal government agencies with which most American families will have regular contact. In fiscal year 1999, SSA provided benefits of over $400 billion to more than 48 million individuals through its retirement and disability programs, and the agency maintained records on the earnings of the vast majority of U.S. workers. Because of SSA's broad reach, the quality of its customer service can affect the public's view of government overall, and SSA has committed itself to providing world-class service to the American public.

While SSA has generally been viewed as one of the better-run federal agencies and has been recognized for its service to the public, the agency faces a number of challenges that could adversely affect its ability to provide world-class service in the future. Today, we are here to discuss (1) the extent and seriousness of these challenges, (2) SSA's strategy to meet them, and, more specifically, (3) the status of the agency's efforts to use information technology to cope with the challenges, (4) the agency's efforts to prepare its workforce for the future, and (5) the implications of SSA's plans and efforts for its readiness to meet future challenges. The information we are providing is based on both published and ongoing work (see the list of related GAO products at the end of this statement).

In summary, we found that SSA will be challenged to maintain a high level of service to the public in the next decade and beyond. Demand for services is expected to grow significantly, with applications for one of SSA's already-burdened disability programs projected to increase by 54 percent by 2010. Moreover, the expectations and needs of SSA's customers are changing. Some are expecting faster, more convenient service, while others, such as non-English speakers and the large population of beneficiaries with mental impairments, may require additional assistance from staff with more diverse skills. At the same time, SSA's ability to cope with these changes will be challenged, since the number of SSA employees retiring is expected to peak at the same time that large increases will occur in applications for benefits, according to SSA's Actuary's estimates.

While we have recommended since 1993 that SSA prepare a service delivery plan, SSA is only now beginning to develop a broad vision for customer service for 2010. This broad vision, as well as a more detailed plan spelling out who in the future will be providing what service and where, is needed to help the agency focus its efforts to meet its future

challenges. In the meantime, to cope with pending workload increases, the agency is relying in large part on technology to achieve increased efficiencies. However, SSA has had mixed success in implementing information technology initiatives, and the benefits from its technology investments have largely been unclear. On the other hand, SSA's efforts to prepare for the increasing number of retirements from its own workforce and changing customer needs and expectations have shown more promise, although many initiatives are still in their early stages and much work remains. SSA will need to fully assess the skills its workforce will need to serve its future customers, particularly its growing population of disabled beneficiaries and the high proportion of those with mental impairments. SSA will also need to ensure continuity in leadership through ongoing succession planning efforts. Finally, without a vision for future service followed by a more detailed service delivery plan, SSA cannot be sure that its investments in technology and human capital—that is, its workforce—are consistent with and fully support its future approach to service delivery. It will be important for the agency to complete this plan to guide its investments and better position itself to cope with its future challenges.

Background

SSA administers three major federal programs. The Old Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs, together commonly known as Social Security, provide benefits to retired and disabled workers and their dependents and survivors. In fiscal year 1999, SSA provided OASI retirement benefits totaling more than $332 billion to 38 million individuals and DI benefits of more than $50 billion to 6.5 million individuals. The third program, Supplemental Security Income (SSI), provides income for aged, blind, or disabled individuals with limited income and resources. In fiscal year 1999, 6.6 million individuals received more than $28 billion in SSI benefits.[1] SSA needs to keep up with changes in the circumstances of those currently receiving benefits—from address changes to changes in health or work status. In addition, SSA maintains records of the yearly earnings of over 140 million U.S. workers and provides them with annual estimates of their future benefits.

To meet its customer service responsibilities, SSA operates a vast network of offices distributed throughout the country. These offices include 1,343 field offices, which, among other things, handle application in-take; 132 Offices of Hearings and Appeals (OHA); and 36 teleservice centers responsible for SSA's national 800 number operations.[2] The agency's

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[1]Some DI benefit recipients have incomes low enough to qualify them for SSI as well and receive benefits from both programs.

[2]Other SSA facilities include 10 regional offices, 7 processing centers, and 1 data operations center.

policy is to provide customers with a choice in how they conduct business with SSA. Options include visiting or calling a field office, calling the 800 number, or contacting SSA through the mail. To conduct its work, SSA employed 63,000 staff in 1999: 13,000 at its headquarters offices and 50,000 in the field offices and at other facilities. In addition, to make initial and ongoing disability determinations, SSA contracts with 54 state disability determination service (DDS) agencies.[3] While federally funded and guided by SSA in their decision-making, these agencies hire their own staff and retain a degree of independence in how they manage their offices and conduct disability determinations.[4]

SSA relies extensively on computer technology to support its large volumes of programmatic and administrative work. Since the 1980s, SSA has taken numerous steps to modernize its computer systems in an effort to better serve its increasing beneficiary population and improve its productivity. A key aspect of the modernization effort has been the agency's transition from a centralized mainframe-based computer processing environment to a more highly distributed processing environment. SSA has also taken other steps to improve its service delivery capability, such as enhancing its electronic payment services and implementing direct access customer service on the Internet.

SSA Faces Significant Customer Service Challenges Over the Next 10 Years

Over at least the next 10 years, SSA will face a number of changing conditions that could tax its effort to provide world-class service. Demand for services will grow as the baby boom population ages. This growth will place additional strain on the disability claims process, which is already troubled. In addition, the agency will have to adapt to changing customer service expectations. For example, some customers may expect faster, more convenient service through the use of technology. As the agency is trying to cope with these changes, increasing numbers of its own experienced staff will be retiring.

## Customer Demand for Services Is Likely to Grow and Change

SSA expects customer demand for its services to grow and change significantly over the next 10 years. The aging U.S. population means many more people will be applying for disability and retirement benefits with SSA, and determining initial eligibility—and in the case of DI and SSI, continuing eligibility—are costly and time-consuming activities. Figure 1 shows the estimated growth in the number of people applying for benefits.

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[3]These agencies exist in each state, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.

[4]The state DDS sites employ a total of more than 14,000 staff.

By 2010, applications for OASI, DI, and SSI benefits are predicted to have increased by 20, 54, and more than 10 percent, respectively, over 1999 levels. Moreover, applications are expected to continue to grow even more dramatically for a number of years after 2010 as the baby boom generation reaches retirement age. More applications imply growth in other work areas for SSA as well, such as updating and maintaining records for those awarded benefits.

Figure 1: Predicted Increases in OASI, DI, and SSI Applications
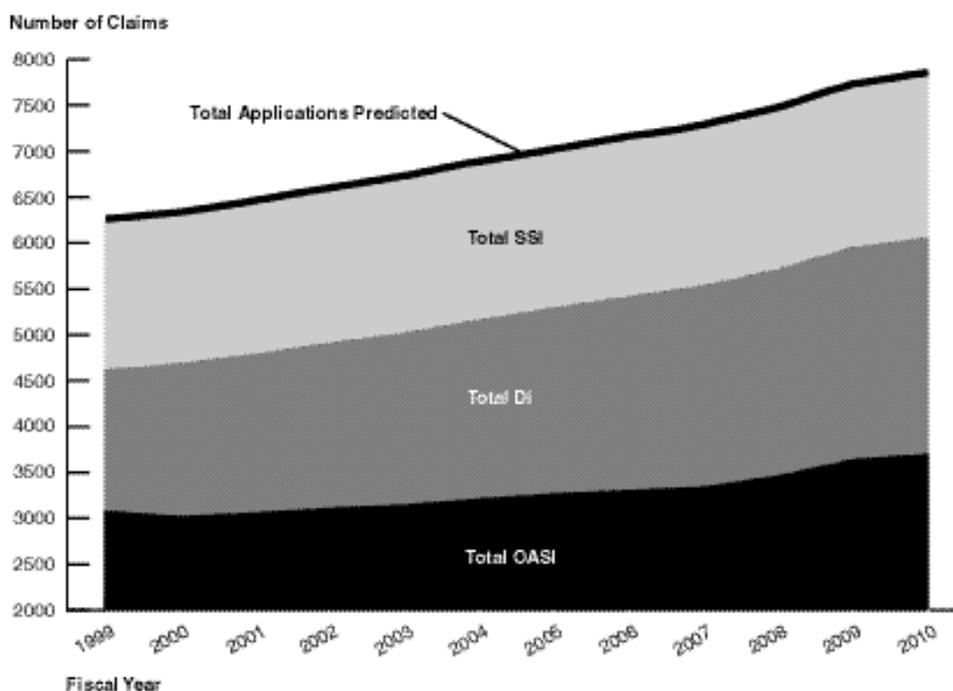
Note: SSA's Office of the Chief Actuary does not have estimates of applications for OASI and DI beyond 2010. Also, these estimates reflect some double-counting of those individuals who apply for both DI and SSI—a group that is expected to grow from about 480,000 in fiscal year 1999 to 640,000 in fiscal year 2010.

Source: Data provided by SSA's Office of the Chief Actuary.

Increased customer demand for services has serious implications for SSA's workforce. For example, if SSA did not change the number of staff currently handling initial applications for benefits, worker productivity would need to increase by 27 percent—whether through technology enhancements, process improvements, or other changes—to manage

increases in applications predicted by SSA's Office of the Chief Actuary. [5]
Table 1 shows the increased level of productivity that would be needed to
manage predicted levels of applications in 2010.

Table 1: Productivity Needed to Manage Estimated 2010 Workloads

Fiscal year	Initial applications Processed	Work-years required	Initial applications processed per work-year
1999 (actual)	6,177,723	16,714	370
2010 (predicted)	7,855,800	16,714	470

Note: SSA's accountability report used slightly different data in calculating fiscal year 1999
applications than did SSA's Office of the Chief Actuary; the difference amounted to about
66,000 cases.

Source: Fiscal year 1999 data are from SSA's Accountability Report for Fiscal Year 1999.
Fiscal year 2010 data were calculated from Office of the Chief Actuary data.

Increases in disability applications are particularly worrisome for SSA
because of its complex process for determining whether an applicant is
disabled. The process spans a number of offices and can take a long time.
First, an applicant contacts a field office to file a claim for benefits. This
information is forwarded to one of the state DDS offices to determine
whether the individual is disabled. To make this determination, DDS staff
must often collect a number of documents, including medical records and
other evidence. The decision itself requires difficult judgments. If the
applicant is dissatisfied with the original decision, the process provides for
several opportunities for appeal: a reconsideration of the decision at the
DDS, a hearing before an administrative law judge at an OHA, and a review
by SSA's Appeals Council. Finally, after exhausting all these remedies, the
applicant may file a claim in federal court.

Even as SSA expects increases in the number of disability applications, the
agency is experiencing difficulty managing its current workload
effectively. In 1999, over 500,000 people initially denied disability benefits
appealed the decision, and it took an average of 316 days to reach a final
decision for these cases. Reducing the lengthy period that the disability
claims process takes at both the initial and hearings levels has become one
of SSA's priorities for improving customer service. SSA has been
attempting for a number of years to streamline, or redesign, the disability
claims process and has counted on these efforts to help absorb some
workload growth. However, as we testified before you in October 1999,

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[5]The estimated increase in productivity might be conservative, since SSA predicts a slightly higher
proportion of DI applications, which are more complex and resource-intensive than retirement
applications.

SSA's past progress has been slow and disappointing.[6] The agency is now conducting a test of some proposed changes and has also begun a new initiative to speed decisions at the hearings level. It will be challenging, but necessary, for the agency to achieve significant improvements in processing times in order to handle the impending workload increases. Otherwise, the predicted growth in applications could further erode customer service in this area.

In addition to the expected increase in customer demand for SSA services, the demands that customers place on SSA are changing, presenting SSA with a dual challenge. Changing customer expectations are pushing the need for faster, more convenient service from SSA, such as by phone or computer. For example, the volume of calls handled by SSA's national 800 number's automated menu grew by over 1.6 million (13 percent) between 1997 and 1999. More dramatically, during a recent 6-month period, requests for individual estimates of future Social Security benefits via the Internet increased by 45 percent. At the same time, some aspects of SSA's customer service workload have become more time-consuming and labor-intensive. For example, SSA is hiring more staff with bilingual skills and spending more time serving an increasing number of non-English or limited-English speaking customers. In addition, since 1986, the proportion of disabled beneficiaries with mental impairments has increased—by 18 percent for SSI and by over 30 percent for DI—and these beneficiaries can be challenging and even more time-consuming to serve successfully. Moreover, SSA's efforts to help disabled beneficiaries join or rejoin the workforce could require some additional time and new skills.[7]

Retirements of SSA Staff Will Affect Agency's Ability to Meet Challenges

SSA's ability to meet growing and changing customer demands will be strained by increasing retirements expected within its own workforce over the next decade. SSA's retirement wave is predicted to begin in 2001 and peak in 2009. As shown in table 2, more than half of SSA's 63,000 employees will be eligible to retire by 2009.[8] The percentage is higher for employees that compose SSA's supervisor or manager ranks. In particular, 83 to 86 percent of SSA's upper-level managers and executives (GS-14, GS-15, and SES level) will be eligible to retire by 2010.

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[6]Social Security Disability: SSA Has Had Mixed Success in Efforts to Improve Caseload Management (GAO/T-HEHS-00-22, Oct. 21, 1999).

[7]The Ticket to Work and Work Incentives Improvement Act of 1999 directs SSA's Commissioner to provide disability beneficiaries with a ticket, or voucher, they may use to obtain vocational rehabilitation services, employment services, and other support services from an employment network of their choice.

[8]SSA officials predict an average of 18 percent to retire each year.

**Table 2: SSA Employees Eligible to Retire Between 1999 and 2009**

Grade level	Number of employees	Number of employees eligible to retire	Percentage eligible to retire
GS-1 to 11	47,983	23,848	50
GS-12	8,617	5,518	64
GS-13	4,395	3,245	74
GS-14	1,568	1,298	83
GS-15	479	414	86
SES	117	98	84
Total	63,159	34,421	54

Source: SSA, Office of Human Resources.

Retirement eligibility figures, while useful, do not show the actual challenge an agency will face in replacing its staff. To get a better idea of the challenges it will face, SSA has developed estimates of how many staff it will lose each year to retirement and other factors. Figure 2 shows SSA's predicted workforce losses over the next 20 years. As the figure shows, peak losses occur in fiscal years 2009 and 2010. This peak generally coincides with the time period for which SSA's Office of the Chief Actuary predicts large increases in applications for benefits. In addition, the largest number of retirements will most likely occur in job positions that provide direct service to the public; for example, over 7,500 of the agency's approximately 16,500 claims representatives—those who accept and process claims for benefits—are expected to retire by 2010. Retirements can especially affect SSA's small offices around the country, where the loss of just a few experienced staff or managers can seriously undermine customer service and effective operations.[9]

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[9]Of SSA's approximately 1,300 field offices, about 200 have only 1 to 10 employees, and more than half of all the field offices have 20 or fewer staff, according to the Social Security Advisory Board.

Figure 2: Expected Workforce Losses Between Fiscal Years 1999 and 2020
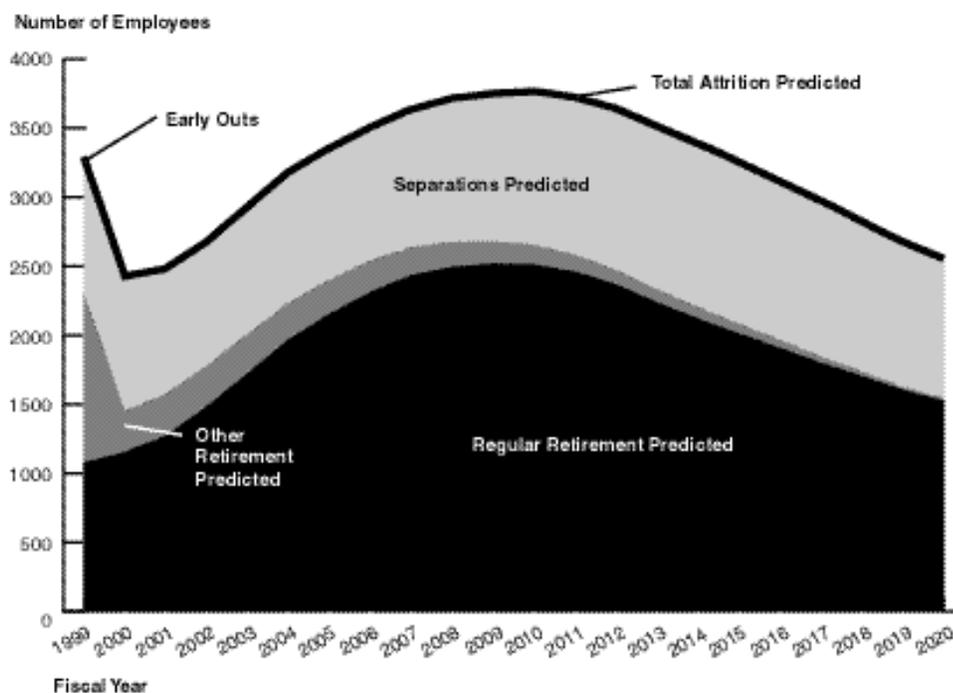
Source: SSA, Office of Human Resources.

Service Delivery Plan Is Needed to Focus Efforts to Address Future Challenges

To meet the challenges we just outlined, SSA will need to marshal its key resources: its technology and its workforce. To help ensure that these vital resources are put to the best use, SSA needs to complete a service delivery plan, which we have recommended as long ago as in 1993.[10] Such a plan should spell out for the future who will be providing what type of services and where these services will be made available. It should take into account changing customer needs and expectations; the views of interest groups and oversight bodies; and other future challenges, such as growing workloads. We have also criticized SSA in the past for developing plans out of sequence, that is, for developing an information technology plan without having first developed a service delivery plan. Ideally, the agency should base its decisions on and investments in both information technology and its workforce on a detailed service delivery plan. We view

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[10]Social Security: Sustained Effort Needed to Improve Management and Prepare for the Future (GAO/HRD-94-22, Oct. 27, 1993). Also, see SSA's Management Challenges: Strong Leadership Needed to Turn Plans Into Timely Meaningful Action (GAO/T-HEHS-98-113, Mar. 12, 1998) and Social Security Administration: Effective Leadership Needed to Meet Daunting Challenges (GAO/HEHS-96-196, Sept. 12, 1996).

SSA's workforce, or its human capital, as an asset whose value can be enhanced through investment, such as training and staff development. As the value of its people increases, so does the performance capacity of the organization. However, to help ensure their effectiveness, SSA's human capital strategies and practices should be aligned with the agency's vision for the future, including its plans for serving its customers and its strategic goals and objectives.

SSA has begun taking some long overdue steps to better plan for its future service delivery; however, much work remains. In 1998, SSA established its Market Measurement Program to improve and consolidate its approach to assessing customer expectations. When this program is fully developed, SSA will monitor and measure the needs, expectations, priorities, and satisfaction of customer groups, major stakeholders, and its workforce. However, collecting complete data on the needs, expectations, and satisfaction of these various groups is a multiyear project, and as of January 2000, SSA was about midway through its initial wave of data collection, analysis, and reporting. SSA has a separate initiative under way to assess future customer needs and expectations.

In addition, the agency has recently begun to develop a service vision for 2010. This vision, according to SSA officials, will be based on future customer and stakeholder needs and expectations and will provide a high-level summary of the principles on which SSA plans to base its service provision and the various delivery options available. The agency plans to incorporate this vision into its strategic plan, which will be updated this year. However, to be useful for making information technology and human capital decisions, this vision should be followed by a more detailed service delivery plan. According to SSA officials, the agency does not have plans to go beyond this vision statement to issue a more detailed plan at this time. Without a well-developed plan, SSA cannot be assured that its investments in human capital and technology, as well as any related decisions regarding the use of its many field offices and other facilities, will fully support its vision of service delivery. Nor can the agency be comfortable that it has taken the necessary steps to meet its future challenges.

SSA's ability to develop a detailed service delivery plan is hampered by weaknesses in the agency's complex systems for measuring workloads, productivity, and quality. These weaknesses make it difficult both to monitor current customer service performance and to use the data to develop and support planned changes. For example, SSA has the capability to monitor and measure only service provided at the national

and regional level, not by its various offices located around the country.[11] As a result, line managers and planners do not know the efficiency or quality of service provided by individual offices, or even the level of service provided by phone as opposed to face-to-face, and therefore cannot plan for improvements accordingly. SSA recognizes that its workload and quality data have limitations. The agency is in the early stages of piloting alternative workload measurement systems and also just recently let a contract to review its quality assurance systems.

In the absence of a service delivery plan, SSA has a number of information technology and workforce initiatives under way to try to prepare for its future challenges. The following sections provide specific information on agency progress on these initiatives.

SSA Is Pursuing Various Information Technology Initiatives, but Impact on Service Delivery Cannot Yet Be Determined

To cope with its growing workloads, SSA plans to rely extensively on information technology to help it achieve processing efficiencies and improved customer service. To this end, the agency has devoted considerable time and effort to identifying strategies to meet its goal of providing world-class service. SSA has pursued a number of initiatives over the past decade aimed at establishing the technological infrastructure needed to enhance its claims-processing capabilities and the overall administration of its programs. As we testified last summer,[12] however, SSA has experienced mixed success in carrying out its information technology initiatives and it has not yet been able to demonstrate specific benefits resulting from some of its most significant investments. Because many of SSA's information technology initiatives are still in various stages of development, evidence of how they will improve the agency's processing capabilities and service to the public remains to be seen.

According to a 1999 independent audit of SSA's systems environment, the agency must also contend with the challenge of further strengthening controls over the information contained in its computers.[13] The vulnerabilities identified could lead to unauthorized access to, and modification or disclosure of sensitive SSA information. In turn, this could result in the loss of data and resources, and compromised privacy of information associated with SSA's key business processes.

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[11]SSA uses sampling to assess the level and quality of service provided. Due to budgetary restrictions, SSA does not collect sufficient data to assess service below the national or regional level.

[12]Social Security Administration: Update on Year 2000 and Other Key Information Technology Initiatives (GAO/T-AIMD-99-259, July 29, 1999).

[13]Social Security Accountability Report for Fiscal Year 1999.

SSA's Computer Modernization Benefits Are Not Yet Known

One of SSA's most significant initiatives is its computer modernization effort known as the Intelligent Workstation/Local Area Network (IWS/LAN). SSA considers this initiative to be the linchpin for both its customer service program and its entire business approach. It is expected to provide the automation infrastructure to support redesigned work processes and improved availability and timeliness of information throughout SSA and state DDSs.[14] SSA began acquiring the IWS/LAN equipment in December 1996. As of January 30, 2000, the agency reported that it had installed more than 75,600 intelligent workstations and about 1,900 local area networks in most of the approximately 2,000 SSA and state DDS sites included in the initiative.

Despite its progress, however, the benefits of SSA's investment in IWS/LAN remain uncertain because the agency has not yet assessed the initiative's actual contribution to improving productivity and service delivery. While SSA should be able to claim some work improvements from various desktop management tools that are integral to IWS/LAN, such as on-line guides and directories, standardized notices, and electronic mail, it has not completed the evaluations needed to fully assess the efficiencies achieved through implementing IWS/LAN and its impact on providing higher quality and more effective service.

During our testimony before the Social Security Subcommittee last July,[15] we expressed concern that SSA lacked target goals and a defined process for measuring IWS/LAN performance—two ingredients essential for determining whether this investment will yield expected improvements in service to the public. We noted, in particular, that SSA had not conducted postimplementation evaluations to determine actual project costs, benefits, risks, and returns, as required by the Clinger-Cohen Act of 1996 and Office of Management and Budget guidelines. During a meeting held in December 1999 to address our concerns, SSA's chief information officer acknowledged the need to measure IWS/LAN's performance, stating that the agency had begun formulating plans and studies to evaluate the investment in and actual benefits resulting from the initiative. On February 8, SSA told us that it is now conducting studies to assess the benefits of IWS/LAN.

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[14]Under the IWS/LAN initiative, SSA planned to replace approximately 40,000 "dumb" terminals and other computer equipment used at SSA and state DDS sites with an infrastructure consisting of networks of intelligent workstations connected to each other and to SSA's mainframe computers.

[15]GAO/T-AIMD-99-259, July 29, 1999.

SSA Has Initiated a New Technology Strategy to Support Its Disability Claims Process

As part of its efforts to reengineer the disability claims process, SSA intended to achieve many of its benefits from programmatic software that was to operate on IWS/LAN. To accomplish this, SSA spent most of the last decade designing and developing the Reengineered Disability System to serve as part of the enabling platform for its modernized disability claims process. Specifically, this system was to automate SSA's disability claims process—from the initial claims-taking in the field office to the gathering and evaluation of medical evidence in the state DDSs, to payment execution in the field office or processing center, and include the handling of appeals in hearing offices. However, after approximately 7 years and more than $71 million reportedly spent on the initiative, SSA discontinued the effort due to software development and performance problems.

SSA is now pursuing a new technology strategy to address the needs of its disability claims process. This new strategy is expected to incorporate several key components, including: (1) an electronic disability intake process, (2) enhanced state DDS claims processing systems, and (3) a technology approach to support new business processes within OHA. The components are to be linked to one another through the use of an electronic folder that is being designed to transmit data from one processing location to another, and to serve as a data repository, storing documents that are keyed in, scanned, or faxed. SSA began testing the electronic disability intake component and electronic folder in July 1999, with the overall objective of automating the disability interview process in the field office, storing data collected through the interview in an electronic disability folder, then passing key data elements to a DDS system.[16] SSA believes that automating the field offices' disability intake process will expedite the movement of the disability case to the DDS, and will provide for earlier adjudication and claimant notification.

To date, SSA has tested the electronic folder concept on two versions of the electronic disability software. Based on the test results, it now plans to test the software and electronic disability folder in a limited production environment in May 2000 at its Delaware field offices and the Delaware state DDS. However, according to SSA's preliminary plans for the effort, the agency does not expect to be able to identify anticipated benefits or return on investment from the electronic disability intake component until fiscal year 2001, after the project has undergone additional testing at other sites.

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[16]Of the 54 state DDSs, 46 currently use one of three standard systems to process disability claims. SSA is currently working with 6 DDSs to procure standard systems and the remaining 2 DDSs use their own systems.

One of the keys to SSA's success in developing the electronic disability intake process is avoiding the kinds of development and performance problems that caused the Reengineered Disability System to be discontinued. As part of its evaluation of that development effort, SSA identified a number of lessons learned that it is now applying in its development of the electronic disability intake component. For example, SSA is taking an incremental approach to developing the electronic disability software application, and is using proofs-of-concept to evaluate design options before pursuing full development. SSA also is managing the development by (1) requiring a contract between software developers, customers, and end users to ensure that all parties agree to the scope of the project; (2) performing risk assessments and developing risk mitigation and project management plans; and (3) regularly monitoring the status of the project during weekly management meetings chaired by the Deputy Commissioner for Systems.

Beyond the electronic disability intake process, SSA has agreed to have several state DDSs participate in pilot projects to determine the technology required to support a fully electronic (that is, totally paperless) disability process, and help assess costs and benefits of the electronic folder. For example, the California DDS has been selected to explore whether a public key infrastructure[17] can be used to test digital signatures and encryption for medical consultative examination reports. One challenge associated with this is that, by regulation, some medical evidence used to make disability determinations must contain an original signature. In New York, the DDS has been approved to test the management and operational feasibility of an electronic disability folder as it moves through all stages of SSA's processes. Further, a pilot being undertaken by the Wisconsin DDS will use the electronic folder concept to measure the impact of an electronic claim on the DDS' internal operations. The results of this pilot are expected to provide SSA with information needed to interface a fully paperless DDS case processing system with an electronic folder, and allow the agency to study the ergonomic effects of paperless processing upon DDS case adjudicators.

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[17]A public key infrastructure is a system that uses a matching pair of encryption and decryption keys, along with digital certificates, to achieve secure Internet services.

Various Initiatives are Being Implemented to Support OHA, but Long-Term Efforts Have Not Been Defined

SSA also considers information technology crucial for improving the capabilities of OHA. Therefore, in August 1999, the Commissioner of Social Security launched a hearings process improvement initiative to create a more customer-focused and efficient hearings process. The initiative, combined with related activities such as the expanded use of videoconferencing, aims to further reduce processing times and yield higher quality decisions without additional resource expenditures. OHA implemented the first phase of this initiative in January.[18]

While the hearings process improvement plan relies mostly on innovative management and reengineered processes to achieve dramatic improvements in the process, it also emphasizes the use of various technologies and automation to help support the workload management needs of the hearing offices. For example, SSA is exploring the use of videoconferencing as a means to potentially reduce OHA's hearings processing times, travel time and travel-related expenses, and to increase time available for in-office case-related work. Currently, in order to provide customers with face-to-face hearings and to correct imbalances in workloads among various hearing offices, administrative law judges can spend a large percentage of time (for example, about 2 weeks out of every month) traveling to remote sites. However, the use of videoconferencing equipment to conduct hearings has the potential to reduce travel and processing times, while increasing productivity.

In February 1996, OHA began piloting the use of videoconferencing equipment at two sites—West Des Moines, Iowa, and Huntington, West Virginia. SSA estimates that, to date, a total of about 3,000 hearings have been held via videoconferencing at the two pilot sites. According to SSA, an evaluation of the initial pilot results cited a reduction in processing time of 38 days in one of the pilot offices. OHA has been granted permission to expand the use of videoconferencing to nine additional sites. Once the equipment has been installed at these sites and the users become comfortable with the technology, OHA plans to collect data to quantify the benefits of expanding the use of videoconferencing at additional sites.

SSA is also evaluating whether speech recognition software can be used by OHA's administrative law judges and other staff involved in writing decisions to dictate their casework directly into a computer. SSA initiated this effort in December 1999 and is currently testing the dictation performance of speech recognition software on computers of various

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[18]Under phase I, 37 hearing offices were selected to apply the new hearings processes in conjunction with 10 states that will prototype modifications to the disability process.

processing speeds. This technology is still being evaluated; therefore, the agency has not determined the costs and benefits associated with the initiative, or whether it will actually be implemented.

In collaboration with the Office of the Deputy Commissioner for Systems, OHA has also identified four automation efforts to support the goals of the hearing process improvement initiative. These projects, as shown in table 3, primarily involve the use of automated tools to aid in scheduling hearings and to monitor and track case progress throughout the hearing process.

Table 3: OHA Automation Initiatives to Support HPI Goals

Initiative	Objective	Anticipated effect on workload	Status
Hearings Process Improvement (HPI) software modifications	To make software modifications to the Hearing Office Tracking System that will support HPI	Allow users to track incoming HPI work, work assigned to processing groups, and the date a case is certified and generate two new case tracking reports	Modifications completed in January 2000; system currently being used by the 37 hearing offices participating in phase I.
Consolidated Hearing Office Tracking System	To replace the existing Hearing Office Tracking System with a new application compatible with IWS/LAN and to consolidate the over 140 separate databases into a single database	Enable OHA to provide timely reporting nationwide and locally and reduce the duplicate data entry currently required to track cases during the various levels of OHA appeals	System currently being designed and a prototype scheduled to be implemented at OHA's headquarters in Falls Church, Va., by September 2000.
Hearing Office Scheduling System	To provide automation support in the scheduling of hearings that will record and share current information on resource availability within the hearing office and electronically notify the administrative law judge that a hearing has been scheduled	Reduce the manual aspects of the hearing scheduling process	Pilot testing began at OHA headquarters in Falls Church, Va., during January 2000 and will be deployed at hearing offices in Johnstown, Pa., in February 2000 and Morgantown, W.V., in March 2000.
Document Generation System	To provide users with a system that generates decision notices and routine correspondence	Provide the means for generating and subsequently editing decisions and supporting correspondence, with an automated interface to the Hearing Office Tracking System	System implemented in November 1999.

Source: SSA.

It is too early to know whether these four automation projects will successfully support the goals of the hearings process improvement initiative. To date, only two of the four have been developed and integrated into the phase I process modification now under way, and the ability of these systems to adequately support the modified

hearing processes has not yet been determined. Further, according to the acting director of OHA's Office of Management, these efforts do not represent all of the information technology that will be required to help OHA increase its productivity and provide better service to its customers. SSA is currently in the process of preparing a statement of work for the development of an information technology strategy to support OHA's business processes. Until this strategy is defined, SSA will not be in a position to identify all of the technologies that will be required to meet OHA's needs. SSA expects to finalize OHA's information technology strategy by late 2000.

SSA Is Exploring Other Technologies to Enhance Service Delivery

As noted, SSA's beneficiaries of the future are likely to demand services that require new and different technological options to meet their needs. As a result, SSA's success in providing world-class service will depend on how effectively it can apply such technologies to enhance its processing capabilities. Moreover, recently enacted legislation and other initiatives have reenforced the urgency for agencies such as SSA to pursue new and innovative technologies to carry out their work. For example, the Government Paperwork Elimination Act states that federal agencies should consider electronic alternatives to paper submissions, and the President's December 1999 electronic government initiative directs the heads of various federal agencies to make a broad range of benefits and services available through private and secure electronic use of the Internet. In addition, the National Partnership for Reinventing Government is urging federal agencies to offer more online transactions through its Access America initiatives.

To its credit, SSA has long recognized the potential value in exploring alternative technologies to enhance its service delivery. Since at least 1997, SSA has included an electronic service delivery strategy in its planning documents to support the agency's strategic direction in dealing with self-service communication technology and access delivery alternatives. Moreover, it has explored a number of technology options, ranging from Internet/electronic commerce applications to document imaging and scanning. SSA is currently in various stages of designing, developing, and implementing these technologies. In doing so, however, it faces the continual challenge of ensuring that the technologies are implemented in a manner that is cost-effective and that does not compromise the security and privacy of beneficiaries' personal information. In addition, a technological challenge that SSA must address before some of its interactive Internet or electronic commerce initiatives are implemented is upgrading its network infrastructure, including IWS/LAN, to provide the capabilities to support the new applications.

Internet service is a major project under SSA's electronic service delivery initiative. SSA is pursuing the use of Internet applications to increase the number of electronic transactions available to the public and to help absorb workload increases expected as aging baby boomers become eligible for benefits. Over the past 3 years, SSA has explored various options for deploying Internet applications on its web site without violating privacy issues. As a result, it now uses Internet applications to assist customers in conducting business with the agency. For example, customers can download or access the ten most frequently requested SSA forms, such as an application for a Social Security card, and they can use on-line applications to determine the location of a Social Security office and to request statements of benefits.

SSA has now developed an Internet services tactical plan, which includes a framework for identifying and approving future electronic service delivery efforts. However, it has not finalized a strategy that identifies and prioritizes the applications that will be deployed. Further, because it has not developed a service delivery plan, SSA does not yet know what efforts will be required to meet its future service delivery needs. Moreover, according to the framework, before SSA launches its future efforts, it needs to determine (1) what electronic services make sense to its customers, (2) how the new line of service delivery will affect the agency's workload, (3) whether the agency has the available resources (staff and technology) to implement these actions, and (4) whether the technology needed to authenticate the electronic customer is available. Furthermore, sound, disciplined processes such as business case analyses; cost/benefit analyses; and requirements, technology, and risk assessments must drive these decisions. Some of these processes are already being applied to various projects under the direction of SSA's Software Process Improvement Program, which is responsible for serving as a focal point to the agency's Office of the Deputy Commissioner for Systems. The objective of the Software Process Improvement Program is to create an environment that encourages continuous improvement in software development activities that will result in the ability to develop high-quality software products and to deliver those products to the customer as promised.[19]

In addition to its electronic service delivery initiatives, SSA intends to support its future workload demands with projects that rely on technologies such as imaging and scanning. One such initiative, which has been ongoing since September 1993, is SSA's Paperless Processing Center

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[19]Social Security Administration: Software Development Process Improvements Started But Work Remains (GAO/AIMD-98-39, Jan. 28, 1998).

project to begin to turn SSA into a paperless agency and position its resources and processes to meet emerging workloads. Based on its initial analysis of the paperless processing concept, SSA estimated that 95 percent of a clerk's workday and 10 percent of a manager's workday are occupied with paper-related activities, such as locating a folder and the associated case material. Accordingly, the project's objective is to implement document imaging and paperless technologies to improve SSA's intensive paper folder processing in program service centers and the Office of Central Operations. Paperless processing will be used to eliminate SSA's reliance on paper records by building and storing comprehensive electronic client records. The new technology is expected to increase productivity and quality, which in turn should reduce backlogs and improve public service.

SSA has thus far spent about $35 million to implement and maintain the necessary hardware and software to pilot paperless processing at three program service center sites. According to the project manager, about $69 million[20] in total will be required to complete the paperless processing effort at all six program service centers and the Office of Central Operations by 2001. SSA projects savings attributable to the paperless processing initiative of about $161 million, or about 5,600 work years, once fully implemented. However, the agency considered this to be a conservative estimate, given that additional savings may be realized from being able to redirect program service center staff to other activities such as assisting the telephone service staff in responding to 800-number telephone calls.

SSA's Efforts to Prepare Its Workforce for Future Challenges Are in Early Stages, and Much Work Remains

SSA has a number of initiatives under way to help prepare its workforce for the remaining two key challenges: the impending retirement of many of its experienced staff and the projected changes in customer needs and expectations, such as the increased reliance on technology as a means of service delivery. Many of these steps are consistent with principles of human capital management laid out in our self-assessment checklist[21] and common to organizations recognized as leaders in human capital management.[22] (App. I outlines the selected principles of human capital management that are most relevant to SSA's future challenges.) Many of SSA's human capital initiatives, while steps in the right direction, are in the

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[20]This figure does not include additional costs that may be incurred to replace hardware acquired for the initial pilot sites.

[21]Human Capital: A Self-Assessment Checklist for Agency Leaders (GAO/GGD-99-179, Sept. 1999).

[22]Human Capital: Key Principles From Nine Private Sector Organizations (GAO/GGD-00-28. Jan. 31, 2000).

early stages. Moreover, without a more detailed future service delivery plan linked to the agency's goals and objectives, SSA runs the risk that it will not have the right people, with the right skills, in the right jobs and locations to face its future challenges.

SSA Is Making Progress in Workforce Planning Initiatives, but Some Lack Future Focus

Principles of human capital management suggest that workforce planning be explicitly linked to an agency's strategic and program plans and that it meaningfully involve the agency's human resource professionals. To address SSA's impending staff retirements and to help meet its strategic objective "to create a workforce to serve SSA's diverse customers in the 21st century," SSA is developing a 5-year workforce transition plan. The draft plan strives to project what SSA expects to happen in the future, what the effects will be on SSA's workforce needs, and what actions SSA should take to respond to those needs.[23] The plan was developed with direct involvement of key human resource professionals throughout the agency. While a step in the right direction, such a plan is long overdue. The Social Security Independence and Program Improvements Act of 1994, which made SSA an independent agency, required that the agency's appropriations requests for staffing and personnel be based on a comprehensive workforce plan. Even earlier, we reported that the absence of a human resource plan contributed to low morale and problems in such areas as management development and training, agencywide succession planning, and employee/management communication.[24] Then in our 1993 report, we recommended that SSA develop a long-term human resources plan to prepare for future workforce changes.[25]

To link workforce planning to an agency's strategic vision, human capital principles call for identifying current and future human capital needs. Recognizing that it will shortly be facing the prospect of increasing retirements, SSA conducted a study that predicts staff retirement and attrition by year, from 1999 to 2020, as well as by major job position and agency component. In making these predictions, SSA went beyond identifying the dates that its employees first become eligible to retire by also factoring in 10 years of historical retirement data to make more realistic projections. SSA also conducted focus groups with recent retirees

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[23]SSA's draft workforce transition plan includes over 20 action items, with milestones for each to (1) improve the workforce projection and planning process, (2) recruit new employees with the necessary competencies, (3) fully develop and utilize employees, and (4) provide a work environment and culture that support employees.

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

[25]GAO/HRD-94-22, Oct. 27, 1993.

and current employees eligible for retirement to identify factors that might affect their decisions to retire once eligible. SSA expects the focus group and retirement study will help its managers in their workforce planning, and the agency intends to update the retirement data on an ongoing basis. However, aspects of the retirement study might not provide sufficient detail to be useful for some line managers. For example, the study lumps all supervisors from the GS-7 to SES levels into one supervisory category, whereas planners and managers might have a better idea of how to prepare for the imminent retirement of upper-level managers if the supervisory data were broken out into further detail. SSA officials told us they plan to break out these data in their next update. Even with this additional information, the agency will still need to develop a concrete plan to clarify what staff, where, and with what skills will be needed to replace the retirees.

To ensure that staff are well-prepared to do their jobs, agencies need to compare the competencies—that is, the knowledge, skills, and abilities—employees need, both now and in the future, with the knowledge, skills, and abilities they possess. As part of its draft workforce transition plan, SSA has already identified core competencies that its leaders and employees need to possess today, and the agency is taking steps to evaluate and update the competency levels of its existing staff. [26] The agency has developed automated self-assessment tools that supervisors and nonsupervisors can use to evaluate whether they need improvement in any of the core competencies identified by SSA. When the individual completes the assessment, the tool identifies areas where the individual needs additional training and provides a list of courses related to that competency area. The self-assessment tool is currently being piloted at a number of SSA offices. Through these steps, SSA is making some progress in identifying and developing core competencies, but its efforts to date reflect today's workforce needs rather than tomorrow's. SSA recognizes the need to identify competencies that reflect its future workforce needs so that it can more effectively recruit and train staff to handle more complex customer needs and new technology tools. Once these future competencies are identified, SSA will need to develop new training programs, including ones to help current and new staff adapt to new technologies.

To ensure continuity of leadership, human capital principles call for identifying leadership traits that support an agency's mission and goals, and building and sustaining a pool of leaders through recruitment, hiring,

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[26]Core competencies identified by SSA are attributes needed by all its employees, including qualities such as organizational awareness, basic program knowledge, ability to apply computer skills on the job, and customer service orientation.

development, retention, and succession planning. We have long stressed the importance of succession planning and formal programs to develop and train managers at all levels at SSA. As early as 1993, we recommended that SSA make succession planning a permanent aspect of its human resource planning and evaluate the adequacy of its investments in management training and development.[27] SSA has recently created three 2-year national development programs to help prepare selected staff to assume mid- and top-level leadership positions at the agency.[28] Each of these programs accommodates between 35 and 40 staff. Because of the large number of expected management retirements, SSA hopes to regularly repeat these national programs over the next 10 years. It will be important for the agency to do so. In addition to these formal development programs, SSA is also taking steps to provide leadership training for all its current supervisors, managers, and executives.[29] Also, SSA regional and headquarters offices are providing additional leadership development opportunities to their staff.

\SSA Recognizes Need to Improve Hiring and Investments in Human Capital

Human capital principles call for recruitment and hiring strategies that target short- and long-term needs and gaps identified through workforce planning. SSA's draft workforce transition plan emphasizes that, in the future, the agency will need to recruit and hire more effectively in order to compete with other employers in an increasingly tight labor market. To improve the recruitment process, SSA is seeking ways to simplify its hiring process and use special recruiting tools and approaches for hard-to-fill jobs. For example, SSA is seeking to establish procedures for providing a salary advance for job candidates who possess skills that are in high demand and is developing criteria for incentive awards for current employees who refer candidates who are hired for such jobs. However, according to SSA officials, the agency's freedom to take some actions may be limited by governmentwide hiring and recruitment policies and procedures, such as the Office of Personnel Management test requirements for certain SSA positions and governmentwide salary limitations on candidates who have needed critical skills. SSA recognizes it will need to work with the Office of Personnel Management to simplify

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[27]See GAO/HRD-94-22, Oct. 27, 1993; GAO/HEHS-96-196, Sept. 12, 1996; GAO/T-HEHS-98-113, Mar. 12, 1998; and Social Security Administration: Significant Challenges Await New Commissioner (GAO/HEHS-97-53, Feb. 20, 1997).

[28]Specifically, SSA established the Career Development Program in July 1998 to prepare staff for senior executive positions and the Advanced Leadership Program in April 1999 to prepare staff for upper-level management positions. SSA expects to begin the Leadership Development Program, to prepare staff for mid-level management positions, in March 2000.

[29]As a basis for its training, SSA is using 30 leadership competencies, or characteristic and measurable patterns of behavior, skills, and knowledge, that engender superior performance in a specific job.

these aspects of its hiring process. Regardless, competition in the labor market for staff with certain critical skills, such as those with the ability to help design and implement new technology and information systems, is already stiff, and SSA will have difficulty recruiting the talent that is critical to meeting future challenges.

Maintaining positive working conditions is another key to human capital management. The draft workforce transition plan contains a number of action items to provide a work environment that supports employees. These items include opening or expanding child care facilities and fitness centers and making improvements to SSA facilities from a environmental health or security standpoint where necessary. For certain action items, such as expanding telecommuting, it will be difficult for SSA to be receptive to employee preferences for telecommuting because employees' responsibilities for customer service often require an on-site presence.

Another essential human capital principle involves investing in training and development to build and sustain critical staff competencies, such as customer service skills. This would include appropriate investments in education, training, and other developmental opportunities to help employees build the competencies needed to achieve the agency's strategic mission and goals. To meet the challenge of SSA's significant training needs, particularly with respect to the large number of anticipated new staff, SSA has been making a major investment in Interactive Video Teletraining (IVT). SSA currently provides IVT at 78 percent of its sites around the country and is considering expanding IVT to all sites. In the past, staff generally received classroom training, often away from their home units—an approach SSA recognizes will be costly to sustain given the large numbers of new staff it expects to hire. In contrast, SSA's new IVT training modules are transmitted live to staff in their home units, thus avoiding travel and per diem costs. However, to be effective for new hires, IVT sessions are to be supplemented with on-the-job training by a mentor at the work site. Providing for mentors will be challenging for SSA given the large number of experienced staff expected to retire and the growing customer service demands being placed on remaining staff. SSA officials told us that having the ability to bring new staff on board before the experienced staff retire would facilitate the mentoring process. SSA plans to evaluate the relative effectiveness of IVT, which is important, because IVT is new to SSA.

Even though individual elements of SSA's workforce transition plan are consistent with principles of human capital management, to date the agency is undertaking these initiatives in isolation from a comprehensive vision and plan for future service delivery. It is vital that SSA's workforce

efforts be well integrated with any future service delivery plans. If they are not, actions taken now could prove counterproductive. For example, SSA is now considering the expansion of its IVT equipment and facilities to all SSA offices. SSA officials told us that while IVT equipment is not very expensive, renting or otherwise securing appropriate facilities to support IVT training can be. However, such investments may ultimately prove unnecessary if SSA's service delivery plan calls for adjustments in the number of field offices, other facilities, or the types of services offered at these facilities. Similarly, SSA's current policy to replace each staff person who retires might result in the deployment of staff in locations or positions inconsistent with the agency's future vision.

State Disability Offices Face Similar Workforce Challenges

While SSA has taken many steps toward preparing its own workforce for future retirements and other challenges, its workforce planning efforts do not extend to the large number of state workers who are responsible for making disability determinations. Because state workers are not SSA employees, SSA's draft workforce transition plan has not taken into account DDS retirement and other workforce trends. However, the state agencies will likely be undergoing many of the same stresses being experienced by SSA, including the retirement of large numbers of skilled staff and stiff competition in the labor market for qualified staff. As noted earlier, these DDS employees are responsible for making initial and ongoing disability determinations, which requires considerable expertise and knowledge of complex regulations and policies. It will be important for the DDS offices to adequately prepare for these workforce changes and for SSA to share its plans and other useful approaches with DDS managers. According to SSA officials, DDS staff have participated in SSA's training programs, and SSA plans to invite them to use the self-assessment tool for evaluating their core competencies.

Implications of SSA's Current Plans and Efforts for Its Future Readiness

If SSA is to meet its future customer service obligations, it is important for the agency to allocate funds for the human capital and information technology initiatives that are vital to helping it face its impending challenges. For example, SSA will need to continue and possibly expand its leadership development programs to fill the gaps left by retiring managers and executives. Also, SSA will need to continue exploring and investing in various technologies to manage its increasing workload and to improve service delivery. As with any initiative, continued funding should depend on progress or demonstrated success under a program of vigilant oversight.

Even if SSA is able to carry out all of its planned initiatives, however, it is not clear that the agency is adequately prepared for the future. SSA is relying heavily on its information technology to meet the demands of its growing workload. However, until the agency has identified the benefits from its various information technology investments, it will not know whether it will need to take other steps, such as adding staff or contracting out some of its services, in order to cope with its future challenges.

Given the serious challenges facing the agency, you asked us to address the possible implications of removing SSA's administrative expenses from the caps that are used to limit discretionary spending in the federal budget overall. If this were done, SSA would no longer have to compete directly with other federal agencies for funding of its administrative expenses, which could potentially result in increased administrative funding. However, most of SSA's administrative budget is financed from the OASI and DI Trust Funds.[30] An increase in SSA's administrative budget, unless paid for through a separate appropriation of general funds, would not provide any new source of funding but would instead draw additional resources from the Social Security Trust Funds. This would reduce the Trust Fund surpluses and somewhat exacerbate the Social Security program's long-term financing problems. In addition to the effect on the Trust Funds, there are technical implications of removing SSA's administrative expenses from the discretionary spending caps. (We provide additional information on this issue in app. II.)

Because of the uncertainty over whether SSA's current plans are adequate, it will be important for SSA and the Congress to closely monitor the agency's performance. Also, before future financing needs can be determined, SSA will need to complete a number of important planning activities. To help ensure that SSA makes optimal use of its resources and places itself in the best position to cope with its future service delivery challenges, the agency will need to complete its 2010 service vision and use it to develop an overarching service delivery plan. This plan would then provide the framework to guide SSA's future information technology and workforce decisions and investments. In addition, the agency will need to

- complete assessing the benefits (that is, work-year savings, productivity increases, and improved service delivery) expected from its information technology initiatives and then closely monitor whether these benefits are being realized;

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[30]The OASI and DI Trust Funds are funded by Social Security taxes paid by workers and their employers. SSI administrative costs are paid through general funds.

- monitor service delivery measures for degradation in quality, satisfaction, and timeliness and to look for early warnings of work backlogs; and

- more aggressively pursue all possible options to better position itself for the future, such as developing cost-saving electronic service delivery options or altering the agency's network of facilities to more closely align it with projected customer needs and demographics.

This concludes my formal statement. I will be happy to answer any questions that you or other Members of the Subcommittees may have.

GAO Contacts and Acknowledgments

For future contacts regarding this testimony, please call Cynthia M. Fagnoni at (202) 512-7215 or Joel Willemssen (202) 512-6253. Kay Brown, Valerie Melvin, Christine Bonham, Michele Grgich, Yvette Banks, Robert Tomcho, and Gregory Micco also made key contributions to this testimony.

Selected Human Capital Principles Key to Meeting Future Challenges Faced by SSA

In reviewing SSA's efforts to prepare its workforce for the future, we applied the following human capital principles.[31]

Treat human capital management as fundamental to strategic business management. Integrate human capital considerations when identifying the mission, strategic goals, and core values of the organization as well as when designing and implementing operational policies and practices. Establish measures that provide meaningful data on the full range of human capital policies and practices and how these practices promote mission accomplishment.

Implement an explicit workforce planning strategy. Link workforce planning to the agency's strategic and program planning efforts to identify its current and future human capital needs, including the size of the workforce; its deployment across the organization; and the knowledge, skills, and abilities needed for the agency to pursue its strategic mission and goals. Include information on attrition rates, retirement rates, and projected eligibility by pay level and ratios of managers to employees. Identify roles and core competencies needed to support the agency's strategic mission and goals, and develop an inventory of current and future skills needs and gaps.

Integrate employee input into the design and implementation of human capital policies and practices. Incorporate the first-hand knowledge and insights of employees and employee groups to develop responsive human capital policies and practices. Empower employees by making them stakeholders in the development of solutions and new methods of promoting and achieving high performance of organizational missions and goals.

Hire, develop, and sustain leaders according to leadership characteristics identified as essential to achieving specific missions and goals. Define the kind of leaders the agency wants (that is, their roles, responsibilities, attributes, and competencies) and the broad performance expectations it has for them in light of the agency's shared vision. Ensure continuity through succession planning; investments in development programs; selection criteria linked to the agency's shared vision, competencies, and broad expectations; and information on attrition rates, retirement eligibility, and retirement rates of executives.

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[31]An effective performance culture to enable and motivate performance is another key human capital principle; however, SSA's efforts in this area were beyond the scope of our review.

Hire, develop, and retain employees according to competencies. Develop a recruiting and hiring strategy that is targeted to fill short- and long-term human capital needs and, specifically, gaps identified through the agency's workforce planning efforts. Make appropriate investments in education, training, and other developmental opportunities to help employees build the competencies needed to achieve the agency's shared vision, and encourage continuous learning and improvement.

Deploy the agency's workforce in a way that is appropriate to mission accomplishment. Ensure that workforce deployment—both geographically and organizationally—supports organizational goals and strategies and is keyed to efficient, effective, and economic operations.

Measure the effectiveness of human capital policies and practices. Evaluate and make fact-based decisions on whether human capital policies and practices support high performance of mission and goals.

Implement an information technology plan. Ensure that employees are making the best use of information technology to perform their work and to gather and share knowledge. Emphasize the alignment of the agency's information technology programs with its mission, goals, and strategies. Obtain employee feedback to ensure they have the opportunity, incentives, support, and training to make the appropriate use of technology to do their work and to acquire and share knowledge.

Take the necessary steps to help employees effectively, economically, and efficiently pursue their work. Establish appropriately tailored organizational structures, job processes, workplace facilities, tools, work arrangements, and other resources and opportunities.

These human capital principles represent a subset of principles from two recent GAO reports that are relevant to our review of SSA's efforts to address its future challenges. The first report[32] is a checklist of human capital issues we developed for agencies to use to self-assess and improve their human capital management. The values found in the checklist were derived from various sources, including 32 leading organizations in the private sector and governments at the state and local levels and abroad; the Malcolm Baldrige National Quality Award Program and the President's Quality Award Program; relevant parts of title 5 U.S.C., "Government Organization and Employees," and 5 C.F.R., "Administrative Personnel"; and the Government Performance and Results Act, along with

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[32]GAO/GGD-00-28, Jan. 31, 2000.

agency guidance contained in OMB Circular No. A-11. The second report[33] identifies common principles underlying the human capital strategies and practices of nine private sector organizations recognized as innovative or effective in strategically managing their human capital: Federal Express Corp.; IBM Corp.; Marriott International, Inc.; Merck & Co., Inc.; Motorola, Inc.; Sears, Roebuck and Company; Southwest Airlines Co.; Weyerhouse Co.; and Xerox Corp., Document Solutions Group.

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[33]GAO/GGD-99-179, Sept. 1999.

Technical Implications of Removing SSA's Administrative Expenses From the Discretionary Spending Caps

Currently, SSA's administrative expenses are controlled by an obligation limitation contained in the agency's appropriation act and are considered to be subject to the discretionary caps set forth in the Deficit Control Act (DCA).[34] This means SSA's administrative expenses must compete for funding with most of the other discretionary programs in the budget.[35]

We contacted OMB regarding the implications of removing SSA's administrative expenses from the discretionary spending caps. According to OMB, under the DCA, if this funding was moved out from under the discretionary caps by redefining it as "mandatory"—that is, not subject to appropriation act control—this would be a "change in concepts and definitions." The DCA requires adjustments to the caps for such changes in concepts, but the timing of the adjustment would depend on how the change was made. Further, OMB indicated that if the change was the result of technical discussions and agreement among the scorekeepers[36] and was not related to making room for additional spending by other agencies under the existing discretionary caps, OMB would lower those caps by the baseline amount of SSA's administrative funding. If the change was made by direction in legislation, the administrative funding would not be scored as discretionary and more room would be available under the caps for 1 year. However, OMB would most likely reflect the change by lowering the caps in subsequent years, thus putting more pressure on the following year. As a result, in OMB's view, shifting SSA's administrative expenses to mandatory spending would create, at the most, additional room under the caps for 1 year for funding other programs.

Administrative expenses are typically viewed as controllable and thus fit into the discretionary category of spending. Questions might be raised about considering them mandatory. If SSA's administrative expenses are not controlled by obligation limitations in an appropriation act, the locus of control would shift to SSA's authorizing committees, and some mechanism would be required to limit the amount of Social Security trust funds that could be spent on administrative expenses.

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[34]The Deficit Control Act is the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Enforcement Act of 1990, the Omnibus Budget Reconciliation Act of 1993, and the Budget Enforcement Act of 1997. The Deficit Control Act, as amended, established statutory limits on federal government spending for fiscal years 1991 through 2002 by creating, among other controls, annual dollar limits (spending caps) on discretionary spending funded through the regular appropriations process.

[35]For fiscal years 2001 and 2002, SSA's administrative funding does not compete with highway and mass transit spending, each of which has its own cap.

[36]The scorekeepers are the House and Senate Budget Committees, the Congressional Budget Office, and OMB.

It is important to note that the shift in the locus of control would not provide any new source of financing, because administrative funds come out of the trust funds that pay Social Security benefits. Therefore, any increase in the administrative budget would reduce the trust funds unless a general fund appropriation was made. However, such an appropriation would be discretionary and would have to compete with other programs for the limited funding under the discretionary caps.

Related GAO Products

Human Capital: Key Principles From Nine Private Sector Organizations (GAO/GGD-00-28. Jan. 31, 2000).

Social Security Disability: SSA Has Had Mixed Success in Efforts to Improve Caseload Management (GAO/T-HEHS-00-22, Oct. 21, 1999).

Human Capital: A Self-Assessment Checklist for Agency Leaders, Discussion Draft (GAO/GGD-99-179, Sept. 1999).

Social Security Administration: Update on Year 2000 and Other Key Information Technology Initiatives (GAO/T-AIMD-99-259, July 29, 1999).

SSA Disability Redesign: Actions Needed to Enhance Future Progress (GAO/HEHS-99-25, Mar. 12, 1999).

Social Security Administration: Technical Performance Challenges Threaten Progress of Modernization (GAO/AIMD-98-39, June 19, 1998).

SSA's Management Challenges: Strong Leadership Needed to Turn Plans Into Timely, Meaningful Action (GAO/T-HEHS-98-113, Mar. 12, 1998).

Social Security Administration: Software Development Process Improvements Started, but Work Remains (GAO/AIMD-98-39, Jan. 28, 1998).

Social Security Administration: Significant Challenges Await New Commissioner (GAO/HEHS-97-53, Feb. 20, 1997).

Social Security Administration: Effective Leadership Needed to Meet Daunting Challenges (GAO/HEHS-96-196, Sept. 12, 1996).

Social Security Administration: Risks Associated With Information Technology Investment Continue (GAO/AIMD-94-143, Sept. 19, 1994).

Social Security: Sustained Effort Needed to Improve Management and Prepare for the Future (GAO/HRD-94-22, Oct. 21, 1993).

Social Security: Status and Evaluation of Agency Management Improvement Initiatives GAO/HRD-89-42, July 24, 1989).

Social Security Administration: Stable Leadership and Better Management Needed to Improve Effectiveness (GAO/HRD-87-39, Mar. 18, 1987).

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