

4/11/78 [2]

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THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

April 11, 1978

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MEMORANDUM FOR THE PRESIDENT

FROM: PETER BOURNE ^{2.3.}

SUBJECT: CHILD HEALTH ASSESSMENT ACT (CHAP); SECRETARY CALIFANO'S PROPOSAL FOR YOU AND MRS. CARTER TO URGE CONGRESS TO ENACT THIS LEGISLATION (CALIFANO MEMO DATED MARCH 23rd TO YOU).

I certainly agree with Secretary Califano's view that public statements by you and Mrs. Carter for Congress to enact the CHAP Bill which you introduced last spring would enhance prospects for passage. Furthermore, it is legislation which is designed to expand Medicaid benefits to disadvantaged children under 21 years of age, thus making it a sound idea in several respects. I would like to suggest certain cautions, however.

- CHAP is viewed by some as a forerunner to the establishment of a phased, targeted National Health Insurance (NHI) program. Its passage, however, could have the effect of reducing the momentum for more comprehensive National Health Insurance legislation. Your sudden endorsement of this bill runs the risk of being interpreted as a diversionary tactic to slow National Health Insurance. It is essential that any endorsement by you be within the context of your absolute commitment to a total health program for the country including National Health Insurance.
- Prospects for passage of some form of the Administration proposal are not altogether certain; discussion on the Hill produced a mixed report. The Senate is unlikely to take up the legislation until the House passes its version, which may not be until June. With many members spending a lot of time on their reelection, the legislative pace is slowed on any but top priority issues and this legislation is likely to become a victim. It would be a serious mistake having neglected this legislation for a year, for you to enthusiastically endorse it, and then not have it pass.

In summary, your public and your informal statements of encouragement on this legislation should be carefully structured so that it is clear that this is a measure designed to strengthen a Medicaid program targeted to provide health care for disadvantaged children within the context of a broad commitment by you to improve the health of all Americans, and in no way reflects a diminution of commitment to the comprehensive National Health Insurance legislation you will be submitting later this year. The timing of any public statement would be important to be absolutely sure you are with a winner.

PGB:ss

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

April 11, 1978

MEETING WITH DEMOCRATIC MEMBERS OF THE
HOUSE WAYS AND MEANS COMMITTEE

Wednesday, April 12, 1978
9 a.m. (30 minutes)
Cabinet Room

From: Frank Moore *F.M.*
Stu Eizenstat *Stu* *By D.R.*

I. PURPOSE

To emphasize the importance of the Administration's tax reform proposals.

II. PARTICIPANTS, BACKGROUND, AND PRESS PLAN

Participants: See attached.

Background: See attached.

Press Plan: White House Photographer.

PARTICIPANTS

The President
The Vice President
Secretary Blumenthal
Gene Godley
Larry O'Brien
Donald Lubick
Stu Eizenstat
Frank Moore
Bill Cable
Emil Sunley

Democratic Members/House Ways and Means Committee

Bill Brodhead
Jim Burke
Omar Burleson
Jim Corman
Joe Fisher
Dick Gephardt
Sam Gibbons
Ken Holland
Andy Jacobs
Ed Jenkins
Martha Keys
Ray Lederer
Ab Mikva
Jake Pickle
Otis Pike
Charlie Rangel
Dan Rostenkowski
Pete Stark
Jim Guy Tucker
Al Ullman-CHAIRMAN
Charlie Vanik
Joe Waggoner

BACKGROUND

Al Ullman (D-Oregon-2). Committee: Ways & Means (Chairman).
Administration support in 1977: 84.8%. Wife: Audrey.

Jim Burke (D-Mass-11). Committee: Ways & Means (2), Chairman -
Subcommittee on Social Security. Administration support in 1977:
78.4%. Wife: Aileen.

Dan Rostenkowski (D-Ill-8). Committee: Ways & Means (3), Chairman -
Subcommittee on Health. Administration support in 1977: 90.9%.
Wife: Laverne.

Charlie Vanik (D-Ohio-22). Committee: Ways & Means (4), Chairman -
Subcommittee on Trade. Administration support in 1977: 97.4%.
Wife: Betty.

Omar Burleson (D-Tex-17). Committees: Ways & Means (5); Budget (6).
Administration support in 1977: 9.1%. Wife: Ruth.

Jim Corman (D-Calif-21). Committees: Ways & Means (6), Chairman -
Special Subcommittee on Welfare Reform and Chairman - Subcommittee
on Public Assistance & Unemployment Compensation; Small Business (4);
Congressional Campaign Committee (Chairman). Administration support
in 1977: 95.2%. Wife: Nancy Malone.

Sam Gibbons (D-Fla-7). Committee: Ways & Means (7), Chairman -
Subcommittee on Oversight. Administration support in 1977: 59.5%.
Wife: Martha.

Joe D. Waggoner (D-La-4). Committee: Ways & Means (8), Chairman -
Subcommittee on Miscellaneous Revenue Measures. Administration
support in 1977: 17.8%. Wife: Mary Ruth.

Otis Pike (D-NY-1). Committees: Ways & Means (9); Budget (10).
Administration support in 1977: 72.1%. Wife: Doris.

Jake Pickle (D-Texas-10). Committee: Ways & Means (10).
Administration support in 1977: 46.5%. Wife: Beryl.

Charlie Rangel (D-NY-19). Committee: Ways & Means (11).
Administration support in 1977: 88.9%. Wife: Alma.

Pete Stark (D-Calif-9). Committees: Ways & Means (13), District
of Columbia (9). Administration support in 1977: 90.2%.

Andy Jacobs (D-Ind-11). Committee: Ways & Means (15). Administration
support in 1977: 66.0%. Wife: Rep. Martha Keys.

Ab Mikva (D-Ill-10). Committee: Ways and Means (16). Administration
support in 1977: 97.6%. Wife: Zoe.

Martha Keys (D-Kansas-2). Committee: Ways & Means (17).
Administration support in 1977: 83.0%. Husband: Rep. Andy Jacobs.

BACKGROUND (Continued)

Joe Fisher (D-Va-10). Committees: Ways & Means (18); Budget (16).
Administration support in 1977: 89.4%. Wife: Margaret.

Ken Holland (D-SC-5). Committee: Ways & Means (20).
Administration support in 1977: 51.4%. Wife: Jean.

Bill Brodhead (D-Mich-17). Committee: Ways & Means (21).
Administration support in 1977: 89.1%. Wife: Kathleen.

Ed Jenkins (D-Ga-9). Committee: Ways & Means (22). Administration
support in 1977: 45.2%.

Dick Gephardt (D-Mo-3). Committee: Ways & Means (23).
Administration support in 1977: 87.2%. Wife: Jane.

Jim Guy Tucker (D-Ark-2). Committee: Ways & Means (24).
Administration support in 1977: 81.4%. Wife: Betty.

Ray Lederer (D-Pa-3). Committee: Ways & Means (25).
Administration support in 1977: 79.5%. Wife: Eileen.

BACKGROUND AND TALKING POINTS

The Ways and Means Committee will begin its mark-up of your tax package next Monday, April 17. The tax reforms will be marked up prior to the mark-up of the tax cut. The entire mark-up is now scheduled to last through the third week in May.

This meeting is intended to convey 3 major points to the Democratic members of the Committee on the eve of the tax reform mark-up. First, the Administration is strongly committed to the tax reform package; passage of the reforms is among the highest legislative priorities for this year. Second, there is wide public sentiment in favor of tax reform, and passage of this program is good politics. Third, the tax cuts and the reforms are inextricably linked; to the extent that the reforms are not adopted, there will have to be substantial reductions in the tax cuts available to the American people. Suggested talking points revolving around these 3 crucial points are as follows:

1. Administration's Commitment to Tax Reform

- o I am as strongly committed to the reforms as the day I announced them; along with the tax cuts, the reforms are among my highest priorities for this session of Congress.
- o At the suggestion of many members of this Committee, we did not propose as comprehensive and as controversial a tax reform package as was under review last year.

We attempted to accommodate many of your concerns through this more modest package; it is a package which eliminates some of the worst abuses in our Tax Code and which will enable the Democratic Party to honor its commitment, as expressed in its platform, to tax reform. It is not a package which will, as some critics have claimed, ruin American businesses, create enormous unemployment, or interrupt our economic growth.

- o I recognize that some of you may have problems with particular reforms; I hope, though, that you will consider the package as a whole and will let the Treasury staff or my staff talk with you and provide information to you about any particular reforms which concern you. We stand ready to provide as much help and information as you want, and I hope you will have no hesitancy in letting us know of your particular concerns.
- o As you mark up the Bill, we will not only be trying to help you with information but we will be intensifying our public education efforts. We have begun a wide-scale

process of distributing throughout the country information about our program; and, again, we are anxious to provide information to any groups or individuals that you might suggest. In addition, as some of you may know, a Citizens' Committee for the Tax Package has recently been formed, and it will also be helping to improve public understanding of these reforms.

- o I am committed to see the tax reforms through to final passage; we intend to fight for the reforms as vigorously in the Senate Finance Committee and in the Senate as we are in the House. I intend to be personally involved as fully as possible in this effort.

2. Wide Public Support for Reform

- o During my campaign, I found tax reform to be one of the most popular subjects I advocated. I think the wide public support for tax reform still exists, though that support is obviously not as well organized or concentrated as is the support for particular preferences and loopholes.
- o A very recent Harris poll has demonstrated the breadth of support for tax reform; that poll indicated a better than 3 to 1 (55-16) support for my tax reform package. The poll also indicated that over 70 percent favored the entertainment reforms; the elimination of referral was favored by a 60-18 percent margin; the tax shelter provisions by a 59-17 percent margin; and the personal credit by a 56-19 percent margin.
- o I think this survey demonstrates that there is wide support for tax reform, and that popular opposition to a particular reform cannot be measured simply by an organized writing campaign.
- o As our public education efforts increase, as citizens committee efforts get under way, and as I become more personally involved in the tax reform effort, it should become even clearer that the results of the Harris poll were not accidental but rather that they reflect a wide-spread feeling in support of these reforms.
- o In sum, tax reform is popular, and I hope that you will not, in the coming weeks, let the efforts of a few special-interest lobbyists convince you otherwise.

3. Link Between Reforms and the Tax Cut

- o My tax program consists of \$34 billion in gross tax cuts, to be financed in part by \$9 billion raised through the

reforms. A net tax cut, substantially exceeding \$25 billion, would cause unacceptable inflationary pressures and would run counter to the very strong anti-inflationary program I am committed to pursue.

- o I hope you will keep in mind as you mark up the reforms that every dollar of reform that is "lost" will have to lead to a dollar cut-back in the gross tax cut.
- o In otherwords, without these tax reforms, the broad-based cuts for individuals and businesses would have to be sacrificed to retain such tax preferences as entertainment deductions, DISC, and deferral.
- o I think the economy needs the stimulus provided by the tax cut, and I feel strongly that the average taxpayer needs relief from a tax burden which is becoming excessive. I hope that we can enact the reforms needed to pay for the relief desired and deserved by so many Americans. (Tax cuts for the average family will be over \$275 for those earning between \$10,000 and \$20,000; and over \$335 for those earning between \$20,000 and \$30,000.)

* * *

Although the purpose of today's meeting is tax reform, the Committee has a number of other issues before it which could arise in a question and answer session with you. Briefly, the status of those issues is as follows:

1. Tuition Tax Credit. Yesterday, the Committee reported to the full House a modified version of the Tuition Tax Credit Bill sponsored by Congressman Vanik. The Bill would allow the taxpayer a non-refundable credit of up to \$100 in 1978, \$150 in 1979, and \$250 in 1980 for full-time, post-secondary education of an individual or dependents. The Bill no longer contains a credit for elementary and secondary education. The Committee will meet Wednesday to decide what type of rule will be sought for consideration of the Bill on the House floor.
2. Industrial Fasteners. The Committee has before it the resolution to override your decision to deny import relief for industrial fasteners; the Subcommittee passed it by a 7 to 6 vote.
3. Hospital Cost Containment. The Committee is awaiting action by the Commerce Committee to occur in the next several weeks before taking up the Rostenkowski Bill.
4. Welfare Reform. Any action by the Committee on welfare reform has been delayed until after the tax package has been completed.



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Department of Energy
Washington, D.C. 20585

MEMORANDUM FOR: THE PRESIDENT
FROM: JIM SCHLESINGER
SUBJECT: Meeting with Natural Gas Conferees

Those in attendance at the meeting will be:

List

Congressman Ashley	Senator Jackson
Congressman Staggers	Senator Bumpers
Congressman Dingell	Senator Johnson
Congressman Eckhardt	Senator Ford
Congressman Sharp	Senator Domenici
Congressman Wilson	Senator Hatfield
Congressman Rogers	Senator McClure

The purpose of the meeting is to try and overcome the emotionalism and frustration which has begun to dominate the conferees' recent private meetings as they attempt to close the final gap between the House and Senate proposals.

The Senate Republicans are beginning to lose their patience. Congressman Dingell has been raising an increasing number of fine points.

Attached you will find a proposed resolution of the outstanding issues before the conferees, as well as the summary from the previous memo of the differences between the two proposals.

I would recommend that you visit with them for approximately 15 minutes, offer your proposal as a way of breaking the deadlock, and then leave them to work -- offering to return if needed. Finally, you may offer yourself as press spokesman whenever the meeting is completed.

I recommend the following Talking Points:

- Thank you for coming.
 - Natural gas is one of the most difficult and bitterly fought issues before the Congress.
 - I know all of you in this room have gone much further than you ever wanted to in the effort to reach agreement and have suffered criticism, as a result in the effort to help produce a National Energy Policy.
 - That effort has been difficult, but it has in fact produced some positive results. We are closer today to a bill than we have been in the last 25 years. That is no small accomplishments.
 - With all that effort, and all the great differences that have already been settled, and all that is at stake for the nation, it would be a tragedy if we lost this bill now.
 - I know tempers are frayed. Patience has worn thin. What might be considered smaller points have now become major issues.
 - There has been much concern expressed over whether the discussions are focusing on the House or Senate proposal.
 - But the real question is one of settling the outstanding issues. The suspicions that more and more issues will be raised must be set aside in favor of a good faith effort to review and agree upon a final package solution to this problem.
 - In an effort to advance that process and perhaps refocus everyone's thinking on a package that is fair and reasonable to both sides, I want to offer today a proposed resolution of the outstanding issues as I understand them.
- I know you have all given much already. I know you have all been subject to criticism -- as I have.
- But I hope you will take these recommendations in the spirit they are offered -- as a way of closing the final small gaps that will enable us to get a good bill -- a bill far better for all concerned than the status quo -- and a bill that will enable us to enact the National Energy Plan.

- We have come so far. If you can just work with me and go this final distance I think the result will be far preferable to failure.
- o Indicate your availability throughout their continuing detailed discussions.
- o Leave Secretary Schlesinger to discuss those details.
- o Indicate you will return, and offer to be press spokesman as the meeting progresses.

Proposed Resolution of House and Senate Conference Proposals

I. Decontrol Mechanism and Ceiling Prices

- Extend controls to April 30, 1985. Adopting this House approach allows a new Congress to review the situation for purposes of passing a new law.
- Accept the Senate price ceilings (inflation plus 3 1/2% through 1981, 4% through 1985, and 4 1/2 % thereafter) and decontrol mechanism, requiring a 6 month period when controls are off with a right to reimpose by the President or Congress through a concurrent resolution based on an FERC finding that the Senate trend line has been exceeded.
- Decontrol on deregulation day:
 - New gas
 - Intrastate Rollovers over \$1.00
 - Special Incentive price (Senate)

but also incrementally price (as described in VII below) all gas in these categories.

II. Incremental Pricing

- Incrementally price in the interstate market
 - a. New
 - b. Intrastate rollovers over \$1.00
 - c. Special Incentive Gas
- only to the extent those prices exceed \$1.48 per mcf plus inflation (the last just and reasonable cost based price).
- Incrementally price high cost gas only to the extent it exceeds the average price of foreign substitutes
 - Adopt the 300 mcf per day exemption for FERC Incremental Pricing Rule Number 1 applicable to industrial boiler fuel users.
 - Pass the price above 1.48 per mcf plus inflation on as a per mcf surcharge to distribution company's based on the number of mcf's delivered in an earlier period by such distribution companies to industrial

end users whose price is below the BTU equivalent of substitute fuels. This avoids mandating federal interference in State ratemaking proceedings and leaves pricing above the BTU equivalency to the States.

- No Congressional review of FERC Rule Number 1 (House).
- Retain one House veto as specified in both proposals for Rule Number 2.

III. New Gas Definition

A. Offshore

- Add new reservoirs (discovered after July, 1976) in old leases (Senate) to the definition of new gas, but do not deregulate such gas at the time of deregulation.

B. Onshore

- Accept House "withheld" gas exclusion from the new gas definition.

C. General

- Accept House technical clarification on spud date for new wells, directional drilling, and marker wells.
- Provide 45 days for FERC review of State new gas findings (House is 60 days, Senate 30 days)
- Use GNP for price calculations instead of C.P.I.

IV. Special Incentive Price

- Eliminate 5,000 foot exclusion in the House proposal (Senate).

V. Intrastate Rollovers

- Limit the eligibility for the new gas price for intrastate rollovers on state lands to the gas associated with State production, i.e., state royalty gas.

VI. Stripper Wells

- Accept the Senate price of \$2.09 per mcf plus the 3 1/2 percent and 4 percent escalator.
- Accept House definitional standards for stripper status.

VII. High Cost Gas

- Include wells below 15,000 feet in the high cost category (Senate).
- Impose a ceiling price of \$3.50 per mcf plus inflation on all categories except geopressurized methane. Deregulate on day of deregulation.
- Decontrol geopressurized methane (Senate).

VIII. Other Issues

- Prudhoe Bay Oil Pool Gas
 - o require rolled-in pricing (Senate).
- Gathering Costs
 - o leave current discretion in FERC (Senate).
- Non Price Regulation
 - o do not include the prudent operator standard with regard to producer regulations.
 - o permit FERC regulation of contract duration up to 15 years or life of reservoir.

Comparison of House and Senate Conference Offers On Natural Gas

1. Deregulation Date

Senate

If no further action is taken under any other part of the bill, control of those categories of gas described in number 5 below would expire on January 1, 1985.

House

The House extends this expiration date six months to July 31, 1985.

2. Mechanism for Reimposing Controls for a Two-Year Period

Senate

The President or both Houses of Congress acting jointly can reimpose controls at any time after they have expired if the actual average price of new gas exceeds a target level price based on an assumed continuation of controls.

House

The President or either House of Congress separately can take action to continue controls for the two-year period any time prior to actual expiration of controls on July 31, 1985 pursuant to information provided by a required DOE study of market equilibrium and supply and demand balances.

3. New Gas Price

Senate

The new gas price would be \$1.75 per mcf as of April 20, 1977, plus inflation as measured by the CPI, plus 3.5 percent per year until April 20, 1981, and then 4 percent per year thereafter.

House

The House uses GNP to measure inflation instead of CPI, but otherwise is the same as the Senate until 1983 when the total annual allowable price rise increases to 12 percent in 1983, 13 percent in 1984, and 14 percent in 1985 (including inflation). This so-called floating cap ties allowable increases over each six-month period to the average price of the previous six-month period.

4. Special Incentive PriceSenate

Gas from any wells located more than a state spacing unit from an existing well but within the two-and-a-half mile limitation for new wells is entitled to a special incentive price for reservoir extensions of \$1.75 plus inflation (no other escalation is allowed).

House

The House adopts the same concept as the Senate but requires that such extension wells also be 5,000 feet or deeper.

5. Categories of Gas to Decontrol in 1985Senate

- a. Anything classified as new natural gas
- b. Any extension well gas receiving the special \$1.75 plus inflation price.
- c. Intrastate contracts which under other sections of the proposal are allowed to exceed \$1 per mcf when they are renewed.

House

The House deregulates only the new gas category outlined in (a) above. Intrastate renewals would continue on at a floating cap ceiling price, and extension wells at their inflation-adjustment rate.

6. New Gas Definition

Senate

In addition to granting the new gas price to any new lease off-shore, the Senate allows new reservoirs (discovered after July, 1976) on old leases to receive the new gas price as well.

House

The House does not permit any off-shore new reservoir definition. Significantly, the House on-shore definition is basically the same as the Senate's. This on-shore definition is a major improvement over the pre-Christmas compromise.

7. Stripper Gas Price

Senate

For wells producing less than 60 mcf per day, the Senate proposal provides for a special price of \$2.09 per mcf plus inflation plus the applicable 3-1/2 or 4 percent escalation.

House

The House only allows for an inflation adjustment without any additional incentive adjustment; it also phases in the applicability of this provision between 100 and 60 mcf per day.

8. High Cost Gas

Senate

Immediately deregulates geopressurized methane, Devonian Shale, coal seam gas, and drilling below 15,000 feet.

House

Deregulates all but deep drilling only if it is sold directly by the producer to a specific user (currently about 1 percent of total sales); otherwise, it imposes a ceiling price equal to the Btu equivalent of number two fuel oil plus 10 percent. Deep drilling is not included in this category, but rather is left to FERC price setting discretion.

9. Incremental PricingSenate

FERC must develop a plan within 18 months applicable to the largest industrial users and submit that plan to Congress where it is subject to one House veto. They may submit a plan, subject to the same review process, that covers more than the largest industrial users. Any plan they submit must apply to interstate and intrastate users.

House

The House only extends incremental pricing to interstate users. They also reduce the submission time to one year, eliminate the Congressional veto-review, and broaden coverage beyond the largest industrial users.

APRIL 13, 1978

8:00 A.M.

STATEMENT OF POSITION ON FUTURE NEGOTIATIONS ON
THE NATURAL GAS CONFERENCE

At this time, under the existing circumstances, we feel that only one of three possible options can be pursued to try to reach a conference agreement. These options are:

1. Adopt the Senate compromise proposal of April 3, 1978.
2. Reconvene the full Natural Gas Conference Committee and return to open public sessions, using the Senate passed bill and House passed bill, as sent to the conference on October 13, 1977, as the basis for negotiation.
3. Use the Senate compromise proposal of April 3, 1978, as the basis for negotiation, subject to further negotiations on the following items:
 - a. Date of decontrol.
 - b. Trend lines to be established now.
 - c. The triggering device.
 - d. The means of dealing with reimposition of controls and amendments to Senate Rules.
 - e. Incremental pricing.
 - f. New gas, specifically:
 1. The House "withheld" gas definition.
 2. 45 day FERC review.
 3. GNP vs. CPI.
 - g. Price and definition with respect to stripper wells.
 - h. Prudhoe Bay.

Additional Issues:

Allocation

High Cost Gas

New reservoirs on old OCS leases

Special development incentive

gas - 5000' limitation

State-owned lands

Non-price regulation

What gets deregulated

New gas definition - expand

Senate list - specifically

- Spud dates

- Directional drilling

- OCS Order #4 (U.S.G.S) and
discovery test

- FERC Review of state agency
new gas determinations

- Sold & delivered presumption

THE WHITE HOUSE
WASHINGTON

April 11, 1978

Jim McIntyre

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Please notify agencies of the President's decision.

Rick Hutcheson

cc: Stu Eizenstat
Frank Moore
Jack Watson
Charlie Schultze

FUTURE OF NATIONAL CENTER FOR
PRODUCTIVITY AND QUALITY OF
WORKING LIFE

THE WHITE HOUSE
WASHINGTON

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

OMB: pls notify agencies of Pres's decision

ACTION	
FYI	
<input type="checkbox"/>	MONDALE
<input type="checkbox"/>	COSTANZA
<input checked="" type="checkbox"/>	EIZENSTAT
<input type="checkbox"/>	JORDAN
<input type="checkbox"/>	LIPSHUTZ
<input checked="" type="checkbox"/>	MOORE
<input type="checkbox"/>	POWELL
<input checked="" type="checkbox"/>	WATSON
<input checked="" type="checkbox"/>	McINTYRE
<input checked="" type="checkbox"/>	SCHULTZE

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	FALLOWS
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<input type="checkbox"/>	JAGODA
<input type="checkbox"/>	GAMMILL

<input type="checkbox"/>	KRAFT
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MITCHELL
<input type="checkbox"/>	MOE
<input type="checkbox"/>	PETERSON
<input type="checkbox"/>	PETTIGREW
<input type="checkbox"/>	POSTON
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN

THE WHITE HOUSE
WASHINGTON

4/7/78

Mr. President:

Staff and Agency comments
are at TAB A.

Some historical background
on the Center is attached
at TAB B.

Rick



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

March 17, 1978

C
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ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: JAMES T. McINTYRE *Jim McIntyre*
SUBJECT: The Future of the National Center
for Productivity and Quality of
Working Life

Purpose

We have worked with several Federal agencies to prepare this memorandum which responds to your request for a decision paper on the termination of the National Center for Productivity and Quality of Working Life. If the Center is abolished, a decision also needs to be made on the assignment of organizational responsibility for the Center's programs.

not attached

Tab A provides a summary of background information, as well as a listing of current responsibilities in the area of productivity and quality of working life in the Departments of Labor and Commerce and the National Center for Productivity. Also attached for your information (Tab B) is the Labor-Commerce study on the National Center.

Summary of Problem

The authorization for the National Center for Productivity and Quality of Working Life expires September 30, 1978. All agencies agree on the need for a continuing Federal interest in improved productivity and quality of working life and a need to assign specific responsibilities to one or more Federal agencies. Given that agreement, the problem becomes: Is the National Center, based on experience to date, a necessary entity for carrying out the Federal role in productivity and quality of working life improvement?

Pros

- The Center, as the one agency dedicated solely to productivity improvement, provides the symbolic value of Federal leadership. The evidence of such value can be seen in the growing number of groups and organizations in the country which are focusing on productivity problems.
- The agency provides a central focus for policy development and coordination.
- There is a need for tripartite cooperation (the Center's Board of Directors includes labor, management, and Government) to guide a productivity program. An independent entity is a more effective vehicle for obtaining the cooperation and confidence necessary to address issues and promote consensus.
- Break-up of the Center would be perceived as a weakening of the Administration's commitment to fighting inflation.
- Quality of working life is not the major responsibility of any Cabinet agency. The Center has been able to bring into focus the human and economic potential of labor-management cooperation.

Cons

- Both the law and the Center's program are unworkable.
 - The Center's mandate is too broad.
 - The formality of a board of directors, exacerbated by the size of the group (up to twenty-seven members), has mitigated against effective functioning as an advisory body.
- The Center is the object of criticism because of the lack of solid achievements to date.
- The Center's relationships with other institutions and parties has failed to produce the necessary coordination to further program interests.
- Many of the Center's responsibilities are duplicated by other Federal agencies.

- As a peripheral body, the Center is unable to influence economic policy which profoundly influences productivity growth.
- Discontinuance of the Center fulfills your pledge to reduce the size and complexity of the Federal bureaucracy.

Discussion of Options

For the reasons given under the pro section above, representatives of the Departments of Commerce, Labor, and Treasury and the National Center believe that an independent entity such as the Center should exist. They also agree that this could be accomplished by restructuring the Center and refocusing its program.

Commerce recommends that the Center's productivity functions should now be absorbed by the appropriate line Departments--principally Commerce and Labor--in order to capitalize on productivity programs in those agencies, the expertise and experience which resides there, and the influence which can be brought to bear on economic policy. The agency is convinced that the title and focus of the Center should be reoriented toward quality of working life to strengthen the Administration's commitment to human rights.

The National Center believes, however, that the restructure should focus on productivity and recommends that the Center be extended at least three years with a mandate to pursue its consensus-building and industry assistance activities.

Labor and Treasury urge a separate organizational entity as a demonstration of continuing commitment to productivity and quality of working life efforts and to ensure the necessary labor-management cooperation.

The Office of Management and Budget believes that the Center should be abolished and that Federal initiatives could be sustained by reassigning the functions now entrusted to the Center to established line agencies which have productivity responsibilities. The overall responsibility for policy development and coordination should be assigned to OMB. The assignment to OMB recognizes the need for coordination of the various productivity responsibilities among Federal agencies. Such an assignment would be consistent with OMB's central management role.

We do not think that a separate entity for quality of working life can be justified at this time. The definition, nature, and importance of quality of working life is much less clear-cut than that of productivity. Although Federal initiatives in this area do exist, the Federal role has yet to be reasonably defined. Unions themselves appear to be ambivalent on the subject because of the somewhat ambiguous concept and the uncertainty of its impact on collective bargaining.

Regardless of the option selected, we recommend that responsibility for productivity improvement within the Federal community be transferred to the Civil Service Commission (or Office of Personnel Management if Civil Service reorganization is adopted) regardless of whether the Center is retained or not. Civil Service reform and reorganization represents a significant opportunity to build productivity improvement into the overall Administration effort to improve Federal personnel systems.

Options

- Retain the National Center but refocus its program. (Labor, National Center, Treasury)
- Retain the Center but refocus its program on quality of working life. Transfer productivity efforts to established line agencies. (Commerce) Watson
- Allow the Center to expire; assign all operating functions to established line agencies; and assign overall policy formulation and coordination to OMB. (OMB) CEA, DPS, Pettigrew

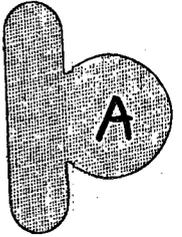
JC

Implementation Consideration

If you choose either of the first two options which call for extension of the Center, we will assure that the necessary legislative drafting is undertaken to clarify the Center's role.

If you choose the third option and assign these added functions to OMB's management responsibilities, we will develop the necessary legislation and implementation plan.

Attachments





EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

March 17, 1978

C
/

ACTION

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JAMES T. MCINTYRE

Jim McIntyre

SUBJECT:

The Future of the National Center
for Productivity and Quality of
Working Life

Purpose

We have worked with several Federal agencies to prepare this memorandum which responds to your request for a decision paper on the termination of the National Center for Productivity and Quality of Working Life. If the Center is abolished, a decision also needs to be made on the assignment of organizational responsibility for the Center's programs.

not attached

Tab A provides a summary of background information, as well as a listing of current responsibilities in the area of productivity and quality of working life in the Departments of Labor and Commerce and the National Center for Productivity. Also attached for your information (Tab B) is the Labor-Commerce study on the National Center.

Summary of Problem

The authorization for the National Center for Productivity and Quality of Working Life expires September 30, 1978. All agencies agree on the need for a continuing Federal interest in improved productivity and quality of working life and a need to assign specific responsibilities to one or more Federal agencies. Given that agreement, the problem becomes: Is the National Center, based on experience to date, a necessary entity for carrying out the Federal role in productivity and quality of working life improvement?

Pros

- The Center, as the one agency dedicated solely to productivity improvement, provides the symbolic value of Federal leadership. The evidence of such value can be seen in the growing number of groups and organizations in the country which are focusing on productivity problems.
- The agency provides a central focus for policy development and coordination.
- There is a need for tripartite cooperation (the Center's Board of Directors includes labor, management, and Government) to guide a productivity program. An independent entity is a more effective vehicle for obtaining the cooperation and confidence necessary to address issues and promote consensus.
- Break-up of the Center would be perceived as a weakening of the Administration's commitment to fighting inflation.
- Quality of working life is not the major responsibility of any Cabinet agency. The Center has been able to bring into focus the human and economic potential of labor-management cooperation.

Cons

- Both the law and the Center's program are unworkable.
 - The Center's mandate is too broad.
 - The formality of a board of directors, exacerbated by the size of the group (up to twenty-seven members), has mitigated against effective functioning as an advisory body.
- The Center is the object of criticism because of the lack of solid achievements to date.
- The Center's relationships with other institutions and parties has failed to produce the necessary coordination to further program interests.
- Many of the Center's responsibilities are duplicated by other Federal agencies.

- As a peripheral body, the Center is unable to influence economic policy which profoundly influences productivity growth.
- Discontinuance of the Center fulfills your pledge to reduce the size and complexity of the Federal bureaucracy.

Discussion of Options

For the reasons given under the pro section above, representatives of the Departments of Commerce, Labor, and Treasury and the National Center believe that an independent entity such as the Center should exist. They also agree that this could be accomplished by restructuring the Center and refocusing its program.

Commerce recommends that the Center's productivity functions should now be absorbed by the appropriate line Departments--principally Commerce and Labor--in order to capitalize on productivity programs in those agencies, the expertise and experience which resides there, and the influence which can be brought to bear on economic policy. The agency is convinced that the title and focus of the Center should be reoriented toward quality of working life to strengthen the Administration's commitment to human rights.

The National Center believes, however, that the restructure should focus on productivity and recommends that the Center be extended at least three years with a mandate to pursue its consensus-building and industry assistance activities.

Labor and Treasury urge a separate organizational entity as a demonstration of continuing commitment to productivity and quality of working life efforts and to ensure the necessary labor-management cooperation.

The Office of Management and Budget believes that the Center should be abolished and that Federal initiatives could be sustained by reassigning the functions now entrusted to the Center to established line agencies which have productivity responsibilities. The overall responsibility for policy development and coordination should be assigned to OMB. The assignment to OMB recognizes the need for coordination of the various productivity responsibilities among Federal agencies. Such an assignment would be consistent with OMB's central management role.

We do not think that a separate entity for quality of working life can be justified at this time. The definition, nature, and importance of quality of working life is much less clear-cut than that of productivity. Although Federal initiatives in this area do exist, the Federal role has yet to be reasonably defined. Unions themselves appear to be ambivalent on the subject because of the somewhat ambiguous concept and the uncertainty of its impact on collective bargaining.

Regardless of the option selected, we recommend that responsibility for productivity improvement within the Federal community be transferred to the Civil Service Commission (or Office of Personnel Management if Civil Service reorganization is adopted) regardless of whether the Center is retained or not. Civil Service reform and reorganization represents a significant opportunity to build productivity improvement into the overall Administration effort to improve Federal personnel systems.

Options

- Retain the National Center but refocus its program. (Labor, National Center, Treasury)
- Retain the Center but refocus its program on quality of working life. Transfer productivity efforts to established line agencies. (Commerce) Watson
- Allow the Center to expire; assign all operating functions to established line agencies; and assign overall policy formulation and coordination to OMB. (OMB) CEA, DPS, Pettigrew

Implementation Consideration

If you choose either of the first two options which call for extension of the Center, we will assure that the necessary legislative drafting is undertaken to clarify the Center's role.

If you choose the third option and assign these added functions to OMB's management responsibilities, we will develop the necessary legislation and implementation plan.

Attachments

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

7 April 1978

TO: THE PRESIDENT

FROM: RICK HUTCHESON 

SUBJECT: Staff and Agency Comments on OMB Memo, "The Future of the National Center for Productivity and Quality of Working Life"

Congressional Liaison has no comment.

CEA concurs with OMB.

Dick Pettigrew concurs with OMB's recommendation to terminate the Center, and transfer its functions to line agencies. However, he thinks that CEA/COWPS is better suited than OMB to provide overall policy coordination.

Stu Eizenstat concurs with OMB. The contribution of the Center to improving productivity and working conditions "is minimal and mostly symbolic."

Commerce concurs with OMB's recommendation that the Center be allowed to expire. "OMB's memo, however, makes no provision for the continuation and development of Federal-supported quality of work life (QWL) programs in industry, government and communities. We find this a serious omission which should be addressed by the Administration."

"In the 1970's, QWL has emerged as the most important development in contemporary industrial relations both here and abroad... There is mounting evidence that QWL programs yield significant human and economic gains, including impressive increases in productivity measured in the most orthodox fashion." Such firms as GM, AT&T, Xerox and Weyerhaeuser are committed to QWL programs. "Because there is growing evidence that QWL programs do work, it is our conviction that these efforts should receive Federal encouragement."

"We therefore request that Commerce be assigned responsibility for Federal leadership in this area. We have

the experience, the commitment and the expertise in senior people who have been in the forefront of QWL developments over the years. With \$250,000 (less than 10% of the current Center budget) Commerce can do an effective job."

Jack Watson concurs with Commerce. "We recommend transfer to the Department of Commerce because there are two active QWL programs underway within the Department itself, because the Department has the resources, the experience, the leadership and the commitment -- all of which are required if QWL is to succeed. It is worth the effort, the costs are minimal, and any other option means the essential abandonment of Federal support of QWL."

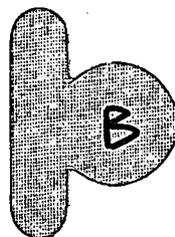
Treasury "strongly supports the purpose and objectives of the (Center). For a relatively modest budget outlay of \$3 million, the (Center) brings to the public's attention the importance of increased productivity and also provides a forum for labor and management to discuss the issues in a neutral, problem-solving way. Abolishing the Center would suggest less than enthusiastic support for strengthening productivity growth as an important part of your anti-inflation program."

Labor concedes the "limited progress" made by the Center to date, but recommends recreating the agency in an improved way, rather than abolishing it completely. "The current emphasis on the importance of an anti-inflation program brings productivity improvement even more directly to the center of economic policy."

As Marshall sees it, the primary role of a recreated Center "would be to assist private sector organizations in locating and eliminating impediments to productivity improvement. Its program would supplement and provide highly useful support to the increasingly urgent mission of COWPS."

The new Center would have the authority to provide technical assistance upon request, and would support the creation of counterpart State and regional productivity centers. The Center would be governed by a Board comprised of the Secretaries of Labor, Commerce, Treasury, the Director of the Federal Mediation and Conciliation Service, and the Center's chief executive officer.

Marshall believes his proposal is more desirable than abolishing the Center "in favor of a more diffuse and inherently less coherent and integrated multi-agency program."



THE NATIONAL CENTER FOR PRODUCTIVITY AND QUALITY
OF WORKING LIFE

Background

In the last decade productivity growth in the U.S. has been unsatisfactory both to the Nation's needs and its capabilities. Over time, various spokespersons on the subject have indicated their belief that productivity growth must improve to create high employment, deal with inflation, enable the United States to compete in world markets, and bring about a higher standard of living. Concern for worker satisfaction and the more effective involvement of employees in decisions affecting the work environment--termed quality of working life--is viewed as an important factor contributing to productivity improvement.

Over time the need for an explicit Federal role in dealing with these concerns has been recognized. GAO, in a study it hopes to release shortly, identifies over \$1 billion in Federal expenditures for programs to improve various aspects of productivity. These programs include activities in the Departments of Labor and Commerce, the Federal Mediation and Conciliation Service, the Civil Service Commission, OMB, the National Science Foundation, and others.

In July 1970, the National Commission on Productivity was established as part of a Presidential campaign to enlist public support in controlling prices and combating inflation. P.L. 93-311 made this a statutory body. In June 1974, Congress broadened the Commission's charter to include quality of working life.

In 1975, P.L. 94-136 established the National Center for Productivity and Quality of Working Life as an independent agency with responsibility for encouraging productivity growth. The Center was authorized for three years. At the end of that period the agency was to be evaluated to determine if that organizational structure was a feasible one for carrying out the Federal role. GAO is completing an evaluation of the Center. In late 1977 Departments of Commerce and Labor conducted an independent study which included interviews with spokespersons of major parties of interest

in productivity and quality of working life. A theme common to the studies is a general dissatisfaction with the Center. Further, P.L. 94-136, creating the Center, has been the object of criticism by some of the legislators who have been strong advocates. A second and important common denominator is the continuing belief in the need for an institutionalized and visible Federal commitment to improved productivity growth.

These issues have been discussed with staff of the Departments of Commerce, Labor and Treasury, OMB, the Domestic Policy Group, and the Executive Director of the National Center for Productivity and the Quality of Working Life. While all agencies share the view that a Federal commitment to and an explicit role in productivity and quality of working life improvement is necessary because of the serious implications that improvement has for labor-relations policy and the Nation's economic well-being, there is a divergence of opinion as to how the Government should organize to focus attention on the issues. Their views are reflected in the memorandum.

WASHINGTON

DATE: 20 MAR 78

*- w/ Bert
- Joint memo
w/ NCC?*

FOR ACTION: ✓ STU EIZENSTAT

FRANK MOORE (LES FRANCIS)

JACK WATSON

attached

CHARLIE SCHULTZE

RICHARD PETTIGREW

attached

*-nc
having had
nothing else*

INFO ONLY: ✓ THE VICE PRESIDENT

JODY POWELL

*Kreps - attached
Marshall - attached*

*Blumenthal - attached
Kuper - attached*

SUBJECT: MCINTYRE MEMO RE THE FUTURE OF THE NATINAL CENTER FOR
PRODUCTIVITY AND QUALITY OF WORKING LIFE

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM WEDNESDAY 22 MAR 78 +

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

DATE: 20 MAR 78
FOR ACTION: STU EIZENSTAT
JACK WATSON
RICHARD PETTIGREW

LOGGED
Date 3/21 FRANK MOORE (LES FRANCIS)
CHARLIE SCHULTZE
Routing *cls*
pk

INFO ONLY: THE VICE PRESIDENT JODY POWELL

SUBJECT: MCINTYRE MEMO RE THE FUTURE OF THE NATINAL CENTER FOR
PRODUCTIVITY AND QUALITY OF WORKING LIFE

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM WEDNESDAY 22 MAR 78 +

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

*3/21/78 concurrence
called in to
R. Hutcheson's
office
P. Dault*

THE WHITE HOUSE

WASHINGTON

March 22, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: RICHARD PETTIGREW *Rick*

SUBJECT: McIntyre Memo re the Future of the
National Center for Productivity and
Quality of Working Life

I believe it is politically imperative to strengthen the federal role in fostering productivity improvements. This requires:

1. locating operational activities in strong institutional bases (only Cabinet departments like Commerce and Labor have the necessary resources and broad contact with the private sector);
2. creating a strong, high-level policy focal point to assure coherent use of the \$1 billion federal resources devoted to productivity improvement.

I support the OMB recommendation to terminate the Center. I further agree that policy development should be coordinated in the Executive Office of the President. It does appear to me, however, that the Council of Economic Advisors (together with COWPS) rather than OMB has the expertise and private sector contacts which make it more suitable for this role. If this responsibility is assigned to CEA, we should consider creating some formal process for public participation and involvement. (This might consist of a labor-private sector advisory committee to replace the Center's existing board.)

THE WHITE HOUSE

WASHINGTON

April 5, 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT 
SUBJECT: Future of the National Center
for Productivity and Quality
of Working Life

The agencies represented on the governing board of the Center (Commerce, Labor and Treasury) favor retention of this body. The agencies concede that the Center should be strengthened and refocused, but they believe that an independent Center is needed as a visible sign of the Federal government's commitment to improving productivity, to fighting inflation and improving working conditions.

Along with Jim McIntyre, I believe that the Center is unworkable in its present form. It should be abolished and its functions should be redistributed to other agencies. The Federal government clearly has an important role to play in improving productivity and working conditions. Regulations governing wages and working conditions and policies encouraging capital investment are the most important contributors to these goals. However, the contribution of the Center to these ends is minimal and mostly symbolic.

Before you announce your decision, I recommend that you ask Frank Moore's staff to consult briefly with interested members of the House and Senate and to report back if there are major problems.

In addition, the Administration's position, when announced, should make clear that the Departments of Labor and Commerce will pay serious attention to the issues of productivity and quality of working life, with OMB coordination.

DATE: 20 MAR 78

FOR ACTION: STU EIZENSTAT

FRANK MOORE (LES FRANCIS)

JACK WATSON

1978 MAR 20 12:45 PM R1215 SCHULTZE

RICHARD PETTIGREW

INFO ONLY: THE VICE PRESIDENT

JODY POWELL

SUBJECT: MCINTYRE MEMO RE THE FUTURE OF THE NATINAL CENTER FOR
PRODUCTIVITY AND QUALITY OF WORKING LIFE

+++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: 1200 PM WEDNESDAY 22 MAR 78 +

+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

We disagree with the OMB recommendation that responsibility for policy development and coordination should be assigned to OMB.

We support Commerce's recommendation (which is a variant of option II) that the Center be allowed to expire, that its programs be refocused on quality of working life and transferred to Commerce.

Page 3 of the decision paper states that Commerce's reason for its recommendation is "to strengthen the Administration's commitment to human rights." It is an incomplete statement of the Commerce position and should be amended to add: "and because the traditional carrot and stick address to motivation for productivity simple does not work and there is substantial evidence that quality of working life (QWL) programs produce genuine human development and increased productivity.

Such programs are successful and active today in forms such as General Motors, Texas Instruments, General Foods and Harman International.

Finally, we recommend transfer to the Department of Commerce because there are two active quality of working life programs underway within the Department itself, because the Department has the resources, the experience, the leadership and the commitment--all of which are required if QWL is to succeed.

It is worth the effort, the costs are minimal and any other option means the essential abandonment of federal support of QWL.



"ACTION"

THE UNDER SECRETARY OF COMMERCE
Washington, D.C. 20230

March 30, 1978

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Future of the National Center for
Productivity and Quality of Working Life

The Department of Commerce agrees with OMB's recommendation that the National Center for Productivity and Quality of Working Life be allowed to expire. We agree with OMB's analysis that traditional productivity activities are now being conducted by a number of government agencies, particularly Commerce, and that these activities require no single independent center.

OMB's memorandum, however, makes no provision for the continuation and development of Federally supported quality of work life (QWL) programs in industry, government and communities. We find this a serious omission which should be addressed by the Administration.

In the 1970's, QWL has emerged as the most important development in contemporary industrial relations both here and abroad. The growing number of corporations, labor unions and communities using this new cooperative address attests to its importance. There is mounting evidence that QWL programs yield significant human and economic gains, including impressive increases in productivity measured in the most orthodox fashion. The number of firms now committed to QWL programs includes General Motors, Weyerhaeuser, AT&T, Harman International and Xerox, among many others. The best managed companies know that traditional "carrot and stick" motivational and productivity programs do not work. Because there is growing evidence that QWL programs do work, it is our conviction that these efforts should receive Federal encouragement.

We therefore request that Commerce be assigned responsibility for Federal leadership in this area. We have the experience, the commitment and the expertise in senior people who have been in the forefront of QWL developments over the years. With \$250,000 (less than ten percent of the current National Center budget) Commerce can do an effective job.


Sidney Harman





THE SECRETARY OF THE TREASURY

WASHINGTON 20220

March 24, 1978

MEMORANDUM FOR THE PRESIDENT

Subject: The Future of the National Center for
Productivity and Quality of Working Life

For the reasons stated in the OMB memorandum dated March 17, 1978, the Treasury Department strongly supports the purpose and objectives of the National Center for Productivity and Quality of Working Life. Policies that will increase productivity are vital to this nation's future. For a relatively modest budget outlay of \$3 million, the National Center brings to the public's attention the importance of increased productivity and also provides a forum for labor and management to discuss the issues in a neutral, problem-solving way. Abolishing the Center would suggest less than enthusiastic support for strengthening productivity growth as an important part of your anti-inflation program.

Robert Carswell
Acting Secretary

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

MAR 24 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: SECRETARY OF LABOR *Ray*

SUBJECT: The Future of the National Center for Productivity and Quality of Working Life

I am disappointed in the OMB memorandum of March 17, which I feel does not present a full picture of the choices before you regarding the future of the National Center for Productivity and Quality of Working Life.

It is unfortunate that the National Center has been able to make such limited progress toward achieving the ambitious goals assigned to it by P.L. 94-136. But it would be more regrettable still, if on the basis of this one short-term experience, we chose to prematurely abandon the key concept Congress attempted to implement through the Act. The logic of maintaining an independent agency as the focal point of a larger Federal effort to encourage productivity growth is no less valid or compelling today than it was in 1975 when the Center was created. In fact, the current emphasis on the importance of an anti-inflation program brings productivity improvement even more directly to the center of economic policy.

The deficiencies of the existing Center, including its legislative charter, have been amply documented. While there may be a strong temptation to respond to them by abolishing the Center and diffusing its functions among various departments and agencies, I think an alternative course of action has more to commend. We can derive more profit from this experience by using it to construct the legislative foundation for a new independent agency that can play a far more instrumental role in furthering the Nation's economic and social interests. I envision the re-creation of a new agency that would have:

- A circumscribed and realistic scope of responsibility. Its preeminent role would be to assist private sector organizations in locating and eliminating impediments to productivity improvement. Its program would supplement and provide highly useful support to the increasingly urgent mission of the Council on Wage and Price Stability.

Assistance to improve the productivity performance of government agencies, State and local as well as Federal, though equally needed, would be provided elsewhere in the Executive Branch.

- Explicit and specific authority to provide technical assistance upon request, to develop and undertake research and experimental projects, to devise and administer information and education programs and help support the creation of counterpart State and regional productivity centers as partners in the national effort.
- Provision for governance by a policy-making and oversight board comprised of the Secretary of Labor, Secretary of Commerce, Secretary of the Treasury, Director of the Federal Mediation and Conciliation Service, and the Center's chief executive officer. Such a board will strengthen the new agency by forging a bond between its program and those of other agencies.
- An executive director who would be appointed by the President with the consent of the Senate. The person selected would bring to the Center substantial administrative experience, a broad knowledge of substantive issues, and a familiarity with labor and business operations. The nominee would be of sufficient stature to gain the acceptance and cooperation of top union leaders and corporate executives and the highest policy officials of other government departments and agencies.
- A fully functioning, non-government advisory council whose members also would be appointed by the President but without the requirement of Senate consent. Those selected for this body would represent, in toto, the full spectrum of interest groups and the diverse perspectives in each (labor, management, science and technology, education, etc.). The Council would serve as a forum for clarifying key productivity issues, a sounding board for evaluating center plans, and a resource available for special projects.
- A staff complement that encompasses the full range of knowledges and skills required to deal with the many facets of productivity improvement.

I believe that this proposal outlines a viable course of action that is significantly more attractive than either retaining the National Center in its present form or abolishing it in favor of a more diffuse and inherently less coherent and integrated multi-agency program. I hope that this will be given serious consideration before a decision is made.

If this proposal is adopted, I would suggest as a temporary measure the creation of an interim board of directors to the present Center as outlined in the memorandum of late last year submitted to you by Secretary Kreps and myself.

National Center for Productivity and Quality of Working Life

March 25, 1978

MEMORANDUM FOR THE PRESIDENT

VIA Rick Hutcheson, Staff Secretary

SUBJECT: Requested Comments on McIntyre Memorandum re Future of
the National Center dated 17 March 1978.

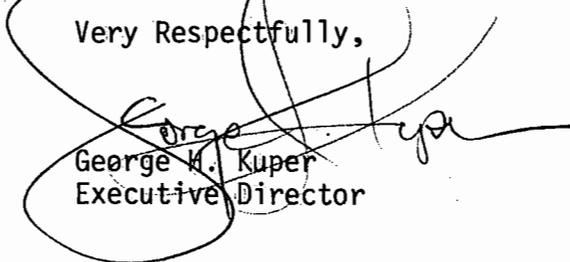
Your recognition of our national productivity problem has been important but the response needs your leadership as well. The Center represents a simple and effective method for the Administration to lead by working together with labor and management toward resolution of the problem.

Many labor, business and government leaders have voluntarily participated in the Center's programs. They have gone beyond recognition of the problem and have cooperated on actions to overcome productivity obstacles particularly in distressed communities (e.g. Jamestown, N. Y.), industries (e.g. men's apparel), and State and local government. The need for reinforcing such cooperative efforts is underscored by the emergence of local productivity centers throughout the country who have looked to the National Center for leadership.

The Center has provided an opportunity for labor and management to respond to the problem with a minimum of government assistance (see memo to you dated 28 January 1977 from the tripartite Board of Directors of the Center attached as Tab A). A revitalized National Center with appropriate refocusing of its legislation and resources would offer the opportunity for integrating existing Federal agency productivity programs with management interests and labor acceptance. Without such an independent Center, this needed integration will be difficult to obtain (see memo to Jim McIntyre dated 16 March 1978 attached as Tab B).

Abandonment of the National Center would signal a lack of Administration interest in the consensus of labor and management behind productivity and other important economic issues. Also, terminating this agency for organizational or budgeting reasons may be seen by labor and business leaders here and abroad as a weakening of commitment to a comprehensive anti-inflation policy (West Germany and Japan spend three times as much on their independent productivity centers as does the United States - see table at Tab C).

Very Respectfully,


George M. Kuper
Executive Director

Copies to: The Honorable W. Michael Blumenthal
Secretary of the Treasury

The Honorable Juanita M. Kreps
Secretary of Commerce

The Honorable F. Ray Marshall
Secretary of Labor

The Honorable Charles L. Schultze
Chairman, Council of Economic Advisers

The Honorable James T. McIntyre, Jr.
Director, Office of Management and Budget

The Honorable Stuart E. Eizenstat
Assistant to the President for Domestic
Affairs and Policy

The Honorable Wayne L. Horvitz
Director, Federal Mediation and Conciliation
Service

The Honorable Barry Bosworth
Director, Council on Wage and Price Stability

TAB A

National Center for Productivity and Quality of Working Life

Washington 20036

January 28, 1977

Dear Mr. President:

Because the tripartite Board of Directors of the National Center serves coterminous with the term of the President, the outgoing Board (listed in Tab A) felt it important to convey to you its current thinking on productivity issues facing the Nation. The enclosed memo (Tab B) was prepared by the Board at its last meeting.

At that same meeting it was also agreed that Messrs. Rockefeller, Abel and Burnham would seek a meeting with you to discuss the memo and ways to preserve and expand the consensus of labor and management around productivity issues.

Very Respectfully,

George H. Kuper
Executive Director

The President
The White House
Washington, D.C. 20500

NATIONAL CENTER FOR PRODUCTIVITY
AND QUALITY OF WORKING LIFE

BOARD OF DIRECTORS
(As of January 19, 1977)

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

I. W. Abel
President, United Steelworkers
of America

Donald C. Burnham
Director-Officer, Westinghouse
Electric Corporation

Berkeley G. Burrell
President, National Business League

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

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

Daniel J. Evans
Former Governor of Washington

Frank E. Fitzsimmons
President, International Brotherhood
of Teamsters

Gaylord Freeman
Honorary Chairman, First National
Bank of Chicago

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

Andrew E. Gibson
President, Maher Terminals

James E. Holshouser, Jr.
Former Governor of North
Carolina

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

J. Lane Kirkland
Secretary-Treasurer, AFL-CIO

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

Bess Myerson
Syndicated Columnist and
Consumer Advocate

Elliot L. Richardson
Secretary of Commerce

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

James F. Searce
Director, Federal Mediation
and Conciliation Service

L. William Seidman
Assistant to the President
for Economic Affairs

William E. Simon
Secretary of the Treasury

William J. Usery, Jr.
Secretary of Labor

George H. Kuper
Executive Director, National
Center for Productivity and
Quality of Working Life

January 28, 1977

MEMORANDUM FOR THE PRESIDENT

Prepared by

THE BOARD OF DIRECTORS OF THE
NATIONAL CENTER FOR PRODUCTIVITY

AND

QUALITY OF WORKING LIFE

THE NEED FOR A NATIONAL PRODUCTIVITY PROGRAM

One of the toughest and most critical challenges which confronts the incoming Administration is the problem of how to increase the Nation's rate of productivity growth. Productivity - that is, the efficiency with which we use labor, capital, and other resources to produce goods and services - provides the wherewithal to achieve the objectives our society demands, including a higher standard of living, better quality products and services, a clean environment and better working conditions. A high productivity growth rate also assures our Nation the economic vitality to compete successfully in the world economy and to maintain high rates of employment while minimizing the inflationary pressures which might otherwise accompany our efforts to create more jobs.

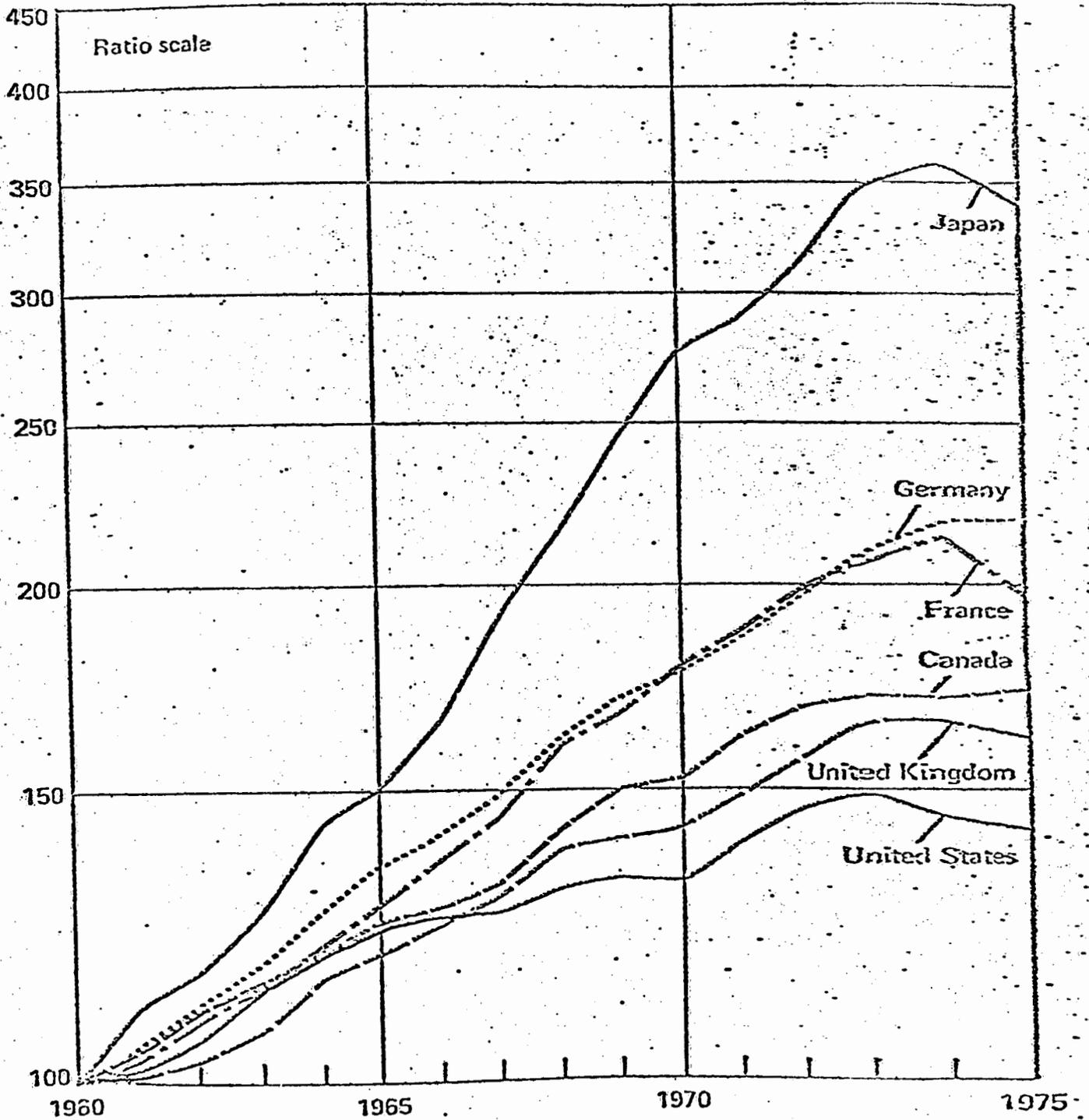
The present decade is an important turning point for the trend of productivity in America. In the past, the American political and economic system has provided a favorable climate for productivity improvement. As a result, the average American worker today produces about four times as much in one hour of work as the average worker of 50 years ago. The widely acclaimed accomplishments of American society have been primarily facilitated by these improvements in our national productivity.

Unhappily, however, the Nation's productivity growth has left much to be desired in recent years. One of the clearest demonstrations of this situation can be seen in the accompanying chart which compares the rate of productivity growth in manufacturing in the U.S. with the productivity trend of other industrial nations, as compiled by the U.S. Bureau of Labor Statistics. For most relevant periods since 1950, the U.S. has clearly lagged behind the others.

Chart

Manufacturing Output per Hour in the United States has Risen since 1960 at a Slower Rate than in other Major Industrial Nations

Index(1960=100)



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

Without new policies to promote greater productivity growth, it is likely that America will continue to lag behind much of the rest of the industrial world. At a national symposium on the future of productivity, sponsored by the National Center for Productivity and Quality of Working Life earlier this year, leading economists submitted projections which forecast a 2-3% productivity growth rate over the next decade, whereas productivity growth in Japan and Western Europe is expected to be closer to 5%.

The Board of Directors of the National Center believes that America has to do better than a 2-3% productivity growth rate in order to achieve our objectives of high employment, low inflation, a clean environment and a higher standard of living. In essence, we must either find a way to achieve a higher rate of growth in productivity, or we will be forced to lower our expectations regarding the benefits we desire from our economy. We believe that the policies and actions initiated during the term of the incoming Administration can make an important difference in determining whether America will return to a high productivity growth rate and thereby meet the expectations of our citizens, or whether America will enter a future of reduced expectations or even disappointment.

This memorandum has been prepared by the Board to acquaint the incoming Administration with some of the initiatives which we believe deserve the highest priority in returning the U.S. to a higher productivity trend. The Board wishes to emphasize that the factors which have inhibited our productivity growth are complex; the actions which are needed to improve our performance are only partially understood. However, at least one thing is clear: we can no longer afford to let productivity "take care of itself". This principle is recognized by every other industrial nation - all of whom understand the critical role of productivity in meeting their national objectives and all of whom have had extensive national programs to promote productivity growth for many years.

Productivity has not received the same level of attention or support in the U.S. Beginning in 1970 by Executive State-ment our productivity efforts have been carried on in a fragmented and discontinuous fashion, with minimal funding and without broad support. The National Center exists today only because a few dedicated and enlightened leaders from labor, management and government have persisted in pointing out the need for a central public forum to consider policies affecting our Nation's productivity growth. The establishment of the Center in November, 1975, was an important step in the right direction, but the support and leadership of the new Administration is urgently needed to insure that we do not lose the momentum achieved so far.

THE ROLE OF THE NATIONAL CENTER

The National Center for Productivity and Quality of Working Life was created by Congress in November, 1975. The Center's Board of Directors is composed of leading business, labor, government, and public representatives who are appointed by the President subject to Senate confirmation. The Center and the National Commission on Productivity which preceded it have traditionally operated as non-partisan organizations.

The need for the Center is based on the premise that we all have a stake in the national objective of productivity improvement but that we often have important differences of opinion about how to achieve that objective. The Center provides an organization through which different sectors of the economy can work toward reconciling these differences.

The Board believes that the Center has demonstrated a comparatively unique potential to develop a consensus in support of productivity improvement. To the extent that this consensus-building capability can be useful to the new Administration, the Board welcomes the opportunity to exploit it more fully. At the same time, the co-operative spirit which the Center has achieved to date, is, by its nature, fragile and would benefit considerably from reinforcement by the new Administration.

THE SOURCES OF NATIONAL PRODUCTIVITY IMPROVEMENT

In its first comprehensive statement on national productivity policy, the National Commission on Productivity and Work Quality observed that the most crucial factors affecting productivity can conveniently be grouped under three broad headings. These are:

- Human Resources - that is, the level of health and education, skills, ingenuity, and dedication of all people involved in the production of goods and services, and the extent to which we continue to maintain and improve this productive capability.
- Technology and Capital Investment - that is, the process through which productivity-enhancing innovations are conceived, developed, financed, and diffused throughout the economy, in both the public and the private sectors.

-- Government Regulation - that is, the process through which government regulates the actions of individuals and organizations in the interest of the community, and the extent to which this process affects the ability of the economic system to foster continued productivity improvements.

The Center's Board of Directors recommends these groupings as a useful way of thinking about how to promote productivity growth and improvement in the quality of working life, and has organized this memorandum accordingly.

In addition to effective policies in these three areas, an expanding economy with plentiful opportunities for employment and investment is a necessary condition for productivity improvement. When jobs are plentiful, technological changes which lead to greater efficiency are more acceptable to employees. Similarly, the reasonable expectation of growth and profitability is necessary to encourage investors to finance these changes.

Finally, the Board has identified particular opportunities to promote productivity in the public sector - including units of Federal, state and local governments. While public sector productivity also requires effective policies affecting human resources, investment, technology, and regulation, the President and his Administration can directly influence the management and hence the productivity of government operations. The growing importance of the public sector to the economy as a whole as well as the need for early action by the President have prompted the Board to offer additional recommendations on this topic.

HUMAN RESOURCES

During 1976, the Center has focused its attention on three immediate opportunities for improving the productivity of our Nation's human resources, and the Board proposes that these continue to be emphasized in the immediate future. First, improved co-operative arrangements between labor and management need to be worked out to allow the ingenuity and know-how of employees to be utilized more fully in the productive process.

Second, we need more effective public and private policies to assure workers that their cooperation in productivity-enhancing changes will not unduly affect their job security and self-interest.

Third, we need to define an appropriate role for the Federal government in responding to the growing interest in improving job satisfaction and the quality of the working environment.

--Labor-Management Cooperation. The Center has seen ample evidence that workers in both public and private organizations can contribute important ideas about how to do the job better. Labor-management committees offer a proven mechanism for eliciting such ideas and, more generally, for allowing labor and management to consider common problems and objectives in a non-adversary setting. At the plant level, joint committees have allowed employees to contribute useful ideas about reducing waste, improving output and improving morale and job satisfaction. Industry-wide committees have considered structural problems which inhibit productivity growth; community-level committees have worked successfully on questions of economic development.

The Board believes that the Federal government should take a more active role in encouraging the formation of labor-management committees, and in promoting the concept of labor-management cooperation generally. Because labor-management cooperation is necessarily a voluntary matter, it is not something which can be promoted by laws or orders. However, the President can take a vital leadership role in encouraging greater cooperation. Toward this end, the Board urges the President and the members of the new Administration to actively endorse the concept of cooperation in their contacts with labor and management leaders.

Interest in labor-management committees is small but rapidly growing. That interest needs reinforcement, both through the sort of top-level endorsement that leadership can provide, and through an expanded program of information and technical assistance from the line agencies of government. We recommend that programs in these areas by such organizations as the Departments of Commerce and Labor and the Federal Mediation and Conciliation Service be encouraged and supported by the new Administration.

--Job Security. Nationwide, productivity improvement and employment are interdependent. Other things being equal, productivity improvements generally come about by changes in workflow or by the introduction of new equipment which yield greater or equal output with the same or less amount of labor. At each point where such a change is introduced there is a potential threat to the job security of the employees involved and in these cases the changes may be understandably resisted. Even where changes are not resisted, there is little net benefit to the economy if the labor saved in one place cannot

be put back to work productively somewhere else. Thus, unless jobs are widely available, productivity growth is retarded.

At the same time, continued productivity growth is vital to the ability of the economy to supply new jobs and to maintain existing ones. Unproductive organizations lose their competitive position both at home and in relation to foreign producers and thus their capacity to grow. Nations which fail to sustain an adequate level of productivity growth face severe unemployment in addition to a reduced standard of living.

In a time of economic recession and high unemployment, there is considerable pressure for strong measures to increase employment throughout the economy. From a productivity standpoint, the goal of increasing employment is essential because high levels of employment are a prerequisite for long-term productivity growth. There is also a risk that some methods of increasing employment will undermine productivity. In the private sector, for example, one method suggested by some to increase employment in the short-run is to retard or even reverse the normal progress of technological change, thereby using more labor-intensive processes that would otherwise be the case. In the public sector, various forms of direct job sponsorship or emergency employment may be considered.

Solutions of this type contain significant risks and should be viewed with caution. The use of more labor-intensive production methods would result in less output per worker and thus less total income; in effect, this solution simply redistributes the burden of unemployment without remedying the underlying cause. Similarly, unless government-sponsored jobs are designed to be productive, or at least to provide the training which will lead to productive work, there is a danger that unemployed workers will simply be made permanently unproductive at public expense.

Therefore, long-term productivity is best served by policies which stimulate demand and provide a stable investment climate, in conjunction with policies which insure that all members of the workforce have the appropriate skills, training, and unrestricted entry to participate in the resulting job opportunities.

--Quality of Working Life. There is a growing interest in this country in conducting experiments designed to improve the quality of working life, including improvements in the work environment and changes intended to increase job satisfaction. Underlying this interest is the belief that improvements in the quality of working life and productivity growth

are mutually supportive. That is, gains in productivity provide the security which is the basis of a willingness to cooperate in improving the work environment. An improved work environment, in turn, encourages personnel to become actively and positively involved with the overall operation of the organization of which they are a part. This kind of involvement and sense of participation can lead to improvements in the quality of the product or service being delivered and in even greater productivity gains.

In Europe, such issues have resulted in legislated initiatives and in this country there is also a temptation for the government to step in. However, the Board believes that it is premature for the government to intervene in or financially support private efforts to improve the quality of working life. In this country, our policy should be to allow quality of working life changes to be worked out directly between the parties. This policy recommendation is based on the premise that employers and employees know best what changes they want, what benefits these changes might produce, and how to balance the benefits of an improved work environment against other desired rewards of work.

Following its legislative mandate, the Center will continue to explore an appropriate role for the government with respect to quality of working life experiments.

TECHNOLOGY AND CAPITAL INVESTMENT

The importance of both technology and capital investment to productivity growth has been well documented. Science provides the underlying technological base from which productivity-enhancing equipment and processes are developed. Adequate capital must be available to finance the development and installation of such equipment and processes. In recent years, serious questions have been raised about the adequacy of the Nation's research and development efforts, its rate of capital formation and investment, or both.

Such questions are not easily resolved. It is difficult to agree on what levels of research and development or capital investment are adequate; even if we could agree on adequate levels, we probably lack the means to measure accurately whether the desired levels are being achieved.

In 1976, a subcommittee of the Board reviewed major recent studies of capital investment, which included evaluations of historic investment rates and projections of the Nation's

future capital needs and resources. On the basis of this review, the Board has concluded that we do not face an imminent capital shortage in the aggregate; however, there is still a risk that severe problems could arise in specific industries as those problem sectors are identified it may be necessary to consider special measures to stimulate capital investment for productivity improvement.

In considering the possibility of a capital shortage in particular industries or economic sectors, it is important to understand that an inadequate supply of funds is only one of many problems which could retard an industry's productivity growth or which could inhibit the expansion or capacity in an industry. These problems can vary greatly depending on the industry or sector in question and therefore efforts to remedy bottlenecks or poor productivity performance should be industry-specific. Toward this end, the Center intends in 1977 to continue to evaluate the opportunities for productivity improvement generally and in specific industries. In these evaluations, the Center will consider other remedies in addition to capital investment incentives, including, for example, improvements in the regulatory process and opportunities for greater cooperation between organizations within an industry.

A related question has developed about whether or not sufficient incentives exist or should be created for investment in research. Statistical evidence has been presented which suggests that the percentage of our national resources committed to research and development has been dropping. While this may not have an immediate effect on the rate of productivity improvement, it may have a long range negative effect. The United States has been the world leader in terms of technological advancement, and we have been an exporter of technology to our major trading partners. However, other countries have been gaining on us in their development of technology. To maintain our leadership it may be necessary to have more government support of basic research and technology in universities and in private industry. The indirect support that the government has given through military contracts has been diminishing and may not be as effective as it has been in the past.

As research is translated into products there is a point, however, where government's influence should be diminished in favor of the marketplace. Therefore, before adopting any major new program to provide greater incentives for the application of technology we need to carefully examine where and why any specific technological deficiencies have occurred. Where deficiencies exist, or appear to exist, there

is an understandable temptation for the government to step in and, in effect, to over-ride the market mechanism with direct commercial applications, investment subsidies, information programs, and the like. In some cases, some form of government intervention may be appropriate; in others, closer scrutiny may reveal that industry economics simply do not yet favor the adoption of a particular type of equipment or process. Thus, as in the case of the capital investment question, the definition of a proper role for the government in promoting technological change requires a detailed understanding of the economic structure and operating procedures of specific industries in which deficiencies are felt to threaten continued productivity improvement.

GOVERNMENT REGULATION

In the final analysis, the inadequacies we observe or anticipate in the future may not be caused by a shortage of know-how or of funds to put the know-how to work, but rather by uncertainties and discontinuities in the potential return on investment which can be earned from productivity-enhancing changes. Commitments to new technology will always involve a degree of uncertainty about the potential profits to be earned. As the national and world economy becomes increasingly interdependent, however, we add many new uncertainties to the uncertainty of the market. In addition, there are uncertainties about whether new technology, once installed, will meet various regulatory requirements which may not presently be in effect; or, regulatory processes can delay the construction of new investment projects thereby increasing their cost far beyond what was originally anticipated; or new regulations require expensive changes in equipment or operating costs which can significantly alter the profitability of an investment.

Apart from the direct impact of regulation, public policies in other areas contribute to increasing the uncertainty of investment returns. Government policies, directly or indirectly, can influence the price a business is allowed to charge, the tax and depreciation schedules (hence the profitability) which are applicable to a new investment, the extent to which foreign producers will be allowed to penetrate the domestic market, and numerous other factors which can make or break an investment.

Obviously, some degree of regulation is necessary, as are policies on taxes, foreign trade and the like. In developing these policies, however, the Board believes that government and industry (including both management and labor) need to work in greater congruity in the future than they have in the past. It is virtually axiomatic in a free enterprise system that if investors can reasonably expect an attractive return, the investment funds and the appropriate technology will be called forth. If returns are erratic or uncertain, investment activity is retarded. Thus, many of the deficiencies in productivity improvement which have been attributed to capital and technology shortages may in reality have been brought about by an increasingly unreliable investment outlook.

It is worth restating that the primary source of reasonable investment returns is a healthy, expanding economy. In addition, however, an improved relationship between government and the private sector, where policies are developed through consensus and mutual understanding of problems and goals, can have a crucial stimulating effect on our economy. In this regard, the President can take a leading role and can set the tone for others in the Administration. If the new Administration can simply reduce the uncertainty and delay often associated with the development of our public policies, and encourage closer consultation with the private sector in the process the Board believes that regulatory goals can be more effectively achieved without impairing the momentum of the economy.

In 1976, the Center sponsored a major national conference on regulation, and subsequently has formed labor-management task forces within individual industries to study regulatory issues. As a result of these activities, the Board believes that we have made progress in achieving greater co-operation, but that further efforts are needed still. There has been a greater emphasis on insuring that regulatory agencies fully explore the economic impact of potential regulations. The evaluation of economic impact has lead public and private organizations to exchange information and points of view and thus to a greater understanding by all parties. We recommend that the new Administration support more of such efforts in the future.

In addition, the President can take a leadership role in assuring that the various operating agencies of government work closely with business and labor in the development of policies. In the final analysis, attitudes at the top level

can make the difference between meaningful cooperation and mere perfunctory compliance with requirements to collect information from the private sector.

Finally, the Board believes that regulation poses a special problem for small businesses. Here the costs of compliance, including both increased operating costs and requirements for capital investment, can represent a severe burden to many small organizations. Similarly, regulatory mechanisms can raise operating and entry costs in an industry so high that only large businesses can afford them. If we wish to avoid the further consolidation of our productive capacity into increasingly large units, the new Administration will have to develop ways of either reducing or offsetting the cost of regulation to small business.

IMPROVING PRODUCTIVITY IN THE PUBLIC SECTOR

The public sector - including units of Federal, State and local government - now accounts for about one-third of the GNP and the productivity of government operations has become increasingly important to the country's total economic welfare. As in the case of the private sector, appropriate policies in the areas of human resources, capital and technology, and regulation can improve the rate of productivity growth in the public sector. In addition, there are important opportunities for the President to directly influence the motivation of public sector managers to improve performance and to provide the necessary tools for them to do the job.

To identify these opportunities, the Center during 1976 has launched a major examination of ways to improve productivity in state and local government and in the Federal government. The preliminary results of these studies suggest that future efforts to improve productivity should emphasize at least five major points:

First, productivity improvement at all levels of government requires commitment and leadership from the top. At the Federal level, the President and through him the heads of the major operating units play a crucial role. In this context, we suggest to the new Administration that productivity performance must be systematically evaluated and rewarded. General exhortations and endorsements are not enough. If top-level members of the Administration understand that their productivity will be evaluated, managers down the line will soon get the message.

Second, the single most significant opportunity for increasing governmental productivity is improved management. Government reorganization, in the sense of a redefinition of the relationships between and the responsibilities of operating units, can eliminate various structural barriers to better performance. However, if there is no change in what goes on within those units the impact on productivity will be small. In addition, it is necessary to make significant changes in the skills and practice of public sector managers and in the incentive systems which affect managerial performance.

Third, managers in the public sector generally lack the incentive to improve productivity. Too often in fact, we reward our public sector managers for the resources they use rather than the results they produce. Thus, we are encouraging the opposite of productivity. One remedy for this problem, as suggested above, is to evaluate the productivity performance of public sector managers, starting at the highest level. In addition, however, we need major revisions in our present systems of hiring, training, evaluation, promotion, compensation, and budgeting at the Federal level. The Center is currently developing more comprehensive recommendations in this area. Pending these, we can state the general principles that (1) managers who improve productivity by using less resources should be rewarded by commendation and promotion; (2) rather than a budget cut, agencies which save resources in one area should be given greater latitude in reapplying part of those resources; and (3) we need to develop much improved measurement and performance evaluation procedures so that we can identify which managers are doing the job and which are not.

Fourth, productivity improvement in the Federal sector requires greater support and assistance from the central management agencies (OMB, GSA, CSC). The roles of these agencies with respect to productivity improvement needs to be better defined, and they need to be given adequate personnel and resources to take on an expanded responsibility for training, technical assistance, and the evaluation of agency productivity.

Fifth, the extent to which productivity in the public sector has been increasing or decreasing is largely unknown. The National Income Accounts assume that governmental productivity growth is zero. Thus it is difficult to intelligently assess what is happening in an area of the economy which

comprises one-third of the GNP. At the operating level, progress has been made in developing effective measures of Federal productivity. However, there are still many gaps in measurement at all levels of government which prevent the kind of analysis which can identify opportunities for improvement. This is as true for unit operating managers as for policy-makers at the highest level. Accordingly, we recommend that the new Administration give high priority to developing more effective and widespread measures of productivity at all levels of government.

The Federal government also plays an important role in encouraging productivity improvement at the State and local level. In directing Federal efforts aimed at State and local units, it is important to understand that the impetus for improvement must come from the level at which the service is delivered. Accordingly, Federal programs should be designed to encourage and support improvements, but not to impose them.

In this context, there are still several opportunities for Federal initiative. Improved measurement systems for Federal operations as well as a greater demand for management performance at the Federal level will influence State and local governments to follow similar directions. In addition, we recommend that the heads of Federal agencies which deal with State and local governments assist in developing and implementing measurement programs applicable to their functional areas which can be used to compare the productivity performance of different jurisdictions.

Finally, there appear to be significant opportunities for changing the relationship between Federal and local governments in such a way as to improve the productivity at all levels. Pending the Center's more comprehensive recommendations in this area, the general premises involved in these changes are that (1) many Federal programs are of the cost-reimbursement type which offer no incentive for local jurisdictions to be efficient with the resources involved and (2) there are insufficient central funding sources at the Federal level to support management development efforts by State and local units. Thus, a central Federal program which encourages greater efficiency in the use of Federal resources and which employs part of the savings thereby earned to support management development at the local level would appear to offer significant opportunities for productivity improvement.

CONCLUSION

This memorandum represents the views of leaders from business, labor and government concerning areas which affect productivity, and in which our efforts to improve productivity should concentrate. As stated at the beginning of the memorandum, our knowledge of what has to be done to significantly improve our productivity performance is incomplete. This knowledge requires continuous study and refinement, which is one of the major tasks mandated to the Center.

In the actual implementation of needed policies and actions, however, the Center can play only a limited advisory and catalytic role. Actual improvement depends on individual efforts and commitment and, as we have stated so often in this memorandum, these efforts will depend heavily in turn on the example set at the top. Accordingly, the Board urges the new Administration to give these matters early and careful attention, and offers its best wishes and assistance in meeting the productivity challenge.

TAB B

National Center for Productivity and Quality of Working Life

March 16, 1978

MEMORANDUM FOR THE HONORABLE JAMES T. McINTYRE, Jr.
Director, Office of Management and Budget

SUBJECT: Federal Government Support of U. S. Productivity
Growth

Productivity has been the underlying strength of the U. S. economy during the last two centuries. However, over the last decade our rate of productivity improvement has slowed down. The Council of Economic Advisors report that "This [productivity] slowdown is one of the most significant economic problems of recent years."

We now know more about the factors of productivity growth and their application to specific industries and sectors of our economy. In view of the complexity and scope of these factors, few would question the appropriateness of a significant Federal role in the effort to achieve a high rate of productivity growth. The question then becomes: should the Federal role include a distinct organization such as the Center, or can the problem be effectively addressed through other government organizations. The balance of this memorandum summarizes major points both pro and con for the continued existence of the Center as a vehicle for focusing attention more sharply on national productivity issues, and concludes with a set of recommendations.

PRO

I. The Center is an important symbol of the Federal government's commitment to higher productivity growth.

Money and Federal programs alone are not sufficient to deal with the nation's productivity problems. Needed, in addition, is the commitment of individuals and organizations throughout the nation to work toward higher productivity in their local areas and economic sectors. There are at present numerous organizations and individuals who look to the Center for leadership and encouragement, and who are able to lever their own resources and activities because the Center exists. The continued existence of the National

Center would provide evidence of the Administration's commitment to fight inflation, to promote greater efficiency in government, and to support productivity improvement in the private sector.

Finally, in this context, it would seem incongruous to disband the Center while many within the Administration are calling for a focus on our productivity problem and pointing to the superior productivity performance of Japan, Germany, and other major industrial nations, each of whom have well established centers, most of them originally supported by the Marshall plan.

II. The Center provides a comparatively unique forum where labor, management, and government leaders can develop joint solutions to common economic problems.

Over the past several years, many national leaders -- including Cabinet-level government officials, the presidents of major trade unions, and the chief executives of leading corporations -- have actively participated in various activities of the Center. Interesting and useful high-level discussion has occurred on such topics as capital investment, government regulation, technological change, and labor-management cooperation. These discussions are not a substitute for the policy-making role of the Executive Branch but can contribute to forming the consensus necessary to help implement the policies of the Administration. In the current economic climate, few would argue that we should reduce the level of discussion concerning labor-management cooperation, capital investment, and ways of achieving regulatory objectives with a minimum distortion of the smooth functioning of the economy.

The Center has a good track record in gaining the confidence of labor and management leaders and allowing candid discussion of common economic problems free of the political limelight. For obvious reasons this function of the Center would be difficult or impossible to transfer to another line agency of government.

III. The Center provides a particular capability for attacking the productivity problems of distressed domestic industries.

Increasingly, the Administration finds itself being called upon to assist a major industry; in most cases the need for a higher rate of productivity growth is one of the crucial issues facing the industry. While there are many things the Federal government might do to help, and many line agencies which might be called upon to lead the effort, the Center has a fairly unique and historically successful approach which could not be easily transferred to another line agency. The Center's approach consists of getting affected people -- with particular emphasis on labor and management -- to identify and pursue solutions on their own, with a minimum of direct Federal aid. The process requires an unbiased convener who can marshal the best thinking in an industry without being threatening. Predetermined solutions rarely are effective and the cooperation of all parties -- including various agencies of the Federal government -- is essential.

Some of the industries with which the Center has been involved have been the railroad, airline, food, and apparel industries. It is quite clear to anybody who takes the time to look, that the Center has more than paid for itself in terms of improvements that have occurred as a result of the Center's actions in assisting individual industries. Since these improvements are achieved through actions of managers and others at the site, the Center takes little or no credit for them. Nevertheless, the benefits throughout the economy are real, and probably would not be achieved without the Center's participation. Ideally, the Center should be aggressively applying its approach to all U. S. industry.

CON

I. The continued existence of the Center may be contrary to the Administration's stated objective of reducing the number of small, independent agencies and commissions.

To the extent that the Center is "just another" redundant agency whose mission is no longer relevant and whose function, if relevant, could be more efficiently handled by

another line agency, the Center should indeed be disbanded. However, the Center's mission is far from irrelevant and in fact is probably more critical today than when the Center began. Additionally, focus on productivity issues would soon be lost by assigning responsibility to a line agency because of competing priorities and parochial interests. While some of the Center's functions may be more efficiently handled elsewhere, others -- as discussed below -- cannot be.

II. The National Center has assumed responsibilities that might well have been performed by other agencies of the Federal establishment.

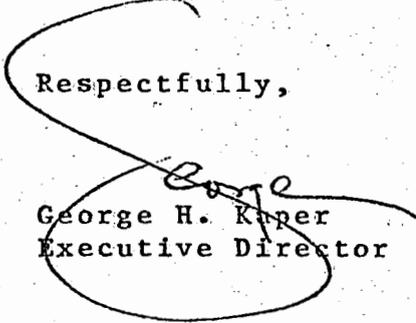
There are several functions for which the Center has responsibility (because of its law and for other reasons) that might better be performed by other agencies. Examples of these activities include Federal government productivity improvement which logically should belong to the "M" of OMB; and a wide range of information and communications activities. Many of these necessary activities are beyond the Center's current resources and may well be better performed by other government units. Some of the functions nominally the responsibility of the Center are executed by an appropriate line agency with the Center providing necessary focus and coordination (e.g. Federal government productivity measures are produced by the Bureau of Labor Statistics under the Center's direction). However, the comparatively unique key functions described above, such as providing a forum for high-level policy discussions, and assisting distressed industries, probably cannot be handled as well elsewhere.

Conclusion and Recommendation

The continued existence of the National Center should be determined by the dictates of economic policy. That policy would be assisted by a distinct organization of the Federal government that would provide a necessary focus on productivity for symbolic leadership purposes, consensus among affected parties, and to perform certain activities. It is also important that this distinct organization not perform functions that might better be done by other agencies.

For these reasons the Center should be restructured and revitalized to improve its ability to perform those functions where its role is unique, and to delete or transfer those functions which are not appropriate. Decisions on the future role and functions of the organization should be guided by the economic policy leaders of the Administration in consultation or together with individuals representing labor and management. To accomplish this, I recommend that the President ask the Congress to extend the Center's operations for at least three years at the current authorized level with a mandate to pursue its consensus-building and industry assistance activities. I also recommend that the President proceed with the nomination of a Board of Directors in compliance with P.L. 94-136. Meanwhile Administration members of the Board should agree to a narrowed role for the Center that will best utilize the comparative advantage of a small but highly visible and distinct organization of the Federal government focusing on productivity improvement issues.

Respectfully,


George H. Kaper
Executive Director

Copies to: The Honorable W. Michael Blumenthal
Secretary of the Treasury

The Honorable Juanita M. Kreps
Secretary of Commerce

The Honorable F. Ray Marshall
Secretary of Labor

The Honorable Charles L. Schultze
Chairman, Council of Economic Advisers

The Honorable Stuart E. Eizenstat
Assistant to the President for Domestic
Affairs and Policy

The Honorable Wayne L. Horvitz
Director, Federal Mediation and Conciliation
Service

TAB C

NATIONAL PRODUCTIVITY CENTERS* (1977 data)

<u>Country</u>	<u>Population (Millions)</u>	<u>Annual Budget in Thousands of Dollars</u>	<u>Number of Staff</u>	<u>Government Funds as Percentage of Total</u>	<u>In House Expenditure as Percent of Total</u>
Canada	23.1	1,886	40	100	100
Cyprus	.6	53	60	75	75
Belgium	9.9	1,534	40	100	25
Denmark	5.1	833	20	100	20
France	52.9	1,731	36	100	50
<u>Germany (West)</u>	<u>61.5</u>	<u>15,086</u>	<u>50</u>	<u>75</u>	<u>50</u>
Greece	9.2	1,101	80	80	90
Iceland	.2	527	12	90	60
Ireland	3.2	287	40	70	80
Italy	56.2	339	25	10	100
<u>Japan</u>	<u>112.4</u>	<u>14,700</u>	<u>300</u>	<u>7</u>	<u>--</u>
Luxembourg	.4	167	3	65	75
Netherlands	13.8	2,040	12	100	10
New Zealand	3.1	154	15	100	75
Norway	4.0	996	30	95	40
Turkey	40.2	1,111	90	10	95
Yugoslavia	21.6	522	25	100	100
United States	212.0	2,750	30	100	50

*data unavailable for Australia, Hong Kong, Indonesia, Israel, Mexico, Peru, Singapore, South Africa



U.S. DEPARTMENT OF COMMERCE

March 30, 1978

To : William D. Simon
Deputy Staff Secretary

From: Lou Phillips

Attached is the slightly revised Commerce position on the National Center for Productivity and Quality of Working Life. Under Secretary Harman wants to be sure that it is this version and not our earlier one that goes into the President.

Thanks for all your splendid help and I trust you'll let us know what the decision ultimately is.

Attachment



U.S. DEPARTMENT OF COMMERCE

March 27, 1978

To : Bill Simon
Office of the Staff Secretary
The White House

From: Lou Phillips
Office of the Under Secretary

Attached is Commerce's suggestion on the future of the National Center for Productivity and Quality of Working Life.

A personal thank you for giving us the time to think this through and still meet the deadline.

Attachment

THE WHITE HOUSE

WASHINGTON

Date: March 23, 1978

MEMORANDUM

FOR ACTION:

Secretary Kreps
Secretary Marshall *attended*
Secretary Blumenthal *concur - attended*
Executive Director Kuper *- attended*

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: McIntyre memo re the Future of the National Center
for Productivity and Quality of Working Life

**YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:**

TIME: 12:00 Noon

DAY: Saturday

DATE: March 25, 1978

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)



"ACTION"

THE UNDER SECRETARY OF COMMERCE
Washington, D.C. 20230

March 27, 1978

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Future of the National Center for
Productivity and Quality of Working Life

The Department of Commerce agrees with OMB's recommendation that the National Center for Productivity and Quality of Working Life be allowed to expire. We agree with OMB's analysis that traditional productivity activities are now being conducted by a number of government agencies, particularly Commerce, and that these activities require no single independent center.

OMB's memorandum, however, makes no provision for the continuation and development of Federally supported quality of work life (QWL) programs in industry, government and communities. We find this a serious omission which should be addressed by the Administration.

In the 1970's, QWL has emerged as the most important development in contemporary industrial relations both here and abroad. The growing number of corporations, labor unions and communities using this new cooperative address attests to its importance. There is mounting evidence that QWL programs yield significant human and economic gains, including impressive increases in productivity measured in the most orthodox fashion. The number of firms now committed to QWL programs includes General Motors, Weyerhaeuser, AT&T, Harman International and Xerox, among many others. The best managed companies know that traditional "carrot and stick" motivational and productivity programs do not work. Because there is growing evidence that QWL programs do work, it is our conviction that these efforts should receive Federal encouragement.

We therefore request that Commerce be assigned responsibility for Federal leadership in this area. Its location in Commerce would require considerably fewer resources than the current \$2.9 million in the National Center. For less than half that amount, Commerce would do a very effective job. We have the experience, the commitment and the expertise in senior people who have been in the forefront of QWL developments over the years.


Sidney Harman

DEPARTMENT OF LABOR RESPONSIBILITIES REGARDING
PRODUCTIVITY AND THE QUALITY OF WORKING LIFE

Virtually all Labor Department programs bear, directly or indirectly, on national interests in productivity and the quality of working life. The legislative mandates being carried out by the Employment Standards and the Occupational Safety and Health Administrations, among others, make the Department the agency concerned with the "quality of working life."

Of the pertinent ongoing activities of the Department, the following are particularly noteworthy:

1. The basic measurement programs of the BLS' Office of Productivity and Technology, which is responsible for developing and analyzing productivity indexes for the economy as a whole, its constituent sectors, and its specific industries.
2. The R&D program of the Employment and Training Administration (ETA) currently is supporting a number of projects whose aim it is to develop and test new approaches to improving productivity and the quality of working life. These include several demonstration projects examining the benefits of cooperative problem-solving in the private and public sectors through the mechanism of labor-management committees.
3. The Labor-Management Services Administration has become increasingly involved in the support of research and demonstration projects testing new approaches to labor-management relations and conflict resolution. Most noteworthy perhaps is this agency's key role in the Chicago Construction Coordinating Committee which is helping to stabilize employment and labor-management relations in an industry long beset by debilitating labor and productivity problems.

4. The Office of the Assistant Secretary for Policy, Evaluation and Research is continuing support for a major survey program first initiated in 1969 for the purpose of monitoring the quality of working life as perceived by workers themselves. The "1977 Quality of Employment Survey," the third such national sample survey will evaluate changes and trends in worker attitudes and employment problems over the 1969-1977 period in all areas of Departmental policy concern.

DEPARTMENT OF COMMERCE RESPONSIBILITIES REGARDING
PRODUCTIVITY AND THE QUALITY OF WORKING LIFE

Among the agencies in the Department of Commerce which support ongoing productivity efforts, the principals are: the National Bureau of Standards, the Industry and Trade Administration, the National Technical Information Service, the Bureau of Economic Analysis, the Census Bureau, the Office of Science and Technology, the Economic Development Administration, the Office of Minority and Business Enterprise, and the Maritime Administration.

Among its current functions the Department:

- supports research and development to promote the enhancement and actualization of improved manufacturing and technology and standards;
- conducts seminars in productivity measurement for U.S. firms;
- diffuses technological innovations for application in the private sector;
- encourages inventions and issues patents;
- maintains constant watch on the economic health of the United States through demographic and economic research and data services;
- develops science and technology policy for the strategic application or productivity improvement;
- reviews and monitors Federal regulations seeking the elimination or modification of requirements adversely affecting private sector productivity goals; and
- assists economically disadvantaged regions, industries, firms and individuals to regain and/or maintain productivity viability.

A considerable number of the statutory functions of the National Center on Productivity and the Quality of Working Life could be legitimately included among the Department's activities.

In the past four years the Department's Economic Development Administration took the lead in supporting quality of work life action research in both private and public workplaces. A series of projects was funded to provide evidence of changes that could be replicated by organizations throughout the country. Among the significant projects initiated by EDA were the Jamestown Area Labor-Management Committee, the American Center for Quality of Work Life, the Work in America Institute, the Massachusetts QWL Center, the QWL Center at UCLA, and a State-wide effort with the Department of Labor and industry in New Jersey to create and test a worker participation system which retains employees during cyclical economic downturns.

A major initiative in the Department's 1979 budget is the National Bureau of Standards feasibility study of a Center for Cooperative Technology which would assess the impact of technology and technological innovations on productivity and the quality of work life.

PRODUCTIVITY AND THE QUALITY OF WORKING
LIFE: ISSUES AND INITIATIVES

October 1977

B

RICHARD P. SHORE
U.S. DEPARTMENT OF LABOR

J. WILLIAM NELSON
U.S. DEPARTMENT OF COMMERCE

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Preface

This report has been prepared at the request of the Secretary of Labor and the Under Secretary of Commerce. The request was prompted by their mutual interest in U.S. productivity and quality of working life matters generally, by the need to review what the Federal experience in this field has been to date, and by their desire to provide this Administration with guidance regarding future directions.

The report covers the background of Federal initiatives beginning with the establishment of the National Commission on Productivity in 1970, the various interim organizations that have succeeded it, and the creation of the current National Center for Productivity and Quality of Working Life by Public Law 94-136 (November, 1975). It analyzes the intent of the Congress in passing P.L. 94-136, the organizational structure of the National Center, and the resources authorized to discharge the Center's responsibilities. An overview of National Center programs and activities is given, including a picture of how personnel and funds are allocated for this fiscal year.

Current productivity and quality of working life issues (as defined by major parties of interest) are assessed, based on interviews with some sixty qualified spokespersons from Government Agencies, the Congress, Unions, Management, Academia, private productivity-quality of working life centers, and State and local Governments (see Appendix A). Interviews were conducted using a basic guideline (see Appendix B) to insure a uniform approach to major questions and issues.

The report concludes with an examination of decision options regarding the type of emphasis that might be applied to future Federal productivity and/or quality of working life programs, and on organizational alternatives to effect the Federal role. No specific recommendations for "next steps" are included, on the grounds that these are properly the province of policy level report recipients who will decide on future courses of action.

Finally, it should be noted that data collection and report preparation were completed during September 1977. Both activities were carried out by the authors alone, who take full responsibility for the material presented.

PRODUCTIVITY AND THE QUALITY OF WORKING LIFE:
ISSUES AND INITIATIVES
EXECUTIVE SUMMARY

October 1977

In July 1970, the President established a National Commission on Productivity as one element of a much broader campaign to enlist public support in controlling prices and combating inflation. After assigning statutory authority (P.L. 93-311) to the Commission the following year, Congress, in June 1974, added "Work Quality" to its title and correspondingly broadened its mission to incorporate a concern for worker satisfaction and well-being. In November 1975, Congress enacted P.L. 94-136, transforming the Commission into a National Center for Productivity and Quality of Working Life, an executive branch agency assigned the responsibility for implementing a national policy of encouraging productivity growth.

Despite the uncertainty that subsequently arose about legislative intent regarding "Quality of Working Life" (QWL), Congress' enactment of P.L. 94-136 clearly seems to have grown out of its conviction that Federal action was required to help reverse a consistent decline in the rate of productivity growth. In this context, QWL was treated as one of several factors contributing to productivity improvement and not specified as a co-equal goal of national policy or the Center's program. The inclusion of QWL also represented an effort to secure the endorsement of some labor union officials who had expressed serious concern that an exclusive emphasis on productivity might weaken Federal commitment to the cause of improved worker well-being as a national goal in its own right. Some explicit recognition of QWL seemed necessary to enlist broad union support for labor-management cooperation, a basic strategy of the program intended by the Congress.

The 1975 Act established the Center as an independent agency that was to operate under the guidance of a Board of Directors whose members would represent a number of pertinent interests---labor, management, State and local governments, and the general public. With the exception of five ex officio members, the Act provides that all others be appointed by the President, with the advice and consent of the Senate. The Center's staff is administered by a Presidentially-appointed Executive Director, who also must be approved by the Senate.

Congress assigned to the Center responsibility for performing a wide variety of interrelated functions, including: policy development, research and demonstration activities, information dissemination, and training in productivity-related skills. The Center is directed to develop "maximum active participation" of the private and public sectors, and to take such actions as might "improve the cooperation between labor and management in the achievement of continued productivity growth." P.L. 94-136 also establishes the Center as the locus of the overall Federal productivity improvement effort by giving it responsibility for encouraging and coordinating the activities of other Federal agencies, including the measurement and improvement of productivity within these agencies. Finally, Congress empowered the Center to submit recommendations to the President and the Congress regarding changes in policies, legislation, and regulations that might facilitate achievement of the Act's purposes.

While the Act authorized appropriations of \$6.25 million for FY 1976 and the transition quarter, and \$5 million each for FY 1977 and FY 1978, actual and proposed appropriations for the second and third years were \$2.75 and \$2.9 million respectively. With its staff complement of approximately 33 full-time employees, assisted by a dozen consultants and experts, the Center has been conducting a wide variety of activities under its exceedingly broad mandate. Perhaps its two dominant emphases, however, have been the encouragement of labor-management cooperation (via joint committees) and the dissemination of information regarding impediments to productivity improvement and strategies for removing them. During its two-year life, the Center has received only nominal guidance from its Board of Directors, which has yet to be reconstituted by the present Administration.

In August 1977, the Secretary of Labor and the Under Secretary of Commerce agreed to undertake a joint review of Federal efforts in the productivity and QWL areas with a view to formulating recommendations regarding future directions. A study plan thereupon was developed by staff of the two Departments, a principal component of which was a series of interviews with spokesmen of the major parties of interest (Congress, government agencies, unions, employers, academics, and consultants).

Interviews were conducted with approximately 60 spokesmen in these areas during which their views were solicited regarding the basic issues, the way they have been addressed by the Federal Government to date, and what might be the future role of the Government. As part of this broad inquiry, they were asked also to evaluate P.L. 94-136 and the kind of agency it created, as well as the work of the Center to date. Following are the principal findings of this study based on their responses:

1. The productivity rate of the Nation is generally regarded as unsatisfactory in relation to the needs of business and industry, workers, and the country as a whole. At the same time, while most experts agree that productivity improvement deserves to be stressed as a national goal, many also argue that it should not be permitted to overshadow the Federal commitment to protect and improve the welfare of workers, including their job security, material well-being, and safety and health. Notwithstanding this reservation, productivity is perceived as central to coping with a wide array of economic and social problems now confronting the country.

2. The nature and importance of the "quality of working life" issue are less clearcut than the character of the productivity issue. Some employers tend to assign a relatively low priority to QWL, concerned that attention to it may dilute attention to productivity. Unions also have difficulty with the somewhat ambiguous QWL concept but hold firm to their conviction that its more basic component concerns--security, wage adequacy, health, etc.--must remain central to national policies and programs. One often agreed upon QWL issue is the growing importance of worker influence or participation in decisions affecting work and working conditions. Parties to collective bargaining believe that this process has served well as the means for enabling worker participation, although some suggest that efforts in this area might be expanded.

3. The relationships between productivity and QWL are not fully understood, and consequently are not issues on which there is anything approaching a solid consensus. Not many spokesmen of any party see a simple cause-effect linkage in either direction, but most agree that, under certain conditions, improved productivity can lead to improved QWL and vice versa. Most significant is the frequent belief that labor and management should explore ways of discovering or developing a common ground where both interests can be furthered.

4. In the view of virtually all spokesmen, a Federally led national effort is required to promote improvements in productivity and/or quality of working life. Management representatives generally see productivity as being the higher priority goal, and nearly every union official regards improved QWL (as they define it) as the more important, unsatisfied need. One common denominator seems to be a shared belief in the need for a national commitment to the task of developing more economically and socially effective work organizations, ones that promote the interests of both parties.

5. While there is broad agreement on the need for and legitimacy of a Federal presence in the productivity and QWL areas, there are differences of opinion regarding the nature of the Federal role. The one commonly subscribed to view is that the Government is perhaps uniquely qualified to gather and disseminate statistics and information regarding problems and potential remedies for them. Aside from monetary and fiscal policy-making, the regulatory activities of the Government inspire more equivocal reactions. Somewhat less debatable is the role of the Federal Government as an agency that facilitates the adoption of innovative practices by management and labor. And the primary means of accomplishing this is through labor-management cooperation.

6. P.L. 94-136, the Act creating the National Center for Productivity and Quality of Working Life, is the object of considerable criticism, extending even to some of the legislators who have been strong advocates. Although virtually no aspect of the Center, organization or program, earns a strong vote of confidence, many see as the major underlying problems the ambiguity and unrealistic expectations of the charter act, the insufficient resources provided to the Center during its short life, and the depth of administration commitment (past and present). Still, nearly all spokesmen readily acknowledge the need to retain something like the current program concept, whether in the form of the existing law and Center or through some similar approach. Whatever specific action might be taken, realism, clarity, and commitment seem to be universally held to as vital criteria to achieve in the future.

7. In considering the alternative emphases that might guide a (new) Federal effort, some persons express a decided preference for a dominant focus on productivity issues, while others argue for QWL as the pre-eminent goal. The "compromise" position is a policy and program orientation that seeks improvements in both areas, assuming that they do overlap and that there is some common ground to be discovered and exploited for the benefit of both labor and management (and mutually acceptable compromises to be reached where conflict is uncovered). Each alternative emphasis has both obvious advantages and disadvantages when examined in the light of national interests.

8. Similarly, there are basic arguments favoring and opposing each of the three major options regarding the assignment of responsibility for implementing national policy in the productivity and QWL areas. These are: (a) maintenance of the existing National Center through the extension of P.L. 94-136, with whatever legislative, administrative, or budgetary changes are indicated; (b) repeal of P.L. 94-136, dissolution of the Center, and reassignment of its functions to established line agencies (primarily Labor and Commerce); and (c) repeal of P.L. 94-136, dissolution of the existing Center, and legislative creation of a new independent agency within the Executive Branch. Whichever option might be selected, however, there seems to be no doubt that all parties wish to see some kind of institutionalized Federal commitment to the goals of an improved productivity growth rate and a better quality of working life.

I. History of Federal Initiatives Regarding Productivity and Quality of Working Life, 1970 - Present

A. Key Presidential and Congressional Actions

In July 1970, as one response to the deepening concern about rising inflation, a Presidential statement announced the establishment of a National Commission on Productivity. This new initiative was taken to focus public attention on the importance of productivity to the Nation's economic health and, as stated in the Commission's first annual report, to "achieve a balance between costs and productivity that will lead to more stable prices." In December 1971, the Commission was given statutory authority through an amendment to the Economic Stabilization Act (P.L. 92-210), as well as a somewhat broader scope of responsibility, including the encouragement of labor-management committees.

After the expiration of the Economic Stabilization Act, the continuance of the Commission effort was, for a while, problematical. Although the Senate had approved a bill that would have broadened both the name and the charter of the agency, by adding a "work quality" objective, the House rejected the measure. Thereafter, from January to June of 1974, a productivity initiative, in highly restricted form, was sustained only by subsuming it under the Cost of Living Council as an Office of Productivity.

In June 1974, Congress enacted P.L. 93-311, transforming the National Commission on Productivity into the National Commission on Productivity and Work Quality. In doing so, Congress declared that "it is the policy of the United States to promote increased productivity and to improve the morale and quality of work of the American worker." With the furtherance of this policy as the principal, if not exclusive, objective of the Commission, the Act assigned to it three primary functions: (1) to spur the organization of labor-management committees and cooperation as a means of increasing both productivity and quality of work life; (2) to conduct research pertinent to the furtherance of these interests; and (3) to disseminate information and ideas relative to this mission.

In enacting P.L. 93-311, Congress introduced for the first time, as an objective of U.S. policy, the duality of productivity and "work quality." (While the latter term was not defined, its general meaning can be surmised from related language used, such as "morale" and "a more satisfying work experience.")

Although controversy was later to arise regarding the relationship between these two issues, as well as the relative emphasis Congress intended to have placed on them, P.L. 93-311 contains language that makes its intent reasonably clearcut. Both the objectives and the functions statements refer to two separable (although not necessary unrelated) issues of productivity and quality of work. Indeed, in specifying areas of concentration to direct the activities of the Commission, the first listed are those that "are likely to make the most substantial impact on the morale and quality of work of the American worker." This priority is then balanced, however, through specifying as the remaining three areas of concentration "the international competitive position of the United States; the efficiency of government [and] the cost of...goods and services.

Although the authorization granted by P.L. 93-311 technically expired on June 30, 1975, Congress sustained the Commission until November of that year when it enacted P.L. 94-136, the "National Productivity and Quality of Working Life Act of 1975." The staff and functions of the Commission were thereupon transferred to a new National Center for Productivity and Quality of Working Life, to be governed by a tripartite Board of Directors most of whose members are to be appointed by the President with the advice and consent of the Senate. (Five ex officio members also are provided for: the Secretaries of Labor, Commerce, and the Treasury; the Director of the Federal Mediation and Conciliation Service, and the Executive Director of the Center.) Authorization for the Center is provided through the fiscal year ending September 30, 1978.

B. Analysis of P.L. 94-136, "National Productivity and Quality of Working Life Act of 1975"

This current Act has two explicit purposes: "(1) to establish a national policy which will encourage productivity growth consistent with the needs of the economy, the natural environment, and the needs, rights and best interests of management, the work force, and consumers; and (2) to establish as an independent establishment of the Executive Branch a National Center for Productivity and Quality of Working Life to focus, coordinate, and promote efforts to improve the rate of productivity growth."

The Act also contains two basic policy declarations:

- (1) "it is the continuing policy of the Federal Government...to stimulate a high rate of productivity growth,"
- and (2) "it is the continuing responsibility of the Federal Government to carry out [this] policy."

Attempting to satisfy a need that was perhaps not satisfactorily met in the preceding Act, P.L. 94-136 includes definitions of its key terms. "Productivity growth" and "improved productivity" are taken "to include, but not be limited to, improvements in technology, management techniques, and the quality of working life." This last factor, "quality of working life," is then construed as "the conditions of work related to the role of the worker in the production process."

Since passage of this Act, a good deal of misunderstanding and uncertainty has arisen about both the expressed and the implied intent of Congress with regard to the interpretation of the "quality of working life" issue [henceforth abbreviated for convenience as QWL] and its importance in policy and program. At the two extremes are the view that QWL is one of two co-equal objectives of the Act and the belief that QWL is little more than a minor addendum to a pre-eminent productivity improvement goal.

A careful reading of the Act fails to support the position that QWL stands as a major goal of national policy or as a central objective of the Center program in the same manner as is productivity growth. Although the Title I statement of findings specifies job security, one dimension of QWL, as a benefit of improved productivity, and it also refers to a need "to minimize the human costs of productivity improvement," this section does not give primacy to improvement of QWL per se. Similarly, the Sec. 104 definition of QWL as "the conditions of work relating to the role of the worker in the production process" and the Sec. 101 specification of this consideration as merely "one of the factors affecting the growth of productivity" suggest that QWL is given stress because of its instrumental, and not its ultimate, importance.

Finally, and perhaps most telling, the Sec. 102 Statement of Purpose establishes a policy to "encourage productivity growth" only, and establishes a Center "to improve the rate of productivity growth" exclusively.

It may be that Congress did not in fact intend to take this distinctive productivity tack, but there is little evidence to the contrary. As best the legislative history can be re-created, the inclusion of the QWL issue was largely in response to one point of view that had been forcefully expressed within the trade union movement.

A near exclusive focus on productivity, it was argued, would not do justice to a number of established and vital worker concerns, which would be jeopardized if QWL were submerged under an overwhelming productivity-oriented policy and program. At the same time, other labor union spokesmen were equally insistent that productivity growth indeed be given a dominant emphasis, taking strong exception to any proposal to give equal attention to a seemingly amorphous concept called QWL. The "compromise" elected by Congress was to add "Quality of Working Life" to the titles of the Act and the Center, and to make only one other carefully phrased reference to it in the body of the law. Presumably, it was hoped that in this way the support and cooperation of unions representing both viewpoints could be retained, thereby encouraging labor-management cooperation, the basic program strategy.

This point is developed at some length since a great deal of confusion has since ensued regarding the intent and ultimate decision of the Congress. Not having carefully examined the Act and/or not being privy to the deliberations

leading up to it, many have assumed, from the title alone, that it gives equal emphasis to productivity and QWL. In addition, as the Center program has unfolded over the past few years, there oftentimes has been an appearance of parity in the treatment of these two national concerns. To the extent that this is true, the equivalency is more a result of subsequent administrative determinations than a completely literal interpretation of the Act.

P.L. 94-136 assigns to the Center an exceedingly wide array of functions. Foremost among these is a mandate to "develop and establish...a national policy for productivity growth in the private and public sectors of the United States." Related functions include the examination of "existing Federal, State, and local statutes, regulations, and fiscal policies which adversely affect productivity growth or the economic performance of the public and private sectors," and the obligation to make resulting recommendations to the President and Congress regarding new legislation and regulations or revisions of existing ones.

As in earlier mandates to the predecessor Commissions, P.L. 94-136 stresses joint labor-management action. The Center is directed to "encourage, support, and initiate efforts in the public or private sector specifically designed to improve cooperation between labor and management in the achievement of productivity growth" (while protecting the integrity of the collective bargaining agreement).

Other assigned functions combine to give the Center an imposing role in influencing decisions and activities throughout the Federal Government. These include: stimulating, supporting, and coordinating the related efforts of other agencies and departments; coordinating agency expenditures in the productivity area; and developing measures of productivity within the Federal Government.

Rounding out the list of functions are responsibilities for the support of research and demonstration programs, information dissemination and public education, development of training programs for productivity-related skills, and examination of the impact of material availability on productivity growth.

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

In a separate title, a number of obligations are imposed on all Federal agencies and departments that are intended to facilitate the Center's work in implementing national policy: (1) each agency is required to establish liaison with and to assist the Center in carrying out its functions; (2) each is directed to keep the Center abreast of its own productivity improvement efforts and to consult with the Center prior to obligating its funds for these activities; (3) each is required to provide to the Center access to all relevant materials and information; (4) each is obligated to recommend to the President and Congress alternatives to statutes, policies, and regulations which it judges to have an adverse effect on productivity growth; (5) each is directed to provide financial and other assistance to non-Federal organizations to aid their productivity improvement efforts; (6) each is required to undertake internal productivity improvement programs. In total, these activities establish the Center as the Government's chief facilitator, coordinator, consultant, and overseer in all activities pertinent to its productivity interests.

In order to achieve the purpose specified by Congress-- that is, to perform the full set of assigned functions-- P.L. 94-136 authorizes to the Center a first year appropriation of \$6.25 million, and second and third year appropriations of \$5 million each. However, actual appropriations for FY 1977 were \$2.75 million and for FY 1978 \$2.9 million.

C. Programs and Activities of the National Commission/Center for Productivity and Quality of Working Life, 1970-Present

The first National Commission on Productivity, under the Chairmanship of George P. Shultz, was organized as a working body, operating through four subcommittees. Staff work was done by the Executive Director, with few or no additional personnel. The output of this arrangement was largely in the form of several reports covering the meaning

and measurement of productivity, public and private manpower policy, labor-management approaches, education, and productivity in the food and shoe industries.

The Commission's scope and resources were enlarged by the provisions of an amendment to the Economic Stabilization Act in December 1971. In June 1972, Congress appropriated \$2.5 million which allowed for a staff of 13 professionals. Seven others were also recruited under a new Executive Director, appointed by Peter G. Peterson, who succeeded George P. Shultz as Chairman.

It was decided then, that to achieve practical results, the Commission's staff should concentrate on determining opportunities for improvement in specific sectors, particularly service industries that were lagging. The sectors first selected for intensive work were food, health, and State and local government, with rail transportation added later. With the advent of more staff resources, the Commission's role shifted from that of a working body to one more accurately identified as an advisory group.

The staff operated through consultation with, and studies by, ad hoc industry panels made up of representatives from business, labor, and the public. With so few people, this manner of operation allowed the Commission to tap the knowledge of several outstanding experts.

As a result of the Commission's success in marshalling different groups in the food industry, for example, a unit train was started that cut West-East travel time for fruits and vegetables from 9 to 7 days, reducing wastage and spoilage. The Commission also stimulated classification of FTC backhaul regulations. Moreover, because of a Commission-sponsored study on railroads, new experiments were started that may help bring about significant productivity improvements with regard to freight car utilization. Studies also were undertaken on health care and other services in the government sector.

When Congress failed to act on legislation authorizing the Commission for FY 1973, activities were phased down beginning in January 1974. The staff was reduced and transferred to the Cost of Living Council as an Office of Productivity. The enactment of P.L. 93-311 in June of 1974 reestablished the Commission at its previously authorized staffing level.

Under P.L. 93-311, "Work Quality" was given greater emphasis through Commission encouragement of the formation of labor-management committees on a plant, community, regional and industry basis. Meanwhile, the Commission continued its focus on both the public sector (Federal, State, local) and the private sector (food, health, construction and transportation), while mounting a more ambitious public information program to educate the general public about productivity issues. It pursued its goals largely through three activities:

- o sponsorship of conferences, seminars, and workshops relating to productivity measurement, labor management cooperation, case histories, and sectoral opportunities for enhancing productivity;
- o publication of the results of public and private sector task force studies on productivity needs, barriers, and improvement techniques; and
- o production of public information programs on the concept, implications, and importance of productivity improvement.

One of the most significant achievements of the National Commission on Productivity and Work Quality was the publication in October 1975, of "A National Policy for Productivity Improvement." This statement (issued in pamphlet form) reflected the Commission's own experience -- and that of its predecessor organization -- in dealing with the issue of productivity, and the various productivity-improvement programs each sponsored. It was produced by the Commission members themselves, with all concurring in the policy statement's central thrust and contents.

One of the central functions of the Commission was to act as a forum for exploring major policy issues affecting productivity and work quality by leaders of labor, business and government. Productivity growth and work quality considerations were presented in a positive context so as to enable these diverse interests to develop a shared commitment. This was particularly useful, many have felt, because it permitted management and labor leaders to convene outside of the collective bargaining process (with its inherent adversarial character) and off of their respective "turfs." That a national policy statement could be agreed to by this group lends credence to this as a key Commission function.

As noted previously, whereas P.L. 93-311 was reasonably specific about Commission functions, P.L. 94-136 is broad and all-encompassing. Perhaps because of this, and the fact that the appropriations authorized by P.L. 94-136 are not commensurate with its ambitious mandate, the National Center has had to tailor its core activities to fit budget realities.

The problem of budget constraints has been exacerbated by the fact that the original National Center Board has met only once, leaving the staff without consistent policy guidance about program emphasis and resource allocation. This situation has been ameliorated somewhat by the existence of a seven-member Executive Committee which has met from time to time, several program sub-committees, and the special work of a few Board members who have provided a "policy bridge" through their own dedication to the National Center. It appears too that the former Vice President's service as the first Board Chairman contributed to some program continuity, and certainly lent visibility to the National Center (the Vice President also chaired the previous Commission).

Nevertheless, it is clear that the formal Board established by P.L. 94-136, with tenure coterminous with the President's and the requirement of Senate confirmation, has changed the character of this body. Eleven months were required to appoint and confirm the first Board, it met just once, and a successor Board of Directors has not yet been appointed. Accordingly, this calls to question the viability of a former principal Commission "activity" - that is, serving as a Labor/Management/Government policy forum under the format provided by P.L. 94-136.

In spite of its abbreviated existence, the one appointed Board did narrow the diverse and numerous functions specified by P.L. 94-136 to the following principal objectives for the National Center:

- o document and recommend policies to satisfy the Nation's capital investment needs from a productivity standpoint;
- o encourage labor-management cooperation to enhance productivity and the quality of working life;
- o without compromising legislative intent, identify and recommend changes in government regulations which will improve productivity;

- o stimulate and support industry task forces formed to conduct industry-wide productivity improvement programs;
- o develop and recommend more effective approaches to improve productivity in the public sector;
- o improve the review, coordination, and integration of productivity enhancement efforts of other Federal agencies; and
- o develop a better understanding of the concept of productivity and encourage better techniques for measuring productivity change.

Operating within these mission parameters, the Center's staff has carried out a number of programs and activities.

Technology and Capital Investment. -- The Capital and Technology Committee of the Board focused first on the issue of capital availability, with existing forecasts of availability examined in a series of informal meetings. Preliminary results indicated that, while the evidence was not conclusive, a capital shortage in the aggregate is not anticipated, though severe problems exist or may arise in specific industries which can adversely affect the entire economy. A related question that has developed is whether or not sufficient incentive exists, or should be created, for investment in such areas as basic research and development. The policy implications of these discussions will be a part of the Center's agenda for the future. In addition, a committee of engineering school deans and employers of engineers has been convened to review engineering school curricula with an eye to modifications that might lead to technology breakthroughs.

Human Resources. -- In this area, the Center has addressed a number of policy issues and attempted to stimulate the interest of individuals and organizations whose purposes and resources can yield the necessary activities to bring about improvements. Efforts in pursuit of these ends have been undertaken in relation to labor-management committees, job security, and the quality of working life.

For the past two years, workshops for union leaders and management officials have been among the Center's most effective means of bringing labor and management together in an environment conducive to a better understanding of

the value of cooperative endeavor. Thus far, the Center has arranged workshops in seven states and twelve communities that have involved about five thousand management and labor leaders.

Drawing from the experience of the workshops, and in response to demands from organizations needing resource material to support their interest, the Center prepared a report on "Recent Initiatives in Labor-Management Cooperation," which contains a number of illustrative case studies. This report has been distributed widely to parties considering the creation of their own labor-management committees.

A "Directory of Labor-Management Committees" identifies 180 such groups whose members agreed to share their experiences with others. The purpose of the directory is to give to those interested in forming committees direct access to others who have already done so. It is hoped that this effort will narrow the demand for third-party assistance to situations where the need for such intervention is the greatest.

While productivity growth, over the long run, generates new job opportunities in the economy as a whole, rapid technological changes do have a potential for displacing workers. Experience shows that proper manpower planning, undertaken with the planning of technology improvement can often avert the layoff of employees and minimize the burden of change for individuals.

To foster such planning the Center initiated three studies of programs designed to enhance the job security of employees affected by technological change. These will be used in formulating a policy statement for the guidance of labor and management decision makers.

As interest in ways of improving the quality of working life expands, new non-profit organizations have been created to provide information, training, and technical assistance to managers and unions. To facilitate the exchange of information among these organizations, the Center sponsored a meeting to bring together representatives of 11 productivity and quality of working life centers with officials of six Federal agencies and private foundations. Problems in achieving common goals of worklife betterment were the main topic of the gathering. To provide a central focus and facilitate exchange among these groups a directory of

centers, giving the names and addresses of principals and descriptions of their objectives and activities, was compiled by the Center and published with a summary of the conference.

Government Regulation. -- The problems posed by government regulatory programs involve a complex linkage of social, political, environmental, economic, and even psychological issues. In this area, the Center has invested its effort thus far in gathering information and insights to clarify relationships between regulation and productivity issues for those affected directly. Taking advantage of its status as a neutral party, the Center has worked toward improved understanding in several key areas. These include Federal reform efforts, the philosophy and intent of reform, regulatory impact on the private sector, and an impact measurement model.

To get beneath the charges by many of "overregulation" and identify more precisely how and at what cost specific regulations affect the private sector, the Center has solicited the active cooperation of several industry groups: steel, rubber tire, paper, retail, and construction. With representatives of these groups, the Center has encouraged more complete documentation of the impact of government regulations on productivity. With the Council on Wage and Price Stability, the Center has co-sponsored a study to attempt to define the impact of all regulations on a single industry -- steel. Results of these efforts will be forthcoming periodically.

Private Sector. -- The Center has explored methods for identifying opportunities for productivity improvement which lie outside the direct control of individual organizations. At present, it is emphasizing industries which seem on the verge of significant improvements (shipyards, men's apparel, construction, food distribution, and mineral exploration and mining).

In addition to these, the Center has undertaken a series of studies to help companies achieve advance productivity growth. These studies bring together examples of the best-known practices of individual companies, analyzed in such a way as to help others develop methods of organizing for productivity improvement.

"Improving Productivity: --A Description of Selected Company Programs," was the first in this series. It covers five different company programs directed toward better utilization

of employer skills, involvement of employees in problem-solving, cost reduction through materials and energy savings, and expansion of the market through new and improved products.

"Improving Productivity: Through Industry and Company Measurement," second in the series, was developed out of the Center's June, 1976 conference on productivity measurement data. Over 100 trade association executives, businessmen, and union officials explored ways in which industry productivity measurements can be used as benchmarks for gauging individual company performance.

Public Sector (State and Local Governments). -- Because of the magnitude of the effort required to achieve perceptible increases in public sector productivity, the Center has invested a large part of its resources in State and local government activities.

One difficulty for local governments has been the absence of a means of sharing information on mutual problems and the solutions worked out by some jurisdictions. To help overcome this, the Center developed the "Guide to Productivity Improvement Projects," which describes a variety of approaches and techniques used by local governments to improve productivity. The Center has now transferred responsibility for the "Guide" to the International City Management Association (ICMA), which will publish it on a subscription basis.

Transfer of the "Guide" has permitted the Center to devote some of its resources to analyzing in greater depth and disseminating information on local government approaches to productivity improvement. The Center has initiated a series of case studies depicting in detail the techniques being used to achieve specific productivity gains in State, county, and city governments. Cases involve a food stamp program, motor vehicle licensing, parks maintenance, a water system, and other typical activities of local government. These case studies were disseminated in early 1977.

Federal Government Coordination. -- Directly and indirectly, the Federal Government plays a major role in stimulating productivity improvement throughout the economy. Under Titles II and III of Public Law 94-136, the Center is required to coordinate and review all Federal programs, internal and external, for improving productivity. The Center also is charged with reporting to the Congress annually on

the results of the review process. The first such report was completed in December, 1976, and submitted to the President and the Congress.

Compilation of the material relating to individual agency productivity programs and expenditures required establishing a network of responsible liaison officers throughout the Executive Branch. This mechanism not only produced the necessary information input, but also spawned an additional coordination structure to help with a variety of future activities.

Seminars were also held for managers of such functions as inspection, grant and loan administration, to facilitate the improvement of techniques.

It should be noted that the National Center also was assigned the responsibility for coordinating the Federal Government's internal productivity program. Since this function is currently undergoing separate scrutiny by an interagency task force, it is not covered here.

Productivity and The National Economy (Measurement). -- The measurement of productivity is complex, yet critical to an understanding of the nature and extent of the Nation's productivity problems. Productivity statistics are now published for only about 50 individual industries, covering 20 percent of private employment. Measures of productivity are not available for health care and other key service industries, construction, and the public sector. There continue to be many conceptual problems in accounting for inputs of capital, quality change, and unmeasured outputs.

The Center's activities in this program area have focused on measurement techniques, materials availability, and the long-term productivity outlook. As an example, at the request of the Center, the Committee on National Statistics of the National Academy of Sciences is now undertaking a review of concepts, definitions, methodology and data gaps in productivity statistics. With support from the Center (a \$300,000 grant), a panel of leading economists, statisticians, and social scientists is carrying out this two-year study aimed at improving present understanding of productivity measurement and at preparing a basis for future research. The final report is due by December, 1978.

The Center also exchanges experience with foreign productivity centers through membership in the European Association of National Productivity Centers. In a similar vein, it encourages productivity comparisons between firms in specific industries through a cooperative program with trade associations, government and private centers.

Public Education. -- The Center has sought to increase the level of public awareness and understanding of productivity and work environment issues by directing its attention to audiences which are specifically concerned with these matters. Such audiences constitute the appropriate constituencies in the seven program areas. The policies and insights yielded within these program areas have been conveyed through a variety of public information activities.

Foremost among these activities is the Center's publications program, through which thousands of copies of the Center's reports are distributed to interested audiences throughout the county. These publications provide descriptions and evaluations of methods for improving productivity and the quality of working life.

To incorporate productivity into the thinking of professional public managers, the Center has participated -- by providing speakers, panelists, and supporting materials -- in the annual conference of such public interest groups as: The American Society for Public Administration, International City Management Assoc., National Conference on State Legislators, National Governors Conference, and the National Association of State Budget Officers.

A number of valuable sources of information on productivity and the quality of working life exist in the United States, but no concentrated effort has been made to consolidate and make them widely available to people in need of such information. The Center, therefore, has undertaken the development of a referral service that will ultimately link together all such sources. As a first step, it has compiled a directory of libraries, information retrieval systems, and public and private institutions where expertise in productivity and the work environment may be found. At present, the directory is designed for staff use, but will soon be expanded and made available to managers in all sectors of the economy to assist them in furthering the productivity of their own enterprises.

Finally, the Center has made maximum use of its limited budget in a public service advertising campaign in support of productivity improvement. The campaign, now ending its fourth year, was developed and managed by the Advertising Council. It consists of advertisements in the business press; bus, train, and subway posters; outdoor advertising; and local and network radio and television spot announcements. The Center contributes a small amount of money for the preparation of the advertising material, and the participating media contribute free time and space. During the Center's first 10 months of operation, over \$1 million worth of advertising was donated to the campaign. The Center is currently evaluating the results of the campaign, and is discussing with the Advertising Council the content and thrust of new media efforts.

D. Present Status of the National Center--Staff Organization and Resources.

The current organizational configuration of the National Center staff is essentially a mirror image of the seven program areas ordained by the Board for principal emphasis, plus units for executive direction, communications, and administration. The staff consists of twenty-one full-time professionals, one "para-professional," twelve consultants, and eleven clerical personnel. Most staff members are retained on a Civil Service "Schedule A" basis, which provides maximum hiring-firing flexibility because few have civil service retention or reemployment rights.

The following breakout of personnel assignments with budget allocations (including personnel salaries, expenses and contracts) provide a useful current profile of the National Center's activity emphasis.

<u>Technology and Capital</u>	\$150,000
1 professional, 1 clerical	
<u>Human Resources</u>	\$500,000
4 professional, 2 clerical, 4 consultants/experts	
<u>Government Regulations</u>	\$245,000
1 professional, 1 clerical 1 "para-professional"	
<u>Private Sector</u>	\$355,000
3 professionals	

<u>Public Sector</u> 3 professional, 1 clerical, 2 consultants/experts	\$525,000
<u>Productivity and the National Economy (measurement)</u> 1 professional, 1 consultant/expert	\$225,000
<u>Federal Government</u>	\$125,000 (in- cluded in public sector figure)
<u>Executive Direction</u> 2 professional, 1 clerical, 3 consultants/experts	\$250,000
<u>Communications</u> 4 professional, 4 clerical, 1 consultant/expert	\$375,000
<u>Administration</u> 2 professional, 1 clerical, 1 consultant/expert	<u>\$125,000</u>
Total	\$2,750,000

In addition to the \$2,750,000 in appropriated funds, a total of \$535,083 has been received by the Center in transfer funds from HEW, HUD, DOT, and the Air Force, for projects sponsored by the Center. They are broken out as follows:

Air Force	66,100
HEW	275,000
DOT	28,000
HUD	165,983
	<u>\$535,083</u>

The funding shown (\$2.75 million) is for fiscal year 1977. (The FY 1978 appropriation of \$2.9 million is being divided among the program areas in roughly the same proportions.) Authorization for the money is provided by Title VII, Section 701 of P.L. 94-136, and this authority expires with the conclusion of fiscal year 1978.

Accordingly, unless new authorization and appropriations are sought from -- and provided by -- the Congress prior to that date, the National Center will expire by default in September, 1978.

At the moment nothing is being done about initiating a renewal of legislative authority through the customary executive branch channels, although a pro forma fiscal year 1979 budget of \$2.9 million has been submitted to OMB at its request. The National Center staff has been in no position to promote an initiative on new legislative authority, in the absence of a Board of Directors to establish a policy on the matter. In addition, action has been postponed pending review of the findings in this report and one being carried out by the General Accounting Office. The latter review, required by P.L. 94-136, is expected to be completed by February 1978.

The important element to be kept in mind is that some action must be taken on this matter in the not too distant future if the decision is reached to renew the National Center's life under P.L. 94-136.

Finally, while looking at fiscal considerations, it is also important to remember that -- for the three funding years covered by P.L. 94-136 -- funds actually appropriated for the Center have never exceeded more than about one half of the amounts authorized (see background section). This monetary fact of life has had an obvious bearing on how well the Center staff has been about to execute the multiple responsibilities accorded by the law.

II. Assessment of Current Issues by the Major Parties of Interest

A. Productivity in the U.S. -- Definitions and Trends

There is a broad consensus among parties that the U.S. productivity growth picture is still as worrisome as it was 10 years ago, and many think that the outlook is even worse. Most believe that the Federal Government should take the lead in seeking means to effect improvement.

There also is a basic consensus that insufficient understanding exists on the vital importance productivity holds for practically all current U.S. economic issues (e.g., unemployment, inflation, payment of mandated social programs, energy, ability to compete in world markets, etc.). The continuous diminution of the U.S. productivity growth rate is considered one of the most important contemporary economic issues requiring Federal attention.

Regarding the meaning of productivity, the classic definition -- measure of the relationship between quantity of resources used and quantity of output, using output per man hour as the common expression of productivity performance -- appears to be relevant still. Those believing that the classic definition does not go far enough make the following points.

First, some feel (particularly academicians) that output per man hour is no longer a sufficient measure, and that multi-factor productivity (e.g., capital, technology, R&D investment, human resources) is a preferable new norm. As noted in a previous section, the National Academy of Sciences is now working to ascertain that all factors contributing to total productivity growth can be adequately measured. Also, there is some debate as to how inclusive the multi-factor approach should be and whether it should encompass intangibles like education, training, environmental costs, etc.

As is well known, "output per man hour" has been generally used because it can be measured more readily; even though the other factors have been recognized as of equal -- if not greater -- importance. Some note that labor unions have seized on output per man hour as an exclusive factor because of its usefulness as an index for negotiating wage increases.

Other concern about the classic definition centers on the fact that it evolved largely as a manufacturing measure of productivity. Accordingly, some believe that it does not serve adequately when applied to the public sector (now accounting for 23% of U.S. output and purchasing power) or to the growing services area of the economy.

However, it can be said that -- aside from the foregoing exceptions -- for those who deal most frequently with the concept of productivity, the classic definition still has acceptability. When multi-factor productivity becomes measurable, it will be an addition to, not a total departure from, the output per man-hour approach.

As a partial indicator of where the Federal Government might concentrate its improvement efforts, the relative importance of the various productivity growth determinants (e.g., capital formation, technology advances, R&D, human resources) was questioned in the interviews.

The main theme of the respondents was that all of the determinants contribute something to productivity growth, that no quantifiable measures point to any one as the single most important, and that therefore all deserve attention. While Federal monetary and fiscal policies may have the most impact on productivity growth in the short run, some noted, attention to all the principal determinants will yield the greatest benefits over the long run.

Others stress that no generalizations can be made about the relative importance of the determinants because this varies among industries. Human resources obviously are more important in a labor intensive industry, whereas capital/technology deserve more weight in a highly technical industry like petroleum refining.

B. Quality of Working Life in the U.S. -- Definitions and Trends

As noted earlier, it is not at all clear that members of Congress shared a common conception of "quality of working life" in enacting P.L. 94-136. The Act itself does little more than acknowledge QWL as a factor underlying productivity growth and suggest that it generally pertains to "the conditions of work relating to the role of the worker in the production process." What these

conditions are and what their important effects might be are not explicitly dealt with in the body of the law.

Two years after the enactment of 94-136, this ambiguity persists, at least as evidenced by the statements of Congressional spokesmen. Still, while there is no ready agreement on the substantive elements of QWL, there does appear to be some consensus on what might be regarded as its procedural dimension. That is, some key members of Congress, however large a group they may represent, see worker participation in decisions as a...and perhaps the...basic QWL issue. They express doubt that workers can be expected to accept unchanged the traditional ways of organizing and managing work, and believe that workers seek, and should be encouraged to seek, greater involvement in the decision-making processes affecting their jobs and the conditions under which they are performed. However, this "consensus" may simply represent one of several existing points of view on this issue, and surely cannot be treated as evidence of a groundswell of Congressional support for any particular form of "industrial democracy."

The senior staff of the National Center takes a different, though not unrelated, position on the meaning of QWL. Here, QWL is seen as closely allied to the established concerns of the Labor Department, yet distinguishable in terms of degree of emphasis rather than substantive content. Moreover, QWL is not regarded as separable from the quality of life generally. In addition to the former affecting the latter, QWL also is conditioned by what occurs off the job as well as by experiences in the workplace. Finally, here too participation is treated as a key element of QWL, with collective bargaining and labor-management relations serving as the major vehicles for its expression.

There appears to be virtually no consensus among management spokesmen on the meaning of QWL, save some tendency to equate it with the equally nebulous concept of "job satisfaction." Assuming the two terms are basically equivalent, and taking into account both the overall satisfaction levels typically revealed by national surveys and industry and occupational differences in expressed satisfaction, there would appear to be little justification, in management's view, for treating QWL as an issue of national concern. Equally important, excessive attention to QWL tends to detract from the more basic and critical issue confronting management: the need to improve productivity.

Union officials, like their management opposites, obviously subscribe to no single definition of QWL. To some extent, however, this lack of agreement may be more apparent than real. There can be no doubt that union leaders share fully a belief in the primacy of such worker (and union) goals as job security, wage sufficiency and equity, and occupational health and safety. Insofar as these are integral elements of QWL, there clearly is a substantial basis for agreement on its underlying meaning and importance.

The frequent criticisms of the "quality of working life" expression is quite a different matter, and seems to reflect at least four basic reservations: (1) a disdain for those QWL advocates, primarily academicians, who assert that unions have been derelict in failing to recognize and take action to improve QWL; (2) a concern that excessive attention to less established dimensions of QWL will detract from the labor movement's unfinished business in remedying basic economic and physical problems of work; (3) a concern that the procedural dimension of QWL (i.e., worker participation) might threaten the integrity of the collective bargaining system and weaken the unions' traditional adversary approach to labor-management relations; and (4) a recognition that management, often aided by academic and other consultants, has sometimes exploited the QWL issue as a strategy for combatting union organization efforts and undercutting union solidarity and bargaining strength.

Most of the more commonly used conceptions of QWL have their origin in the academic and/or consultant community. These are the definitions that tend to impart the more novel and more equivocal meanings to the phrase, representing as they do values that have thus far achieved less than universal acceptance: individuation, self-actualization, human development, etc. If there is a single element that is most common to the existing array of broader definitions, it is the matter of individual control over the conditions of life at work. In more general terms yet, however, the tie that binds all conceptions together is a common reference to the overall well-being of workers.

In summary, "quality of working life" is much more equivocal than the productivity issue, but a good deal of the controversy seems to hinge on the semantic ambiguity of the phrase itself. Once this conceptual and verbal smokescreen is penetrated, there seems to

emerge a reasonable underlying consensus that QWL (i.e., worker well-being) is a real, continuing concern rather than an academic, ephemeral one.

C. Linkages Between Productivity and Quality of Working Life

The productivity/QWL relationship is perhaps the most problematical issue of all, particularly as a result of the variance in definitions and measures applied to both terms. There appears to be little subscription to the once popular, facile assumption that satisfied workers are invariably productive ones, or to the equally simplistic precept that busy hands are happy hands. Still, few knowledgeable spokesmen deny that productivity improvement and consequent economic growth can be instrumental in furthering the material well-being of workers, or that the thwarting of worker needs and goals can impede the economic performance of the institutions that employ them. The generalization that seems most justified is that the two concerns, productivity and QWL, are indeed related to one another, but not in fully understood ways and, certainly in a manner that depends on the conditions present in specific situations.

The inevitability of some degree of conflict seems to be acknowledged in the statements of both management and union spokesmen. The former, as already noted, are troubled by what they perceive to be a confounding of the primary productivity problem by the intrusion of an ambiguous QWL concern. By the same token, union officials are predictably disinclined to accept productivity improvement as the dominant issue, when such a priority poses a threat to the furtherance of worker needs and interests. While each party might agree that more "effective" (not "efficient") work organizations could better achieve both management and worker goals, and that this common interest should be exploited, each also appears to concede the need to find mutually acceptable quid pro quos. Management seems unlikely to adopt any course of action that promises improved worker well-being without some assurance of a productivity payoff. Similarly, unions are equally disinclined to commit themselves to the cause of productivity improvement without guarantees of job and worker protection, and the assurance of equity in the division of productivity gains.

D. Need for a National Effort

Most people, whatever party of interest they represent, seem to agree that the productivity issue is deserving of national attention and Federal action. This consensus transcends any differences among them as to whether the nation's rate of productivity growth constitutes a full-blown crisis or is "merely" a matter of serious concern. The productivity imperative stems in large measure from the fact that it impinges on a great many U.S. economic issues (energy, competition in world markets, budget balancing, employment, etc.). Productivity improvement also is vital to sustaining economic growth and thereby maintaining, if not improving, the standard of living now extant in the nation. This dedication to the cause of productivity understandably is most prominent in the management ranks (although common among economists as well), where particular concern is expressed about the relatively passive position thus far taken by this Administration.

Some union spokesmen also -- particularly those continuously and intimately involved in the programs of the National Center -- speak critically about the Administration's neglect of the productivity issue. At the same time, still other union officials are disturbed by the prospect of a national effort that submerges worker interests under an overly dominant productivity initiative. According to this view, "quality of working life," however much confusion it may have engendered in discussions of worker problems, must remain an important national goal in its own right. Such an assertion is typically bolstered by citations of statistics relating to such critical issues as unemployment and underemployment, wage levels, and occupational accidents and illnesses. That management spokesmen express less support for a national QWL effort than they do for a major productivity improvement campaign is simply an affirmation of the obvious, compounded by their uncertainty about the meaning of QWL.

Third-party "neutrals" tend to regard both productivity and QWL as issues demanding of national attention, differing among themselves primarily in terms of the relative stress placed on each concern. Some would emphasize productivity as the central theme, with QWL, used as a synonym for "human resources," cast simply as one factor contributing to improved economic performance. Others would argue that the principal

effort should be directed to satisfying human needs, and out of this, as something of a by-product, will come productivity and economic gains for the enterprise. A third popular position stems from the assumption that the two goals are fully compatible, and that efforts to achieve them are mutually reinforcing. An offshoot of this last point of view is the position that productivity and QWL can be compatible and mutually facilitative, and that the need of the day is for a national effort that seeks ways of detecting these points of compatibility and simultaneously promoting both interests (while recognizing that some degree of conflict may be inevitable and, hence, require mechanisms for achieving compromise). Whichever view is favored, the clarification of the productivity/QWL relationship is an important issue for Federal policy attention.

E. The Role of the Federal Government

At the broadest level of analysis, the Federal Government can be viewed as having three basic functions that affect, directly and indirectly, productivity and quality of working life in the nation. One can be characterized as an information function, and includes activities involved in gathering and disseminating statistics and other forms of information useful in defining, measuring, and, as appropriate, interpreting issues and problems of national consequence. The second function is regulatory in nature, and ranges from the establishment and execution of fiscal and monetary policies ("regulatory" in the broadest sense) to the enactment of rules and regulations governing highly specific conditions in the workplace. Third is the government function of facilitating actions by other parties, private and public sector, in ways that further a variety of national interests. At the risk of oversimplification, these latter two functions can be regarded as involving the judicious application by government of innumerable incentives and disincentives; to action by management, labor, and government agencies throughout the economy. (It might also be noted that these obviously are not fully discrete categories, considering, for example, that the provision of certain kinds of information can itself be regarded as a method of facilitating action.)

In contemplating the Federal role in the areas of productivity and quality of working life, few would deny that the government should have some kinds of responsibilities for improving progress on both fronts.

But there are not many points of consensus among the parties in their beliefs as to what the particular responsibilities should be. In the matter of specifics, Federal action is warmly endorsed or adamantly rejected, depending on whose ox is being gored.

The one most notable point of agreement is on the desirability and utility of government programs whose purpose it is to define productivity and QWL issues and problems, detect changes and plot trends in them, and disseminate information about problem-solving and innovative practices. At the most basic level, this positive view involves a ready endorsement of the statistical programs of the Commerce and Labor Departments. The only reservation concerns what are seen as gaps in the established statistical series, such as the limited data available regarding specific industries in the private sector.

Beyond this primary statistical function, the Federal Government is seen by many as the agency that can best gather, systematically and impartially, information regarding current strategies and techniques that management and unions have developed in pursuing their productivity and QWL interests, and effectively disseminate this information to others who might profit from it. This kind of clearinghouse function, whether managed directly or created and supported outside of the government bureaucracy itself, encompasses such widely valued components as publications, conferences, workshops, and the like. In summary, however, it is the general information function that is so widely endorsed as a Federal responsibility, and primarily because its capability so clearly exceeds that of any other institution.

The picture is much less clear, of course, with regard to the regulatory functions of the government. Although not that many opinions are apt to be volunteered about regulatory aspects of productivity and QWL improvement, management and labor hold to quite opposite views about the general desirability and the degree of government intervention. The former chaffs at the excesses of regulation that it sees as an impediment to furthering the economic interests of the enterprise, while the latter argues that regulatory programs in such areas as occupational safety and health are too incomplete and too weak to adequately protect workers interests. (The government's monetary and fiscal policies, which

can be regarded as one quite distinctive facet of its regulatory function, introduces issues that are too complex to be dealt with in this limited review.)

There also is far less than perfect agreement on how-- or whether--the government might play a more conspicuous role as a facilitator of productivity and QWL improvement efforts by management and labor. Some spokesmen of each party believe that it should undertake a wide variety of actions that serve to stimulate, assist, and support the development and testing of new policies and practices. According to this view, only the Federal Government has the breadth of perspective, the know-how, and the substantial resources required to exercise leadership in establishing and sustaining a meaningful national program of experimentation and innovation.

Other spokesmen, also representing both management and labor, express serious reservations about the government-as-activist position. In their view, many of the matters at issue are ones that should be the preserve of management and unions, and they caution that great care must be taken, above all, to avoid interference with the collective bargaining process and/or the private relations between employers and employees. Government assistance, it is feared, can too easily become government intervention and regulation of a kind that is the antithesis of established policy regarding enterprise management and the freedom of the parties to bargain collectively for wages and working conditions within the broadest possible limits.

It might be noted that the real question at issue is not so much whether there is a role for government to play, but what kind of role is most compatible with the U.S. economic and political systems. Thus, government policies which significantly impinge on productivity growth have long been in effect. Similarly, the Labor Department, as the government's chief "QWL agency," already administers a number of programs, regulatory and facilitative, that carry out national policies established to protect and improve worker well-being.

If there are any points of general accord in all this, they are that: (1) there are some activities related to productivity and QWL improvement that only government can carry out (e.g., monetary/fiscal policy, regulation), and others that government can better carry out than any other institution (e.g., data/information-gathering

and dissemination); and (2) there is a widely, though not universally, acknowledged need for national leadership in spurring the development of more economically and socially effective work organizations, and the Federal Government can be instrumental in satisfying that need.

F. Evaluation of P.L. 94-136 and the National Center

The foregoing point of view seems to have been the motivation guiding Congress in enacting P.L. 94-136 and creating a National Center for Productivity and Quality of Working Life. This Act establishes "a national policy which will encourage productivity growth," and presumably creates, in and through the Center, a vehicle for implementing that policy. How effectively P.L. 94-136 has served to further this national interest is a matter of some doubt in the minds of a good many involved and affected persons.

With some notable exceptions, a considerable number of labor, management, academic, and government spokesmen find serious fault with P.L. 94-136 and the Center it creates. While these critics almost invariably hasten to urge the continuance of some kind of special Federal agency and program, they still hold firm to their belief that what exists now falls short of what is needed.

1. The mandate assigned to the Center is amorphous and, in some respects, misleading. While productivity and quality of working life are equally prominent in the titles of the Act and the Center, this seeming parity of interest belies the substance of the legislation. The Act's policy statement unquestionably establishes productivity growth as a national goal, but leaves QWL in an ambiguous position at best. Nowhere does the act define QWL in explicit fashion, seemingly acknowledging it as no more than one of the several determinants of productivity growth. Among those who have only a surface familiarity with the legislation, a common but erroneous view is that the law establishes productivity growth and improved QWL as co-equal goals for the nation and the Center. Also implicit, in their view, is the assumption that these two concerns are somehow inherently related and mutually facilitative. As a result of these misconceptions alone, the Center has been laboring under a handicap in evolving its own program and in its efforts to establish good understandings with other agencies of government as well as with parties in the private sector.

2. As noted earlier, the Act assigns to the Center an inordinate number of major functions, ranging from the fuller development of national policy to an oversight responsibility for the programs and budgets of other Federal agencies (including those pertaining to their internal activities). Most critics see these broad responsibilities as representing an unrealistically high set of Congressional expectations--expectations that would challenge the capability of any major executive department, let alone a new agency and a new program of exceedingly modest proportions. Given this imposing Congressional directive, whether the Center could satisfactorily carry out the mission assigned to it has always been problematical at best.
3. Along with the burden of a responsibility overload, the Center also has been severely constrained by the limits placed on its staff and financial resources, ceilings that have compelled it to undertake too many superficial kinds of activities. These projects offer quite modest help to the parties, and consequently have resulted in barely perceptible progress toward the ambitious goals established by Congress. It has been primarily for this reason that much of the Center's program sometimes has been dismissed by some as nothing more than self-serving "PR." How the Center might have performed with an endowment more consistent with its mandate can only be a matter for speculation.
4. The basic notion of establishing a tripartite body to advise and guide the Center's program, as well as to serve as a useful forum for discussing major national issues, goes unchallenged. Many are critical, however, of the way in which Congress implemented this basic concept. The formality of a board, particularly one whose membership requires Senate approval, seems to militate against the kind of informal forum that the parties prefer. This handicap is exacerbated by both the sheer size of the group and the appointment to it of persons who have had neither the time nor the inclination to become meaningfully involved in helping to structure the Center's program. The Board, consequently, has frequently been perceived as a largely pro forma exercise that lends prestige to the Center, but little more. In the absence of a fully functioning advisory body, the Center's staff has been left to fend for itself, deciding for itself its yearly priorities, and charting its own course in carrying out Congress's multi-facted mandate.

Notwithstanding the fact that the law provides for equal numerical representation of management and labor on the Center's Board, neither party appears to have been fully represented. Some members have been able to commit only limited time and/or have delegated responsibility to surrogates. Not all of the varied labor union perspectives appear to have been represented, an imbalance that could not avoid impairing a program whose accomplishments depend on the extent to which support can be developed and maintained throughout the labor union community.

5. The Center's relationship with other institutions and parties has failed to evolve in ways that might have furthered its program interests. The provisions made in the Act for coordinating the activities of other Federal agencies have proved less than effective. Casual exchanges of information have fallen well short of the actions required to develop a coherent Federal effort. Nor was it realistic to assume that other agencies would gracefully yield to the Center in decisions regarding their own program activities and allocations of resources. Even less workable was the responsibility assigned to the Center for intruding itself into programs involving the internal productivity concerns of other Federal agencies.

Considering these basic criticisms, it is all the more remarkable that there is so much agreement on the importance of preserving some kind of Federal agency akin (though not identical) to the existing Center. However, a perpetuation of current structure and program is called for by very few.

III. Decision Options Regarding The Federal Role

In planning the future direction of the Federal initiatives regarding productivity and quality of working life, two basic decisions are required.

One concerns the principal focus of Government activities, with the options being: (1) primary emphasis on productivity improvement; (2) a primary emphasis on improving the quality of working life; and (3) equal emphasis on both issues, presumably treated in tandem.

The second, though related, decision requires a choice of the best means of developing and administering a Federal program. Here the alternatives are: (1) maintenance of the existing Center, with whatever legislative and/or administrative changes, if any, are indicated, (2) abolition of the Center and reassignment of its functions to established line agencies; and (3) dissolution of the Center and creation of a new independent agency within the Executive Branch.

A. Principal Program Focus

(1) A program emphasis on productivity improvement has the advantage of concentrating on an issue whose importance is widely recognized and whose component concerns are reasonably well defined. A renewed Federal commitment would be readily endorsed by management and viewed as a preparedness to undertake a campaign that has been long called for by some spokesmen. In addition, some union officials, who already have pledged themselves to the cause of productivity improvement, would continue to lend strong support to the Federal initiative. Finally, it can be argued that progress in remedying a good many of the nation's social as well as economic problems is contingent on sustaining economic growth via productivity improvement. Hence, the productivity issue is basic to furthering a broad range of national interests.

On the other hand, a near exclusive productivity emphasis would stand the risk of foreclosing a good deal of union support, and possibly stirring some strong antipathies as well. "Productivity" and the images it conjures up have been anathema to many unions, suggesting as they do the prospects of job loss, speed-ups, inequitable gains sharing,

and the like. In addition, a dominant focus on productivity also could create doubt about the durability of the Government's commitment to the cause of improved worker well-being, a goal that is not always seen as compatible with an objective of productivity improvement. Finally, there appears to have been some growth of uncertainty in "the public mind" about a national policy that can be interpreted, perhaps erroneously, as "productivity at any cost." At issue here is the continuing concern about the so-called "externalities" of production, particularly its adverse effects on the environment and the quality of life generally.

(2) A principal focus on quality of work life improvement also carries with it important pros and cons. Despite the imbroglia regarding the concept and definition of QWL, a sufficiently comprehensive and pragmatic specification of QWL as a national goal would be favorably responded to by unions, already critical of some Federal programs established to protect and improve well-being (e.g., OSHA). Furthermore, such a humanistically-oriented initiative also might strike a larger responsive chord in the mind of the general public, which, as already noted, has been expressing increasing reservations about the sacrifice of human needs to economic imperatives (e.g., the environment issue).

At the same time, a QWL emphasis doubtlessly would discourage the support of management, many members of which deny the reality or importance of QWL as anything more than one of several determinants of productivity, or see Government intervention in this area as threatening to their freedom of action and principal economic mission. Moreover, unless QWL were adequately redefined in a way that meshed with traditional union interests, some unions also might be repelled by unwanted Government involvement, particularly if there were implications of a diminution of Federal priorities regarding job security, worker health, and other long-sought reforms. Finally, both labor and management might oppose a QWL initiative that promised to "tamper with" the basic structure of collective bargaining or alter the historical adversary relationship between the parties on working condition issues.

(3) A dual and equal emphasis on productivity and QWL would appear, on the surface at least, to respond well to both management and worker interests. Despite the continuing uncertainty about the "true" relationship(s) between the two concerns, it can be argued, and to some extent demonstrated, that they are necessarily intertwined and cannot be dealt

with independently. Though this relationship, under particular conditions, can be conflicting as well as harmonious, the resolution of conflict might be better accomplished by directly confronting it rather than treating these goals as though they were independent of one another. A dual emphasis, particularly in the context of a scrupulously neutral Federal position vis-a-vis labor and management could assist the parties to recognize the points where their respective interests converge and to develop mechanisms for accommodation where they do not.

On the other hand, an equal emphasis on productivity and QWL might be regarded as the kind of compromise position that earns the support of neither party, each being firmly committed to championing its own priority interests and concerned about it being diluted or distorted by the other. Such a two-pronged effort also presupposes the existence of a sufficient degree of compatibility between the two goals, a question that to many is far from satisfactorily being answered. In short, what may appear on the surface to represent the best of both worlds may in fact reflect too little of the reality of economic and social life.

B. Assignment of Organizational Responsibility

(1) Perhaps the most compelling argument in favor of maintaining the existing Center is the fact of its being. Congress already has declared that productivity growth is a goal of national policy and has created a vehicle for implementing that policy. To now rescind the policy, if only temporarily, and dissolve the Center might produce a prolonged hiatus before a new Congressional or Executive mandate could be developed. Even conceding the deficiencies seen in P.L. 94-136 and the Center itself, what already exists might be made to work effectively through some legislative and/or administrative action, such as a revision of the Center's mandate or merely a larger political and financial commitment by the Administration. In addition, there already exists a basic foundation of management and labor support that could be built upon in developing a more effective program.

The opposing argument is largely detailed in the summary of critical evaluations of the Act and the Center presented earlier. A number of spokesmen have judged both law and program to be unworkable. Consequently, to maintain the Center is to perpetuate a Federal initiative that they have repeatedly judged deficient, and to attempt to build anew

on a weak foundation. Moreover, the very title of the Center includes two terms, "productivity" and "quality of working life," that have been continuously productive of controversy and may well sustain discord. And, perhaps most important, the basic law in question is too deficient to permit any significant improvement through limited/or more cosmetic kinds of change (e.g., a new title) and, therefore, should be replaced by a new Act.

(2) Were P.L. 94-136 to be repealed or permitted to lapse in September 1978, and the Center thus abolished, Federal initiatives in both the productivity and QWL areas could be sustained by reassigning the functions now entrusted to the Center to established line agencies (principally the Commerce and Labor Departments). This action could have some distinct advantages, one of which is its interpretation as a fulfillment of the President's pledge to reduce the size and complexity of the Federal bureaucracy by eliminating less essential agencies. The Commerce and Labor Departments already are deeply immersed in programs intended to promote productivity growth and the quality of working life, and they could incorporate the kinds of activities hitherto performed by the Center within their broad policy and administrative frameworks. In addition, these Departments can bring to bear on the issues a range of knowledge and experience that could not easily be duplicated in a small independent agency, and also could offer a better guarantee of continuity and a sustained Federal effort. Finally, although their respective "constituencies" are not exclusively labor and management, both Departments have had long historical ties and working relationships with these two principal parties that could be most helpful in securing their support and active participation.

Among the arguments against this course of action is the fact that both Labor and Commerce often are seen as highly partisan agencies that cater to quite distinctive clientele groups. What takes place in either agency tends to be suspect in the view of one or the other party, particularly where that agency's mission is primarily regulatory in nature. In addition, a division of responsibility between Labor and Commerce could significantly impede a unified Federal effort to find and promote points of conjunction between the two issues, and also could make more difficult the enlistment of labor and management in any joint endeavor, including participation in an advisory panel or discussion forum. Moreover, long-established line agencies often display a predilection toward conservatism and caution, creating an

organizational climate that is not conducive to more innovative, risk-taking ventures, which many believe should be the hallmark of a Federal effort in the productivity/QWL area(s). Finally, in an agency already entrusted with a number of basic functions, an added productivity and/or QWL responsibility might fare poorly in competition with issues of established priority and be relegated to the periphery of policy concern.

(3) The third principal organizational option is to repeal P.L. 94-136 and dissolve the Center, but create in its place, legislatively or administratively, a new and independent entity in the Executive Branch. Such a step could help unencumber the program from the somewhat negative history of the current Center and the controversy surrounding both "productivity" and "quality of working life." A new organization, judiciously titled and mandated, could be assigned a unique responsibility for spurring the development of mechanisms that might simultaneously promote management and worker interests so far as they coincide, and for assisting the parties to find mutually acceptable compromises where conflict is uncovered. This would be a quite distinctive mission that clearly distinguishes such an organization from both the Labor and Commerce Departments, which could maintain as their near-exclusive concerns policies and programs intended to improve the quality of working life and productivity respectively. As in the case of the existing Center, a new center also could retain the independence and impartiality required to enlist labor and management in joint endeavors. Furthermore, not beset with "normal" bureaucratic conservatism and inertia, it could undertake, within reasonable limits, more imaginative and innovative kinds of projects than those typically supported in the past. Finally, creation of a new center and a new program with a Presidential imprimatur would be favorably looked upon as signifying a new Administration commitment to improve the nation's productivity and economic growth picture.

The primary argument against creation of a new organization is the potential loss of the Congressional and labor-management acceptance that already has been won by the existing Center. Notwithstanding the reservations that have been expressed by spokesmen of all parties, there is a reluctance to abandon what has been created, particularly in view of the lingering belief that insufficient resources may have been a major cause of the Center's limited achievements. It also could be argued that too much time would be required

to coalesce sufficient support within Congress and among the chief labor and management interests, a period during which the Federal commitment might further wane. Finally, although this action would constitute less the creation of a new agency than the re-creation of an established one, it could be viewed by the public as a contradiction of the President's proclaimed intention to reduce the size and cost of the Federal bureaucracy.

Interviews were conducted with Representatives of the following organizations:

Federal Government

U.S. Department of Commerce
U.S. Department of Labor
National Center for Productivity and Quality of Working Life
U.S. Senate and House of Representatives
Department of Health, Education and Welfare
Federal Mediation and Conciliation Service
National Science Foundation
National Academy of Sciences
General Accounting Office

State and Local Government

Labor-Management Relations Service
State of Washington

Unions

AFL-CIO
United Steel Workers
International Association of Machinists
American Federation of State, County, and Municipal Employees
Teamsters
United Automobile Workers

Industry-Management

Conference Board
Chamber of Commerce of the United States
National Association of Manufacturers
Committee for Economic Development
General Motors Corporation
Detroit Edison
Honeywell, Inc.
Westinghouse Corporation
ITEK
McKinsey and Company

Productivity/Quality of Working Life Centers-Institutes

American Center for the Quality of Work Life
Work in America Institute
Massachusetts Quality of Working Life Center
American Productivity Center

Academic Institutions

The Brookings Institution
George Washington University
Massachusetts Institute of Technology
National Bureau of Economic Research
Harvard University
Institute for Policy Studies
Cornell University
University of Illinois
University of Michigan
University of California

INTERVIEW GUIDELINE

1. What is productivity? Is there general acceptance of the standard economic definition that it is a measure of the relationship between quantity of resources used and quantity of output (using output per man hour as the most common expression of productivity performance)?
2. Assuming sufficient agreement on the definition, is the U.S. productivity growth picture still worrisome enough to require a national policy and special organizational arrangements to execute it? What changes and trends in productivity growth suggest the need for a national (i.e., Federal) effort to bring about improvement? To what extent is there a consensus among major parties of interest regarding the nature and severity of problems in the area and prospective solutions for them?
3. What are the major determinants of productivity growth and their relative importance (capital, technology, R&D, human resources, etc.)?
4. What is "quality of working life"? Is there a general consensus regarding a definition within and between major interest groups? Is QWL already defined by the legislative mandates assigned to the Labor Department, or are there new dimensions to be considered? What are the principal determinants of QWL?
5. On the basis of the best available definition(s) and measures, what can be said about QWL throughout the labor force? Has it been deteriorating, relatively constant, or improving in recent years? Is there evidence that problems exist or are emerging which are of sufficient magnitude and importance (social and economic) to require additional Federal attention and action?
6. What is the relationship between productivity and QWL--relatively independent, mutually facilitative, conflicting, or what? How do labor and management see this relationship? What conclusions about it can be drawn from the research and experimentation to date?

7. What specific needs were being addressed and goals sought in establishing the National Commission on Productivity? What led Congress to subsequently append "Work Quality" to its title and charter? What was the intent of Congress in transforming the Commission into a National Center? What were the implied and express purposes of the 1975 Act, and what functions were assigned to the Center as the means for accomplishing them?
8. Does P.L. 94-136 create the right kind of agency and program to carry out the Federal role and further national interests?
 - a. Is P.L. 94-136 explicit in terms of the emphasis that should be accorded to productivity and QWL respectively?
 - b. Does it assign to the Center a realistic and adequately defined mission, and enough authority to carry it out?
 - c. Have the Center's staff and financial resources been commensurate with its mandate?
 - d. Is there provision for appropriate, workable, and effective relationships with other parties of interest?
 - e. How have unions, employers and government agencies perceived the purposes of the Center, and to what extent has each party seen the Center as accomplishing these purposes?
 - f. Has an appropriate balance been struck between the Center's execution and coordination functions?
9. If the answer to question 8 is generally positive, and assuming a continuing need for Federal leadership in productivity and QWL improvement, what administrative and/or budgetary changes are required, if any, to enable to Center to achieve the purposes of its charter Act?

10. If the answer to question 8 is primarily negative, and assuming a continuing need for Federal leadership, which of the following options should be acted upon:
 - a. continuation of the National Center as it is presently established (i.e., Board of Directors and staff) but with a more explicit legislative mandate, and sufficient resources to carry it out;
 - b. dissolution of the National Center, and the creation of a different kind of independent agency within the Executive Branch; or,
 - c. dissolution of the National Center and the reassignment of its functions to existing Federal line agencies?
11. What new legislative, executive, or other appropriate action should be taken to effect the recommended option?
12. If option "b" or "c" above is recommended, what should be the priorities and activities of the current National Center in order to obtain the largest pay-off in the time remaining under its present authorization and with its existing staff? How should its Board of Directors be reconstituted?

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

April 10, 1978

DINNER WITH SPEAKER TIP O'NEILL AND HIS WIFE MILLIE

Monday, April 10, 1978

7:30 p.m.

Residence

From: Frank Moore *f.m./pd*

I. PURPOSE

To discuss completion of major legislative programs during the remainder of this year.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

Background: Speaker O'Neill and his wife Millie will be joining you for dinner this evening. You should know that Tip is very upset over a front-page story that was printed in yesterday's New York Times regarding the Korea probe. The story contained no new information, but was a rehash of old stories on the subject.

Participants: The President and Mrs. Carter and the Speaker and Mrs. O'Neill.

Press Plan: White House Photographer.

III. TALKING POINTS

1. The Speaker may refer to your letter dated today regarding this Administration's position that the 1977 social security financing legislation should not be changed this year. (A copy of your letter is attached.)
2. Referring to the energy bill, you may want to mention that the differences between the House and Senate versions are small and you feel you must now get involved in the politics of the conference to try and get a bill this year. Ask the Speaker for his counsel on how best to use the White House in moving the conference. Explain to the Speaker that Rep. Dingell wants to help but cannot compromise more than he has and that without Dingell the only other option left is a coalition with Republicans which you don't like.

1871

APR 10 1978

Anti-inflation

Pay raise

Energy

Civil Service

Turkey

Arms sales

Farm bill

April 11, 1978

To Sarah Willis

I was pleased to receive the poem which you wrote. Thank you for your friendship and support.

Sincerely,

MMY

Mrs. Sarah Pepper Willis
Apartment 123
2727 North Andrews Avenue
Wilton Manor, Florida 33311

JC/mf/jcm/js/em

33

poem

780412 1500

RECEIVED

APR 12 1978

CENTRAL FILES

THE WHITE HOUSE
WASHINGTON



4/6/78

joyce cook--

please have draft thank you
done (not too wordy...) and
returned for president's signature.

(given to him today...at ceremony-
signing ceremony)

thanks -- susan clough

To President Carter

Susan
"4th"
LMS
J

The world needs great men,
Men who say and do.
A man who loves his God,
And his people too.
Such a man is our President,
A man who prays and cares.
He works hard for his Country
And our burdens he always shares.
So God bless him and keep him
always
In His own loving way.
And give him strength to carry the
load,
Each and every day.
And when life's battle is over
and the race is finally run,
His God will say to him quietly
Well done, my Son, Well done.

Sarah Pepper Willis
Fort Lauderdale, Florida
Sister of Claude Pepper