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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

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June 2, 1981

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The Honorable William V. Roth, Jr.
Chairman, Committee on Governmental
Affairs
United States Senate

Dear Mr. Chairman:

This is in response to your March 24, 1981, letter in which you requested our comments on Senate bill 489, the Productivity Improvement Act, which has been referred to your Committee.

As Senator Bentsen made clear when he introduced the bill on February 17, 1981, it is based largely on our recommendations prepared at the Senator's request. We recommended enactment of a similar bill in our report "Stronger Federal Effort Needed To Foster Private Sector Productivity" (AFMD-81-29, Feb. 18, 1981). The bill reflects our belief that a strong and effective Federal effort is needed to counter the Nation's declining productivity growth. We urge favorable consideration of the bill.

Need for an effective productivity effort

The current National Productivity Council was established on October 23, 1978, by Executive Order 12089. It is chaired by the Director of the Office of Management and Budget. In over 2 years of existence, the National Productivity Council has been relatively inactive and has largely ignored the functions assigned to it. It has seldom met, has not provided guidance to Federal productivity programs, and has not become recognized as the Government's productivity focal point.

We believe that the current national productivity effort has been ineffective because it lacked support from the executive branch. As a result:

- Federal programs directly related to productivity improvement, now totaling more that \$2 billion annually, are funded and operated without any central review, direction, coordination, or evaluation.
- No spokesperson for productivity concerns has been recognized.
- No open channel exists for airing private sector concerns about productivity-related policies.

[Comments on Senate Bill 489]
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Productivity is a vitally important national issue that requires a Federal commitment stronger than the current Council has provided.

The proposed National Productivity Council

We believe that the proposed bill, if enacted, will create a National Productivity Council that, for the following reasons, will be a significant improvement over the current Council.

- The proposed Productivity Council would have the added authority and stability of being a statutory body rather than an organization established by executive order. The present Council is simply a committee of Federal officials with no statutory authority or funding.
- The Council, the Departments of Commerce and Labor, and the Federal Mediation and Conciliation Service would be assigned specific functions and responsibilities for improving productivity.
- The proposed Council would (1) be headed up by a high level, full-time chairperson who would provide a meaningful focus on national productivity and (2) be provided adequate staff to help it meet its legislative mandate.
- The Council would be required to develop a national productivity plan to outline what the Federal Government is doing and should be doing to improve productivity.
- A National Productivity Advisory Board composed of not more than 10 members representing business, labor, and academia would be developed to advise the Council on appropriate actions for the Federal Government to take to improve productivity. If properly used, this Board could contribute to improved cooperation between the public and private sectors in attempts to improve productivity.

We consider the development of a national productivity plan to be the most important aspect of the proposed act. While Federal efforts to improve productivity are numerous, they fall far short of an effective national productivity improvement effort. They are unrelated and do not add up to a productivity policy or program. A national productivity plan, backed up by a strong Productivity Council, is needed to guide and coordinate these activities and encourage national productivity growth.

On a more technical level, we suggest further exploration of the contracting needs of the Council. Specifically, our concern is the authority found in Section 4(e)(3) of the bill permitting the Council to make payments "in advance, by transfer or otherwise."

We think the intent and operation of this provision should be clarified.

Conclusion

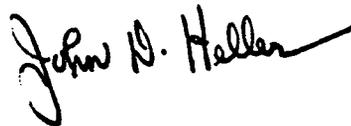
Although the National Center for Productivity and Quality of Working Life was terminated in September 1978, the problems it was to have addressed remain; in fact, they have grown worse. Furthermore, there is now no strong Federal mechanism to help improve productivity despite the existence of the current Productivity Council and the increased recognition that declining productivity is a major contributor to inflation.

The proposed legislation will, at nominal cost, provide the United States with a needed organization to plan and coordinate Federal actions related to private sector productivity. Such an effort is needed to reverse our productivity trend and strengthen our economy. Therefore, we urge favorable consideration of the Productivity Improvement Act. We believe it should be the subject of a hearing by the Committee on Governmental Affairs.

Thank you for providing us the opportunity to comment on this important legislation.

Please contact us if we can be of further assistance.

Sincerely yours,

A handwritten signature in cursive script that reads "John D. Heller". The signature is written in dark ink and is positioned above the typed name.

Acting Comptroller General
of the United States