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INVESTIGATION OF EMPLOYEE UTILIZATION IN THE EXECUTIVE DEPARTMENTS AND AGENCIES

JUNE 30, 1950.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. WILLIAMS, from the Committee on Post Office and Civil Service,
submitted the following

PRELIMINARY REPORT

(Pursuant to H. Res. 114, 81st Cong.)

PART I

Pursuant to House Resolution 114, Eighty-first Congress, approved May 2, 1949, the Committee on Post Office and Civil Service appointed a Subcommittee to Investigate Overstaffing in the Executive Departments and Agencies, composed of Mr. Williams as chairman, Mr. Davis, Mr. Herlong, Mr. Rees, and Mr. Hagen. The subcommittee is conducting a survey of several agencies, the purpose of which is—

- (1) to explore and evaluate the utilization of personnel;
- (2) to appraise the effectiveness of existing agency management facilities in employee utilization;
- (3) to ascertain and identify some of the causes and effects of overstaffing; and
- (4) to suggest remedial action necessary to correct overstaffing in the executive departments and agencies.

Accordingly, the committee submits the following interim report relating to the Federal Security Agency as part I of its over-all report on overstaffing in the executive departments and agencies:

THE FEDERAL SECURITY AGENCY

The Federal Security Agency was established in 1939 to promote social and economic security, educational opportunity, and the health of the citizens of the Nation. Under the Office of the Administrator, the Agency consists of the Social Security Administration, the Public Health Service, the Office of Education, and the Office of Special Services.

In addition, the Federal Security Administrator has direct responsibility for the Saint Elizabeths Hospital and general supervision of Howard University, the Columbia Institution for the Deaf, both located in the District of Columbia, and the American Printing House for the Blind in Louisville, Ky. (A complete statement of the

functions performed by the Agency appears in the appendix as exhibit I.)

On June 1, 1950, there were approximately 34,000 Federal employees in the Agency distributed in the manner illustrated in Figure I: Organization Chart of the Federal Security Agency.

The field structure of the Agency consists of the following establishments:

- (a) Ten regional offices for the Agency;
- (b) Sixteen district offices for the Food and Drug Administration;
- (c) Six area and 478 local field offices for the Social Security Administration; and
- (d) Twenty-four hospitals; 122 out-patient clinics and offices; 245 foreign quarantine stations; 65 medical centers, laboratories, units and other stations; 22 communicable-disease centers; and 10 river-basin offices for the Public Health Service.

Organizationally, the Agency may be characterized as a "holding company"—a loose confederation of semiautonomous bureaus, each with a separate mission but with related activities under common supervision.

GENERAL FINDINGS

1. *The committee finds that there is no clear line of responsibility or authority in the Agency.*—The first complete set of organization charts ever devised in the Agency was completed early in 1950, after nearly 11 years of operations.

The present organization scheme is the product of an Agency Organization Committee established in 1948 and represents, at best, a series of compromises arrived at by the representatives of the "vested interests" of each constituent unit. Jurisdictional conflict, duplication of effort, empire building, and outright repudiation of the organization plan by operating personnel stem from unresolved disagreements and a reluctance to exercise central authority.

In addition to the conflict between the Agency and its constituent bureaus, there are other important human relationships which retard the development of an efficient organization.

Major differences of opinion were found to exist between the people engaged in the various specialized programs and the administrative leadership; between civilian and commissioned officers; among the advocates of centralization versus the proponents of decentralization; and between employees engaged in line and staff work.

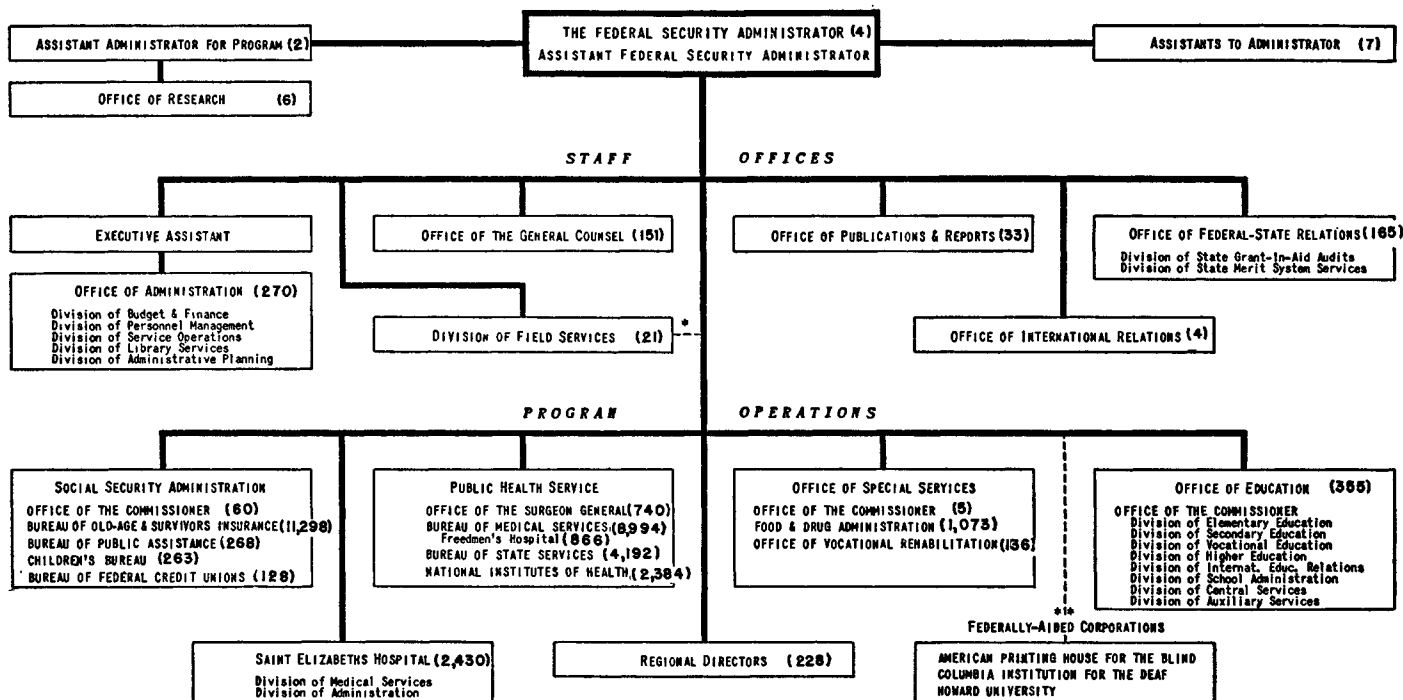
Although these separate groups are not organized in the formal sense, they exercise potent influences which, in the end, determine the form of internal organization, and, more important, the manner in which the organization is managed. The inevitable result is confused responsibility accompanied by diffused authority.

2. *The committee finds that there are too many layers of administration in the Agency.*—At the departmental level there is an Office of the Administrator in which is located a complete staff responsible for the entire Agency program and administrative services. Immediately under the Agency staff, there is a "Commissioner or Administration level" comprising the heads of the various activities of the Agency, such as Public Health, Social Security, Education, and Special Services. With the exception of the Office of Special Services, each of these "Commissioners" has a complete staff com-

ORGANIZATION CHART OF FEDERAL SECURITY AGENCY

34,083 EMPLOYEES (JULY 1, 1950)

EMPLOYEE UTILIZATION IN EXECUTIVE DEPARTMENTS



- Over-all coordination of field activities
- * Federal Responsibilities

FIGURE I

posed of not only the usual administrative services but also program officers as well.

Next in line come the various bureaus, where additional duplication of staff organization occurs. Then we find the divisions, at which level the actual operation of the Agency programs commence. Even at this or the subsequent branch level, there is additional duplication in providing administrative or program services. There are indications that this same "overorganization" continues through the 10 regional field offices.

This gross duplication of effort at the several levels of the organizational hierarchy, disguised under varying nomenclature, points up several questions:

(a) How far must the line and staff organizational concept be extended?

(b) At what point does the determination of policy cease and the operation of programs begin?

(c) What is meant by the term "decentralization"? Does it mean a system in which there is a centralized control of decentralized operations, or, as applied in the Federal Security Agency, that the same function is duplicated at every echelon?

(d) Is it necessary that each of the organizational elements be self-sufficient?

3. *The committee finds that the annual rate of employee turn-over has rapidly diminished.*—In the 3-year period, between fiscal years 1947 and 1950, the rate has decreased from 45.4 to 26.3 percent. However, the rate remains sufficiently high to lend itself for use in the application of attrition as a means of affecting a reduction in force.

The accompanying chart—Figure II: Rate of Turn-Over by Salary Grades, FSA, Fiscal Year 1950—reveals that judicious application of attrition by salary grade affords an equitable method of employee reduction.

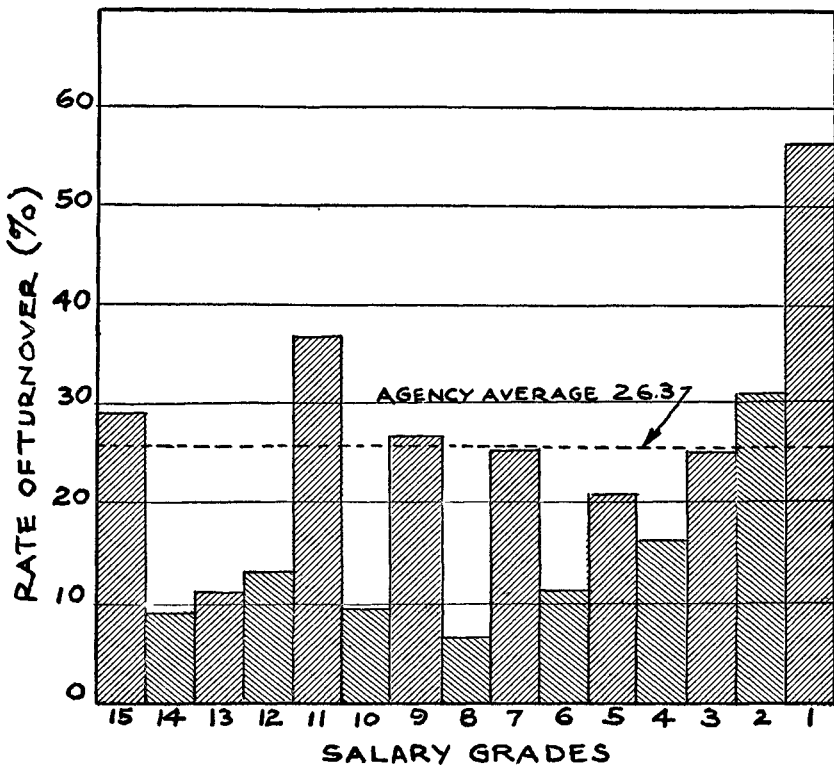
4. *The top-management staff of the Federal Security Agency includes some of the most capable and best-qualified career employees in the Federal service.*—They readily recognize the problems outlined herein and are completely aware of the remedial actions necessary to correct them. The reason that they are unable to take action lies in the fact that "There is no clear line of responsibility and authority in the Agency."

STAFF SERVICES

In this survey, the committee has not challenged the merits of the Agency's programs. It has, however, concerned itself with the full utilization of employees in carrying on the administrative activities incident to those programs. Accordingly, it has made a more detailed study of four representative staff services, following each one through the several layers of administration in the Agency. Those studies are presented under the following headings: "Personnel management," "Fiscal management," "General services," and "Management improvement."

PERSONNEL MANAGEMENT

Our study of overstaffing placed particular emphasis upon an evaluation of the Agency's "Personnel management" program. The



RATE OF TURNOVER BY SALARY GRADES
F.S.A. FISCAL YEAR 1950

(See Exhibit 2, appendix)

FIGURE 2

quality of the operation of the entire Agency depends, to a large extent, upon the manner in which the personnel program is administered.

The committee finds that there is no effective control over the personnel program in the Federal Security Agency. The personnel offices in the Agency are operating on a self-styled plan of decentralization. They are not inclined nor equipped to exert influence toward the development of economy in the utilization of personnel. Top personnel officials contend that this type of control is not a proper function of the personnel office. Yet at the same time they argue in favor of maintaining staff people to (1) conduct job audits, (2) develop workload data and staffing patterns, and (3) insure better employee utilization.

In all, there are 539 employees engaged in personnel work on a full-time basis in the Agency, assigned as indicated in Table I: Ratio of Personnel Employees to Total Employees in Bureaus, Federal Security Agency, as of June 30, 1950.

TABLE I.—Ratio of personnel employees to total employees in bureaus, Federal Security Agency, as of June 30, 1950

Organizational unit	June 30, 1950		
	Total employment	Personnel employees	Ratio of personnel to total employment
FSA: Office of Administrator ¹	663	33	1:20
Agency regional offices ²	228	38	1:6
Office of Education.....	355	7	1:51
St. Elizabeths Hospital.....	2,430	18	1:135
Social Security Administration:			
Office of Commissioner.....	60		
Bureau of OASI.....	11,298	102	1:110
Bureau of Public Assistance.....	268	3	1:89
Children's Bureau.....	263	4	1:66
Bureau of Federal Credit Unions.....	128	1	1:128
Public Health Service: ⁴			
Office of Surgeon General ³	670	89	1:8
Bureau of Medical Services.....	7,864	89	1:88
Bureau of State Services.....	3,515	36	1:98
National Institutes of Health.....	2,120	28	1:76
Division of Commissioned Officers.....	2,141	72	1:30
Freedmen's Hospital.....	866	9	1:96
Office of Special Services:			
Office of Commissioner.....	5		
Food and Drug Administration.....	1,073	7	1:153
Office of Vocational Rehabilitation.....	136	3	1:45
Total.....	34,083	539	1:63

¹ Division of Personnel Management provides Agency-wide services in the control of personnel policies, central referral and correspondence on all applicant and congressional contacts, direct personnel service to the Office of the Administrator (663 positions), the Office of the Commissioner of Social Security and the Office of the Commissioner of Special Services; supervises the operation of the 10 regional personnel units.

² The 10 regional personnel units provide processing services (for GS-7 and below) to approximately 3,800 positions in Bureau of Old-Age and Survivors Insurance in the field and to approximately 336 positions in Public Health Service, Office of the Administrator, and other units in the field.

³ Public Health Service, Division of Personnel, delegates appointment authority for top-grade-level GS-7 to regional directors in the National Institutes of Health, Bureau of Medical Services and Bureau of State Services. The medical officers in charge of a total of 26 hospitals are delegated appointment authority for top-grade-level GS-4. Appointment and classification authority is delegated to medical officers in charge of Public Health Service hospitals at Lexington and Fort Worth for top-grade-level GS-9, National Institutes of Health for GS-13, and Communicable Disease Center, Atlanta, Ga., for GS-11. The Division of Personnel provides personnel services to bureaus and divisions not covered by classification and appointment authority.

⁴ 5,000 employees without compensation are not included in the Public Health Service's total employees.

ORGANIZATION

The over-all philosophy of the FSA personnel program favors decentralization to the lowest possible echelon. In practice, this decentralization is mere lip service.

In 1947, the personnel divisions at the Washington headquarters processed 68 percent of all personnel actions in the Agency. In 1950, under the so-called plan of decentralization, they still handle 53 percent of all personnel actions. In reality, they have delegated only 15 percent of the total actions.

The wide variation between theory and practice presents several operational obstacles to the entire Agency. One of these impediments arises from the manner in which appointing authority is delegated among the constituent units and the field service.

The top Agency personnel office retains authority to appoint to all positions above grade GS-13 but delegates authority to appoint at or below this level to the Social Security Administrator, the Surgeon

General, and the Commissioners of Education and Special Services. These officials, in turn, delegate authority for appointments below grade GS-12 to the bureau chiefs. Here the successive delegation breaks down, for the bureaus delegate power only below grade GS-7. There is, then, a large group of positions, especially in the field service, between grades 7 and 11 for which appointing power is jealously maintained at the headquarters office.

The reason for this discrepancy is not as obvious as it first appears. It involves basic disagreement between bureau program-operating officials and the top Agency leadership wherein the program people will not permit the several regional directors to appoint "their people" to positions in the regional offices. The regional director, therefore, can only appoint persons to his staff serving below the GS-7 level. All other regional-office employees must be appointed in the headquarters office. This system can hardly be reconciled with a "highly decentralized plan."

This kind of decentralization is costly. In the 10-year period between fiscal 1940 and fiscal 1950, the total number of Agency employees increased by 52.3 percent. During this same period, the number of Agency employees working in personnel offices increased 181 percent.

Complete decentralization of personnel activities may have some advantages, but it invariably causes an increase in the total personnel staff without a proportional decrease in the size of the staff in the central office. This condition is illustrated in Table II, Comparison

TABLE II.—Comparison of total employees and ratio of personnel employees to total employment in the Federal Security Agency as of Jan. 1, 1940, and June 30, 1950

Jan. 1, 1940 ¹			June 30, 1950 ²			Change in number of personnel employees	
Total employment	Personnel employees	Ratio of personnel employees to total employment	Total employment	Personnel employees	Ratio of personnel employees to total employment	Number	Percent
20,780	166	1 : 125	31,642	467	1 : 68	+301	+181

¹ See Rept. 1593, 80th Cong., 2d sess., House of Representatives: Study of Personnel Offices in the Executive Departments and Agencies of the Government.

² Does not include the Division of Commissioned Officers at the Public Health Service.

of Total Employees and Ratio of Personnel Employees to Total Employment in the Federal Security Agency as of January 1, 1940 and June 30, 1950, wherein it is shown that the Agency ratio of personnel employees to total employment is 1 in 68 as against the optimum ratio of 1 to 103 as originally emphasized by the Committee on Post Office and Civil Service and now prescribed by the Bureau of the Budget. Table I, Ratio of Personnel Employees to Total Employees in Bureaus, Federal Security Agency, as of June 30, 1950, lists the ratios prevailing at the Bureau level and clearly substantiates our finding that there is no effective control exercised in the personnel-management program.

COST DATA

During the course of this survey, inquiry was made to secure current records of the total costs for personal services and average salaries of personnel employees in the Agency. A top official in the Personnel Division replied that there were none available and that he could not see what value could be derived from an accumulation of this information. He manifested practically no interest in this phase of the survey except insofar as it might cause additional staff work to develop. The data referred to were developed from fiscal records and are presented in Table III: Costs of Personal Services and Average Annual Salary of Personnel Employees in the Federal Security Agency for Fiscal Year 1950.

TABLE III.—*Costs of personal services and average annual salary of personnel employees in the Federal Security Agency for fiscal year 1950*

Organizational unit	Number of employees	Fiscal year 1950	
		Annual salary costs	Average annual salary
FSA, Office of Administrator.....	71	\$262,606	\$3,698
Office of Education.....	7	26,526	3,789
St. Elizabeths Hospital.....	18	67,936	3,774
Bureau of OASI.....	102	440,185	4,315
Bureau of Public Assistance.....	3	11,749	3,916
Children's Bureau.....	4	12,302	3,075
Bureau of Federal Credit Unions.....	1	3,788	3,788
Public Health Service.....	242	922,496	3,812
Division of Commissioned Officers.....	72	250,000	3,472
Freedman's Hospital.....	9	36,695	4,077
Food and Drug Administration.....	7	26,699	3,814
Office of Vocational Rehabilitation.....	3	8,819	2,730
Total.....	539	2,069,801	3,840

Table IV, Comparative Total and Average Salary of Personnel Employees in the Federal Security Agency as of January 1, 1940 and June 30, 1950, shows that total salary costs for personnel employees are 7½ times what they were in 1940. On January 1, 1940, the total annual salary of personnel employees in the Agency was \$241,193; at the present time it is \$1,819,801, an increase of \$1,578,608, or 654 percent.

TABLE IV.—*Comparative total and average salary of personnel employees in the Federal Security Agency as of Jan. 1, 1940, and June 30, 1950*

	Jan. 1, 1940 ¹	June 30, 1950 ²	Increase for period	
			Amount	Percent
Total salary.....	\$241,193.00	\$1,819,801	\$1,578,608	654
Average salary.....	1,452.97	3,897	2,444	168

¹ See Report, 1593, 80th Cong., 2d sess., House of Representatives: Study of Personnel Offices in the Executive Departments and Agencies of the Government.

² Does not include the Division of Commissioned Officers at the Public Health Service.

The average annual salary of personnel employees has also sharply increased since 1940. Table IV shows that in fiscal year 1940 the average annual salary of personnel employees was \$1,452 while currently it is \$3,897. This is an increase of \$2,444, or 168 percent. Legislative pay raises account for \$743 (51.2 percent) of the increase for the classified service during this 10-year period. There has been an additional administrative increase of \$1,701 (116.8 percent).

It is clear that the Personnel Division is not equipped with sufficient current information to do an acceptable job of personnel management.

MANUALS

One of the most serious detriments to the attainment of better personnel management in the Agency may be found in the sheer weight of the Agency's personnel manual. The Civil Service Commission issues a basic personnel manual which governs pertinent action for the entire executive branch. It is usually contained in one volume. With the addition of more specific instructions, the Agency Personnel Division has expanded this into five large volumes. The prime purpose of this elaborate manual is to provide instruction for personnel actions in the Agency and particularly for the use of personnel offices in the field. Inasmuch as some of the field offices are restricted to the processing of actions only below grade GS-7 (and in the Public Health Service below grade GS-5), it is difficult to justify the costly maintenance and wide distribution of this set of instructions. Field office personnel must find it almost impossible to cope with the many voluminous instructions issued to them by the headquarters offices.

A survey report on management functions and organization, FSA regional office (Kansas City, Mo.), conducted by an Agency survey team in November 1948, lists the following instructions necessary to conduct personnel actions at the regional office level:

"1. Washington instructions (other than Civil Service Commission) Federal personnel manual, Agency personnel manual and constituent transmittals to Agency personnel manual.

"(a) RD—(1) field services manual, (2) Division of Field Services memoranda, numbered:

"(b) PHS—(1) General circulars (issued by Office of the Surgeon General), (2) Un-numbered circulars (issued by Office of the Surgeon General), (3) Division of Commissioned Officers and numbered circulars (issued by Division of Commissioned Officers), (4) Commissioned Corp Bulletin (issued by the Division of Commissioned Officers), (5) numbered civilian personnel circulars (issued by Personnel Office, Office of the Surgeon General), (6) Organization Manual (issued by Bureau of State Services), (7) PHS regulations (issued by Division of Commissioned Officers, TB Division, Sanitary Engineering Division, and other divisions in Bureau of State Services), (8) PHS budget and fiscal office numbered and un-numbered memoranda.

DIVISION OF COMMISSIONED OFFICERS

Another barrier to the attainment of good personnel management is found in the separate handling of the 2,141 commissioned officers in the Public Health Service. These officers are assigned throughout the Service in both medical and administrative posts from a central Divi-

sion of Commissioned Officers with 72 employees assigned to its component branches as follows:

	<i>Employees</i>
Office of the Chief.....	6
Planning Branch.....	6
Liaison Branch.....	9
Recruitment and Commissioned Branch.....	18
Assignment and Utilization Branch.....	6
Training Branch.....	4
Administrative Management.....	23
Total.....	72

In the Administrative Management Branch the Contacts Section reports the following duties:

Administers program for assisting and advising officers and their dependents in obtaining benefits provided by law. Reviews and processes disability claims. Determines eligibility for campaign ribbons; arranges for authorization to wear decorations and medals. Maintains liaison with the Department of National Defense, Veterans' Administration, and other agencies on matters of benefits and privileges. Arranges for commissary and post-exchange privileges. Provides income-tax-consultation service for commissioned officers.

Except for historical prerogative and a declining need for mobility in assignment, there is little justification for continuing this very elaborate and costly duplicate personnel office with a ratio of 1 personnel worker for every 30 officers.

FISCAL MANAGEMENT

In conducting its survey of the Federal Security Agency, the committee did not concern itself with monetary costs except insofar as they bear upon the number of employees carried on the payroll of the Agency. We believe, however, that in any endeavor, good fiscal management is indicative of good over-all operation. The survey of fiscal management is cited to show how the function is organized, the number and kind of people engaged in its administration, the responsibilities and authorities under which they operate and their relationships to other administrative and program operations.

ORGANIZATION AND STAFFING

The responsibilities of the Fiscal Management Division of the Federal Security Agency may be grouped into four general functions as follows:

- (a) Budget estimating, preparation and control;
- (b) Accounting (or bookkeeping);
- (c) Auditing;
- (d) Payroll, leave, withholding, and retirement accounts and records.

In general the basic requirements for these four functions are prescribed outside the Agency—in the Bureau of the Budget, Treasury Department, General Accounting Office, or the Civil Service Commission. Only the administration and, in some cases, the method are left to the discretion of the Budget and Finance Division of the Agency or its constituent units.

In the fiscal management functions of the Federal Security Agency, there is little uniformity or control of either administration or methods. The following tabulation (table V, Personnel Engaged in Fiscal

TABLE V.—*Personnel engaged in fiscal management activities in the FSA—1950*¹

Identity of organizational units	Number engaged in—					Ratio to total personnel
	Budget preparation and control	Accounting	Audit	Payroll and leave	Total	
I. Office of Administrator:						
Staff.....	17	20	6	13	56	
Field services.....	3	27	10	20	60	
Subtotal.....	20	47	16	33	116	
II. Office of Education: Division of Central Services.....	4	6	2	3	15	1:24
III. St. Elizabeths Hospital.....	4	27	4	2	37	1:66
IV. Social Security Administration:						
Staff.....	1				1	
Bureau of OASI.....	58	543	34	21	656	1:17
Children's Bureau.....	4	6	2		12	1:22
Bureau of Public Assistance.....	2	7		1	10	1:27
Bureau of Federal Credit Unions.....	1	2		1	4	1:32
Subtotal.....	66	558	36	23	683	1:18
V. Public Health Service:						
Staff ²	27	71	43	39	180	
Bureau of Medical Services.....	22	27	9	3	61	1:176
Bureau of State Services.....	35	73	12	15	135	1:31
National Institute of Health.....	19	43	18	7	87	1:27
Subtotal.....	103	214	82	64	463	1:39
VI. Office of Special Services:						
Staff.....	1				1	
Food and Drug Administration.....	3	7	9	4	23	1:47
Office of Vocational Rehabilitation.....	1	5		1	7	1:20
Subtotal.....	5	12	9	5	31	1:39
Total FSA ³	202	864	149	130	1,345	1:26
Ratio.....	1:173	1:40	1:234	1:269	1:26	

¹ Audit of State grants not included.² Includes Division of Commissioned Officers.³ Includes locatable field.

Management Activities in the FSA) shows the wide dispersal of units in the fiscal management of the Agency. The ratio of personnel engaged in fiscal management activities is in general within established standards. The one exception is in the field of accounting where the Agency concedes that the number of people employed is entirely too high. This may be attributed to the decentralized system of procurement and distribution existing in the Agency.

RESPONSIBILITIES AND OPERATION

The Division of Budget and Finance in the Office of the Administrator is responsible for all fiscal management within the Agency.

(a) *Budget*.—The Agency budget is correlated and prepared for presentation to Congress by this Office. This Office also prepares budgets, keeps accounts, conducts audits and performs payroll and leave functions for some of the Commissioners and bureaus in the Washington office.

Other organizational units maintain complete budget staffs extending, in some cases, even down into sections. The Agency budget officer has supervisory and correlating cognizance of these operations. This relationship is, however, a voluntary one based on the professional relationship between individuals engaged in the same work.

(b) *Accounting*.—The FSA Division of Budget and Finance performs general accounting and auditing for the Agency as well as maintaining daily accounts for many of the headquarters units. Each of these headquarters units also maintains a staff for memorandum accounting. In addition, some of them perform local audits on travel, procurement and miscellaneous voucher accounts. This is especially true in the Bureau of Old-Age and Survivors Insurance where IBM methods are effectively employed.

Accounting operations are scattered throughout the Agency and are not under central control. The Public Health Service and the Social Security Administration have relatively large staffs engaged in accounting operations. Even within these Commissions the various bureaus maintain accounting staffs, each doing its work on an individualized basis without standard methodology.

(c) *Audit*.—The auditing operations of the Agency are also decentralized. The Administrator's office does, however, exercise fairly strong control over the various audit units. In this area this results in more uniform methods, better supervision and fewer personnel.

(d) *Pay and leave*.—Payroll and leave functions are performed with a view toward better employee relations rather than the attainment of efficient administration. There has been some consolidation of these operations in the Washington office.

The Agency conducts what appears to be a wasteful and inefficient method of distributing pay envelopes to some of its employees. Instead of the customary payment by check, an employee may elect to receive his biweekly salary in cash. This entails the preparation of individual pay envelopes and makes it necessary that each employee appear in person at a pay table which is set up temporarily at various points in corridors throughout the headquarters building. On at least one occasion, a group of 75 to 100 employees was observed waiting in line at the pay table. The work of adjacent offices was also disrupted for an unnecessarily long period. It is estimated that thousands of man-hours of productive effort are lost yearly in this process.

RELATIONSHIPS

In pursuing the relationships between fiscal management and the housekeeping functions down through the various levels of Agency organization, an effort was made to determine the extent of monetary control over organization, personnel classification, procurement, travel, duplicating, automotive transportation, and other service functions insofar as overstaffing is concerned. The picture is one of frustration. In theory, fiscal management has authority to review and make recommendations on any changes in organization, function, or personnel actions. Actually this authority is on paper only due to the domination of the program operators over administrative officers throughout the Agency. The fiscal officers, in most cases, know where the "fat" exists in both the administrative and program offices. They are, however, helpless to do anything about it as long as the program executives control appropriations.

GENERAL CONDITIONS

The total number of personnel engaged in fiscal management has increased more than 12 times in the past 10 years. This increase

has been due primarily to changing requirements for budget preparation and the control of program appropriations.

The present system of budgeting on the basis of specialized programs presents an organizational anomaly. This is particularly true in the Public Health Service wherein budget allocations and subsequent appropriations are made to particular operating programs, such as Alaska disease and sanitation, Philippine rehabilitation, training for nurses, foreign quarantine, and so forth. In practice, this places the available funds in the hands of the operating divisions and they are then called upon to contribute funds or personnel to support the bureaus who supervise them. Thus, in a fashion, the supervisor receives all of his financial support from the programs he is obligated to control. In some instances this perplexing situation attains ridiculous proportions. For example, in the Bureau of State Services, we find in the—

Office of the Chief—18 persons paid from 8 different program funds;

Plans and Reports Branch—3 persons paid from 2 different program funds;

Organization and Methods Branch—12 persons paid from 6 different program funds;

Budget and Fiscal Branch—33 persons paid from 11 different program funds;

General Services Branch—16 persons paid from 11 different program funds;

Personnel Branch—17 persons paid from 8 different program funds.

There are 14 separate and distinct program appropriations made to the divisions in the Bureau of State Services from which money for administration is donated to the office of the Bureau Chief by his operating divisions. In such a complex arrangement, is it any wonder that a high percentage of budget and accounting personnel is required?

The confusion now existing in fiscal management in the Agency is not due to lack of qualified personnel. The key people involved are far above the average in both technical and personal competence. Rather, the cause may be attributed to a lack of sustained authority on a straight line from the top down to the smallest unit.

GENERAL SERVICES

In the headquarters offices of the Federal Security Agency the general service, or housekeeping function, includes the following kinds of work:

	<i>Number of employees engaged in these functions</i>
Administrative direction.....	60
Procurement and supply.....	292
Records and mail.....	517
Space planning.....	12
Reproduction services.....	57
Tabulating services.....	86
Payroll, leave and retirement.....	104
Transportation.....	59
Total.....	1, 187

Although each of the constituent bureaus has some kind of service facility, there is little or no control over them from the Agency level. The Division of Service Operations in the Office of the Agency Administrator carries on what is described as a decentralized operation. It provides all of the functions listed above for the Office of the Administrator and some of these services for the Commissioner of Social Security, the Bureau of Public Assistance, Children's Bureau, and the Bureau of Federal Credit Unions. In addition to this consolidated service, there are 31 persons in these small bureaus doing the same kind of work in the same headquarters building. At the departmental level the Food and Drug Administration has an additional 53 employees; the Office of Vocational Rehabilitation, 8 persons; and the Office of Education, 9 persons, providing these same services on an independent basis. Each of these bureaus protects and attempts to justify these separate facilities on the grounds that (1) they must be aligned to meet highly specialized requirements and (2) they must maintain direct control over them. There appears to be little basis for either contention for there is no evidence to indicate that the quality of service would suddenly diminish under a consolidated plan or that their requirements are so specialized as to require separate techniques in the procurement process. Actually, the activity in some of these independent services is limited to the buying of administrative office supplies. To obtain the proper perspective, one might compare these service offices to the modest staff required in the purchasing office of a large college or university. Here, a small central staff is called upon to buy everything from football shoes to isotopes, dealing in a wide variety of commodities and equipment, with a personnel complement no larger than exists in the smallest bureau mentioned above. One must also recognize that they accomplish this task without the assistance of an over-all system like that provided by the General Services Administration.

PROCUREMENT

The data presented in table VI, Average Number of Employees and Relative Cost of Purchasing Operations During Fiscal Year 1949, illustrate the extent of overstaffing in the procurement process in the Agency. It will be noted that of 121,014 purchase orders issued in fiscal 1949, half (50 percent) of them were for amounts of less than \$20. Yet, the average cost of issuing each order amounted to \$5. In the Food and Drug Administration and the Office of Education, the proportion of orders under \$20 was more than 60 percent and the average cost of issuing each order was in excess of \$10. It cost the Office of Education \$10,293 to spend \$31,148 for an overhead of 33 percent. It should also be noted that the average workload for each of the 197 persons engaged in processing procurement orders was less

TABLE VI.—Average number of employees and relative cost of purchasing operations during fiscal year 1949

Organization	Purchase orders			Employees engaged in issuing purchase orders				
	Number issued	Dollar volume	Percent under \$20	Number of employees	Total cost personal services	Yearly average per employee	Daily average per employee	Average cost
Administrator's Office.....	4,500	\$534,516	61	12	\$34,674	375	1.5	\$7.70
Social Security.....	7,692	3,399,624	63	19	53,750	405	1.6	6.99
Public Health.....	95,500	18,871,562	49	134	413,481	713	2.8	4.33
Office of Education.....	945	31,148	61	4	10,293	236	.9	10.89
Food and Drug Administration.....	6,437	382,921	60	20	69,000	322	1.3	10.72
Office of Vocational Rehabilitation.....	840	57,996	64	2	4,834	420	1.7	5.75
St. Elizabeths Hospital.....	5,100	2,650,872	34	6	19,828	850	3.4	3.89
Total.....	121,014	25,928,639	50	197	605,860	614	2.4	5.00

than three per day (2.4), and half of them were for items costing less than \$20.

This condition has prevailed for more than a year and the figures contained in table VI were known to Agency officials; yet, no remedial action has been taken.

SUPPLY ROOMS

The circumstances surrounding the current consolidation of the four existing supply rooms in the headquarters office provides a case in point. Two years ago, at the time of the physical integration of the Agency in the two adjacent headquarters buildings, a management study was made to determine the feasibility of consolidating these separate supply rooms into one centralized service. Research on the project was done by Agency management people as well as by experts from the Bureau of Federal Supply and the Bureau of the Budget. Each of these groups, in turn, recommended the consolidation, and the Agency reports that it will effect the consolidation in the near future; however, that determination and decision has been in process for 2 years and the result is not yet a reality.

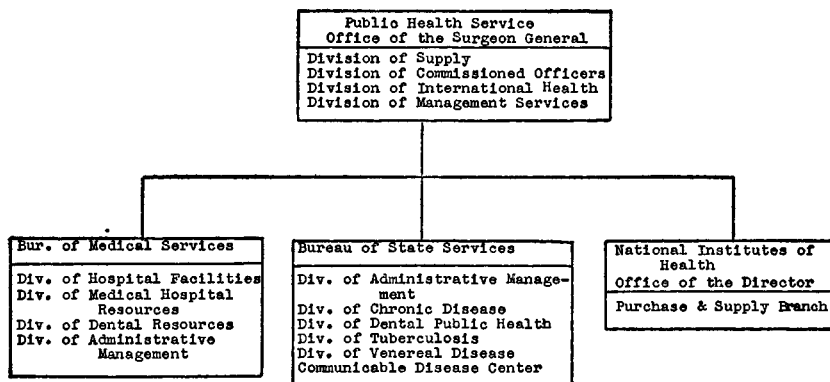
LIBRARY SERVICES

A similar story could be related incident to the consolidation of library services. They have been centralized but not integrated and all personnel formerly employed in the separate libraries were merely transferred to the new central one. Under this kind of administration, the alleged economies are largely imaginary.

PROCUREMENT IN THE PUBLIC HEALTH SERVICE

The central procurement office in the Office of the Surgeon General, Public Health Service, is described as a highly centralized staff of 43 persons serving the needs of the entire Service. However, it was found that matters of procurement are handled at 15 different points within the Public Health Service organization including 46 employees at the National Institutes of Health (Bethesda, Md.) and a warehouse facility with 18 employees at Perry Point, Md. (See table VII.) This supply station was established, to a large extent, to serve the 24 hospitals operated by the Bureau of Medical Services.

TABLE VII.—The following chart identifies the points at which procurement activities are carried on in the Public Health Service, Federal Security Agency



In addition to the above-described procurement service, the headquarters also maintains a Division of Management Services (108 employees) which includes an Office Service Branch (38 employees) and a Records Management Branch with an additional 38 persons. Similar functions are duplicated at subsequent bureau and division levels throughout the Public Health Service.

It is difficult to reconcile the existence of this disordered arrangement under a centralized system. Justification for the maintenance of a single warehouse with a complete staff located on the extreme eastern seaboard to provide service within a Nation-wide supply system is highly questionable. This again points up the rather peculiar concept of the centralized versus decentralized issue within the Agency. It again exemplifies the prevailing spirit of indecision and lack of control and authority in the Agency.

MANAGEMENT IMPROVEMENT

Prior to the initiation of this survey, the committee sent a questionnaire to several civilian departments and agencies, requesting the following information:

1. The name, jurisdiction, authority, and organizational position of each unit having assigned responsibility for management improvement activities;

2. A list showing the name, title, and annual salary of each employee in these units;
3. The estimated total cost of management-improvement activities during fiscal year 1950;
4. A statement describing the over-all operations of these units as they contribute to better utilization of manpower;
5. A copy of each study made by these units during fiscal year 1950.

The purpose of the inquiry was to determine if the agencies were equipped with the management tools necessary to put their own house in order. Although the reply submitted by the Federal Security Agency was incomplete, disorganized and evasive, it is hoped that the additional information developed during the survey provides a conclusive answer to this basic question.

It is significant to note that emphasis is currently being placed on management improvement activities within the executive branch as reflected in the contents of Presidential Executive Order 10072, which states in part that—

1. Department and agency heads shall (a) review the programs under their respective jurisdictions to assure themselves and the President that such programs are being carried out with maximum effectiveness and economy, (b) provide for periodic and systematic appraisals of operations to identify opportunities to improve effectiveness and performance, (c) schedule action to work out and install improvements, giving priority to the activities promising greatest benefits in economy or better service for the same or less money, and (d) report periodically to the Bureau of the Budget on the progress made in establishing management improvement programs and the results achieved therefrom.

Table VIII: Personnel Engaged in Management Improvement in the Federal Security Agency, shows that there are 292 employees engaged in management improvement activities at 29 different points throughout the Agency at an estimated annual cost, for personal services, of \$1,463,356. As a result of this dispersal or decentralization, each management group works within the confines of its own office, bureau, or commission. The prevailing idea is one of detailed manual or machine operation improvement with little thought given to organization and administrative problems as they affect the entire Agency.

The Agency's focal point for leadership in this field is the Division of Administrative Planning in the Office of the Administrator. It is composed of seven persons. Most of the management personnel are scattered throughout various Organization and Methods units. Our survey disclosed that few, if any, of these units were engaged in management-improvement activities in the accepted sense. Actually, they are assigned to various day-to-day operations not always related to management.

There is an important difference of opinion on how these people can best be assigned. In the Office of the Surgeon General, for example, a central-management group is available for temporary assignment as individuals or in teams to study any problem which arises throughout the Service. In the Bureau of Medical Services, however, the individual members of the management group are assigned indefinitely to operating units within the Bureau. No decision has been made on the optimum utilization of these people and, as a result, their efforts are usually frustrated and ineffective.

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TABLE VIII.—*Personnel engaged in management improvement in the Federal Security Agency—1950*

Identity of organizational units	Number of persons	
	Reported on management improvement questionnaire by agency	Shown by survey
I. FSA, Administrator's Office (staff)	None	2
(1) Division of Administrative Planning	5	7
(2) Office of Field Services	None	8
II. Office of Education (staff)	2	None
III. Social Security Administration (staff)	None	None
(a) Bureau of OASIS:		
(1) Division of Accounting Operations	23	41
(2) Division of Field Operations	32	44
(3) Division of Claims Control	19	19
(4) Division of Management Planning and Services	15	26
(b) Bureau of Federal Credit Unions	None	None
(c) Children's Bureau (staff)	2	2
(d) Bureau of Public Assistance (staff)	None	None
(1) Fiscal and Administrative Methods Branch	4	5
IV. Public Health Service (staff)	None	9
(1) Division of Management Services	5	31
(2) Division of Finance	None	8
(3) Division of Personnel	None	7
(4) Division of Supply	None	5
(a) Bureau of Medical Services (staff)	None	None
(1) Division of Administrative Management	3	9
(2) Division of Hospital Facilities	None	19
(3) Division of Foreign Quarantine	None	3
(4) Division of Federal Employee Health	None	3
(b) Bureau of State Services (staff)	None	None
(1) Division of Administrative Management	2	11
(2) Division of Chronic Disease	None	2
(3) Division of State Grants	1	None
(c) National Institutes of Health (staff)	3	5
(1) National Cancer Institute	1	2
(2) National Heart Institute	None	2
(3) National Institute of Mental Health	None	5
(4) Division of Research Grant and Fellowship	None	1
V. Office of Special Services (staff)	None	1
(a) Food and Drug Administration (staff)	10	1
(1) Division of Business Operations	3	3
(b) Office of Vocational Rehabilitation (staff)	None	None
(1) Division of Administrative Standards	1	11
VI. St. Elizabeths Hospital	None	None
Total	131	292
Ratio to total personnel	1:268	1:121
Total number of central locations in FSA	17	29
Cost for personal services	656,508	1,463,356

¹ Projected from reported costs.

There is too little acceptance and enforcement attached to their staff findings and recommendations. The reason for this nonacceptance stems from the basic conflict between the so-called program operators dominate the funds and, in the end, this makes it possible for them to reject any suggestions for improvement that might be construed as an impairment to their program.

Occasionally, when an over-all need arises such as the action required incident to Executive Order 10072, the Agency Management Committee is convened to develop recommendations which will be acceptable to all of the constituent bureaus. Under this arrangement the majority rules and the Administrator's representative is hopelessly outnumbered. The resulting recommendation is often a watered-down version of what is patently desirable for it is usually based upon the particular interests of Services or Bureaus rather than upon the

merits of the case. In these instances, the committee device is cumbersome, time-consuming, and almost completely ineffective.

The management program is not entirely without merit. Several examples of outstanding work were encountered in the Bureau of Old-Age and Survivors Insurance of the Social Security Administration. One of their projects has resulted in the development of a staffing pattern based upon workloads in each of the 478 field offices. Commendable progress has been made in the staffing standards for machine operations in this same Bureau.

In other bureaus there is a very unfortunate tendency to evaluate the degree of administrative efficiency upon a percentage of all the money expended. Inasmuch as a major portion of the funds handled in FSA takes the form of grants, fellowships, or trust funds, it is hardly reasonable to use the volume of expenditures as a measure of efficiency.

The Agency is placing a major emphasis upon a work-plan device which originated in the Social Security Administration and is now being extended throughout the entire organization. Its original purpose was good, for it was directed at the coordination and control of programs and upon the validity of contemplated activities. It has, however, been allowed to degenerate into a presentation of all of the ideas that individual units aspire to put into action. The extent of deviation from its original purpose is indicated in a list of 137 administrative projects suggested in the Public Health Service. Actually, an examination reveals that less than half of them pertained to improved management.

Along with these work plans each Bureau Director also submits a forecast and guide designed to govern operating personnel in developing their own particular work plans. The nature of these instructions is revealed in the following excerpts taken from a guide issued by the Bureau of Old-Age and Survivors Insurance for the period January to June 1950:

In the light of the Bureau's continuing goal to advance economic security and of the forecasts of conditions in January-June 1950, our priority guides for work in this period will be to—

1. Obtain legislative changes, increasing benefits, broadening coverage, and providing disability insurance. Our first job will be to get the needed facts and ideas to the Members of Congress as they consider the legislation.

2. Complete administrative plans for the expanded and improved OASI program. Rules and regulations, methods, organization, personnel, training, budgets, public information, supplies, equipment, and office space—these are the major areas in which plans need to be advanced to the operational stage as the legislation becomes more definite.

3. Reach agreements within the Bureau and with the Administration and the Agency as to delegations of authority and responsibility. The Bureau will continue to cooperate in Administration, Agency, and Government-wide efforts to explore the desirability of further decentralizations as urged by the Hoover Commission.

4. Advance the career interests of Bureau employees.

5. Gain congressional authorization and appropriation for the construction of a new central-operations building, and decide on plans and location. Early in the period, we must be prepared to present our case for a new building to the House Public Works Committee and, when House approval is obtained, to the Senate committee.

6. Create more understanding of the purposes and procedures of our program. We will aim activities at two audiences: (1) our Bureau staff; and (2) the public.

With few exceptions, the management-improvement activities in the Agency operate in an atmosphere of uncertainty. The various

units are frustrated and disorganized. Under the present arrangement they are not producing in proportion to their costs. Their adversaries, firmly entrenched in programs and fortified with historical prerogatives and purse strings, will not permit improvements until definite action is taken at the top of the Agency.

AREAS OF UNSATISFACTORY STAFFING

In evaluating the quality of administration in the Federal Security Agency, there are three organizational units which require careful scrutiny. They appear to be examples of gross overstaffing. They are (1) the Office of Education; (2) the Division of Management Planning and Services in the Bureau of Old-Age and Survivors Insurance, in Baltimore; and (3) the field service units throughout the Agency.

1. The Office of Education numbers 355 employees. Of that number 155 are in positions above grade GS-11. There are 102 secretarial employees representing 28.7 percent of the total work force in the office. The Division of Central and Auxiliary Services in this office numbers 98 employees.

2. Bureau of Old-Age and Survivors Insurance, Social Security Administration Headquarters in Baltimore, Md.: the Division of Management Planning and Services in this headquarters has a personnel complement of 240 employees, assigned in branches as follows:

	<i>Employees</i>
Office of the Chief.....	3
Fiscal Management Branch.....	71
Administrative Management Branch.....	26
Management Services Branch.....	140
Total.....	240

Considering that this unit serves only at the bureau level, and in view of the duplication of similar effort at other levels throughout the Administration, this unit appears to be unreasonably large.

In 1948 the Social Security headquarters office was reduced in conformance with the provisions of the Labor-Federal Security Agency Appropriations Act of 1949. The majority of the headquarters staff was moved from Washington to Baltimore at that time. It is clear that these additional units were not properly realigned with the staff already existing at the new location.

At any rate, as now constituted, this Division presents a fertile area for reorganization and reduction of employees.

3. Field service offices: One of the most unique characteristics of the Federal Security Agency is the existence of field service offices attached to almost every part of the organization. In fact, there are no less than 30 of these offices dispersed through the various bureaus and divisions, many of them duplicating efforts assigned elsewhere in the Agency. In many instances, their existence does not follow any acceptable organizational pattern.

At least some of the key officials interviewed attempt to justify their existence as a vital part of the Agency's public relations program. Employees in these units were described as the people who make speeches and acquire radio time to promote the Agency's program.

Documentary evidence secured in the Agency reveals that some of the field service employees feel that a disproportionate part of their time is spent in public relations. This evidence is reproduced herein as exhibit 3 of the appendix.

CONCLUSION

The above examples are cited to illustrate the extent to which administrative indecision, lack of fixed responsibility and authority, faulty budget structures, and uncontrolled personnel practices contribute to overstaffing and resulting inefficiencies in the Agency. There is no evidence to refute the implication that the same elements do not affect the program side of the Agency in the same manner—perhaps to an even larger degree.

In the holding-company type of organization like the Federal Security Agency, wherein related activities are placed under common supervision, it seems reasonable to assume that the most promising area for the development of efficiency and economy is in the common administrative staff services. Certainly less resistance would be encountered there and incalculable benefit could accrue from the welding together of these elements into a cogent whole.

Many, if not all, of the shortcomings and discrepancies are known by the key officials in the Agency. Some of them contend that departmental status for the Agency must precede their solution. Others are wary of making decisions that will reduce employment or incur the ill-will of a colleague or a particular group with whom they disagree. Still others are evasive and tend to defend the prevailing circumstances regardless of the preponderance of evidence to the contrary. Most of these officials, however, in a sincere attempt to treat the problem objectively, will admit that most of the charges made herein are valid. They, as well as the committee, realize that there is no organized effort working toward the self-improvement of these conditions from within.

It is important to recognize that the Federal Security Agency is a relatively new addition to the executive branch. During its comparatively short life, it has experienced major additions and deletions in its organization—most of them incident to World War II. The continued surveillance of committees of Congress should be a vital factor in the improvement of the Agency in the immediate future and especially before it has reached the degree of immobility usually associated with an old-line department.

RECOMMENDATIONS

In the light of findings outlined in this report, the committee makes the following recommendations which it believes necessary to improve the over-all management of the Federal Security Agency and to identify the areas in which significant reductions in employment can be made without loss of efficiency.

1. *The line and limit of responsibility and authority should be clearly defined in the Agency.*—An understanding of and an adherence to a more unified pattern of administration among the constituent bureaus should be established. Authority should be commensurate with responsibility.

2. *A thorough study of the organizational structure of the Agency should be conducted by the Office of the Administrator.*—Its primary objectives should be to—

(a) eliminate personnel engaged in conflicting, duplicating and nonessential areas of line and staff work;

(b) develop more extensive use of consolidated administrative services;

(c) reduce the number of units and personnel carrying on field service relationships in both administrative and program operations;

(d) reduce the number of units and personnel engaged in duplicating and overlapping program activities.

Responsibility and authority to implement the recommendations of this study should be definitely fixed.

3. *Authority now delegated to the executive assistant in charge of the Office of Administration should be strengthened to enforce attainment of the following objectives throughout the Agency and its constituent bureaus.*

PERSONNEL MANAGEMENT

(a) A stronger central control of personnel management, emphasizing the economical utilization of employees;

(b) A reduction in the number of employees engaged in personnel work to comply with established staffing ratios;

(c) A more realistic delegation of appointing authority under the current plan of decentralized operations;

(d) A strong central control of position classification to correct present inequalities and insure future alinement with accepted performance standards;

(e) A central source of current personnel data necessary to the intelligent administration of a large group of employees;

(f) An elimination of the special handling of personnel in the Division of Commissioned Officers and a subsequent integration of all its personnel activities in the Personnel Division, Public Health Service.

FISCAL MANAGEMENT

(a) A rearrangement of the budget structure to provide funds directly to organizational heads rather than to the various category programs they supervise;

(b) A consolidation of accounting functions with an accompanying reduction in the number of widely dispersed units;

(c) A strengthening of the position and authority of the Agency budget officer in the initial review and control of requests from bureau chiefs for organizational changes, increased functions or additional personnel.

GENERAL SERVICES

(a) An immediate reduction in the number of units and personnel performing duplicate housekeeping functions such as procurement, supply, mail distribution, space, time and leave records, and reproduction services;

(b) A strengthening of the influence and control to be exercised by the Agency Division of Service Operations in both the headquarters and field offices;

(c) A better delineation between the provinces of the Division of Service Operations and the Office of Field Services in the Office of the Administrator.

MANAGEMENT IMPROVEMENT

Finally, but of the utmost importance—

(a) A complete reassignment of responsibilities and authorities for management improvement in the Agency and its constituent bureaus. The present abundance of qualified management personnel should be completely redeployed throughout the Agency without regard to the selfish interests of particular programs.

(b) Subject to the review and approval of the Administrator, the Executive Assistant should be authorized to—

1. determine the need for all management improvement surveys throughout the Agency;
2. assign personnel to the survey teams;
3. approve or reject team recommendations;
4. implement and enforce approved recommendations.

Additional recommendations pertaining to the Federal Security Agency will be included in subsequent reports of the committee.

In conclusion, the members of the committee wish to express their appreciation to the many career employees of the Federal Security Agency who gave their generous cooperation in the development of this report.

APPENDIX

EXHIBIT I

The Office of the Administrator of the Federal Security Agency includes the following staff offices: Research, Administration, General Counsel, Publications and Reports, International Relations, Federal-State Relations, and Field Services. This group assists the Administrator in supervising and directing the activities of the Agency and its constituent organizations, which consist of:

I. *The Social Security Administration*, with the Office of the Commissioner supervising the following bureaus:

A. *Bureau of Old-Age and Survivors Insurance*.—Administers a national system of old-age and survivors insurance; maintains accounts of employee earnings; processes and certifies for payment initial claims for insurance benefits; recertifies monthly payment of awarded claims; appraises the old-age and survivors insurance program and recommends improvement.

B. *Bureau of Public Assistance*.—Develops Federal program requirements and standards for State old-age assistance, aid to dependent children, and aid-to-the-blind programs; provides technical assistance to States on public assistance program requirements and improvement; reviews and approves State public-assistance plans, operations, and grants; appraises the national public-assistance program and recommends improvement.

C. *Children's Bureau*.—Investigates and reports upon matters pertaining to the welfare of children and child life, including the formulation of standards, guides, and recommendations for use in the development of services for children; administers grants to States under the Social Security Act for maternal and child-health services, services for crippled children, and child welfare services; provides advisory services to States and to public and private agencies on the development of effective programs for mothers and children.

D. *Bureau of Federal Credit Unions*.—Administers the Federal Credit Union Act, including the following: Charters, examines, and supervises Federal credit unions; prescribes accounting forms and operating procedures; promulgates Federal credit union rules and regulations; issues manuals and instructional material for Federal credit union officials; makes studies of credit union conditions and trends.

II. *The Public Health Service*.—The Office of the Surgeon General provides staff assistance to the Surgeon General and gives leadership in the promulgation of Service-wide policies and procedures for the over-all management of the Services; makes and coordinates studies of national health problems for planning new programs or new approaches to existing programs; participates in and coordinates Service-wide aspects of international health planning and operations; and develops and maintains certain administrative and office services on a centralized basis. The Surgeon General supervises activities in the following Bureaus:

A. *Bureau of Medical Services*.—Administers service hospitals and clinics for beneficiaries; enforces quarantine laws; advises on policy and develops standards, techniques, and plans affecting medical and hospital services; administers State grants for survey, planning, and construction of hospitals and health centers; advises on and assists in developing nursing methods, resources, and remedial care; advises on dental aspects of clinical care; collaborates in development of dental methods and resources; administers service aspects of Federal employee health programs; provides professional personnel for medical programs of Federal agencies.

B. *Bureau of State Services*.—Constitutes the operating bureau for Federal-State and interstate health programs, including interstate quarantine; administers programs assisting and supplementing State health activities in the areas of general health, radiological health, industrial hygiene, environmental and general sanitation, water-pollution control, tuberculosis, venereal disease, vital statistics, dental health, and communicable and chronic diseases; supervises the Philippine rehabilitation and Alaska health and sanitation programs; through PHS regional medical directors, coordinates field activities of the Service insofar as Federal-State relationships are involved.

C. National Institutes of Health.—Conducts scientific investigations in medical and related sciences; coordinates research activities of the institutes with related programs elsewhere in the Service; cooperates with other governmental and private agencies to further medical research; administers research grant, fellowship, and training programs; including grants for teaching, construction of research facilities, and cancer and mental health community controls; develops and enforces biologics control regulations; publishes and disseminates scientific findings; advises the Surgeon General on all scientific research matters.

III. *The Commissioner for Special Services* is responsible for the direction and supervision of the following organizational components:

A. Food and Drug Administration.—Administers a program to protect United States consumers and manufacturers. Through inspections at ports of entry and factories, laboratory analysis of samples, seizures, and other means, acts to prevent imports and remove interstate shipments of misbranded and adulterated food, drugs, devices, or cosmetics. Promulgates standards of identity and quality for food and acts on applications for new drugs. Certifies coal-tar colors, insulin, penicillin, streptomycin, aureomycin, chloramphenicol, and bacitracin. Cooperates with other Federal agencies and State officials to check adulteration and misbranding. Assists other Federal agencies in the analysis and investigation of food and drug products.

B. Office of Vocational Rehabilitation.—Administers a program of grants-in-aid to States for the vocational rehabilitation of disabled persons, including such services as vocational diagnosis, counseling, training, medical examinations and corrective surgery, medical and psychiatric treatment, prosthetic appliances, maintenance during training and physical restoration, and furnishing of customary occupational tools. Makes studies, investigations, and reports on aptitudes and capabilities of handicapped individuals to develop their potentialities and prospects for gainful employment. Provides direct services for disabled citizens in the District of Columbia.

IV. *The Commissioner of Education* supervises six divisions which perform the following functions:

A. Division of Elementary and Secondary Schools.—Conducts studies of organization, supervision, teacher training, and instructional problems; furnishes information through published material; carries out experimental and demonstration work leading to the development of criteria for evaluating the effectiveness of present systems; furnishes consultative and advisory services; maintains cooperative professional relationships with Federal, State, and professional bodies.

B. Division of Vocational Education.—Administers George-Barden and Smith-Hughes Acts; makes studies and investigations in the field of vocational education to improve instructional programs, teacher training, administration, and further develop vocational education; furnishes consultative and advisory services, maintains cooperative professional relationships with Federal, State, and professional bodies.

C. Division of Higher Education.—Stimulates and carries on research to develop programs for the improvement of higher education; collects and disseminates information regarding higher education; furnishes consultative and advisory service and maintains cooperative professional relationships with Federal, State, and local agencies dealing with higher education; administers funds appropriated for land-grant colleges under the Morrill Act of 1862 and subsequent related acts.

D. Division of Central and Auxiliary Services.—Develops and maintains central statistical and report analysis services and information and publications services; carries on studies and continuous research on school libraries, education uses of radio, visual education, and related subjects; furnishes consultative and advisory services; maintains cooperative relationships with professional organizations and bodies; provides a central administrative analysis and procedures service; maintains administrative services including budget, accounts, personnel, and service operations; administers collection of student war loans.

E. Division of International Educational Relations.—Prepares and publishes basic studies of the educational systems of other countries; evaluates credentials of foreign students desiring to enter colleges or universities in the United States; plans procedures to be followed in the exchange of educational personnel, professors, teachers, and students, and for the exchange of educational materials for use in schools; cooperates with the Department of State and other public and private groups in development of specific policies and projects.

F. Division of School Administration.—Carries on cooperative studies with State and local authorities involving school organization, pupil transportation, legislation, finance, housing, school health services, and general business administration

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of schools and school systems; furnishes consultative advisory services; maintains cooperative professional relationships with Federal, State, local, and professional bodies; supervises the program of the Office of Education relative to the disposal of surplus and donable real and personal property.

EXHIBIT II

Tabulation of personnel activities during fiscal year 1950

GS or corresponding grade	Rate of turn-over	Number of		GS or corresponding grade	Rate of turn-over	Number of	
		Separations	Accessions			Separations	Accessions
15.....	19.1	74	169	6.....	11.3	37	25
14.....	8.5	32	39	5.....	21.1	403	435
13.....	10.4	71	90	4.....	16.9	205	169
12.....	12.8	161	140	3.....	25.2	425	540
11.....	36.7	447	202	2.....	31.8	721	674
10.....	9.0	9	4	1.....	57.1	905	921
9.....	26.9	368	250	Total or average.....	26.3	4,094	3,828
8.....	6.2	20	16				
7.....	25.2	216	163				

EXHIBIT III

SUMMARY—CONFERENCE OF REGIONAL DIRECTORS, WASHINGTON

I. INTRODUCTION

The regional directors' conference held in San Francisco February 21–23, 1950, was the first such meeting to be scheduled on the Pacific coast, and the fourth since the establishment of the Federal Security Agency regional organization. Assistant Administrator Thurston acted as conference chairman. Administrator Ewing attended on the third day, as did Mr. Arthur Altmeyer, Commissioner for Social Security, returning from his trip to New Zealand. Dr. Joseph O. Dean, Assistant Surgeon General, represented the Public Health Service at the sessions.

Opening the conference Mr. Thurston expressed to Fay Hunter on behalf of the other regional directors and the Washington staff the group's and his own personal pleasure in having this opportunity to meet in the Golden West. He mentioned the goal of quarterly conferences, with meetings to be held in the other regions throughout the country. Mr. Thurston went on to say that this schedule should permit exploration of many more problems and with greater intensity than had been possible in the past. He preferred to name these conferences "Regional Directors' Staff Meetings," encouraging an informal free exchange of ideas and opportunity to identify major problems as well as to outline achievements.

Next, Mr. Hunter welcomed the group and announced specific arrangements which had been made to facilitate the effectiveness of the staff meeting and to assure each visitor an enjoyable stay while in San Francisco.

Discussions in the ensuing sessions followed the subject matter of the agenda quite closely except that (a) "Management improvement" was moved up from session V to the end of session IV, (b) audit questions were inserted at the opening of session V, (c) the remainder of this session was devoted to hearing from the Administrator regarding Federal legislation and from him and Mr. Altmeyer regarding social insurance abroad, and (d) a tour of the laboratory of the Food and Drug Administration was substituted for the planned tour of the regional office.

For the general reporting of the conference we are indebted to members of the secretarial staff of the region X office; for this summary, in major part to Mr. Ivan Asay, of the Public Health Service, and Miss Esther Faier, administrative assistant to Fay Hunter; and for general supervision of the reporting arrangements to John W. Gray, executive assistant in the region X office.

The summary follows a subject-matter arrangement which does not in all cases represent the chronological order in which all phases of the material were discussed.

II. REGIONAL DIRECTORS' REPORTS

To provide at the outset a high-light sampling from regional vantage points, each regional director made a brief statement, some centering on subjects previously suggested by the office of field services.

Program developments in region I (Mr. Bresnahan)

Public-assistance problems have entailed extensive negotiations in Connecticut and Massachusetts. The public does not recognize the situation in Massachusetts as a State problem and is blaming FSA. Unless steps are taken to counteract criticism, the public will lose confidence in the Agency. It is important to know how far we can compromise and still not lose face; also what ceiling and floor should circumscribe the regional director's responsibility for negotiating with States.

White House Conference committees are active in six States. A request to Washington for a sample plan of operation has, however, been pending 5 months.

OASI has completed a very successful 6 months' training program for general orientation in FSA programs.

More help is needed in handling surplus-property-disposal matters.

Requests for health-insurance speeches from the staff and speakers bureau have reduced 50 percent.

Excellent operations and public-relations results characterized the chest X-ray survey in Boston, where 523,000 were X-rayed and only 3,000 potential cases were found.

Water-pollution control reports on all New England streams are being prepared. The Governors are interested. There is some fear that tightening of standards will drive industries to other areas.

A survey of milk control in Providence has been made by the regional staff upon request, and the report will be released shortly.

Problems and progress in region II (Mr. O'Connor)

Requests for information on OASI benefits to which individuals are entitled are coming increasingly from industries with retirement plans paying the difference between a given total and the amount payable under OASI. They are being referred to headquarters. This is a growing problem and policy regarding availability of OASI records for this purpose is needed.

A trend toward avoidance of Federal supervision is seen in New York where the Governor is advising against acceptance of relatively small Federal grants under certain PHS and CB programs. The State commissioner of welfare recently expressed the Governor's attitude vigorously to a congressional committee.

Regional office integration has been completed. A central file has been established and is working satisfactorily. However, Nation-wide uniformity in the filing system seems unwise. Regional directors should be free to develop their own systems as emphasized at the Dallas conference and concurred in by the Administrator.

Interconstituent coordination in the regional office is making for more effective relations, particularly in dealing with State commissioners and governors. In Pennsylvania, for example, an integrated approach is bringing merit-system results for the first time. Coordinated strides are also being made on the New Jersey merit system.

Comprehensive orientation in FSA programs has gone forward, not only for the regional office clerical staff but for OASI field-office personnel. Information concerning any FSA program can be obtained from field managers.

About 150 talks on health insurance have been made or arranged on a selective basis by the regional staff since the last conference.

There is need for clarification on grant and audit policies, particularly as between PA and PHS.

It would seem that a real contribution could be made by regional directors by more frequent participation in the formulation of legislation and other aspects of national program policy. Serving as eyes and ears for the Administrator they are in a position to know a good deal about what the public needs and will support.

Major needs in region III (Dr. Coffey)

While much could be said about progress and achievements, a listing of major current problems for headquarters' consideration may be the most useful contribution:

1. A clearer and more uniform policy governing the audit of State grants is essential to efficiency and good relations with States.
2. The increasing backlog in auditing State accounts leads to waste and injured relations.
3. More equitable stenographic staffing for the various regional office program units should be developed, in terms of both numbers and grades. Uneven work-loads and unexplainable variations in grades are bad for morale and efficiency.

4. Clearance for attendance at professional meetings (aside from those requiring the Administrator's clearance) is required by some bureaus, even though the individual may be taking annual leave. Clarification and consistency are needed on this issue.

5. A consolidated filing system for the regional office is desirable. Region III itself could have long ago extended either its subject-numeric plan (PHS) or its Dewey-decimal plan (SSA) except for advice that a recommended plan for all regional offices might be forthcoming.

6. A supply of uniform, up-to-date letterheads would be an improvement over the continued practice of having to adapt a variety of old letterhead stock.

7. Lack of funds for even small essentials of a central service character is a serious handicap to integrated operations. If central funds are inadequate to subscribe for periodicals, for example, it would seem better that they be purchased from bureau allotments.

The state of region IV (Mr. Johnson)

Some progress is being made in gaining understanding of extended coverage for agriculture and State employees. The Governor of Ohio does not agree with the opposition expressed by the secretary of the State retirement system.

PHS is moving along. Progress on hospital construction will be exemplified March 4 when the first Ohio hospital will be dedicated, hopefully with the Surgeon General as speaker. Pioneering is being done on home-accident prevention. How liaison will be maintained with out-patient offices after July 1 is a question. Will hospital MOC's be able to handle these contacts with local contract physicians as some regional medical directors have?

There are indications that individual faculty members, if not the deans of schools of medicine, can be counted upon to support aid to medical education. Agency policy on this is desired.

OVR is making significant progress in Kentucky and Ohio. In Ohio the regional representative is doing an excellent job of stimulating a study which ought to bring this State up to the front ranks from its present position of fiftieth in terms of per capita expenditures.

Child-welfare programs need improving. A capable new child-welfare representative has been assigned, but a representative for MCH is still lacking.

The Federal Credit Union is making good progress, with the UAW showing definite interest.

PA is going along well. There are merit-system problems in Ohio. The State has lost \$800,000 in 5 years through exceptions taken to grants due to poor personnel practices, but we have had conferences with the Governor and hope to get back about \$40,000 as a token of good will. Improved practices in the future are anticipated.

The experiment in Detroit with in-service training is a satisfying example of coordinated effort. In attendance were 110 OASI employees and 15 persons from the regional office, FDA, and marine hospital. This was a 1-day institute on what the FSA is trying to do. The evaluation sheet filled out by each participant will be valuable in planning future sessions.

OASI managers are being encouraged to develop programs on problems of the aging and many of them are taking it up.

The tabulation sheet shows the workload of region IV is third highest, our population is the third largest, and yet we have the least staff. Representatives are essential for child health, mental health, and dental health.

Initial impressions from region V (Dr. Miller)

As this was his first regional directors' conference, Dr. Miller was given a special welcome by Mr. Thurston. In summarizing first impressions Dr. Miller touched upon the following points:

As outpost for the Administrator, the regional director's job seems to include the over-all implementing of health and welfare programs with the political, social, and health forces of the States. In Chicago are located the headquarters of many social agencies, plus the AMA; also organizations of mayors, governors, and other public officials. To work with such agencies the regional director needs an especially capable executive assistant.

Region V office space is excellent—all on one floor. Whether PBA will permit its retention is a problem now receiving attention.

A special handicap noted by one who is just new is the dire poverty of the regional set-up. Compared to welfare budget standards for OAA and ADC the regional office budget would seem quite inadvisable.

Inconsistencies are apparent in correspondence, typing, filing, and other procedures among the various program offices of the region. Training in office practices and orientation in FSA programs will need to be given attention by the executive assistant.

Further delegation of authority for personnel actions seems desirable, as soon as the regional directors are sufficiently instructed and equipped.

Region V has a tremendous job in public relations, with a powerful press constantly seeking to discredit Agency programs. A public relations committee has been set up and a consolidated library is planned. It is unfortunate to be unable to procure subscriptions for essential periodicals.

The regional director's own orientation is being approached from the standpoint of (1) what is our legal responsibility in each program; (2) what is the organization of each program and how is it carried out; and (3) functionally, how does the organization work? It is planned to get into the States and to see how things work from the receiving end.

Program outlook in region VI (Mr. Lyle)

Clarification of PHS audit policy is needed. The regional medical director who recently transferred from region V observes inconsistencies between regions, particularly as regards the blanket reservation to the effect that, although the auditor has found nothing wrong, available records do not enable him to certify that all expenditures were for the purposes authorized.

Integration of the CB programs of Puerto Rico and the Virgin Islands into region VII would be a great improvement. To have CB programs handled by region III while all other FSA programs are handled by region VII seems a paradox.

Considerable interest in H. R. 6000 was shown by the Southern Conference of Governors when the regional director and some field managers led a discussion at their Mississippi conference. They are frightened over the possibility of bankruptcy unless PA expenditures are lightened by extended insurance. Follow-up discussions with the Governors of Maryland, Mississippi, and South Carolina and with the actuary of Georgia, confirmed their interest. Work with the Agricultural Extension Service on questions of extending OASI to farm occupations is showing good results. Agricultural workers can be shown how much they lose when they work in covered employment occasionally but never enough to be eligible for benefits. Southern governors seem to favor coverage of agriculture. Four State welfare heads have testified in favor of it in the Senate. Support is coming from unexpected sources.

Reaching people through labor unions in region VII (Mr. Doarn)

It has not been hard in a particular city to develop fairly elaborate programs of cooperation with labor unions. But a region-wide program is needed, and region VII has been able to work one out with UAW-CIO:

1. Area education conferences are being held by the CIO throughout the Nation, including all principal cities in region VII. The regional staff will help develop programs, provide display material, furnish speeches, take part in panels, and distribute information.

2. Union counselor training programs are also Nation-wide. Here counselors will attend 6- to 8-week classes for training in how to advise union members on their personal problems. For the current classes in the two Kansas Citys, the regional office has designated a person from each bureau to make a presentation. Classes will be extended to other cities and will continue to be held for rank-and-file members. As both of these CIO programs are Nation-wide they afford a channel for participation by other regions.

3. A list of all CIO publications in the region has been obtained and the way is open for a series of articles on FSA. These 10 to 20 articles can be very worth while. Who will write them is a problem.

4. The CIO has trained many speakers through its adult-education program. Topics and material for speeches are needed and FSA program material finds eager acceptance.

5. UAW has an extensive circulating film library. Regional staff members are seeing some of their films and showing them some FSA films. This affords an opportunity for mutual exchange and for FSA films to reach CIO locals.

6. Lists of key CIO officials have been furnished all regional representatives and they are expected to contact these officials regularly as they visit various cities. They will learn more about union programs and much good can come from such knowledge.

7. Bureau representatives also are invited to attend monthly CIO luncheons in Kansas City. Better acquaintance and mutual exchange should result.

The union is a good channel of communication. Its people have interests in common with FSA. They not only want facts to use but are able to reciprocate with much valuable information.

For a series of radio programs help is needed in writing scripts. When region VII made what seemed like an extreme request of 20 radio stations for 15-minute programs to continue 12-14 weeks, the response was surprisingly favorable. Scripts written for this could have Nation-wide value. Washington ought to find some way of furnishing necessary help.

Information and training in region VIII (Mr. Bond)

The regional information program was evaluated with the aid of three experts obtained for limited periods and was renovated in line with their recommendations. Later, it is hoped a reappraisal can be made.

One of the first steps was to set up a speakers' bureau. An activity control was established including a listing of some 3,000 organizations and individuals and a procedure for keeping track of their interests, the timing of their conventions, etc. By this means available material is distributed selectively. A clerical worker in the regional office who has some special background for this kind of work is kept busy on it.

Region VIII information activities, July-December 1949, included 1,875 broadcasts, 8,057 spot announcements, 397 speeches, and 1,743 press releases to a wide variety of periodicals. One specific activity was the development of 8-page letters based on FSA's year-end release for 1949. Recipients included United States Senators, State officials, 135 labor organizations, 140 veterans organizations, 32 civic associations, and 75 business firms or associations. (Sample replies were displayed.) A news release was sent to 120 papers in Texas, 47 in Oklahoma, 62 in Louisiana, 37 in Arkansas, and 25 in New Mexico.

On December 14, 15, and 16, region IX conducted jointly with the University of Texas an institute on the central theme of Better Management of the Public Business. It was attended by several members of the Washington staff, by members of the regional staff, by heads of State agencies with which we have program relationships, and by all OASI field office managers and assistant managers in the region. It aimed to bring into focus the basic problems of public administration at this time and to orient key members of the regional, State, and field staff of their increasing responsibilities in the field of individual and family security. There was good publicity. The governor made a fine statement about the institute, expressing his desire for better cooperation between State and Federal people. Other expressions testified that this institute was of great value in advancing the cause of management improvement in the region. The universities of Oklahoma, Arkansas, and Tulane are interested in a similar arrangement.

Integrative activities in region IX (Mr. Harper)

Mr. Harper first expressed appreciation for the help given by Mr. Doarn in connection with region IX participation in the area education conference just held in Denver. The CIO has done a remarkable job of revitalizing its locals and future FSA work with them in Denver will be much easier.

The regional staff is at last united in the Equitable Building. As a result, attempts at integration have been greatly assisted. Those who were most skeptical now seem to be among the most satisfied with the new set-up. General staff meetings are more feasible and require less time. More important, weekly meetings with the unit heads and special conferences on emergency problems are held more readily. A 15-session orientation course for the entire clerical and non-professional staff has proved to be not only a valuable training device but, as a byproduct, has resulted in making that important section of the staff much better acquainted with its attendant benefits.

This week the executive assistant is to be away also and the regional medical director is acting regional director.

The proposed plan for integration of health activities affecting the several constituents is one on which a statement has been requested. We began by exploring for the related PHS content in the OVR program and this led to a most stimulating series of sessions on coordination. As a result, the regional medical director made suggestions to the Surgeon General and to his regional staff indicating the areas in which he believes fuller cooperation is possible.

It is our purpose to further meetings not only to explore all the programs for their health content, but to examine the programs of all the constituent units and

bureaus for content related to other programs. The ultimate objective is not merely educational but to extend the type of cooperative action which the regional medical director has already proposed to the Surgeon General.

Before developing meetings with outside agencies and organizations on the subject of the problem of the aging, the region is first conducting a testing and training program for its own staff. In the course of seeing whether the professional staff is equipped adequately to conduct panel discussions on this problem, a \$5 prize is being offered for the best question submitted.

Highlights from region X (Mr. Hunter, with Mr. Wade and Mr. Burr)

Mr. Wade feels the programs in Alaska are making progress in spite of Indian troubles, regarding the administration of health, education, and welfare. The Territorial Government operates one system and the Bureau of Indian Affairs another, which does not always correspond with FSA philosophy. Until the Indian problems are solved in Alaska, we will have a continuing conflict in the two fields.

Mr. Burr reported that the most significant thing in the past year has been to get across to the public an appreciation of what Agency programs mean to the Hawaiian Islands. With the 6-month crippling strike the entire Territory is now an E area. In the last 10 months it has spent more for unemployment compensation than was paid out in the previous 10 years. With that situation we have been trying to show how much worse conditions might have been had it not been for the FSA programs. In spite of a somewhat hostile press, some success has been attained.

Mr. Hunter summarized various management tools developed in region X:

The Appley task-list method was adopted, by which each employee lists his actual duties and makes a statement on his responsibility. Differences are clarified, supervisor and employee agree upon the presentations, and these are placed in a manual. Ideally, task lists should be reviewed every 6 months, but in view of staff limitations, an annual review is proposed, to confirm the status quo or record changes.

Organizational and functional charts for each bureau have been prepared with the participation of regional representatives. These have been used effectively by the regional office staff and were supplied to OASI field offices for training purposes. Each regional director has received the chart of a typical regional office which region X developed. The only detailed charts not completed are those for PHS, which have not yet received headquarters approval.

The third round of the 6-month work plan has just been completed. Improvement has been such that regardless of whether headquarters requires work plans, regional representatives find them effective. Two reviews are held on each plan—near the end of the third month to see how time goals are being maintained and at the close of the period to evaluate accomplishments. The work program is an excellent tool for planning ahead, for self-appraisal, and for interprogram acquaintance and coordination.

A monthly meeting notice is sent out at the beginning of each month which shows meetings to be held in and out of the region, dates, and who will attend. This information not only provides a control over attendance at meetings, but is a tool of integration. If a staff member can't go to a particular meeting and has a point he wishes emphasized, he can ask that it be presented by another who is going.

A travel control on visits to States is also maintained. This notice to the staff on proposed dates and regional office visitors to States helps avoid having several people in a State at a time.

A number of interagency management activities have involved region X staff. A regional management improvement committee composed of representatives of all Government agencies meets about once a month to discuss management techniques and problems. Recently an annual management conference brought out about 600 participants from education, industry, and government. This conference arrangement is an excellent means of acquainting industry with the fact that government is doing progressive things in management. Standard Oil was very interested and wanted to send 70 to 80 people.

The junior management assistant training program which was recently begun had to be divided into two groups because of the large attendance. There will be about 17 lectures on management and Federal agency activities, the first being given by Mr. Hunter.

Work is also carried on with the Governors' Board of Intergovernmental Relations. It is composed of the governors from the three largest Western States in the region, five representatives from each of the three leagues of cities and asso-

ciations of counties, and Federal regional directors. This Board is an excellent means of acquainting the governors with our programs and problems.

An institute on government was held 2 weeks ago by the University of Southern California in Los Angeles. About 2,000 Federal, State, and local people were present. The panel, which included FSA activities, was attended by about 500.

In three recent instances in region X difficult problems have arisen out of conformity issues: The repeal of proposition 4 in California; a court ruling in Washington on confidentiality of records; and withdrawal of funds from Arizona for the crippled children program. Through negotiation the regional staff was able to settle the issues in California and Washington. However, Arizona brought bad publicity, such as cartoons showing Uncle Sam dumping crippled children out of bed. In the Arizona situation, the headquarters staff did a good job at the hearing held in the State, although the report on the hearing was very slow reaching the regional office. What was serious was the lack of discussion with the Governor and clearance with the regional office before funds were withdrawn. We tend to cry "conformity" too often and too quickly.

III ROLE OF THE REGIONAL DIRECTOR

This subject was discussed extensively as part of the gradual process of clarification for Washington as well as the regions. Mr. Lund pointed out there will always be a "gray area" subject to interpretation and differences of opinion. Much depends upon individuals—both the regional director and regional representatives. But it is important to keep narrowing the "gray area" and broadening the area of common understanding.

In the hope of furthering this, a draft entitled "Some Ideas on the Job of the Regional Director" has been prepared. It attempts to give a perspective on the regional director's job which is broader than merely an administrative service concept. It proposes some guide lines while still leaving considerable latitude. What should be done with the statement remains to be determined, but it may be helpful in some measure toward arriving at a meeting of minds. It is divided into three parts: (1) Administration, (2) program supervision and coordination, and (3) public relations. Perhaps too much emphasis is given to No. 3. (The parts were read separately and discussed.)

1. *Administration.*—The regional director represents the Federal Security Administrator in the field. He is responsible for carrying out those responsibilities and functions outlined in agency orders and field service directives in such a manner as to insure maximum service to the States, localities and the public within his region. His administrative responsibility includes coordination and general supervision of the entire staff of the regional office and full supervisory responsibility for that staff not attached to specific programs or bureaus. The regional director exercises, primarily through his executive assistant, direct responsibility for the administration of management and service functions such as personnel, regional budgets, control and purchase of equipment and supplies and space procurement and allocation; in brief, all phases of management. Those administrative responsibilities also entail the function of staff training and development and the important responsibility of keeping headquarters fully informed as to the progress and accomplishments of the Agency in the region.

In discussing the meaning of the third sentence, three categories of FSA staff were recognized:

First are those employees devoted to Agency-wide services and management in the regional office and not specializing in the work of a particular constituent. In general, these are the Regional Director's "full supervisory responsibility." However, auxiliary service specialists, such as regional attorney, auditor, and personnel representative receive technical supervision and leadership from their principals in Washington. Perhaps there should be inserted wording such as, "With respect to auxiliary representatives serving program representatives in the regional office, the regional director exercises full administrative supervision but not supervision over the technical aspects of the job." It is necessary that the regional director and executive assistant participate more actively in scheduling priorities for auxiliary representatives because of the horizontal impact of their work on many programs. It is important to have a leader in a position to make a decision on priorities where there is a stalemate between representatives themselves. (A question was raised as to whether this concept is understood by the auxiliary representatives in the regions and by their Washington offices.)

At the other extreme are FSA personnel performing duties not considered an integral part of the regional office organization but located within the boundaries

of the region. It is generally agreed that activities not under the supervision of the principal bureau representatives of the regional office are likewise not subject to "coordination and general supervision" by the regional director in the same specific sense. It has not always been easy to identify these activities. However, as general representative of the Administrator the Regional director has a broad public relations function encompassing all FSA activities in his region. Problems occasionally arise in this connection. For example, a Marine Hospital or an OASI area office might handle personnel matters in such a way as to incur the strong criticism of local labor unions. The regional director should first attempt informally to rectify the situation locally. Failing that, he should present the problem to the Office of Field Services. But, if the problem continues, does he have the authority either to demand a report from the local man in charge or to go into the problem office and investigate? It is true, Agency Order 16-1 authorizes the regional director to ask for information on any FSA activity. Yet, it is strategically unwise if not actually doubtful that he would be upheld in Washington if he tried to superimpose his authority upon these nonsupervised activities except upon authorization from the Office of the Administrator. Such a problem is largely academic, Mr. Thurston pointed out, but it does help bring out the scope of the regional director's authority. It may suggest an area for continuing effort toward further clarification.

Between the two extremes are the professional representatives of bureaus and divisions having Nation-wide responsibility for getting programs carried out. They are admittedly under dual supervision and the line between what part of their supervision comes from program headquarters and what part from regional directors is admittedly not easy to draw. Both they and the regional director have to do a lot of playing by ear. The second section of the rough draft statement bears on this problem.

2. *Program supervision and coordination.*—In this area it is the primary duty of the Regional Director to insure that the professional knowledge and abilities of the regional representatives and other program members of his staff are so utilized that the regional office operates properly, efficiently and expeditiously. To this end he will work closely with the regional representatives, and keep himself well informed both through their program reports to their bureaus and by personal contact. He will seek to prevent duplication of effort, and to promote similarity of approach in dealing with common problems. Where unusual situations arise, or where disagreements occur among the program representatives, he will schedule group conferences and attempt to bring about satisfactory group decisions. If unsuccessful, he will forward individual reports, with his comments, to the Director of Field Services, for discussion with Bureau directors in order to resolve differences.

As a technique for achieving coordination, the Regional Director will insure that proper liaison is established within the office, so that the component parts of the Agency program are coordinated to the extent that a unified approach can be made in dealing with State officials and with Federal departments and agencies. On interprogram problems, the Regional Director should provide that "control point" at which it is decided as to which official is to represent the Agency, what the approach should be and when the proper contacts are made, since interprogram problems are concerned basically with relationships and public relations.

In exercising this responsibility, the regional director will rely on the Bureau representatives to provide the professional and technical knowledge and background required in a particular interprogram problem area. However, the regional director must insure necessary coordination in order to carry out his responsibility for over-all relationships and public relations.

The regional director gives proper recognition and consideration to the responsibility of the Commissioners, Bureau directors, and their representatives in the regions for substantive program operation and development, which is a technical responsibility. It is, however, the responsibility of the regional director to make reports and recommendations in program areas when in his judgment the programs are not being developed in accordance with Agency or constituent policy.

Discussion brought out that, when a difference of opinion arises between the regional director and program representative, if it is clearly in the technical program area, the judgment of the regional representative would usually prevail. If the regional director considers the matter sufficiently serious, after further negotiation has failed to bring a resolution, the problem should be presented to Washington jointly or separately. Occasional service as a referee is a proper function for headquarters. In rare instances, where the time element precludes such

referral, it may be advisable for the regional director to halt questioned action on, for example, a merit system matter until the issues can be locally resolved, or to press a regional attorney to make an imperative trip even though it means postponing or working overtime on another pressing matter. However, it is usually better not to be adamant in a particular case, but rather to work toward a general principle to help resolve similar issues in the future.

There is an area affecting program representatives which is more clearly within the regional director's purview as, for example, if a representative were habitually keeping "bankers hours" to the detriment of progress and general morale in the office or seems to be wasting travel money.

Even where there is no issue of the regional director's authority, however, the bureaus sometimes question regional practices. For example, Mr. Lund recalled, there has been a feeling with respect to some regions that too much time is spent in staff meetings, that limitations on bureau representatives dealing with Governors are extreme, and that public relations require disproportionate attention. Also, Mr. Howard added, some regional representatives have felt that central control over clerical staff or files is excessive, and that limited funds for communications, etc., are not properly apportioned. Such complaints are diminishing and, when bureaus bring them to the attention of the Office of Field Services, it can often help iron them out. Regional directors want to be notified of specific problems where this is feasible so they can take corrective steps. This is already being done to a considerable extent.

One regional director emphasized his hope that the problem of a representative trying to serve two bosses can be minimized by considering that (a) the line of responsibility of regional representatives runs to their bureaus, and (b) the regional director is responsible to see that he fulfills his obligations also to help him do so—and to let headquarters know if he does not. A boundary between operation and general administration is most difficult to draw.

At the other end of the range, more than one regional director seemed inclined toward the concept of centering additional power and responsibility in the regional director's job so he can get more expeditious and balanced action in the field. The areas of difference seem to have narrowed, however, and there was an absence of strong feeling and occasional reminders that we should all take a quizzical look at any proposal to extend control in blanket fashion, because there is in reality a degree of duality of responsibility. We should make generous use of the pragmatic test of what contribution each proposal would make toward attaining program goals.

(a) *The leadership role.*—Mr. Thurston put forward for consideration a concept of the regional director's role as one of exercising influence through leadership rather than direction. In this important experiment in the regional coordination of multiple programs, the inevitable dualities of responsibility and control do make for difficulties. Where "general" supervision ends and "program" supervision begins is hard to say. We must not be misled, however, by the enticing but futile lure of reliance on authority. We must recognize the limitations of our scope. Representatives should be coming in, not because they are told to, but because they get sympathetic understanding and assistance, and—in a fair proportion of times—the right answer. Getting them to want to come in is the No. 1 job of the Administration and Assistant Administrator at headquarters as well as of the regional director in the field. If the program people have confidence in the leadership and guidance at the regional director level, they will undoubtedly be more eager for the decentralization that is essential to effective operations. If we have a history of telling people what they have to do; if we disregard the wishes of bureau officials who also have a sense of their responsibility, then we ruin our chances for effective leadership. The role of the regional director moves between constructive control and broad-gage leadership. More attention to the latter is one thing most of us can look forward to now that immediate administrative problems are leveling off.

3. *Public relations.*—The regional director is responsible not only for the formal aspects of public relations such as the conducting of informational services and other specific public relations activities, but also for the over-all function of providing leadership in the varied relationships which are essential to effective Agency-wide activities. Within the office he maintains sound working relations with his staff and keeps himself fully informed as to the status of the programs in progress. Outside the office, the regional director maintains personal working relationships with State governors and other high State officials through periodic visits, as well as through other techniques, to keep them fully informed of the activities of the Agency within the States. He likewise makes periodic visits and

maintains personal acquaintanceship with State administrators of departments having jurisdiction over programs directly related to those of the Federal Security Agency. In fulfilling these responsibilities for Federal-State relations, the regional director works closely with program representatives and regional medical directors, frequently making joint visits. He visits as frequently as possible the various field installations of the programs operating under the Federal Security Agency.

The regional director maintains and promotes effective public relations through continuing contacts with press and radio, labor unions, civic organizations, and other public groups.

In exercising his responsibility for public relations and related over-all functions the regional director carries out a planned program of leadership toward the achievement of the goals which are necessary to carry out the objectives of the Agency program.

Through obtaining a basic understanding of the proper roles of the various staff members in carrying out the Agency's program, the regional director must, in his day-to-day operations, stimulate the work of his staff in a give-and-take process which will cause all employees to feel that they are an essential and integral part of the organization. Outside the office, the leadership responsibility varies greatly and requires the regional director to analyze the whole area of relationships with official administrative bodies, Federal, State and local, with legislative committees, civic leaders, and the public in general. The regional director is required to insure that adequate leadership is given on all fronts and not solely in those areas in which he has a particular interest. He will be selective and discriminating in accepting invitations to make speeches, to participate in community forums, and in serving as consultant in formulating legislative programs related to the work of the Agency.

The regional director must constantly evaluate himself as to how well he is serving as a spokesman of the Administrator and the regional office in contacts with public officials, labor groups, press and radio representatives, and civic and community leaders, and he must continually think in terms of the additional steps he can take to perform more effectively the leadership and related responsibilities of his office.

There was general agreement on this statement but some thought was expressed at various points, that, if the document were to be distributed widely, it might well need modification so as not to give an impression that a disproportionate part of the regional director's work is in this area. Also hope was expressed that a substitute could be found for the term "public relations."

4. *Disposition of the draft statement.*—Although all agreed there was much of value in Some Ideas on the Job of the Regional Director, and in the discussion it engendered, there was a difference of opinion as to whether it should be developed for formal issuance. Some of the regional directors preferred to let Agency Order 16-1 suffice without further interpretation, fearing that interpretations are likely to pyramid; remembering too that they often inhibit flexibility and raise questions rather than solve problems. Others wondered how such understandings as were emerging here could be imparted to bureau people in the field and at headquarters without articulating them on paper. It is often not true, Mr. Thurston pointed out, that the less you spell out the fewer are the problems. Moreover, current misunderstandings about the scope of the regional director's job, such as Senate committee investigators have expressed, need to be cleared up.

Aside from the general need to continue endeavoring to clarify the regional director's role, the discussion closed with a recognition that the following are unfinished business: (a) How the draft statement should be improved and used remains to be determined; (b) whether the role of a program representative should be spelled out in a complementary document is worth considering; (c) in any case each regional director should make sure, through individual and group discussion, that all regional staff members understand the full scope of his role.

IV MAINTAINING PUBLIC AND OFFICIAL RELATIONS

1. *Public relations*

Mr. Thurston observed that our use of this term needs to be examined critically as it stirs up allergies in many. He introduced Mr. David Bernstein, assistant to the Administrator, mainly as an interested listener. Coming with a broad background, he wants specific orientation on Federal security matters as the regional directors view them.

Mr. Bernstein asked for impressions of (a) informational problems and (b) additional assistance needed from Washington. He later referred to three broad

areas: (1) The job of internal relations, (2) direct relations with the public or representatives of the public, and (3) public information through press, radio, movies, etc. Short of having informational officers in the regional offices, how can regional staffs be enabled to handle these three areas more adequately? Among other things, how can a local boost be given national releases so they will not progressively fade out as they move from east to west? How can there be an interplay between headquarters and regional informational work, which are parts of the same thing? These were the kinds of questions posed as the discussion moved along.

Most of the problems cited relate to the need for more help in handling information matters. A great deal of the time-consuming work is somewhat mechanical, e. g., maintaining distribution lists. One region has succeeded in making available for such work a capable clerical staff member. Most others have not been able to do this. A few indicated they are at a loss to see how they and their secretaries can handle the problem on top of other duties.

Some regional directors have found interconstituent public relations committees effective but others have not. Bureaus have questioned expenditure of time on certain of these committees. They have also advised against an individual program representative with special skill in writing or publicity, continuing to spend time on special information projects. This is understandable but it puts the regional director in a dilemma.

In any case regional resources available for information work will remain very limited and it is up to the regional director to be as resourceful as he can in using them. It has not even been found strategic to press for special provision for regional information personnel in the 1952 estimates. Funds for temporary or part time employment are not available except as a region may have a little balance in its own allotment. It may well be a good investment of limited funds occasionally to employ a top caliber public relations adviser such as Byron Johnson, of region IX.

For the present such resources as are available for technical service on public relations are necessarily concentrated in Washington. Mr. Bernstein invited comment as to how this service can be made more effective and received such pointers as the following:

- (a) Issue a basic policy guide for FSA public relations.
- (b) Synchronize headquarters bureaus more fully in their occasional releases on the same or related subjects.
- (c) Try to improve the quality of news material from the standpoint of its adaptability for consumption by local papers. For example, the year-end release on FSA, although used extensively, was found by some to be unduly filled with statistics and unduly lacking in illustrations. Many of the wire service releases and headquarters speeches are of little value.
- (d) Try to be more prompt in sending out special notices, particularly where they are expected to be relayed to field offices, e. g., notice of a broadcast by the Administrator.
- (e) Provide a diversity of stand-by material such as Bell Telephone supplies its local managers for ready use in event of disaster and the American Legion furnishes its posts to help them prepare news releases and radio scripts.
- (f) Produce the comprehensive display for RO's which was discussed at the last regional director's meeting.
- (g) Make every effort to meet such special needs as the UAW radio script series in region VI (see RD's report) and the insurance material for the International Communications Workers in region IX.
- (h) Disappointment with headquarters services in general was expressed by one or two, the feeling being that it is geared to headquarters rather than to regional needs.
- (i) Another considered it a wrong premise to assume that the typical regional director—irrespective of time limitations—would be able to plan a sound informational program or know what kinds of speeches will go over with particular audiences.

Mr. Bernstein agreed that one thing needed is an over-all FSA policy on public relations and he expects one to be developed. Perhaps it will help bureaus and regional directors gain more nearly a common understanding of the public relations function of all of the regional staff. Certainly each program representative has a part to play. Much of it is played as an incident to regular work rather than identified as an informational activity. The number of speeches or press clippings may not be too indicative of the real public relations accomplishments. Here again the leadership role of the regional director comes into play.

Suggestions to the regions were interspersed throughout the discussion. Dr. Dean cautioned against stepping in with Federal publicity on matters which should be a State responsibility. Mr. Bernstein urged that regional directors be alert for human interest material for use nationally and Mr. Thurston illustrated by giving an example just gleaned from the visit to the plague suppressive lab. Mr. Doarn reminded the group that some of the sincere reservations which bureau people have about spending time on public relations may have a basis in someone's having actually gone overboard on a promotional project.

Mr. Johnson described successful experiences with impromptu sidewalk interviews and studio interviews such as a recent one on how a bill goes through Congress. He feels a radio presentation is often better when informal and spontaneous than when a prepared script is followed. OASI managers he considers to be the best public relations resource available in the regions. His region has found definite public relations value in the biweekly showing of movies such as the excellent one on telephone courtesy.

Mr. Bond made observations looking toward future improvement of both Washington and regional ends. This year probably will be a crucial one for the FSA, he felt, and we can undertake no more important activity than that of getting down to cases on some of the major allegations which are being widely circulated and arguments against our policies and programs. A regional specialist is very badly needed to spark-plug an adequate program but if that proves impossible, we still should plan very carefully to get some kind of decent job done. The approach being used in region VIII may be worth putting into the hopper. It covers:

(a) Statement of the specific objectives which we are trying to reach through public relations, e. g., (1) improved operations, (2) improved Federal-State relations, (3) program acceptance and support, and (4) legislation.

(b) Allocation of responsibility with respect to (1) Washington office, (2) regional office, (3) State office, and (4) local office.

(c) Coordination of public relations, including bureau efforts in Washington, undertakings in the region by headquarters personnel, and activities of all members of the regional staff.

(d) Working out more clear-cut arrangements for public relations between members of regional staff and programs of State agencies.

(e) Proper utilization of OASI managers.

(f) Appraisal of present public relations activities at the Washington, regional, and State levels.

(g) Establish files on key organizations and individuals within each region; also "control" devices to facilitate selective communication to an extensive, varying audience on a priority basis.

(h) Increase emphasis upon direct contact with individuals and organizations.

2. Regional negotiations with governors

Criticism is sometimes heard that, whereas regional directors formerly were inclined to have program representatives accompany them on visits to governors, an increasing tendency is to proceed without such participation. Practices in the regions range from virtual exclusion of visits to governors by regional representatives or permitting representatives to visit governors occasionally after careful clearance and planning, to an attitude of considerable freedom for handling each case without a general formula.

Some feel that governors often get into discussion on several programs and it would be difficult always to bring along all of the specialists involved. Also when a regional representative goes directly to a governor, the State program director may feel he is being circumvented. On the other hand, the regional director can muddy the waters by attempting to handle technical matters personally. Moreover, regional representatives need opportunity for experience in high level negotiation, and as well as a sense of participation.

In any case contacts with a busy chief executive should be selective and well-planned and followed up. Mr. Bresnahan's statement of principles and a related case study were distributed but not expressly discussed.

Mr. Thurston alluded to the ideal of having governors feel such confidence that they will be inclined to contact the regional director concerning any major FSA question, particularly where they may not feel satisfied about regular program channels. In this field those qualities which make for good leadership are what really count.

VI. POLICY AND PROGRAM QUESTIONS

1. *Participation in national policy and planning*

Considerable stress was laid upon the desirability of opportunity for greater participation by the regional directors, and the field staff generally, in the national planning of Agency activities and policies. Through their close day-to-day contact with program problems at their source, field personnel have a real contribution to make; but there is not felt to be any steady effort whereby this reservoir may be tapped. Too often the field considers that decisions are made high in an ivory tower. Earlier emphasis on consultation with regional directors on Agency-wide matters appears to have lost headway. Washington staff tends naturally to become so intensely occupied with technical specialties as sometimes to lose perspective on wider problems of administration and public relations. This tends to make regional administration revert to the unsatisfactory basis of putting out fires. Bureau planning on a jurisdictional program basis fails frequently to give due weight to the total Agency concept of serving the "whole man." The bureaus also differ considerably in the extent of participation which they obtain from their own field staffs on planning and policy questions.

Opinion was expressed that the regional directors should be consulted on legislation, program planning, budgeting, staffing, public relations, program execution, and program coordination. This might be accomplished in several ways:

(a) More frequent personal contact between regional directors and the Administrator, Assistant Administrator and the Office of Field Services.

(b) Use of work-order committees. For instance, a small committee of regional directors and headquarters staff, with definite instructions, could be used to recommend to you and the Administrator a solution to a specific problem. Maybe a State man could participate.

(c) Preparation of periodic reports on major projects under way.

(d) A more systematic travel schedule for members of the Administrator's staff.

Mr. Lund referred to efforts which have been made to overcome this recognized weakness, but pointed out practical difficulties encountered, especially the matter of timing with respect to development of proposed legislation.

Mr. Thurston expressed the view that consideration of proposed legislative and other policy matters might well occupy a considerable portion of future regional director's staff meetings. A conference approach, he felt, is more productive than a mere accumulation of written comments. Also, the "work-order" committee idea could be used if travel funds were adequate.

In addition to the planning of new programs stress was laid on the importance of participation in planning for program execution. For example, the allocation of bureau staff as between Washington and the field is a matter on which regional directors have viewpoints and facts to offer. Moreover, they can help strengthen the case for appropriations for field activities. The new performance budgeting process ought to help in this area.

2. *Surplus property utilization*

Mr. Lund noted the following problems currently affecting discharge of functions in this program:

(a) Shortage of staff, with no likelihood of additional staff this fiscal year; approximately 17 field people are covering the country, with representatives covering more than one region, in some instances;

(b) Responsibility for screening and making personal property available requires that the personal property representative be located near the major sources of property, which may not be in the regional office city;

(c) GSA's delay in releasing their permanent regulations has necessitated the continuance of temporary PHS and OE regulations; however, an effort will be made to produce in the next 30 days permanent regulations which will take into account RD's comments at this meeting.

The situation is admittedly unsatisfactory. Some problems have been insurmountable so far. For example, absolutely no money has been made available for the PHS activity. At headquarters, two hospital facilities staff members have been assigned as supervisors and organizers. In the field, the hospital facilities staff can undertake the additional load only as incidental to their main job. It must be done on a region-by-region basis. Although an office of education field man may be called upon occasionally to assist with problems on the health side, he is already working over 60 hours a week in some instances. It is unfortunate that the office of education representative must be stationed outside of the regional office in a good many cases, but the personal property representative has to be

located at the point where there is an accumulation of surplus property if he is to get any of it.

The primary load is in the field, and although the number of requests for real property is relatively small compared with personal property considerable negotiation is involved in what can be a complicated legal procedure. Early decentralization was urged in the light of War Assets experience before decentralization. GSA reorganization providing for two regions in FSA Region X, Mr. Hunter thought, would not cause a problem; on the contrary, FSA decentralization should parallel decentralization by GSA. Mr. Lund said decentralized screening by the Air Force, now centralized at Dayton, does not seem likely soon. Mr. Willcox anticipated serious legal problems on real property disposal and on certain enforcement cases, but thought that some decentralization was possible and should be worked out.

Under the provision relating to Public Health, only real property is transferable. There is now in Congress a bill proposing that PH have the same rights in personal property, but limited to certain types of equipment.

Regional directors' comments were primarily focused on the need for staff, instructions, and speedy field action with better coordination of regional surplus property representatives with the regional office. Mr. Lyle finds himself pretty much in a vacuum and yet is under pressure to get rapid action on disposal matters. Several directors emphasized the need for closer coordination between PHS and OE field staff and for avoiding wasteful competition where property may be used for education and health. Problems of compliance are becoming serious in some regions.

3. *Grant-in-aid audits*

This subject recurred frequently, and was discussed in some detail at the closing session. Consideration related primarily to (a) PHS audit exceptions (b) certifications in audit reports, (c) trends in regional audit backlogs, and (d) possible fundamental changes in approach to the audit problem.

At the request of Mr. Lund, Dr. Dean reported on work which has been by PHS with Mr. Bigge's office in an effort to arrive at better understanding of the question. Examination was first made of the PHS regulations and manual instructions to see if rewording might remove some of the causes of exceptions. It was found that a large proportion of those taken were not based upon statutory difficulties; no misapplication of funds or violation of regulations was involved, but the question related to certain restricted items for which instructions call for specific authorization by PHS. Understandings arrived at with Mr. Bigge's office as to the nature of this authorization as intended by PHS, Dr. Dean felt, would stop approximately three-quarters of the exceptions being taken. The examination of other causes of exceptions is not yet complete.

Mr. Lyle and Mr. O'Connor expressed dissatisfaction with the practice of the auditors in making qualifications in their certification concerning a State audit where they find State records incomplete so that a full determination cannot be made, or where the audit is restricted to a test check. State administrators are sensitive to what they feel are implied questions or criticisms in these qualifications. PHS feels strongly about this.

Mr. Lund and Mr. A'Hearn pointed out the difficulties arising from a degree of intermingling of program funds in the States, whereas the auditors are required to check against specific allocations or appropriations. No complete solution has yet been arrived at, but it should be possible to make certification in more acceptable form, to remove any suggestion of suspicion. The whole area is being given careful thought.

Mr. Bond urged review of the entire audit process to determine just what form of audit we really want, and what is feasible with the staff we have. He warned against allowing the audits to continue to fall behind, and felt that fuller use should be made of State audits. He questioned the criticisms of State agency operations sometimes included in the administrative sections of the audit reports.

Agreement with the idea of making greater use of State audits, where these are acceptable, was expressed by Dr. Harper and Mr. A'Hearn, the joint audit approach being considered preferable. There was difference of opinion among the regional directors as to whether, or to what extent, the audits are actually falling behind.

Mr. Thurston noted that this whole question had been repeatedly brought up before successive conferences, and that a timetable for arriving at an agreed-upon policy should be set, with every effort made to meet it. He felt that positive results would be arrived at by the time of the next meeting.

4. *Regional attorneys' participation on FCU problems*

Two aspects of this subject were touched upon, with the following points emerging:

(a) Although legal work for this program generally is intended to be centralized, consultation by regional credit union representatives with regional attorneys, and information to the latter on FCU legal matters, are not intended to be precluded. Mr. O'Connor feels this flexibility is not clear from the instructions.

(b) Although the legal aspects of regular FCU work are now well enough known to make decentralization feasible, the Attorney General has wanted to handle new Federal criminal prosecution problems exclusively at the Washington level; therefore, until the matter is settled by law or Department of Justice action, Mr. Wilcox believes legal matters for FCU will continue to flow through headquarters.

V. GENERAL MANAGEMENT

1. *Techniques of Coordination were considered at several points, special attention being given to work planning and staff meetings*

(a) *Periodic work programs.*—A new section of the 6-month work program in region IX now covers projects involving interrelationships among constituents. This has stimulated interest and contributed to integration. The service units find the plans particularly useful in forecasting service requirements. To make the paper work simple has been a problem which has not yet been solved.

The region X work program, a copy of which was circulated to the group, lists only major objectives and special projects—not all continuing activities. It usually names the month during which projects are expected to be accomplished, but does not apportion man-hours. The practice of some headquarters bureaus of requiring every man-hour to be accounted for in work programming was referred to by several as unrealistic and overly cumbersome.

The executive assistant finds the region X program adequate for quarterly stock taking of progress. The majority of representatives find it definitely useful including several whose headquarters do not require formal work programs. One, for example, reported that work programming helps him adhere to main objectives and avoid being diverted by exigencies of the moment. Another feels it is contributing to a better job despite a small staff. For the first time in the history of the region, the regional medical director has undertaken a joint review of all State programs.

The region IV work program is confined entirely to interconstituent collaborative activities. One regional director thought a 6-month period is too long for realistic planning; that about 2 months would be better. Another suggested that it would be easier to establish work programming in the regions if the Washington bureaus required it universally. A countersuggestion, however was that a local selling approach would be sounder.

Mr. Lund requested that other regions comment on the work-program systems of region IX and X and consider whether to try out one of them, or a modification. Perhaps a consensus can be arrived at. After a year of experimentation, it is hoped that a better synchronizing of headquarters and regional plans can be worked out, minimizing duplication of effort.

(b) *Staff meetings.*—While there is no question of the value of periodic staff meetings and no desire on the part of personnel to avoid constructive participation, it may be timely to take stock as to whether they are consuming too much time in some regions. Current practices range from weekly round-up sessions to monthly general staff conferences with in-between sessions on special subjects. This latter may have advantages at the present stage. Where regular meetings are held more than once a month it may be that special conferences can be reduced. In any case, they should be well planned and consideration should be given to ways of scheduling and managing them for maximum productivity.

2. *Management improvement program*

In July 1949 the President issued Executive Order 10072 setting up a management-improvement program. This order places definite responsibility on agency heads for developing a program of management improvement, viz, providing for periodic and systematic appraisals, and scheduling actions to bring about more effective operations. Mr. Thurston emphasized that the order gives impetus to what is a fundamental part of an administrator's responsibility—continuously doing a better job in managing his agency. Most reasonable people agree to the idea but it is a little hard to be specific in putting it into effect. How con-

stituent efforts will be geared to Agency-wide efforts in the regions is not yet worked out. An FSA Management Improvement Committee has been named but it is recognized that headquarters should be giving more help. Some of the regions are doing a good deal on their own.

Mr. A'Hearn reported that under Budget Bureau Circular A-8, the head of each Agency is responsible for the development of its management-improvement plan. Separate plans for constituent bureaus are required, because later MIP reports to the Budget Bureau must tie in with budget estimates. Plans received from the constituents will be incorporated in an over-all Agency plan and presented to the Budget Bureau for approval early in April.

As another approach to management improvement, Congress authorized \$1,000,000 from agency reserves to be used for special surveys. Among others is expected to be a basic study of departmental organization with Interior as the guinea pig.

Of special interest to regional directors is a study aimed at developing general principles as guides to agencies in organizing their field establishments. Three operating agencies will be surveyed: The Departments of Labor and Commerce, and the FSA; also three service agencies: Budget Bureau, Civil Service Commission, and General Services Administration.

Bids from 11 management-consultant firms were considered and FSA participated in interviews with 7. After the firm is selected it will go to work within about 2 weeks. (George Fry & Associates was selected March 8, 1950.) The study will have two phases: (1) Planning phase, including a reconnaissance check, probably in Chicago and Dallas, followed by development of a detailed plan for the complete study; (2) the detailed study which may require 6 months to a year. It is not certain whether Dallas and Chicago will be picked up again in the second phase, but four regions will be selected. Functions of the service agencies will be followed from Washington into the field, to find out how CSC, BB, and GSA can give more adequate service to organizations in the field. FSA regional directors of the four selected localities will be questioned on these services as well as their own activities.

Mr. Lund read from an outline some of the problem areas to be covered by the study of agencies and stated that additional areas are mentioned in the Hoover Task Report on Public Welfare (appendix P, pp. 51 and 52). Among the points to be checked during the first phase are: (a) regional pattern, (b) operating programs and field participation in program and budget formulation, (c) delegations of authority, (d) directives and instructions, (e) systems of inspection etc. Representatives of the FSA will serve as assistants to the management firm at all times, particularly in the development of policies. There is every indication of a constructive, helpful approach and Mr. Lund urged all concerned to be fully cooperative in providing all facts or ideas requested.

Although regional office management improvement programs were not discussed in detail, indications of progress toward improved methods were given throughout the conference and some directors had very stimulating ideas about how Budget Bureau Circular A-8 might be carried out in the field.

The regional directors want more information on the application of the MIP to the regional offices. In some regions Budget Bureau field staff are beginning to discuss with the regional office part of the program with FSA field staff. Anything that can be sent out by headquarters soon will be useful in these discussions.

3. Office services

(a) *Regional office orientation directories.*—At the request of region III the Office of Publications and Reports, in cooperation with the Office of Field Services, has prepared material giving a brief history of FSA and its programs, and a description of a typical regional office set-up and functions. This may be used as an introductory and orientation section for a directory prepared by any regional office which so desires. A supply of these introductory inserts will be made available upon request to the Office of Field Services with only the cost of paper being charged to the regional allotment. A few copies of the directory as developed in any region should be made available to all FSA offices in the region, and may be distributed for use, in whole or in part, by students, etc. It should have value for staff meetings and orientation reading as well as reference purposes.

Dr. Coffey's directory for region III was passed out as a sample. Also distributed was Dr. Miller's new directory for region V. No standard pattern is prescribed for the localized part of the directory; it may include organization charts, etc., in addition to a listing of staff. An easily revisable format is recommended.

(b) *Regional filing systems.*—Several interrelated aspects of this problem were discussed at various points with the following considerations emerging:

(1) There is general agreement that a given regional office ought to work toward a comprehensive, systematic filing plan in place of two or three systems, or one system for certain files and no orderly system for others. Some regional offices, such as II, have consolidated files under the Social Security System and they are reportedly working well. In one (RO III) there was recently installed the PHS subject-numeric system for PHS material, which some experts claim is more flexible and simple than the SSA Dewey-decimal system for itself, or should it wait for further guidance? Aside from the question of a standard local system how far should files be centralized in the regional office? Questions of physical location and method of operation have a bearing on the answer which, after all, should be worked out primarily in relation to the best over-all services to programs.

(2) Whether a standard system should be recommended or prescribed for all regional offices is another question which keeps reappearing. Some regional directors prefer autonomy on this point; others would like guidance, or even think a Nation-wide standard system would be sensible. However, if the subject-numeric scheme should be considered, certain bureaus, such as PA, would feel that lack of consistency between regional and headquarters files would present difficulties. Moreover, considerable cost would be involved in converting the large proportion of regional files now under Dewey-decimal, and money for this is not now available. The whole question is still under central office study.

(c) *Subscriptions for periodicals.*—This was discussed as an example of central service problems. Repeatedly it was mentioned that available funds are inadequate for subscriptions to essential professional publications. The conclusion was suggested that this item might best be left to Bureau determination and to financing from Bureau funds. Professional literature, like professional training, is intimately related to program supervision. Perhaps this is one thing which does not lend itself to decentralization to the regions.

On the other hand, the need for avoiding duplication of subscriptions among constituents in the same region was recognized. A consolidated library should help. The main problem seems to be inadequate funds for miscellaneous services, regardless of who spends them. No complete solution is apparent but sympathetic consideration should be given to the problem in each region.

An ancillary problem is the difficulty of conforming to PHS requirements for separate reporting to expenditures by objects when PHS funds are comingled with others in the regional office allotments.

(d) *Need for general economy.*—More than one regional director felt there is too much tendency to spend available balances even where there is little if any need; e. g., there is a tendency to augment travel toward the close of the fiscal year. One region reduced telephone lines from 39 to 10 and plans to add lines again only on the basis of well-established need. Judicious economies will be doubly expected as we move into systematic management improvement programs.

4. *Keeping in touch through reporting*

The need for more systematic, two-way flow of reported facts was emphasized by the Hoover Commission. One means of contact is through the regional visiting program of the Office of Field Services. The currently revised outline for this was distributed but not discussed. It has been developed with the help of regional contributions, but further individual comments are invited.

Periodic reporting by regional directors has been all long anticipated as an eventual necessity and, with completion of the initial regional organizational stage, now seems the appropriate time to begin. The proposed approach outlined in the kit was introduced by Mrs. Evans. It aims to make the regional director's report a byproduct of a staff process which is useful in and of itself. It is a "live" reporting process involving a quarterly staff conference on developments and problems which are considered major for the region's own frame of reference. The purposes of the quarterly staff conference, and, thus, of the report, are fourfold: to take stock, to interpret, to evaluate, and to project plans for the immediate future.

The steps suggested are: (a) plan the agenda at a regular regional staff meeting about 2 weeks in advance of the quarterly conference; (b) arrange for preparatory work looking toward concise, orderly presentations to be followed by free discussions of the subjects chosen; and (c) take minutes on the discussions in a form that will be useful to the region; and (d) edit the minutes into a high-light summary to be sent in as the regional director's quarterly report. Preparing for

the conference, as well as guiding the discussion, will call for leadership from the regional director; it should also aid him in program coordination. The appraisal conference as part of dynamic reporting has been partly tried out in regions I and X. Although the minutes as forwarded to Washington were too lengthy, the regional directors think the idea seems to have real merit, and can be developed through experimentation.

The proposal does not specify subject content, preferring to leave regional directors free to select what to report on the outset. Washington may sometimes ask that certain subjects be covered. A given report might not cover all activity areas, but might center on one or two major matters, with other significant items reported very briefly. It should not duplicate in detail the program reports already being submitted to bureaus by regional representatives. It may be related to an appraisal of progress on the 6-month work program, but a complete inventory report is not what is envisaged in the regional director's administrative report. (This in answer to the danger which some regional directors saw in a conference at which everyone would have to sit through a discussion of everyone else's problems.)

Regional directors' reports will probably be circulated to appropriate offices in Washington. They are expected to be analyzed by the Office of Field Services and either excerpts or a high-light summary prepared for all the regions. After a year of experience, starting with the first quarterly report at the end of March, this dynamic reporting technique will be appraised to see if it is really contributing both to team-work analysis and planning in the field and to fuller understanding in Washington.

In considering further what kinds of subjects to cover in the reports, Mr. Lund referred to the "three P's—Progress, Problems, and Proposals." Mr. Bond recommended (1) public opinion on legislation—grass roots trends; (2) special matters such as a work committee in program coordination, for instance, medical care on which OVR, CB, and PHS would join in over-all analysis in terms of the individual to be served; (3) the status of Federal-State relations; (4) administrative items of special interest; and (5) a comprehensive section on management improvement. Mr. Johnson suggested that a report might sometimes summarize the impact of FSA activities upon a typical family. Information as to what is wanted for top-side planning will help regional directors in selecting subjects.

Examples of what the reports might include are the recent Institute on Government held in collaboration with the University of Texas, the region VII information program worked out in cooperation with UAW, the region X committee on medical care and major developments in CB or other specific programs.

Regional directors were asked to proceed with quarterly reporting systems along the lines discussed. Washington may request special information from time to time, but the selection of subjects, for the present, is left to the regional director's initiative.

VII. DEVELOPMENTS HERE AND ABROAD

1. Status of Federal legislation

Mr. Ewing summarized the status and prospects of the following:

(a) *Social security legislation.*—We have reason to believe that a good bill will be passed, but it is not possible to predict the specific details of it. Chances for a permanent disability measure are somewhat precarious, while temporary disability has been pushed aside completely. There seems to be a general feeling that the Senate will act favorably on broader coverage.

(b) *Health insurance.*—Predictions here are out of the question—anything can happen. An article in the recent issue of *Time*, which was totally unexpected, was the first in any magazine of wide circulation that has given a fair description of the objectives of the proposed health program. Fortune for March is expected to carry a story titled, "Health Insurance Is Next." The author, Walter Davenport, submitted the article for factual correction, and while we did review it there was insufficient time for this review and FSA can assume no responsibility for the article's accuracy. The article is friendly, but takes a position along lines of the Flanders plan.

(c) *Aid to medical education.*—Effective support makes prospects good for this piece of health legislation. Although in theory I think that advisory councils should be strictly advisory, we may have to make concessions in the direction of giving them a veto power, which some of the interest groups insist upon.

(d) *General aid to education.*—The controversy here is on the narrow issue of whether Federal aid will be made available to private, nonprofit schools for auxil-

iary activities, especially busses. Feeling is strong on both sides but we hope some legislation will be forthcoming.

(e) *Reorganization proposals*.—A Cabinet Department for Health, Welfare, and Education seems reasonably possible, either by reorganization order or legislation. Since a plan like the one last year would be turned down again, and one stopping short of centering power in the Department head would raise questions of policy, the line of action presents a problem. Legislation along the lines of the Taft-Fulbright bill is likely to be introduced.

2. *Mr. Ewing's European tour*

The State Department and everyone else who had anything to do with planning our trip did a wonderful job. I can't imagine how I could have derived more benefit from such a tour.

(a) *Health*.—On December 2, the day after our arrival, we spent an instructive morning with Sir Wilson Jamieson and Sir Ernest Rock Carling. The latter heads planning for the health side of civil defense, e. g., community services, water supplies, and hospital maintenance. Although, to a certain extent, these services are auxiliary to the military in England, the latter was completely occupied with overseas operations and defenses in World War II. When Coventry was bombed, a very serious situation would have developed if the health service had not moved in and done what they did; and they had no remote connection with the military. For instance, among many things, they laid about a 20-mile water main on the ground into Coventry in less than 12 hours.

(I don't think similar planning in this country is as far ahead, although the Public Health Service has done some work. We are handicapped, however, by the fact that we don't know how far we should go. That difficulty should be straightened out before long.)

On December 4, we started on intensive conferences which left almost no time for relaxation or sightseeing throughout the remainder of our trip. Our Monday morning conference with Dr. Charles Hill, Secretary of the British Medical Association, was a fine start. Dr. Hill, who was very frank and objective, is a conservative candidate for Parliament. We lunched that day with the Ministers of Health and Education.

Dr. Hill arranged for us to talk with three general practitioners and two specialists to get their point of view on the health services. Similarly, Dr. Walker, Secretary of the Medical Association in Scotland, arranged for us to see doctors in that country. And we saw many additional doctors. An excellent schedule was arranged for us in Scotland, where we visited the Royal Scottish Infirmary (the biggest hospital in the British Isles), two "surgeries," other infirmaries, etc.

I think you will be interested in some of our observations as a result of talks with a number of doctors. All the doctors complained about something. I don't think there's any question that they wish the hospitals had not been nationalized, for that was the source of many administrative difficulties. No regulations had been written, so that on July 5, 1948, the day on which the Government took over the hospitals, none of the hospital executives knew, for example, what purchases could be made. Every one of the doctors felt that a "tooling up" period of several years, such as we have in mind, would have been infinitely more desirable.

At the end of these conferences I asked two questions:

(1) If you could turn the clock back to July 4, 1948, before the health service program, would you do it?

(2) Laying aside your professional problems, do you think that the British people are better off than they were before?

Only one of all the doctors answered the first question in the affirmative. That man also said, "However, if they had done it the way you propose to do it in America, I would have no objections." The answer to the second question was unanimous—the British people are very much better off. The recent election testifies to that, for both the Labor and Conservative Parties are for the health program and would improve it. The specialists are earning more than ever before because their bills get paid.

Dr. Hill had also observed that the things they were most concerned about originally turned out to be unimportant, while the things they didn't even think about have turned out to be very important. For instance, a young man now finds it difficult to get started in the practice of medicine. Previously he might buy a practice, which is forbidden by the new legislation, or he might assist an older man. Under the new system of capitation payments, the older doctor is reluctant to give up patients, so that the young doctor has a hard start financially.

Another observation is that public health aspects are being badly ignored, not by design, but due to other pressures. Construction of local health centers, envisaged in the original legislation, were to be the mechanism through which the health service would act, but practically none have been constructed. The Minister and others are conscious of this situation.

We went to two very different types of surgery in Edinburgh. A "surgery" is the doctor's office, which is always located in his home. The first doctor, in a fairly well-to-do middle-class section, said he had about the same number of patients (800-900) as before the Health Act. He does not feel he should undertake to serve more. Yet he was of the opinion that he had suffered financially, because his income per patient is lower. He felt it was an essential part of good medicine to listen to people's complaints and troubles, and was not willing to compromise on that. He had only this one major financial complaint.

At the other surgeries, in a heavily populated, working-class neighborhood, four alert young fellows had formed a team; and each had taken on the limit of 4,000 patients. They said they were making much more money than before. They felt they were not practicing the type of medicine they would like to practice, since very often they could not give the required time to a case. They said, however, "The patient isn't suffering. What that means is that we send a patient to the hospital or to the specialist instead of keeping him ourselves as we would like to do. We are convinced that we are not overlooking anything even in our diagnosis. We always take time to pick up symptoms. They get their routine X-ray examinations for TB, cancer, etc." These doctors are sure they are not missing anything that should be followed through.

A very simple solution is planned to meet the financial difficulty of the young doctor as well as the doctor who feels his patient load cannot be increased without decreasing quality of service. What they have in mind now is a sliding scale of capitation payments, for example, for the first 1,000 patients, \$20 might be the payment; for the next 1,000, \$15; the next, \$10, etc. (The figures are purely hypothetical.) Thus, the more thorough doctor would not lose. The older man ought to have more incentive to share patients with a younger one, and the fast worker would get relatively little pay for the excess patients added to his load.

We shall be able to profit by England's experience. One of the things we are going to do is make a simple change in the language of the bill permitting a sliding scale of capitation payments.

(The regional directors' comments during the course of Mr. Ewing's report brought up the following matters. Mileage allowances are made to doctors who serve rural areas. Dental services will create fundamental problems, as they have in England; and there is a serious question as to whether such services should be provided at the outset in this country. In this connection, Mr. Alt-meyer referred to dental services in New Zealand where they follow the child through grade and high school and where dental nurses provide supplementary services. Mr. Ewing indicated that the British had originally planned to handle dental services in the same way.

(Mr. Harper noted the fact that the British Medical Association, through its executive council, had published in January 1949 an appraisal of the operations in the first 6 months. This report mentioned a few of the weaknesses of the program, but, by and large, was in support of it. He asked if another report would be available covering the last year's operations.)

Continuing, Mr. Ewing mentioned an interesting talk with Mr. Davis of the Royal Medical College in Edinburgh. He had been in Australia and in New Zealand for a year, studying their systems. There is one important point which I wish to stress and which Mr. Davis emphasized. If there is a fee-for-service arrangement, the patient should be required to pay a part of the fee, and pay it not to the doctor but to the insurance firm. The doctors in New Zealand are putting in fraudulent claims (through unnecessary visits or simply reporting extra visits) in order to get additional fees. According to Dr. Davis, a safeguard would be to require the patient to pay a specified amount, to avoid unnecessary calls by the doctor. One of the principal reasons for our visiting Sweden and Switzerland where the systems provide such a sharing was to obtain information on how this provision is handled administratively.

In Sweden, the patient pays the doctor's bill and, upon mailing the receipt, receives a reimbursement check. The patient pays one-third of the fee but this will be reduced to one-fourth. Switzerland operates wholly through the voluntary insurance companies which are closely supervised by the Government. In that country the individual buys health services plus sickness benefits in one

package. He cannot buy one of them singly. He can purchase sickness benefits up to a certain percentage of his wage—not more than half, I think. The premium that is paid determines the size of the sickness benefits from which percentage is deducted for the doctor's bill.

(Mr. Altmeyer indicated that New Zealand is presently considering another method of preventing abuse by the doctors. The proposed plan is to assign the patients of a district to a group of doctors and say "O. K., here is your pot of gold. Divide it up as you see fit." The lack of professional self-discipline in that country is upping tremendously the costs of the program through this "overtreatment.")

There is another important activity which I should report to you. The malaria-control project being conducted on the island of Sardinia will have an enormous effect on the development of the island's economy. That island, capable of taking care of 3,000,000 people, has only 1,000,000, with a very low standard of living because of the prevalence of malaria. The Rockefeller Foundation asked both Dr. Bauer, who is supervising the project, and Lee Dayton, No. 2 man in ECA in Italy which has contributed to this project, to visit the island. Through the control project the entire island was mapped out and then disinfected with DDT. As a result, there has been only one new case of malaria in about the last 15 months.

Another thing on the medical side is the Public Health Service cancer grants in Israel. We found that a good job is being done there under difficult circumstances.

(b) *Education*.—As soon as the GI program ends in this country I don't think there is any question that there will be pressure for aid to the colleges. The small denominational schools in the Middle West will be particularly hard hit. We were interested, therefore, in the British program for aid to colleges and universities. Their program is incredibly simple. It started following World War I. The Chancellor of the Exchequer has an appropriation for a 5-year period for use in support of higher educational institutions. He has set up a University Grants Committee made up of university representatives, professional men, and leading citizens. The Committee proposes the distribution of funds and recommends the amount he should ask Parliament to appropriate, and the Chancellor usually follows the Committee's advice.

Scotland has a scholarship system that is probably the most far-reaching in the world. There, any talented student can get a Government-paid education, regardless of the family's financial circumstances. Under this system, if the family is dependent on the student's earnings, the grant will be large enough to replace what his wages would be. The system is carefully administered and has not been abused. Scotland is proud of its program, and rightly so.

(c) *Administration of Supplementary Industrial Retirement Plans*.—One other point of interest came out of our talk with Arthur Griffith, Minister for National Insurance in Great Britain. The British Government will do the administrative work on any supplementary industrial insurances program. Actually, they have done it for the coal industry only, which has since been nationalized. They think the additional burden is negligible, since they have the wage record on which the supplementary plan would be based.

The Social Security Administration is giving thought to the possibility of giving such a service to industry. I understand, however, that it would be difficult to do, since our records do not go beyond those needed for social-security calculations.

(Mr. Altmeyer referred to Marjorie Shearon's criticism of Social Security Administration for furnishing information relating to operation of the United Mine Worker's retirement fund. Mrs. Shearon claimed without basis that there had been violation of the confidential nature of the records. Social Security Administration does not furnish information affecting individuals unless there is a written request or authorization from the employee himself. Mr. Altmeyer noted that there is a community of interest between the Government and the supplementary plans which should be recognized.)

3. Mr. Altmeyer's observations in New Zealand

New Zealand, a very young country, is of volcanic origin, sprung up out of the sea. So, there were no mammals there of any kind. The result is that they have flightless birds that stay on the ground because there are no predatory animals to prey on them. The Maori, a very vigorous, warlike Polynesian group settled there in 1350. Not until a little over 100 years ago, did any white people settle there. The people who settled there, of course, were for the most part English and Scotch.

They devastated the country. They cut over the timber; they burned it; they didn't use fertilizer until just a few years ago. They shortcropped the grass. It is a beautiful country being washed down into the sea. They are trying to recover lost ground and are making a good job of that now.

The industries are small, comparatively speaking. Ninety percent of the activity is agricultural—sheep, cattle, and dairy products. Ninety percent of their exports are to the mother country. Their ties with the mother country are very close. You feel you are walking down the streets of a British town. There is little news of the United States of America; but of England, the newspapers are full.

New Zealand is as close to being a classless society as there is in the world today. The Maoris are in agricultural and city work. There are about 100,000 of them out of a population of 1,800,000. The islanders are very proud of them. They are always talking about the Maori culture and means of preserving it. They are very proud of how the natives are developing. Their education and their health are being looked after very well. It is quite a contrast with what we are doing for our Indians.

New Zealand has had compulsory arbitration since the turn of the century. The result is that common labor rates have been upped, and semiskilled and skilled not to the same extent, so the spread is only about 25 percent from the wages of a common laborer to the wages of a skilled laborer. I talked with the chairman of the arbitration court, a very fine man who has been in that field for 11 or 12 years, and he admitted that was true. The result, however, is a classless society—a lower middle class society. There are few extremely rich people, few extremely poor people, just more or less a uniform level of wealth.

You have to admit that the people are well clothed, well fed, well sheltered. They have a wonderful housing program. The houses are nice, tasteful with two or three bedrooms and rent at about \$15 a month in our money. The policy of the preceding government was not to finance home ownership but to build government houses, and to rent on the theory it was too hazardous for a person with a small income to own his own home. The new government says that is contrary to free enterprise, so they are going to sell these houses at a low price to whomever wants to buy them.

There is a great over-employment there, with more than 30,000 jobs unfilled. They told me that they didn't know whether they had 16 or 17 workers drawing unemployment insurance.

There are probably 800,000 gainfully occupied persons. They have a 5-day week, 40-hour week. And that actually means 5 days; it doesn't mean staggering. No stores or factories are operating on Saturday. Even the hotels go on a skeleton staff. The whole commercial industrial life of the country ceases on Saturday and Sunday.

Meat is very plentiful. The choice cuts may cost as much as 20 cents a pound. However, clothing is not cheap.

Their social-security system, of course, is the most developed of any, except perhaps the British now. They have all types of benefits, including family allowances. They say the family allowances are increasing in the Maoris population.

As I say, they have these children's allowances; they have unemployment insurance; temporary disability; permanent disability; old-age; survivors, and health insurance. They also have a "catch-all" category called emergency weekly benefits. If anybody fails to fall in one of the categories, he is taken care of in that miscellaneous category.

You must bear this in mind in comparing their social-security system with ours. They collect a 7½-percent income tax which covers about two-thirds of the cost of their social-security program. The other one-third is paid out of miscellaneous governmental receipts. All benefits are flat benefits of so much a week.

They have had health insurance since 1938. They started out with a plan for capitation payment, but the doctors revolted so they permitted fee for service. The doctors can either bill the Government directly or bill the patient and let the patient be reimbursed by the Government. About 63 percent bill the Government directly. Dr. Cook, who is in charge for the Ministry of Health, guessed half of those 63 percent were also being charged extra by the doctor. He thought that practically all of the 37 percent that charged the patient were charging the patient more than the Government fee of 7 shillings sixpence.

There are really two health systems in that country. Under the fee-for-service system the patient is charged anything the doctor wishes to charge. Under the hospitalization system, however, the service is completely free, and the doctor is on a salary or fixed-stipend basis. Ninety percent of the hospital beds belong to the Government.

This was a phase of the health program that I was not aware of. New Zealand really does have socialized medicine in the hospitals. The care there is free and that doesn't mean just hospital maintenance. Everything connected with any hospitalized case is paid for by the Government; that includes therapeutics, laboratory, general practitioner, and specialist. Just as in Britain, they have the general practitioner on full-time salary; and the specialist is paid a stipend not to exceed \$600 in our money. Most of the specialists want to be affiliated with the public hospitals. It has prestige value and they also have their private practice outside.

Mr. Altmeyer answered several questions following his presentation. He indicated that, although British doctors criticized the Government for the shilling charge for prescriptions, the New Zealand doctors think that the patient should be charged a part of the cost of any service he receives. The ratio of physicians to population is fairly good—about 1 to every 1,200.

Australia is committed to bigger and better social security, effective not later than January 1, 1951.

