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DECEMBER 30, 1974

Office of the White House Press Secretary
(Vail, Colorado)THE WHITE HOUSE

The President today announced the appointment of 24 persons as members of the National Commission on Productivity and Work Quality. The President also announced the designation of Dr. John T. Dunlop as Chairman of the Commission, and I. W. Abel and Donald C. Burnham as Vice Chairmen.

The members are:

Dr. John T. Dunlop, of Belmont, Massachusetts; Professor at Harvard University and coordinator of the President's Labor-Management Advisory Committee.

I. W. Abel, of Pittsburgh, Pennsylvania; President, United Steelworkers of America.

Donald C. Burnham, of Pittsburgh, Pennsylvania; Chairman, Westinghouse Electric Corporation.

Berkeley Graham Burrell, of Washington, D.C.; President, National Business League.

Frank E. Fitzsimmons, of Chevy Chase, Maryland; President, International Brotherhood of Teamsters.

Wayne L. Horovitz, of Washington, D.C. Chairman, Joint Labor-Management Committee of the Retail Food Industry

R. Heath Larry, of Pittsburgh, Pennsylvania; Vice Chairman, United States Steel Corporation.

John H. Lyons, of Potomac, Maryland; President, International Association of Bridge, Structural and Ornamental Ironworkers.

William H. McClennan, of Arlington, Virginia; President, Public Employees Department, AFL-CIO.

Jerome H. Rosow, of Scarsdale, New York; Planning Manager, Public Affairs Department, Exxon Corporation.

John F. O'Connell, of Kankfield, California; President, Bechtel Corporation.

F. L. Barnett, of New York, New York; Chairman, Union Pacific Railroad.

(MORE)



C. L. Dennis, of Des Plaines, Illinois; President, Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employees.

Catherine B. Cleary, of Milwaukee, Wisconsin; President, First Wisconsin Trust Company.

L. William Seidman, Assistant to the President for Economic Affairs.

Thomas Bradley, Mayor of Los Angeles, California.

Daniel J. Evans, Governor of the State of Washington.

Charles L. Schultze, of Washington, D.C.; Senior Fellow, the Brookings Institution.

William E. Simon, Secretary of the Treasury.

Frederick B. Dent, Secretary of Commerce.

Peter J. Brennan, Secretary of Labor.

Roy L. Ash, Director of the Office of Management and Budget.

Alan Greenspan, Chairman of the Council of Economic Advisors.

Albert Rees, Executive Director of the Council on Wage and Price Stability.

The statute establishing the National Commission on Productivity and Work Quality provides that the Commission shall advise the Congress and the President with respect to Government policy affecting productivity and quality of work, and requires the Commission to report annually on its activities both to the Congress and the President. In view of these requirements and the interest of the General Accounting Office in measuring and enhancing public sector productivity, the Comptroller General of the United States, Elmer B. Staats, has been invited to work closely with the Commission.

The Commission was originally established in 1970 and acquired its present name and charter in Public Law 93-311 of June 8, 1974.





OFFICE OF THE VICE PRESIDENT
WASHINGTON

February 7, 1975

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Peter J. Wallison *Peter*
SUBJECT: National Commission on Productivity and Work Quality

The Commission has a very broad charter, and a number of unusual characteristics, which I think you should have in mind when you choose its Executive Director.

The Commission was established in 1971 by act of Congress as the President's National Commission on Productivity. Although initially authorized to function for two years, the Commission's life was extended by continuing resolutions until June 1974, when new legislation changed its name to the National Commission on Productivity and Work Quality and authorized it to function until June 30, 1975.

The Commission's new name reflected a broadening of its charter to include studies and recommendations on the quality of life in the work place--a subject which had been getting a good deal of attention at the time because sociologists and pollsters were reporting widespread malaise and low morale among blue collar workers.

As I indicated to you yesterday, the Commission's staff is now preparing legislation to extend its life for at least two years beyond June 30, 1975. The draft legislation will be cleared by OMB and sent to Congress within two or three weeks.

The Commission's budget for FY 1975 is \$2,000,000, and its request for FY 1976 is \$2,500,000. A list of its membership is attached to this memorandum.



Organization

The Executive Director of the Commission is its "principal executive officer," and "with the approval of the Chairman" has the authority to appoint and fix compensation of other officers, employees, experts and consultants.

Objectives and Functions of the Commission

The Commission is directed by law to develop and publicize programs and recommendations which will increase productivity of the American economy and improve the morale of the American worker.

Within this broad charter, the Commission was specifically enjoined by its authorizing legislation to concentrate its efforts in areas which will have the most substantial impact on

- the international competitive position of the United States,
- the efficiency of government,
- the cost of basic consumer goods.

In addition, the Commission was directed to advise the President and the Congress "with respect to Government policy affecting productivity and the quality of work."

Conclusion

The Commission's mandate to develop policy on productivity places its activities--especially in light of the relationship drawn in its authorizing legislation between productivity and international trade, inflation and government efficiency--near the center of the Domestic Council's likely area of concentration. •

Where possible, the staffing of the Commission and the Domestic Council should be coordinated in order to take advantage of this circumstance.

Attachment

cc. JMC



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OFFICE OF THE VICE PRESIDENT
WASHINGTON

April 15, 1975

MEMO TO: James Cannon
FROM: Peter J. Wallison *Peter*
SUBJECT: Productivity Commission

I attach a package of materials (Tab A) which will be the subject of an extended discussion at the Productivity Commission meeting on Thursday, April 17 (Room 208, OEOB, 10 a.m.).

Also attached (Tab B) are my suggestions for remarks you might make on behalf of the Vice President.

Attachments

A

NATIONAL COMMISSION ON
PRODUCTIVITY AND WORK QUALITY
WASHINGTON, D.C. 20508

April 17, 1975

Agenda
(tentative)

10:00 a.m.	Chairman's Opening Remarks
	Committee Activities
	Legislation
10:30	Development of a Policy Statement for National Productivity Improvement
	◦ Introduction
10:40	◦ Technology
11:20	◦ Capital Investment
Noon	- LUNCH -
1:00 p.m.	◦ Labor/Management Relations
1:40	◦ Education and Training
2:20	◦ Government Regulations
3:00	◦ Other Policy Issues
4:00	Adjourn

SELECTED PRODUCTIVITY TOPICS:

Background Material Prepared
to Assist Discussion of these
Topics by Commission Members

April 17, 1975

CONTENTS:

Topic #1	Technology
Topic #2	Capital Investment
Topic #3	Labor/Management Relations
Topic #4	Education and Training
Topic #5	Government Regulation

TECHNOLOGY
(Introduction)

The main elements of technological change are:

- Basic research: The discovery of new scientific knowledge and techniques.
- Applied research and development: Translating scientific knowledge into practical products and processes.
- Diffusion: The adoption of new products and processes by users.

How does technology affect productivity?

- Technological advances permit more effective use of labor and other resources.
- Research and development spending correlates with long-term productivity growth.

TECHNOLOGY
(Selected Background Data)

The U.S. leads other industrial nations by most measures of technological progress:

- U.S. expenditures for R&D in 1971 were about equal to the combined R&D spending of the next 5 major powers.
- U.S. spends a high proportion of total GNP (2.6 percent) on R&D compared to: U.K., 2.1%; West Germany, 2.0%; Japan, 1.8%; and France, 1.8% (1971 data).
- In 1971, there were 88,000 computers in use in the U.S. - more than twice the total in 7 other major industrial countries.

U.S. leadership in research and development effort may be eroding:

- Proportion of GNP spent on R&D has been declining in the U.S., and simultaneously increasing in other industrial nations.
- Percent of U.S. patents issued to foreign residents has been rising steadily.
- Employment of scientists and engineers has grown at a slower rate since 1968.
- The proportion of scientists and engineers engaged in R&D has been declining.
- Total R&D expenditures decreased in real terms between 1973 and 1974.
- Basic research - which may influence the rate of technological progress in the future - accounted for only 14.4% of the total U.S. R&D expenditures in 1974, and has been steadily declining.

Government share of total U.S. research and development activity has been declining:

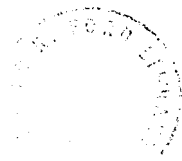
- In 1974, the Federal Government accounted for 53.1% of total R&D funding - the lowest proportion in 20 years.
- Federal Government provided 60% of basic research funding in 1974, down from 63.5% in 1969.

A high proportion of U.S. research and development expenditures serve non-economic objectives:

- In 1974, about 68% of Federal R&D expenditures were for national defense and space programs.
- France, Germany, and Japan all spend significantly less of their research and development budgets on these objectives.

TECHNOLOGY
(Major Policy Issues)

- Is productivity growth going to be as dependent in the future on improved technology as in the past?
- Is the present level of technological effort in the U.S. adequate to maintain or improve historical productivity growth?
- What government policies are needed to maintain or improve the productivity impact of research and development efforts in the U.S.?
- Should the government give increased priority to:
 1. Basic research
 2. Applied research and development
 3. The diffusion of new technology



CAPITAL INVESTMENT
(Introduction)

- ° The term "Capital Investment", as it relates to productivity, refers to expenditures by industry for new plant and equipment.
- ° The major sources of capital commonly available to industry are:
 - Retained earnings: business profits after taxes and payment of dividends to shareholders.
 - Depreciation allowances: the exclusion from taxes of that portion of business profits which represent the recovery of previous capital investments.
 - Other investment incentives: capital supplied either directly (e.g., by subsidy) or indirectly (e.g., by tax incentive) by government.
 - Capital markets: debt or equity funds obtained from outside sources.

Why is Capital Investment
Important to Productivity?

- ° Capital investment is the primary mechanism for exploiting technological advances, which permit more effective use of labor and other resources.
- ° The growth of capital investment per worker is related closely to long-term productivity growth.

Capital Investment
(Selected Background Data)

Capital Investment per worker in the U.S.
is the highest in the world.

The rate of capital investment in the U.S.
may be slowing down.

- ° U.S. invested a lower proportion of GNP than other industrial nations between 1960-1973:

	Capital Investment: % of GNP
U.S.	14.5
Japan	28.4
France	28.0
West Germany	22.0

- ° U.S. capital investment will decline 9 percent in real terms in 1975 (CEA projection)
- ° U.S. industry relies on an increasing proportion of obsolete equipment: machine tools over 20 years old have increased 30% in 5 years.

Future capital requirements may strain
traditional capital sources.

- ° Capital requirements for industrial modernization will have to compete with unusually large demands for energy, mass transportation, housing, and environmental protection.

CAPITAL INVESTMENT
(Major Policy Issues)

- ° Is future productivity growth threatened by increasing competition for capital?
- ° What sources of capital (business profits, depreciation allowances, other incentives, external capital markets), if any, need to be expanded?
- ° What opportunities exist for increasing the productivity of capital, thereby allowing greater expenditures for modernization (e.g., improved inventory control, equipment utilization, etc.)?
- ° What government policies, if any, are needed to insure that productivity-enhancing investments receive an adequate share of available capital?

LABOR/MANAGEMENT RELATIONS
(Introduction)

Labor/Management relations include:

- The negotiation of formal terms of employment: including compensation, working rules, and conditions, etc.
- Communication by management regarding other aspects of plant performance, including morale, procedures for conserving energy, materials, and other related matters.

Labor/Management relations affect productivity in many ways:

- Labor/management negotiation is the principal forum for determining wage levels, working conditions, training, and other factors which have affected productivity.
- Collective bargaining has historically provided protection of employee job security.
- Labor/management cooperation allows for tapping worker know-how to improve production.

LABOR/MANAGEMENT RELATIONS
(Selected Background Data)

U.S. experience with formal programs of labor/management cooperation has been constructive.

- ° About 5,000 joint committees established during World War II contributed to morale and defense production.
- ° TVA has had successful labor/management cooperative programs since 1935.
- ° Steel industry joint labor/management program with 250 committees on productivity has contributed to better industrial relations climate and to the establishment of experimental negotiating agreement.

Tradition of adversary relationship tends to inhibit labor/management cooperation and the morale of work force.

Labor/management cooperative approach to productivity is applicable only to a limited segment of the labor force.

- ° About 30% of non-farm labor force are members of unions.

Topic #3
Labor/Management
Relations

LABOR/MANAGEMENT RELATIONS
(Major Policy Issues)

- ° How can the government most effectively encourage more widespread adoption of joint labor/management committees?
- ° Should the government assist labor/management committees to achieve productivity improvements?
- ° What policies, if any, should the government adopt to promote the benefits of labor/management cooperation in all segments of the work force?

EDUCATION AND TRAINING
(Introduction)

What are pertinent major elements of education and training system?

- Elementary, secondary, and vocational schools (52 million enrolled in 1971).
- Higher education and professional schools (7.5 million enrolled in 1971).
- Employer, union, and professional association adult education (22 million participants in 1972).
- Public work and training programs (1.5 million new enrollees in 1973).
- Apprenticeship system (264,000 in training December 1972).

How does system affect productivity?

- Shapes the versatility and capacity of a workforce to be trained to adapt to changing occupational and skill demands of new technology.
- Supplies and maintains the critical high talent manpower - engineers, managers, and executives.
- Develops the specific know-how, discipline, motivation, and other qualities needed at the workplace.
- Maintains the productiveness of workers and cushions the process of career changes over the worker's lifetime.

EDUCATION AND TRAINING
(Selected Background Data)

U.S. workers have increasingly higher level of educational attainment.

- ° In 1952, about 43 percent had completed 4 years of high school or more. In 1973, percent was 68.
- ° By 1990 about 73 percent of workers will have completed 4 years of high school or more. About 32 percent will have at least 1 year of college compared to 28 percent in 1973.

Unemployment rates (as well as turnover rates) among youth are exceptionally high.

1974 Rates

All ages	5.6
16-19	16.0
20-24	9.0

Higher compared to other countries with higher productivity growth (1970 data).

	<u>16-19</u>	<u>20-24</u>	<u>All Ages</u>
U.S.	15.2	8.2	4.9
Sweden	4.4	2.3	1.5
Germany	2.0	0.7	0.6
Japan	2.0	2.0	1.2

The transition from school to work is a difficult problem for American youth.

Topic #4
Education and Training

EDUCATION AND TRAINING
(Major Policy Issues)

- ° What changes in or additions to the education system, if any, are needed to meet the requirements of future employment?
- ° Which elements of the education system should receive priority attention in an effort to make the educational system more responsive to the economy's requirements?
- ° How can government, labor, and business most effectively assist educators to assure the continuing quality of the educational system?

GOVERNMENT REGULATION
(Introduction)

Major elements of government regulation:

- Include regulatory activities of Federal, State, and local government.
- Control of "natural monopolies" (e.g., utility services).
- Preservation of competitive markets.
- Prevention of excessive or "predatory" competition.
- Protection against overuse of public resources (e.g., airwaves, environment).
- Prohibition of socially undesirable conditions (e.g., substandard wages and working conditions).
- Guarantee of basic services (e.g., common carrier services).
- Protection of the public from harmful products, practices, etc.

How does regulation of business affect productivity?

- Tendency of regulations to be unresponsive to changing technology and economic conditions.
- Uncertainty and diversity of regulation can inhibit private initiative and innovation
- Government regulatory policies can affect the formation of more efficient-size business units, and the adoption of more productive methods.
- There is a delicate balance between productivity and other social objectives (safety, environment, etc.).

GOVERNMENT REGULATION
(Selected Background Data)

CEA studies of existing laws and regulations suggest that significant costs are being imposed on the economy.

- ° Total cost has been estimated at 1 percent of GNP.
- ° Cost of regulation in surface transportation estimated at between \$4 billion and \$9 billion annually.

Diversity of regulation in some sectors limits productivity.

- ° NCOP study of food industry found over 2,000 Federal regulations applicable to food, many of which are repeated with variations by State and local government.
- ° Federal, State, and local requirements frequently duplicate and conflict with each other.

GOVERNMENT REGULATION
(Major Policy Issues)

- Does government regulation represent a significant impediment to future productivity gains?
- What aspects of government regulation of business seem to have the greatest negative impact on productivity?
- How, if at all, can government regulations be eliminated or modified to encourage greater productivity without compromising other social or economic goals?
- To what extent do opportunities exist to improve the way in which regulations are administered?

REMARKS BY THE VICE PRESIDENT
TO INTRODUCE THE DISCUSSION
OF PRODUCTIVITY ISSUES

Purpose

- ° To describe what the Executive Committee hopes the discussion will accomplish.
- ° To suggest some ground rules for making the discussion as productive as possible.

Overall Objective of
the Discussion

- ° The legislation which authorizes the Commission assigns it the responsibility for "advising the President and Congress with respect to government policy affecting productivity and the quality of work."
- ° The Executive Committee has recommended that this meeting be used to develop the views of Commission members with respect to national priorities, programs, and policies which affect productivity.
- ° These views would provide the basis for a National Policy Statement, to be forwarded by the Commission to the President and Congress.

Description of the 1971
Policy Statement

- ° The last formal policy statement issued by the Commission was released in September 1971.

° This statement was described as "a consensus of business, labor, public, and government representatives as to the importance of policies and programs to foster productivity growth, and as to the general structure and thrust of such policies and programs."

° The 1971 Policy Statement has provided an important impetus for constructive action.

° The following are examples of Commission activities which resulted from the early definition of priorities-- activities to improve productivity in:

- State and local government.
- The railroad industry.
- The health care system.

Rationale for a New
National Policy Statement

° The environment which the Commission now faces-- economic and otherwise--is quite different from the environment of 1971.

° The policies appropriate to today's economic climate may differ from those adopted in 1971.

° Since 1971, we have experienced four years during which the whole question of productivity has been very prominent.

- ° Our understanding of productivity and the policies and programs which are most appropriate for promoting productivity has come into sharper focus.

- ° Since 1971 the Commission has added many new members.

- ° It seems appropriate that we make an effort to refine our policies in a way which reflects the thinking of our present membership.

- ° To summarize, the rationale for a National Policy Statement includes:

- The need to shape our national productivity policy to present economic and social realities.

- Our expanded understanding of the subject of productivity.

- The desirability of updating our policies to reflect the thinking of new Commission members.

Comments About How the Discussion Will Proceed

- ° The Executive Committee proposes to divide the discussion into five topic areas:

- Technology
 - Capital Investment
 - Labor/Management Relations
 - Education and Training
 - Government Regulation

- ° These topics are highly interrelated; the proposal to separate them is designed only as a means of helping to structure the discussion.

- ° Taken as a group, it is hoped that these topics comprehend many - although certainly not all - of the key issues which relate to national productivity.

- ° We have also allowed time at the end of the discussion for members to introduce additional topics which they feel are important.

Proposed Ground Rules for
Discussion (see agenda)

- ° Forty minutes have been allotted to each topic.

- ° One of the vice chairmen - Mr. Abel or Mr. Burnham - will introduce each topic as it comes up on the agenda.

- ° Following these initial remarks, the meeting will be open for comments related to the topic in question.

- ° You have been provided with a set of several "Major Policy Issues" prepared by the Executive Committee for each topic; these are also designed to focus the discussion, but don't feel bound by them.

- ° The discussion is intended to focus on national priorities and policies rather than specific activities of the Commission. Consideration of the specific role of the Commission will be the subject of a future meeting.

- ° Members are requested to limit their comments on any one topic to approximately five minutes.

How Today's Discussion Will Fit
Into the National Policy Statement

- ° Following this meeting, a written summary of our views will be produced.

- ° The Executive Committee will direct a staff effort to contact specific Commission members who wish to expand on today's discussion.

- ° Members are also invited to suggest the names of any individuals who are not Commission members but whose views you feel it would be appropriate to include in a National Policy Statement.

- ° If you wish to expand on the discussion, or to suggest the names of others, please so indicate to Mr. George Kuper.

- ° When all the contributions of the Commission and of others have been collected they will be incorporated into a draft policy statement.

- ° The draft will be forwarded to Commission members for review.

- ° Questions about the substance of this effort or the process involved should be addressed to one of the Vice Chairmen, or to George Kuper.

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*

.....following these remarks, Mr. Don Burnham will introduce the first topic: "Technology."

B

REMARKS BY JAMES M. CANNON, EXECUTIVE DIRECTOR, DOMESTIC COUNCIL
ON BEHALF OF THE VICE PRESIDENT, APRIL 17, 1975, MEETING OF THE
NATIONAL COMMISSION PRODUCTIVITY AND WORK QUALITY

1. This was to have been the Vice President's first meeting as Chairman of the Commission.

2. Unfortunately, as you all know, he was required to represent the President at the funeral of Chiang Kai-shek and will not return to this country until this afternoon.

3. The Vice President asked me to attend the meeting and express to you on his behalf:

(a) his great disappointment in being unable to attend this meeting today.

(b) his firm belief in the importance of increasing productivity and work quality in order to build the strength of America so that it can continue to meet its domestic and international responsibilities.

(c) his strong commitment to the work of the Commission, and his desire to participate in its activities to the fullest extent in the future.

4. The Vice President has frequently noted in discussions with me the close relationship which exists between the work of the Commission and that of the Domestic Council.

(a) The Council is charged with the responsibility, among other things, for formulating long-range policy for the President.

(b) The Commission is charged with similar responsibilities, in addition to its role as a catalyst for cooperation between labor and management, *for the nation as a whole.*

(c) It is the Vice President's hope, and my hope, that the work of the Commission will not only increase productivity in the private sector and in government, but will also result in the development of policies and specific programs which the Administration and the Congress can support.

5. The Vice President has asked me to follow especially carefully the work of the Commission, and to assign a staff member (Paul Leach*) to keep fully abreast of its program and activities. In this way, I would hope that the Domestic Council would be able to maintain a current understanding of the

* Dick Dunham approves.

Federal Government's extensive activities in the area of productivity and work quality.

6. I am particularly interested in the policy statement on productivity which you will discuss today; the ideas you develop will clarify and organize the policies of the Federal Government and the private sector in the future.

7. I would now like to turn the meeting over to John Dunlop, now the Secretary of Labor and formerly the Chairman of the Commission, whose advice and guidance has been so important to the Commission in the past.



OFFICE OF THE VICE PRESIDENT
WASHINGTON

April 16, 1975

MEMORANDUM TO: Warren Hendricks
FROM: Peter J. Wallison *PJW*

I attach a copy of a draft outline for a Productivity policy statement which was mailed two weeks ago to the members of the National Commission on Productivity and Work Quality.

I think Jim should have a set of this material in his papers when he goes to the meeting, but there is no need for him to be briefed on it.

Attachment



NATIONAL COMMISSION ON
PRODUCTIVITY AND WORK QUALITY
WASHINGTON, D.C. 20508

Memorandum To: Members of the National Commission on
Productivity and Work Quality

From: Executive Committee

Subject: NCOP Policy Statement

In September 1971, the NCOP issued a policy statement entitled "Productivity and the National Interest." This statement was characterized at that time as "a consensus of business, labor, public, and Government representatives as to the importance of policies and programs to foster productivity growth and as to the general structure and thrust of such policies and programs." (See statement attached.)

In early 1975, the Commission has a new membership, operates in a different economic climate and, in contrast to 1971, enjoys the perspective provided by several years of national experience with and reflection about the process of improving our rate of productivity growth. In addition, Commission members have recently expressed the need for a concrete, well-articulated strategy for promoting productivity improvement throughout the entire economy of the U.S.

As a logical first step toward formulating such a strategy, and in order to properly reflect the thinking of the Commission's present membership, we recommend that the Commission direct its efforts to the formulation and adoption of a new policy statement. The objectives of such a statement at this time would be to provide the rationale for efforts to stimulate national productivity and to serve as the basis for a specific and comprehensive action plan for the benefit of efforts throughout country aimed at improved productivity.

To meet these objectives, the Commission's statement should include a review of current thinking as to both the importance of productivity in an economic and social context, and the proper scope of efforts to improve productivity. In order to provide the framework for a more specific action plan, we recommend that particular

emphasis be placed on the policies and programs which, in the light of current experience and thinking, appear to offer the greatest opportunity for promoting productivity improvement.

The recommendations regarding the scope and content of the Commission's statement are outlined in more detail below in the form of specific issues or topics which the statement should, in our view, address. [This outline is intended as a basis for discussion rather than an exhaustive list.]

I. Background:

The importance of maintaining our historic rate of productivity increase. What, in the view of the Commission, is the relationship between the rate of productivity increase and such phenomena as employment, inflation, international trade, the condition of the environment, and the like.

II. What are the problems/issues/opportunities to be addressed by a national effort to improve productivity? To what extent should productivity programs focus on the use of human resources as opposed to capital, energy, materials, and other scarce resources? On what "targets of opportunity" should the nation consciously focus? In 1971, the Commission identified six areas of activity which, if actively pursued were felt to offer exceptional potential for improved productivity. These were:

--Productivity bargaining

--The strengthening of manpower adjustment policies

--Selective stimulation of education, research, and development

--Improved productivity of government

--Identifying and correcting deficiencies in the supply of capital funds

--Identifying practical measures for improving productivity growth in industries where growth has lagged.

We recommend that the Commission consider what items should be added, deleted or modified to provide a current framework for efforts to improve productivity.

III. What is the nature of, and the rationale for, each area of opportunity identified by the Commission? For each area of opportunity, what observations can the Commission make which might prove helpful in developing specific action plans for that area. Appropriate observations might include:

- ° A complete definition of the area to be pursued including whether it is an issue to be addressed at a macro-economic level or on an industry by industry basis.
- ° A statement of the nature of the relationship between the designated area and productivity.
- ° A statement of the current status of efforts including (1) identifying the major technical, information, and other "state of the art" deficiencies which need to be corrected; and (2) identifying areas where the specific concern should be that of raising the level of performance to the best known.
- ° Identification of those programs and policies within each area which, in the view of the Commission, should be initiated or strengthened.

- ° A description of the major legal, regulating, financial, and other structural obstacles which need to be modified.
- ° A statement of the Commission's views as to which organizations or combinations of organizations should take the primary responsibility for implementation of policies and programs in the designated area and, where appropriate, the identification of new organizational or institutional mechanisms which might be required.

The production of a Policy Statement would be an iterative process starting with a general discussion of outline §II at our next meeting followed by individual interviews of NCOP members and other as required to develop an understanding of the issues sufficient to address the question of §II.

Your comments, recommendations, etc., would be welcome.

Attachment

Appendix B

POLICY STATEMENT OF SEPTEMBER 7, 1971

Productivity and the National Interest

The ability of our Nation to produce efficiently—our high level of productivity—has been the source of our high and rising standard of living and the key to achievement of many of our basic national goals. Since 1966, however, the rate of productivity increase in the United States has fallen well below the average of the last 20 years and, more importantly, has fallen short of our domestic economic needs and of the growth rates of our major foreign competitors. This shortfall in productivity growth is due in part to the economic slowdowns of 1967 and 1969–70, accompanied by a substantial increase in idle productive capacity.

The National Commission on Productivity was appointed by President Nixon as an instrument of economic policy to address this issue and to recommend ways to further productivity improvement.

The roots of our past productivity accomplishments are no mystery. They are to be found in a vital free-enterprise economy, which offered challenges to both labor and management to produce more in exchange for a fair share of increased output. If we are to maintain and build upon our tradition of high productivity, we must strive to sustain full utilization of our productive capacity, to improve the organization of our human, financial and material resources and to exploit fully our unparalleled reservoir of skill, technology, and managerial talent.

The maintenance of our historic rate of productivity growth is a vital element in our broader task of improving the quality of life for all Americans.

- It is vital to a sound economy which can provide more and better jobs for everyone who wants to work.
- It is vital to our efforts to curb inflation and protect the real take-home pay of workers and the well being of those on fixed incomes. Only by increasing production per unit of resources, can we expect to achieve both rising real incomes and stable prices.

- It is vital to our ability to compete in world markets and preserve job opportunities. Foreign competitors aided by the export of our technology and capital have greatly enhanced their role in both domestic and world markets formerly dominated by the United States.
- It is vital to our ability to pay for clean air and water, without an intolerable sacrifice in other facets of the quality of life.
- It is vital to freeing the resources necessary for elimination of hunger and deprivation, and to aiding underdeveloped countries of the world.
- It is vital to more and better community services without backbreaking taxes. Productivity increases in the public sector are a partial answer to the fiscal crisis in the cities.

Sources of Productivity

Human resources are first and foremost. They are the fountain of energy, skills, organization talent and ingenuity, which must be fully and effectively utilized if we are to realize our productivity goals. Productivity is the basis for progress. Human beings have the life force to make it possible.

Natural resources are our heritage in land, water, air, and energy. These resources are limited. Their intelligent and prudent utilization in the production of goods and services is a core factor in the quality of life for all Americans.

Capital resources are the funds, facilities, equipment, and technological tools which are an indispensable ingredient in our production potential. A strong, expanding economy, with attractive returns to capital under relatively stable prices, insures a willingness to invest in new technology and serves as a stimulus for efficient growth.

Educational resources represent a most critical investment—in human beings. Expanding educational opportunities enlarge the pool of national talent and enable our citizens to realize their full potential as productive members of society. We have led the world in opening and expanding educational horizons—we must continue to lead.

Research and development resources have applied the results of scientific investigation and knowledge with vast benefits to all mankind. The long lead times and unpredictable results inherent in research could weaken our commitment to investment in it. Neither government nor the private sector can afford to falter in its support of these activities.

The unique resource—The American Spirit. As a young Nation, we have grown and prospered in an economic climate which rewards good work, which motivates the individual man to improve himself and to take pride in the product he produces. We have searched eagerly for new worlds to conquer—in space, under the sea, in medicine, in education, and in the problems of our urban, suburban, and rural life. This youthful spirit, which

thrives on hope, is the root source of change. It has been our trademark since colonial days and it remains a national heritage, in combination with our commitment to the basic value of freedom and human dignity.

We must rekindle this American spirit and not be content with the status quo, nor be complacent about our society and the inevitability of continued progress. We must reappraise our attitude and mobilize our resources to close the gap between actual and potential national product.

Areas of Improvement

Rising productivity in an expanding economy means high levels of employment for American workers, optimum utilization of plant capacity for business and industry, and a better standard of living for all Americans.

The first and basic prerequisite is an expanding economy, with maximum employment and maximum utilization of plants and machines. Such an expanding economy is essential for efficient economic operations, productivity growth and increasing business investment in new plant and equipment. It is also essential to provide the needed expansion of job opportunities for a growing labor force and for those workers who may be displaced by technological changes. In the absence of such economic expansion, there is lagging productivity, usually accompanied by increasing unemployment and underemployment.

A high level of economic activity is a necessary but not sufficient condition for realization of our full productivity potential. We must also consciously focus on identifiable targets of opportunity.

1. *Productivity bargaining* can constitute an important avenue to increased production, profits, and wages. It involves conscious attention to the trade-off between progress for the enterprise, for large groups of employees and for the consumer, and costs which may be incurred by individual groups of workers.

Our potential is far greater than the current scope of bargaining practices and goes far beyond the limits of current production goals. Work rules, training and upgrading workers, group incentives, job redesign and enrichment, workplace participation and communication, safety, and work scheduling are all areas that deserve close attention in the interest of increased productivity.

2. *Manpower adjustment policies* should be strengthened and refined to assist in meeting the human costs of change, where such costs exist. Although total productivity growth and job growth tend to move together in an expanding economy, adverse effects occur in some situations. A society that seeks the benefits of productivity growth is obligated to safeguard those who would otherwise suffer from these adverse effects. This can be done by such

means as: avoiding worker displacement, mitigating financial loss to individual workers, and assisting workers in securing alternative work.

The private sector should initiate or continue programs for manpower planning, advance warning systems, internal workforce adjustments, dismissal pay policies, and retirement and separation programs which provide benefits in case of involuntary early termination.

Government must also join in by providing appropriate manpower readjustment programs and improving labor market machinery.

3. *Education and Research and Development.* Education provides both direct benefits to the individual and long-range benefits to the society in which he lives. Our public commitment to financial support of education recognizes the returns of education to society as a whole, both in its contribution to national economic growth and its broader contribution to the quality of life. There is reason for concern as to whether rigidities within the institutional structure of education are handicapping opportunities for its proper growth and orientation. There is need for further active experimentation, with government support, in development of improved educational systems, including new and more flexible institutional and financing arrangements, as well as improvements in educational content and instructional methods.

Basic research, much of which is centered in our higher-education institutions, is also essential to long-range productivity improvement. Our future depends upon continuously advancing the technological frontier. This ultimately rests upon the vigor and scope of our research efforts and on the effectiveness of the coupling of basic research to the productive mechanisms of society, through applied research and development. Since the benefits of basic research are broadly diffused, the Federal Government has a special responsibility to assure an adequate and sustained level of funding of such research.

The private sector, too, should be encouraged to invest more of its own resources in applied research and development. This requires a close look at institutional arrangements outside and inside the Government which may need to be modified and an appraisal of tax or other possible fiscal incentives for additional private investment in research and development.

4. *Government Productivity.* Government has been and will continue as an employment growth sector providing almost 4 million new jobs by 1980, primarily at the State and local levels. Efficient government services depend very heavily upon human resource management. In the absence of increased efficiency, higher wages and pensions will increase the costs of providing government services, and contribute to the fiscal crises of our cities.

There is considerable scope for encouraging and facilitating the application of productivity bargaining in the public sector. The Commission should

also lead in efforts to identify and evaluate emerging ideas to improve local government productivity, including development of procedures for measuring the relative efficiency of States and cities in performing similar services.

5. *Capital requirements for the 1970's.* One of the basic problems related to the process of economic growth is the demand for and the supply of funds in the capital markets. For some time now there has been a spirited public discussion of the possibility that there may be a capital shortage in the 1970's. Thus, it is imperative that we assess the extent to which individuals, businesses, governments, and other institutions will have access to an adequate supply of funds in this decade to realize their investment plans and identify means to assure that any deficiencies in the supply of capital required to promote adequate economic growth are corrected.

6. *Industries with relatively low productivity improvement.* While some sectors of the economy have high and rapidly rising productivity, there has been lagging productivity growth within other sectors. Moreover, adequate measurement of productivity is lacking for major and growing parts of the economy—such as government, the various services, construction, trade, finance, insurance, and real estate.

Adequate measurement and better information are needed on actual productivity trends and developments in each sector of the economy, so that lagging sectors can be more clearly identified and practical efforts can be made to improve their productivity growth.

The Commission must promote public awareness of the importance and desirability of productivity growth—that we can have more only if the Nation produces more. This is clearly not an easy assignment. But we know this: Every effort made to increase American productivity will be repaid many times over in a higher standard of living and a better quality of life.

10AM - Productivity Council Meetin
through 1PM

Thursday, April 17, 1975
Room 208 OEOB





OFFICE OF THE VICE PRESIDENT
WASHINGTON

April 24, 1975

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Peter J. Wallison *Peter*

SUBJECT: Productivity Commission

Accompanied by George Kuper (acting Executive Director of the Productivity Commission), I met twice this week with aides to Senators Percy and Nunn to suggest proposed changes in their composite bill to create a Center for Productivity and Quality of Working Life.

Kuper and I requested five major changes in the proposed legislation, which are listed below with an assessment of the reaction to our proposals from the Nunn and Percy staff members:

1. Increase the powers of the Center so that it has the specific authority to develop national policy on productivity. Under the legislation as presently drafted, the Center would have the power to recommend legislation to the President and to the Congress in very broad areas related to productivity, but it does not have the explicit power to determine national productivity policy. This proposal was well received, and I expect that it will be included in the Committee bill.
2. Assure that the Center is exempt from the Federal Advisory Committee Act. It was agreed that this would be arranged by putting language in the Committee report making clear the Committee's intention to exempt the Center from the Act.
3. Increase the size of the Center's governing body so that it could include at least five labor members. This is responsive to a firm request by the labor members of the present Commission; the proposal met



some resistance from the Senate staff members, but it is likely ultimately to be adopted.

4. Upgrade the Executive Director's spot to Level II (\$42,500) on the Executive pay scale. The draft legislation provides that the Executive Director will be compensated at Level III (\$40,000), which the Senate staff members considered quite a concession. They expressed many reservations about upgrading the position to Level II, because this would place the Executive Director of the Center at the same compensation level as Congressmen and Senators, the Director of the Office of Management and Budget, and the Undersecretaries of Cabinet departments. Nevertheless, they agreed to consider the proposal further. As a practical matter, I don't think it's worth upsetting Congressional sensitivities about pay levels in order to get this upgrading, but I'll continue to press for it unless you want me to abandon the idea.

5. Eliminate the provision for grants, or, failing that, provide in the legislation that the Center will not have to make grants unless its funding level rises above the \$2.5 million level provided by OMB in the FY 1976 budget. The Senate staff members indicated that much of the support for the legislation in the Senate is attributable to the Center's grant-making potential and that they would be very reluctant to remove that power from the proposed Act. However, they would be willing to state in the Committee report that it was not the Committee's intention to require the Center to make grants unless its funding level rose appreciably above \$2.5 million. I think this arrangement would be satisfactory; it protects the minimum sum the Center needs for operations, but it permits the Center to make grants if its appropriations are big enough.

It should be noted in this connection that the composite bill provides for an authorization of \$10 million in FY 1976, \$20 million in FY 1977 and \$25 million in FY 1978. This is very ambitious; OMB and the Senate Budget Committee have both recommended \$2.5 million in each year, and indications at present are that the Senate Appropriations Subcommittee handling the matter is not enthusiastic about even that minimum



sum. I have met with staff members of the Senate Appropriations Committee and communicated your interest in securing an appropriation equal to the \$10 million authorized in the proposed legislation for the Center.

I will let you know of any further developments as they arise, but at the moment I believe we have made some progress in the Senate Committee.