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Improving Customer
Service

**PHOTOCOPY
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Improving Program Design

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PRESERVATION**

Accompanying Report of
the National Performance Review

Office of the Vice President

Washington, DC
September 1993

This accompanying report, prepared by the staff of
the National Performance Review (NPR), laid the
groundwork for the recommendations in the NPR report
"From Red Tape to Results: Creating a Government that
Works Better and Costs Less," released on September
7, 1993. This report is based on the best information
available at that time. The specific recommendations
within these reports have been and will continue to
be given priority as part of the FY95 Budget,
legislative proposals, or other Administration
initiatives, as appropriate.

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Implementation Categories

Each action is followed by a number in parentheses
that indicates the necessary avenue for effective
implementation. Appendix A organizes all actions
according to these categories.

- (1) Agency heads can do themselves
- (2) President, Executive Office of the President, or
Office of Management and Budget can do

- (3) Requires legislative action
- (4) Good idea, but will require additional work, or may be better suited for future action

Abbreviations

CBO Congressional Budget Office
CRS Congressional Research Service
FAA Federal Aviation Administration
GAO General Accounting Office
NAPA National Academy of Public Administration
NPR National Performance Review
PMC President's Management Council
OMB Office of Management and Budget
OPM Office of Personnel Management
SSA Social Security Administration
SSI Supplemental Security Income
USDA United States Department of Agriculture

Executive Summary

Federal programs are often a story of good intentions gone awry. Consider, for instance, the case of Supplemental Security Income (SSI) recipients who are also eligible for food stamps. Congress, hoping to improve service to, and participation of, those SSI beneficiaries, concluded that the Departments of Agriculture and Health and Human Services should coordinate the delivery of food stamps at Social Security Administration (SSA) offices. Subsequently, however, the General Accounting Office (GAO) found that this design resulted in duplicated efforts and poor service.

Another flawed program design is the federal student loan program which has guaranteed \$142 billion in loans, paid \$35 billion in interest, and lost \$19 billion in defaulted loans since 1965, yet it generates hundreds of millions of dollars in profit every year for private corporations. Poor program design also contributed to lax federal regulation of

the savings and loan industry, which will cost taxpayers some \$300 billion before the crisis ends. More recently, the Federal Aviation Administration struggled to keep up with rapid growth in airline service because of serious institutional constraints, prompting some experts to recommend transforming it into a government corporation.

These experiences are not isolated. Many federal programs are badly designed, ill-conceived and fatally flawed. Innumerable bureaucratic horror stories publicized by journalists, pundits, politicians, and civil servants have unfairly turned phrases like "good government" into oxymorons. [Endnote 1] GAO has identified 17 federal programs as high-risk activities especially vulnerable to waste, fraud, abuse, and mismanagement. [Endnote 2] The Office of Management and Budget (OMB) currently has 104 programs on its high-risk list. [Endnote 3]

The number and severity of these problems has undermined the public's trust in government. Perhaps not since the beginning of the Great Depression have Americans shown such little confidence in Washington's ability to provide the service that the nation deserves. And, unlike Watergate, Iran-Contra, and other political scandals, the problem is not rooted in the episodic vices and failures of individuals. Instead, Americans are increasingly frustrated by the enduring deficiencies in our government's structures and processes.

Often, government problems are rooted in the poor foundations upon which public programs are built--ambiguous goals, weak operational concepts, and careless implementation design. Now, both program design and program evaluation are enjoying heightened prominence with enactment of the Government Performance and Results Act of 1993. It requires the executive branch to produce both performance plans and performance reports; these requirements should prompt agencies to foster better program designs and more rigorous program evaluations.

Federal programs come in a wide assortment. Sometimes, the federal government provides cash payments to individuals, such as with Social Security. At other times, it provides benefits only indirectly, such as when it offers tax incentives for builders to construct low-income housing. The particular method of delivery of public service (e.g., direct subsidies, tax incentives, loan guarantees, regulations, etc.) should be tailored to the specific requirements and circumstances of the

constituency to be served.

To be sure, political considerations, both in the executive branch and Congress, play a major role in influencing the shape and funding of most federal programs. Nevertheless, these programs also should be rationally formulated and designed. In fact, sound designs that are based on objective criteria could yield programs that are more likely to win administrative and legislative approval.

At present, the federal government lacks any systematic, disciplined approach to program design. In designing programs, officials all too often fail to anticipate the unintended consequences. Program evaluation in OMB and many agencies is less prominent than it once was. Yet we need broadly applicable techniques for designing effective, cost-efficient programs, especially in an era of fiscal austerity. We also should apply program design technology to existing programs as part of program review, evaluation, and redesign processes. In time, the objective criteria that we develop may help us better determine what services the federal government should provide, and what we should discontinue. The following are examples of such objective criteria:

1. Identify who benefits and how they benefit.
2. Define and evaluate alternate methods of program delivery.
3. Examine program compatibility.
4. Assess cost-effectiveness and efficiency.
5. Evaluate consistency with accepted management principles.
6. Ensure financial feasibility.
7. Determine feasibility of implementation.
8. Provide for program flexibility.
9. Institute performance measurement and program evaluation.
10. Build in cessation provisions.

Whatever criteria are chosen, the federal government needs to develop a formal discipline of program design. The National Performance Review recommends four presidential initiatives.

First, the President should direct the President's Management Council to sponsor the development and publication of a comprehensive handbook that would address the strengths and weaknesses of alternative program designs. It should include a complete review of relevant literature, a compilation of existing federal programs, a discussion of different approaches, an assessment of comparative advantages, analyses of case studies, and model designs for program types.

Second, the Council should designate one or two agencies to test program design capability to determine its value and costs. For these pilot projects, agencies might create modest program design offices--staffed by individuals qualified in program design, management and evaluation--to help senior officials design new programs and assess existing ones.

Third, the Council should take steps to help Congress design better programs. It should work with the Congressional Research Service (CRS) so the CRS will include program design concepts in all of its relevant training materials. In addition, the Council should encourage CRS, GAO, the Congressional Budget Office, and key congressional staff to participate in program design training.

Fourth, the Council should commission program design courses to educate and train current and future policymakers, program designers, and managers. Such education might include short seminars, a longer residential course, the introduction of program design into existing management development programs, and offerings at graduate schools of public administration.

Endnotes

1. Ruby, Michael, "Rube Goldberg, R.I.P.," U.S. News & World Report (August 16, 1994), p. 64.
2. See U.S. General Accounting Office, Reports GAO/HR-93-1 through HR-93-17, Washington, D.C., December 1992.
3. Budget of the United States Government Fiscal Year 1994 (Washington, D.C.: U.S. Government Printing Office, 1993), p. 107.

The Need for Change

In a speech at a conference in Atlanta some years ago, a federal official told a story about a young attorney working on Capitol Hill who was asked to draft a bill to regulate some aspect of the airline industry. He started by looking up and copying the law that addressed similar concerns with the railroads. Finding some provisions which did not seem applicable to railroads, he did further research and discovered that the railroad bill had been lifted 75 years earlier by another attorney from a law passed early in the 19th century to regulate canals. Justice Oliver Wendell Holmes said that "in the law, an ounce of history is worth a pound of logic." [Endnote 1] However, in the design of federal programs, unfortunately both are often missing. Consider the following 1981 exchange before a subcommittee of the House Committee on Banking, Finance and Urban Affairs:

Chairman Blanchard: Have you made any conclusions as to where governmental loans are an effective policy instrument and where they are not? Where loan guarantees are an effective policy instrument and where they are not? How they work, in what instances they work well and where they don't, and where they can be effective and where they aren't? Because we are looking at these in relation to other tools that the government has to operate...Have there been any studies on...federal use of direct spending versus loans versus loan guarantees versus the tax code, and then the various types of tax preferences and their effectiveness in different instances?

The witnesses responded that they were unaware of any such literature. [Endnote 2] Earlier the Congressional Research Service observed:

These program differences underline the ways in which the programs have evolved. There have been no overall guidelines or framework within which these programs are created. They have evolved over time to meet particular needs and situations. This generally ad hoc framework has led to a situation where, except for vast generalizations, it is hard to make specific statements concerning the characteristics of federal loan guarantees. [Endnote 3]

Is there a systematic, disciplined approach to program design in the Federal Government? There is not. An extensive literature search and consultation with experts inside and outside government reveal an overwhelming consensus that the lack of attention to program design means that federal activities are less

effective and less economical than they should be. Program designs are frequently characterized by insufficient rational analysis and failure to anticipate unintended consequences. Often this can be attributed to the poor foundations upon which the programs were built- ambiguous goals, weak operational concepts and careless implementation design. It is rare to compare programs across agency and department lines in terms of what they do and how they do it. We do not have a methodology with which to compare them.

Some public policy/administration academics have attempted to develop a rational, disciplined approach to program design. In 1985, A Workbook in Program Design for Public Managers noted the absence of any preexisting attempt to provide this discipline and recognized its own limitations, stating ". . . at best, this workbook is but a beginning effort." [Endnote 4] In 1986, the classic text Politics, Position and Power (Fourth Edition) proposed twelve criteria for evaluating the design and organization of new or existing programs. [Endnote 5] In 1989, the Urban Institute published a primer on program reviews that outlined criteria for analyzing program alternatives. [Endnote 6]

While academic interest in program design seems to be growing, the practical applications have been few. "Over time, legislation has suffered more and more from wishful thinking, sloppy drafting, and woeful disregard for public-sector organizational principles." [Endnote 7] A congressional effort to establish a program design discipline for a segment of related governmental programs can be found in the 1988 public law which elevated the Veterans Administration to departmental status. The law provided for the establishment of a National Commission on Executive Organization, generally patterned on the first Hoover Commission. Its charter would have required ". . . establish[ment of] criteria for use by the President and Congress in evaluating proposals for government corporations and government-sponsored enterprises and subsequently overseeing their performance." [Endnote 8] The new commission could have been activated by presidential initiative; however, it was not.

Rigorous assessments of federal programs and their designs were once an active responsibility of OMB; however, current oversight responsibilities regarding program design are cloudy. In OMB and many agencies, program evaluation as a related discipline is also less prominent now.

Both program design and program evaluation will become more prominent under the new Government Performance and Results Act of 1993. The Act requires performance plans and performance reports from the executive branch; hence, agencies may be prompted to foster sound program designs as well as rigorous program evaluation.

What are the consequences of the absence of a rational program design process? Too often programs are designed without careful consideration of the way that similar designs have worked previously or the potential benefits of alternate designs.[Endnote 9] It is no wonder news media, federal auditors, politicians and taxpayers are critical of a government that too often creates federal programs that do not meet public expectations. A consequence is sagging public confidence in the ability of government to deliver.

For example, flawed program design accounts for poor public service in food stamp application processing for Supplemental Security Income (SSI) applicants and recipients. Congress believed that food stamp program participation would increase, and more streamlined public service would occur, if the Departments of Agriculture and Health and Human Services coordinated the delivery of food stamp services at Social Security Administration (SSA) offices. For SSI clients eligible and willing to apply for food stamps at SSA field offices, SSA staff complete an application and forward it to a state food stamp office for further consideration.[Endnote 10] GAO concluded:

The process for taking food stamp applications at SSA has not worked well...further, the process as designed results in duplication of effort and poor service to clients...the food stamp applications used are unnecessarily complex and lengthy.''
[Endnote 11]

There are many other examples of poor programs that have received public criticism because they fail to meet various design criteria. These include:

--Regulation of Savings and Loan Institutions.

The government intended to use federal deposit insurance to subsidize the cost of loans and increase the availability of mortgage money for home buyers. To avoid the misuse of a government guarantee such as deposit insurance, the government must establish an effective and independent supervisory agency. The Federal Home Loan Bank Board lacked this

independence from the savings and loan industry that it was supposed to supervise. The ultimate cost of that regulatory failure will amount to some \$100 billion. [Endnote 12]

- Reduction of Crime. In attempting to reduce burglaries, the Law Enforcement Assistance Administration tried to increase the effectiveness of limited numbers of law enforcement officials through large investments in sophisticated telecommunications in police cruisers. These efforts were much less effective than Neighborhood Watch programs which greatly increased the number of people participating in crime surveillance at minimal cost. [Endnote 13] The consideration of alternatives in the design of federal programs is all too rare. Consequently the allocation of program resources often is not optimal in accomplishing desired ends.
- Federal Catfish Research. The Senate has noted that catfish research is conducted in at least four agencies: Fish and Wildlife Service (Interior), Animal and Plant Inspection Service (Agriculture), Agriculture Research Service, and Agriculture Cooperation Service. Although a 1988 report by the Inspector General at the Department of Commerce (itself conducting independent catfish studies) recommended that the work be consolidated, it still has not been done. [Endnote 14] Federal catfish research raises a variety of design questions. How compatible are these research efforts with each other? Are they complementary or redundant? What are the aggregate costs for federal catfish research and are they justified by the benefits?
- National Air Traffic Control. The Federal Aviation Administration (FAA) is responsible for airline safety in the United States and administers the nation's air traffic control system. Commentators have repeatedly pointed to problems confronting the FAA as it works to keep up with rapid growth in airline service and cope with federal budget constraints and inflexibility in its institutional structure. Recently the National Airline Commission recommended that the FAA become a government corporation so that it can regain the capacity to carry out its essential functions. [Endnote 15]

What is a program? In this context, a program is "a particular combination of authority, organizations, resources and personnel assembled to achieve specific public purposes." [Endnote 16] At times, the federal government's role is very direct, such as payment of cash to Social Security beneficiaries. Alternatively

the role can be indirect, such as the establishment of tax incentives for the private sector to provide low income housing.

In the field of public administration, two other levels of analysis have been proposed. One analyzes a set of programs or a program cluster aimed at a specific, common target group.[Endnote 17] For example, there are many programs addressing the income maintenance needs of the poor. Rather than considering a single program's design in isolation, the preferred focus is to diagnose program effectiveness as a whole.

A second alternative is to focus on the generic tools of government action, the techniques of social intervention used in particular public programs.[Endnote 18] Reinventing Government identifies 36 such mechanisms, ranging from grants to tax policies.[Endnote 19] In some program designs, more than one tool may be used; therefore, it is helpful to examine how well each tool works, either alone or in combination with others.

Frequently, each of these perspectives merits consideration. For example, consider a category of programs using more than one method of delivery--job training. It can be delivered in many forms including tax policy, grants, loans, loan guarantees, technical assistance, information, referral, seed money, and jaw boning. Whatever combination of delivery tools may apply to a specific public purpose, it would be desirable to understand the programmatic impact of the tools individually and collectively in order to design the best portfolio.

Why do we need an emphasis on program design? Effective and efficient delivery of programs is a major determinant of the public's confidence in its government. Although the approval and funding of most federal programs are inevitably shaped by political considerations (both in Congress and the executive branch), the formulation and design of these programs should be grounded in rational and valid public purposes. Sound designs based on objective criteria can yield programs more likely to win bureaucratic and political approval. A program design discipline that can increase the likelihood of a program's success is especially important in a time of especially austere fiscal constraints. In addition, this program design discipline should be applied to existing programs as part of program review and redesign processes.[Endnote 20] The American public is willing to support programs if it is confident the programs address issues important to them and the

solutions have a reasonable probability of success (e.g., health care reform). [Endnote 21]

ENDNOTES

1. Knisely, Robert A., "Toward a Science of Program Design," speech at ORSA-TIMS conference, Atlanta, Georgia, November 9, 1977.
2. Salamon, Lester M., Beyond Privatization: The Tools of Government Action (Washington, D.C.: Urban Institute Press, 1989), p. 23.
3. U.S. Congress, House, Committee on Banking, Finance, and Urban Affairs, Subcommittee on Economic Stabilization, Catalog of Federal Loan Guarantee Programs, SN 052-070-04263-0 (September 1971).
4. Ruchelman, Leonard I., A Workbook in Program Design for Public Managers (SUNY Press, 1985).
5. Seidman, Harold, and Robert Gilmour, Politics, Position & Power, Fourth Edition (New York: Oxford University Press, 1986), pp. 338-340.
6. Hatry, Harry P., Kenneth P. Voytek, and Allen E. Holmes, Building Innovation into Program Reviews (Washington, D.C.: Urban Institute Press, 1989).
7. Moe, Ronald C., "Let's Rediscover Government, Not Reinvent It," Government Executive, vol. 25, no. 6 (June 1993), p. 46.
8. Moe, Ronald C., Reorganizing the Executive Branch in the Twentieth Century: Landmark Commissions, 93-293 GOV (Washington, D.C.: Library of Congress, Congressional Research Service, March 19, 1992), p. 50.
9. Hatry, et al., pp. 5-6.
10. The Food Stamp Act requires that food stamp applications be forwarded immediately and in an efficient manner. Food and Nutrition Service regulations define this to mean one working day.
11. U.S. General Accounting Office, Social Security: Need for Better Coordination of Food Stamp Services for Social Security Clients, HRD 92-92 (Washington, D.C.: U.S. General Accounting Office [GAO], September 1992), p. 5. See also NPR Accompanying Report, Department of Agriculture (recommendation USDA07).
12. U.S. Congress, Congressional Budget Office, The

Economic Effects of the Savings & Loan Crisis
(January 1992).

13. Knisely, Robert A., "Law School and the Design of Government," November 1985.
14. "Reinventing Catfish Research," Washington Post, Federal Page: Short Takes (July 1, 1993), p. 21; and U.S. Department of Commerce, Office of Inspector General, Office of Audits, Denver Regional Office, NMF's Funding of the Stuttgart Catfish Farm is Not Warranted, Final Audit Report No. D-197-8-022 (July 1988).
15. National Commission to Ensure a Strong, Competitive Airline Industry, Outline of Issue: Restructuring the Federal Aviation Administration, Working Draft Report, pp. 8-9 (the draft reflects commission deliberations of July 19, 1993). See also National Academy of Public Administration, The Air Traffic Control System: Management by a Government Corporation (Washington, D.C., March 1986); Jasper, Herbert N., National Research Council, Transportation Research Board, "Appendix B: Organizational Options for the Federal Aviation Administration," Winds of Change : Domestic Air Transport Since Deregulation; and discussion in the NPR summary report and the NPR Accompanying Report Department of Transportation (recommendation DOT08).
16. Salamon, Lester, p. 25.
17. Interview with Joe Wholey, Director, Public Administration, University of Southern California, at Washington, D.C. campus, May 26, 1993.
18. Interview with Lester Salamon, Director, Public Policy, The Johns Hopkins University, at National Performance Review, May 17, 1993.
19. Osborne, David, and Ted Gaebler, Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector (Reading, MA: Addison-Wesley Publishing Company, Inc., 1992).
20. See Hatry, et al.
21. "Seeking a Cure: Most Americans Pledge Sacrifice to Help Fix the Health System," Wall Street Journal/NBC News Poll, Wall Street Journal (March 12, 1993), p. A1.

Program Design Criteria

Whatever the purposes of any public program, its logic and internal consistency can be exposed and analyzed using objective rational criteria. The following is a set of criteria which could be applied systematically when designing or redesigning programs. [Endnote 1] Research and development to further the field certainly will refine and augment this list.

1. Identify Who Benefits and How They Benefit

All program designs require clear, explicit identification of the primary beneficiaries and the specific benefits they can expect. Without this foundation, no rational program design methodology can be sustained. Programs designed to solve particular problems should be consistent with the missions of the agencies responsible. However, both the problems addressed and the missions pursued should always be framed in the context of who benefits.

Prioritize Beneficiaries. The public purposes and program goals must be defined in terms of benefits to individuals and/or groups. There are two levels of beneficiaries, primary and secondary, which must be reflected in a program's design.

Primary beneficiaries benefit directly from a program. To illustrate, the Department of Veterans Affairs serves veterans; the programs it administers clearly define categories of veterans who qualify as beneficiaries. Other programs' intended primary beneficiaries are not as clear. Consider government programs allowing removal of trees from federal lands. In this latter case the class of primary beneficiaries may be the loggers--who would otherwise be unemployed--the logging companies, the domestic and foreign timber consumers, or the recreational users who object to despoiling the environment. Secondary beneficiaries are those individuals, groups of individuals, or organizations benefiting indirectly from a program. For example, state governments are the secondary beneficiaries of federal grants for education.

Finally, a class of interested parties, not strictly beneficiaries of a program, are stakeholders, such as taxpayers. The taxpayers deserve the most effective and efficient design possible to maximize the return on their investment in tax dollars.

Validate the Need. It is essential to verify that the

need exists and will persist. The program designers must be able to document that the need is more than a short-term aberration. The determination of who benefits and how they benefit should be validated by the intended beneficiaries themselves, which is the essence of customer-driven government. Federal-level involvement must also be justified. The program must avoid addressing obsolete problems or needs that are more effectively solved through state or local initiatives, through the private sector, or by nonprofit organizations.

Determine Program Size and Scope. Program designers must also determine the size and scope of the population to be served so the course of action matches the problem. How many people are affected? What are the eligibility criteria? What are the characteristics of the affected populations (geography, socio-economic factors, etc.)? What level of diversity exists among the populations affected? What is the minimum program size necessary to achieve the results required?

If there is more than one problem to be addressed, the program designers must identify each need and prioritize solutions to avoid unbalanced or skewed designs. Social Security is an example of a program that has well-defined beneficiaries and missions. It is designed to provide income to individuals (and their eligible family members) who are retired or disabled. The Social Security Administration has long viewed its mission as the right check, to the right person, in the correct amount, on time. Clear eligibility criteria enable reliable estimates of client populations and size of benefits.

Inspire Public Confidence. Program design should give the program credibility with the public. There is a common perception that the political process does not always place program priorities on the appropriate beneficiaries. Without strong public confidence, programs are hindered from gaining approval and overcoming resistance during implementation. A federal program should appear to make sense both in intent and by design as a valid commitment of public resources.

2. Define and Evaluate Alternate Methods of Program Delivery

After clearly defining program goals and beneficiaries, the designers should consider any alternate forms of program delivery. Not all public needs must be satisfied by direct federal delivery of

services. Alternatives to direct government service include regulatory requirements, government sponsored enterprises, tax incentives, government guarantees, monitoring and enforcement, etc.

Different program delivery methods can often attain similar ends, although costs and schedules are not likely to be the same. Education is a prime example. Education has been delivered in many forms such as direct cash payments to veterans, categorical grants to states to fund educational initiatives at the local level, block grants, tax exemptions, privatization, etc. Two sources of potential alternatives are the list of 36 governmental mechanisms that were identified by Osborne and Gaebler in *Reinventing Government*, and the program tools identified by Professor Lester Salamon of Johns Hopkins University. [Endnote 2] Salamon suggests that the major tools of public action should be studied in a well-structured framework:

Given the great proliferation of instruments that the public sector uses, and the likelihood that this proliferation will continue as a result of the privatization movement and the resource constraints under which government is operating, the development of a body of knowledge that can help guide the selection of tools and instruct program managers about the consequences of these choices seems increasingly worthwhile. [Endnote 3]

Review Against Assumptions. Alternatives must be reviewed explicitly against fundamental assumptions. What are the critical success factors identified by the beneficiaries? How has success been measured and how well does each program design address the needs identified? What is each design's ability to serve people, to adapt to emerging technology, and to use existing facilities? What are the possible unintended consequences or adverse effects of each design mechanism? How do they compare to the status quo? Examples of programs which merit review against their initial assumptions include job training, veterans health care, and sundry entitlement programs.

3. Examine Program Compatibility

It is rare that any new program is so independent and autonomous that it enters a domain totally unpopulated by preexisting efforts. Consequently, program design should be mindful of compatibility and complementarity with existing infrastructure or related programs.

Comparative Advantage. What does this program do that is unique? Would another program or program design perform these functions better? What would beneficiaries lose if this program did not exist?

Complementarity. Does the program complement other programs that serve the same beneficiaries? Does the program needlessly duplicate or overlap other programs at the federal, state, or local levels? Does the program foster cooperation or does it create barriers between beneficiaries and administrators? To illustrate, one-stop shopping, which provides multiple services conveniently at one place, contributes to integrated program delivery and is being considered by the Department of Labor for workforce development. [Endnote 4]

Harmony. Is the program consistent with the mission of the agency which would administer it? Does it create conflict in the agency? Is the program more compatible with another agency's mission? Are another agency's programs more interrelated and would that agency therefore be a better fit? How easy is it to add the program to an existing organizational structure? Will it replace one or more existing programs? Does it create or reduce redundancies?

Catalyst. Does the program foster competition or does it encourage monopolies? Does it serve as a catalyst? Does the program design result in the empowerment of people and communities so they have a vested interest in how the program is run? Is there positive leverage with other programs or destructive interference? Does the sum of all programs encourage the right behavior or do perverse incentives motivate dysfunctional behavior?

4. Assess Cost-Effectiveness and Efficiency

Program designers should apply cost-effectiveness and efficiency criteria to the program as a whole and to specific program elements (including organizational structures, program delivery, and administrative support functions) to estimate:

- cost (total, marginal, and/or administrative, as a measure of overhead) per unit of benefit (defined as program outputs or outcomes); and
- productivity (unit of benefit per full time employee or field office).

Program designers also should consider the program's social efficiency; i.e., how the program might be

designed to achieve the greatest net benefit to society as a whole. In this context, benefits and costs are defined more inclusively than in analyzing cost-effectiveness, although there probably will be some overlap. To determine efficiency, analysts would employ the standard techniques of benefit-cost analysis to estimate the net social benefits of one or more program designs. Steps include:

- identifying major relevant impacts of the policy, including direct and indirect impacts on the program's direct beneficiaries, other affected groups, and society as a whole;
- categorizing costs and benefits for various affected groups; and
- quantifying dollar impacts.

In principle, the program design which is estimated to achieve the highest net benefit should be selected. However, optimizing distributional benefits (to either primary or secondary beneficiaries) typically conflicts with optimizing aggregate social welfare. Some times this may be appropriate (i.e., targeted programs). At other times some might criticize the selection of sub-optimally efficient programs as pork-barrel spending. Making explicit the trade-offs inherent in each design can help inform the debate.

5. Evaluate Consistency with Accepted Management Principles

While the field of management is not a precise science, it does represent an accumulation of knowledge useful in illuminating the strengths and weaknesses of public programs. Using generally accepted management principles to evaluate various program designs may help identify both inherent deficiencies and alternative remedies. Where violations of conventional wisdom are appropriate, the justifications should be clear and convincing.

Among the numerous management principles applicable to program design to be given particular emphasis are those consistent with the core values of reinventing government, namely:

- serving customers,
- empowering employees,
- empowering communities to solve their own

problems, and

--fostering excellence.

For example, program designers should consider the following reinvention principles that improve the efficiency and effectiveness of their programs:

- create a clear sense of mission,
- steer more, row less,
- delegate authority and responsibility,
- replace regulations with incentives,
- develop budgets based on outcomes,
- inject competition where appropriate,
- search for market, not administrative, solutions, and
- measure success by customer satisfaction.

6. Ensure Financial Feasibility

Given the increasingly strong drive to reduce the federal budget deficit, and competing claims on limited funding, affordability is an inevitable criterion for evaluating new and existing public programs. Although not all programs have direct budgetary impact, many do. Typically, cost calculations and estimates can be difficult to derive. Accounting methods interact with funding streams and auditing requirements in ways that are not always sensible or consistent.

Nevertheless, the program cost must be known if the government is to avoid incurring unlimited liabilities. A program's budgetary costs can be determined in a variety of ways, each of different interest to different constituencies. Among the alternate cost elements that may be relevant are:

- total life cycle costs: the full costs of creating, operating, maintaining, and terminating the program from inception to conclusion (where end points are reasonably defined);
- annual budget requirements: the amount that must be appropriated annually to sustain/maintain the program throughout its lifetime;

- risk of cost overruns: the probability that actual program costs will exceed approved budget levels including the expected cost of unbudgeted contingent liabilities;
- revenue generation: the expected income return to the Treasury from the program's operation; and
- debt management: the ratio of the funds collected or recaptured to the amount owed the U.S. Treasury.

7. Determine Feasibility of Implementation

Even the best designed program will not be effective in its execution if fatal flaws of implementation are not considered during its design. Unfortunately, those persons most familiar with implementation do not usually play key roles in design, depriving policy officials of the opportunity to obtain field validation and assessment before final decisions on design. Without effective implementation, program proponents will not see their goals successfully accomplished. Given the number and types of federal programs, it is unrealistic to formulate universal principles of implementation that apply exactly to all programs. Yet it may be instructive to identify a few common pitfalls to consider in the designs of many types of public service programs.

Foremost, implementation should be embedded in the program design. [Endnote 5] Therefore, the more that programs explicitly consider anticipated difficulties and conditions of implementation, the fewer the surprises and the more likely program success. Although detailed operational plans are not usually developed during the program design phase, at least some consideration in broad outline would be prudent management and politics. However, implementation must not compromise or obscure the program's basic purpose and integrity. If political realities so dilute the program's integrity that the original intent is no longer served, then managers should abort the design rather than succumb to the temptation of just getting anything approved.

Second, it is imperative to identify clearly who is ultimately responsible for the program to anticipate their capacity to administer and to ensure accountability. We cannot know the barriers and impediments to success without knowing clearly who (which organization(s)) is charged with carrying out the program. An objective assessment of the

capabilities of the agencies through which the program resources and responsibilities will flow could pinpoint potential roadblocks, sources of conflict, and choke points that might hamper implementation. And, as trite as it sounds, those responsible for implementing a program must know what they are supposed to do. Policies, if not clear, accurate, and consistent, may cause misunderstanding and confusion, and confer discretion that may be roundly abused. For federal programs to be implemented more effectively, we must ensure the following:

- (a) those bearing the major responsibility for implementation are aware of what is actually happening in another unit of government, a field agency, or the private sector;
- (b) those responsible for implementation earnestly strive to achieve the stated program goals and mission;
- (c) policies and actions are decisively made and clearly transmitted; and
- (d) decisions and policies encourage creativity, flexibility, and adaptability.

Third, an accurate description of the organizational network directly affected by the program would identify the critical relationships and points of coordination required or implied by program operations. This might include a flow chart of transactions depicting key relationships. Omissions and redundancies are more easily and economically remedied in the planning stages than later. Implementing policies and programs requires a coordination of efforts between various groups and organizations, particularly regarding complex policies or decisions.

Fourth, the timing of critical events is absolutely essential. Although many alternate sequences of activities are possible, key deadlines may not be discretionary (e.g., budget approvals, legislative requirements, awarding of contracts, etc.) and certain schedules offer distinct advantages over others. More programs suffer from overly ambitious timetables than from unduly conservative ones; effective implementation requires sufficient time.

Fifth, in designing programs, attention must be given to resources. However, due to various political compromises and conflicts, sufficient resources often

are not available to implement a program properly. Program designers may not be aware of inadequate resources or may choose to ignore the problem. There are several important components of resources critical to implementation, including:

- (a) adequate staff with the appropriate knowledge (programmatic and managerial);
- (b) sufficient information on how a program or decision is to be implemented and the support/approval of other necessary agencies and participants;
- (c) necessary authority to permit the programs or decisions to be implemented; and
- (d) facilities and equipment necessary to implement the program or decision.

Sixth, prudent experimentation before committing the government to a major public investment could help avoid expensive misadventures and illuminate the pitfalls in uncharted domains. While pilot demonstrations are not appropriate for all programs, they are highly desirable under a wide range of conditions such as:

- (a) high risk programs--where the consequences of ailure are catastrophic or life threatening;
- (b) where the economic investment is substantial enough to justify small experiments;
- (c) where there is significant complexity--either organizational or programmatic (e.g., health care, homelessness, economic renewal);
- (d) where there is great uncertainty surrounding the proper solutions;
- (e) where there is intense public controversy or low political consensus; and
- (f) when there is no immediate urgency that precludes more deliberate exploration of alternate approaches.

8. Provide for Program Flexibility

Perhaps the only universal element in all federal programs is the certainty that even the most carefully formulated plans and policies will not be realized exactly as designed. Given the inordinately long gestation periods for many public programs,

coupled with lengthy implementation periods, it may be as long as five years before a program may be mature enough to sustain a valid evaluation.

In the meantime, the conditions and constraints under which a program operates may have changed significantly from when it was first conceptualized. Therefore, the design of programs should permit enough management flexibility to allow agencies to adapt to external changes, unforeseen circumstances, variations in resource levels, and schedule changes. In addition, program designs should free implementing organizations to tailor programs to local circumstances. Where initial rigidity in structure is necessary, waiver authority is essential to accommodate exceptional cases and unanticipated conditions. [Endnote 6]

While no one can anticipate every possible contingency, the most likely changes (e.g., budget erosion, schedule slippage, personnel shifts) should not have catastrophic impacts on well-designed programs. Programs dependent on critical, highly sophisticated, specialized, or scarce resources (e.g., key individuals, unproven technology, rare expertise, unique facilities) are fragile because they are vulnerable to uncertainties in the availability, quality, and quantity of these essential resources. For example, many attempts to modernize automated information systems often under- or over-estimate the availability of state of the art technology, resulting in either investments in obsolete hardware/software or costly delays waiting for technology to catch up.

Two especially critical flexibilities involve schedule and budget. With the enormous vagaries of when and what will survive the approval processes both in the executive and legislative branches, and the uncertainties of program execution, good program designs must withstand significant variations in time (i.e., date of initiation, rates of progress, completion milestones, etc.) and budget availability (both total amount and annual appropriations). Programs should be designed to absorb reasonable schedule changes with minimal impact. Similarly, robust programs should yield acceptable returns on investment over a wide range of program size (i.e., they should be fairly elastic over different scale levels). Programs that are designed as all or nothing versus those that can be bought by the yard are especially brittle in the face of inevitable uncertainties in the appropriations and authorizations processes.

9. Institute Performance Measurement and Program Evaluation

Program designs should incorporate feedback mechanisms enabling managers and policymakers to assess how well a program works in terms of both implementation and achievement of program goals. Of course, program designers first must sufficiently identify the program's goals and specific performance objectives to measure outcomes.

Take, for example, the Customs Service's trade law violation detection program. In fiscal 1991, U.S. Customs did not detect about 84 percent of the estimated trade law violations in imported cargo. [Endnote 7] Does a detection rate of 16 percent indicate success? A strong design should require benchmarks for success/failure and delineate when a program should be redesigned, concluded because successful, or terminated for failure.

Designers, in consultation with potential users of the performance data, should monitor a range of key performance indicators. [Endnote 8] A wide range of types of data could be collected and reported, including a program's:

- inputs (e.g., funding and staff, beneficiary characteristics),
- workload,
- outputs (services/final products),
- outcomes of products or services (i.e., for a job training program, the number of job placements that result in a year's employment),
- efficiency and/or productivity,
- beneficiary satisfaction,
- employee satisfaction, and
- service quality and timeliness.

A performance measurement system also requires identified data sources and reliable collection and reporting methods. The value of the information provided should be carefully weighed against the costs of data collection, including the burden imposed on reporting entities (such as state and local governments). Where practical, performance

reports should be designed to meet the diverse information needs (in terms of both quantity and particular indicators presented) of the various users of performance data (e.g., beneficiaries, line staff, and program managers, senior agency officials, OMB, etc.). Nonetheless, compromises among users may be unavoidable.

The new Government Performance and Results Act of 1993 will institutionalize performance measurement throughout the federal government. Key elements of this legislation include strategic plans, performance plans, performance reports, managerial flexibility waivers, and performance budgeting. This Act requires a variety of pilot projects which could provide fruitful opportunities for the application of the several program design criteria suggested here.

10. Build in Cessation Provisions

There is a common perception that some government programs and organizations outlive their usefulness yet continue to exist without rational purpose or tangible benefit. Government has often been criticized as being totally incapable of abandoning programs, despite success, failure, or lack of evidence of either. Many government programs do not explicitly provide for their conclusion or termination for any cause whatsoever. A program design which does not address the ultimate fate of the program is at best incomplete, at worst self-perpetuating. Although some programs have no expected expiration (e.g., Social Security), others do possess an ultimate end point (e.g., inoculation programs should cease when the disease is essentially eliminated, as in the case of smallpox). Determination should be made at the onset as to what marks the success or failure of a program. When these benchmarks are established, it will be easier to decide when to redesign a program or just stop.

The Helium Fund Program was created in 1925 to ensure helium supplies for blimps. It has accumulated a 176-year supply of helium along with a \$1.4 billion debt. All original objectives (except paying for itself) have been met, and private suppliers could meet all federal needs at lower cost.[Endnote 9] The obvious question is who are the primary beneficiaries of this program now that blimps are not critical to national security or commerce? Moreover, the helium program lacks any cessation provisions, an all too common failing in program design.

Sunset laws have a checkered history.[Endnote 10]

While enjoying a surge of popularity at the state level in the 1970s and early 1980s, sunset laws have produced mixed results and many states are repealing ineffective sunset legislation. In January 1993, a sunset bill (S. 186) was reintroduced in the 103d Congress which would require formal reauthorization of federal programs every ten years. Given the amount of controversy around the applicability of sunset requirements to federal agencies, the bill's future is uncertain. Perhaps more promising avenues exist in strengthening reauthorization requirements by incorporating rigorous performance measurements and enforcing appropriate discipline in both the executive and legislative branches of government.

ENDNOTES

1. Five of these criteria are consistent with evaluation criteria proposed by Senator Reid in his bill, S. 186, Spending and Control Programs Evaluation Act of 1993.
2. Osborne, David, and Ted Gaebler, Reinventing Government (Reading, MA: Addison-Wesley Publishing Company, Inc., 1992).
3. Salamon, Lester M., Beyond Privatization: The Tools of Government Action (Washington, D.C.: Urban Institute Press, 1989).
4. See NPR Accompanying Reports, Department of Labor and Department of Health and Human Services (Washington, D.C.: U.S. Government Printing Office, September 1993).
5. "The great problem, as we understand it, is to make the difficulties of implementation a part of the initial formulation of policy. Implementation must not be conceived as a process that takes place after, and independent of, the design of policy. Means and ends can be brought into somewhat closer correspondence only by making each partially dependent on the other." Pressman and Wildavsky, Implementation (Berkeley, CA: University of California Press, 1973), p. 143.
6. See NPR Accompanying Reports, Executive Office of the President, Streamlining Management Controls, and Strengthening the Partnership in Intergovernmental Service Delivery .
7. U.S. General Accounting Office, High Risk Series: Managing the Customs Service, HR-93-14 (Washington,

D.C.: U.S. General Accounting Office, December 1992).

8. See Osborne and Gaebler, pp. 349-359, which describe several approaches to performance measurement in the public sector. A variety of others are referenced on p. 392.
9. "Helium Agency--Deterrent to Blimp Wars: Congress Must Decide Whether 1920s Program is Worth Saving," San Francisco Chronicle (May 21, 1993), p. A5; and "Forget Oil: U.S. Rules Helium Market," Washington Post (June 17, 1993), p. A17. See also NPR Accompanying Report, Department of Interior (recommendation DOI13).
10. Kearney, Richard C., "Sunset: A Survey and Analysis of the State Experience," Public Administration Review (January/February 1990), pp. 49-57; and Nice, David C., "Sunset Laws and Legislative Vetoes in the States," State Government, vol. 58, no. 1 (Spring 1985), pp. 27-32.

Actions

What Can be Done to Develop and Promulgate Program Design?

Program design criteria are merely the foundation for more efficient and effective federal programs. To establish a credible discipline of program design, the criteria and the technology used in successful design should be developed more fully throughout the federal government. The following are recommendations for developing a formal discipline of program design.

DES01: Activate Program Design as a Formal Discipline
(2)

The President should direct the President's Management Council (PMC) to sponsor as a high priority project the development and publication of a comprehensive handbook that will enable federal managers and policymakers to understand the strengths and weaknesses of alternative program designs. [Endnote 1] This policy research should include but not be limited to:

- a complete review of the literature relevant to program design (e.g., program evaluation, public policy, policy implementation, public administration);
- the development of a comprehensive taxonomy

of existing federal programs to highlight the important structural differences and similarities across the government;

- the identification of the different design approaches (i.e., tools and modalities) used in federal programs to serve the public;
- an assessment of the comparative advantages of various program designs under different circumstances across several federal agencies;
- a compilation of analyses of representative case studies that illustrate the consequences of superior and inferior program designs; and
- the creation of model designs for each program type (e.g., grants, loans, insurance, regulatory mandates, tax preferences).

This initiative should be completed on an expedited basis with the first products to be delivered within one year and the final products delivered no later than three years. This project would be funded through the National Science Foundation. External participants in this effort should include established sources of relevant expertise such as the National Academy of Public Administration, the Brookings Institution, universities, and other public policy analysis organizations.

A governmentwide conference on program design could jump start the development of program design by convening agency representatives, congressional staffers, state and local constituencies, academics, and other policy experts. The conference would have three objectives:

- survey the extent and quality of existing program design knowledge;
- identify specific opportunities for education and research; and
- develop a blueprint for a decade-long, governmentwide training strategy.

DES02: Establish Pilot Program Design Capabilities in One or Two Agencies (2)

After development of the handbook, the PMC should designate one or two agencies to pilot test program design capability to determine the value and costs of this function for a reasonable probationary period

such as two years. For example, these pilots could establish a modest program design office in each agency staffed by personnel qualified in program design, management, and evaluation. The purpose of these offices would be to help senior officials design new programs, assess alternate program designs, and review existing programs for design integrity. Other mechanisms and structures for creating program design capability would be permissible. Where those pilots prove successful, program design capabilities would be expanded to other agencies on an incremental basis. However, if they fail to meet predetermined performance criteria, the pilots would be restructured or terminated.

The long-term ideal for institutionalizing sound program design is the integration of good design practices in the program formulation and management processes organic to each agency and department. The most significant advantage to establishing program design functions at the agency level is that it brings program design capabilities closer to the customers and program managers. If reinventing government is to be successful, there must be a comprehensive cultural change in the agencies. The placement of the program design function at the agency level should help to facilitate cultural change where many program designs originate and where programs are implemented.

A principal disadvantage of this approach is that the design staffs may be unduly constrained and influenced by their immediate environments. They may find it difficult to elevate their perspectives to a higher plane that would foster fresh, creative approaches to the design of agency programs. Also, innovative inter-agency opportunities may be harder to conceive and implement if the program design function is totally embedded within a single agency. However, the pilot demonstrations should indicate if this is an insurmountable handicap or if feasible remedies are available.

All agencies should be encouraged to test program design principles in their reinvention laboratories. Principles could be applied to either an existing program or to the design of a new program. The reinvention laboratory would provide a protected setting in which to examine the possibility of improved outcomes based on improved design features. Some agencies (e.g., Interior) have emulated the National Performance Review structure and have program design teams. The agency team can provide advice and assistance to the laboratory regarding the

proper use of design principles and the evaluation of success or failure.

DES03: Encourage the Strengthening of Program Design in the Legislative Branch (2)

To enhance congressional program design performance, the PMC should:

- work with the Congressional Research Service (CRS) to include consideration of program design concepts in all relevant training and materials provided by CRS; and
- encourage the participation of CRS, key congressional staff, the Congressional Budget Office (CBO), and the General Accounting Office (GAO) in program design courses that are developed under the next action (DES04).

Many, if not most, federal programs originate in Congress. Yet program design as a concept or a function is given scant attention there. Among the offices that participate in the preparation of legislation, varying degrees of emphasis are placed on program design. And there is no general, consistent pattern of the use of these offices. The principal drafters of legislation--the Offices of the Legislative Counsel of the Senate and the House--while they do not make program policy, generally do provide a legal framework and historical context that provide a basis for the program design process. CRS, GAO, and CBO often play significant roles in providing analyses and information used to prepare legislation and in reviewing and shaping draft legislation, and thus contribute to program design.

CBO's role is generally limited to analysis of the fiscal implications of proposed legislation. Evaluation of cost-effectiveness and efficiency of a proposed program as well as its financial viability might be an appropriate expansion of the traditional CBO role. CRS also offers extensive training programs and provides research materials to congressional staff on a wide range of subjects, many of which could have significant program design implications. If all these offices were able and willing to provide expert advice on program design, members and staff of Congress would be better equipped to apply the recommended program design criteria.

Strengthening program design capabilities and encouraging greater use of available resources in the legislative branch would not only improve program

design, it would also enhance the formulation of programs by framing the debates which occur on and off the floors of both Houses. Ideally, the individuals developing program design in Congress would cooperate on the design of new programs as well as share expertise concerning tools of public action and obstacles to solid program design. This cooperation would also be extended by congressional offices and staff to the executive branch at the agency level and to the Executive Office of the President and could perhaps reduce some of the traditional friction between these two branches of government. [Endnote 2]

DES04: Commission Program Design Courses (2)

In conjunction with its sponsorship of research and development on program design, the President's Management Council should commission the development of a family of program design courses to educate and train several generations of current and future policymakers, program designers, and managers. If informed, reasoned program design is to flourish throughout the federal government, training and education will be important factors in that evolution. Given the wide variation in design knowledge and needs across government, a multitiered approach to education would be superior to a single course of instruction for everyone. A comprehensive education strategy for program design might include:

- a series of short seminars (1-3 days), each focused on a particular mode of public service delivery such as federal subsidies, tax incentives, voucher systems, government sponsored enterprises/corporations, privatization of services, loan guarantees, regulatory initiatives, etc. The target audience for such courses would be agency program specialists (GS 12-15), congressional staffers, budget examiners, and auditors who have need for in-depth knowledge of a specific type of program design and its strengths and weaknesses. These seminars could be disseminated through agency training programs, the Office of Personnel Management's (OPM) executive development centers, the Department of Agriculture Graduate School, and commercial/non-profit institutions such as the Brookings Institute, National Academy of Public Administration, the Congressional Management Foundation, etc.;
- a longer residential course (5-10 days) which would provide a comprehensive overview of program design covering several different design

modes comparing the relative advantages and disadvantages of each. The target audience for this course would be program generalists or senior government policymakers who require broader exposure across a variety of programs. This course could be available through the Federal Executive Institute, the Federal Quality Institute, nonprofit organizations, and/or academic institutions;

--introduction of program design subjects into existing management development programs such as agency executive development courses, OPM seminars, senior military schools, and Senior Executive Service candidate development programs; and

--a variety of academic offerings at graduate schools of public administration, public policy, government, and political science. To reach future generations of public servants, the design of government programs should be taught in graduate curricula. If visible academic institutions were to include program design courses as academic electives or requirements, future civil servants would be better educated and vigorous research may begin to emerge as faculty and graduate students collect, synthesize, and create material for their courses.

Schools of public policy and administration should heed the advice of Professor Herbert Simon, Nobel Laureate in Economics, who suggested a more active role for universities in teaching design:

The professional schools will reassume their professional responsibilities just to the degree that they can discover a science of design, a body of intellectually tough, analytic, partly formalizable, partly empirical, teachable doctrine about the design process . . . [S]uch a science of design [is] not only possible but is actually emerging at the present time. It has already begun to penetrate the engineering schools, particularly through programs in computer science and "systems engineering," and business schools through management science. [Endnote 3]

ENDNOTES

1. See NPR Accompanying Report, Creating Quality Leadership and Management (Washington, D.C.: U.S. Government Printing Office, September 1993).
2. "Hill's Micromanagement of Cabinet Blurs Separation of Powers," Washington Post (July 25, 1993), p. A1.

3. Simon, Herbert, The Sciences of the Artificial,
2nd Edition (Cambridge, MA: Massachusetts Institute
of Technology, 1981), p. 132.

Appendices

Appendix A:

Summary of Actions by Implementation Category

- (2) President, Executive Office of the President, or
Office of Management and Budget can do

DES01: Activate Program Design as a Formal
Discipline

DES02: Establish Pilot Program Design Capabilities
in One or Two Agencies

DES03: Encourage the Strengthening of Program
Design in the Legislative Branch

DES04: Commission Program Design Courses

Appendix B:

Accompanying Reports of the National Performance
Review

Governmental Systems.....Abbr.

Changing Internal Culture

Creating Quality Leadership and Management....QUAL
Streamlining Management Control.....SMC
Transforming Organizational Structures.....ORG
Improving Customer Service.....ICS

Reinventing Processes and Systems

Mission-Driven, Results-Oriented Budgeting....BGT
Improving Financial Management.....FM
Reinventing Human Resource Management.....HRM
Reinventing Federal Procurement.....PROC
Reinventing Support Services.....SUP
Reengineering Through Information Technology....IT
Rethinking Program Design.....DES

Restructuring the Federal Role

Strengthening the Partnership in
 Intergovernmental Service Delivery.....FSL
 Reinventing Environmental Management.....ENV
 Improving Regulatory Systems.....REG

Agencies and Departments

Agency for International Development.....AID
 Department of Agriculture.....USDA
 Department of Commerce.....DOC
 Department of Defense.....DOD
 Department of Education.....ED
 Department of Energy.....DOE
 Environmental Protection Agency.....EPA
 Executive Office of the President.....EOP
 Federal Emergency Management Agency.....FEMA
 General Services Administration.....GSA
 Department of Health and Human Services.....HHS
 Department of Housing and Urban Development....HUD
 Intelligence Community.....INTEL
 Department of the Interior.....DOI
 Department of Justice.....DOJ
 Department of Labor.....DOL
 National Aeronautics and Space Administration.NASA
 National Science Foundation/Office of Science
 and Technology Policy.....NSF
 Office of Personnel Management.....OPM
 Small Business Administration.....SBA
 Department of State/ U.S. Information Agency...DOS
 Department of Transportation.....DOT
 Department of the Treasury/ Resolution
 Trust Corporation.....TRE
 Department of Veterans Affairs.....DVA

Per your request

Accompanying Report of
the National Performance Review

Office of the Vice President

Washington, DC
September 1993

This accompanying report, prepared by the staff of
the National Performance Review (NPR), laid the
groundwork for the recommendations in the NPR report
"From Red Tape to Results: Creating a Government that
Works Better and Costs Less," released on September
7, 1993. This report is based on the best information
available at that time. The specific recommendations
within these reports have been and will continue to
be given priority as part of the FY95 Budget,
legislative proposals, or other Administration
initiatives, as appropriate.

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Implementation Categories

Each action is followed by a number in parentheses that indicates the necessary avenue for effective implementation. Appendix A organizes all actions according to these categories.

- (1) Agency heads can do themselves.
- (2) President, Executive Office of the President, or Office of Management and Budget can do.
- (3) Requires legislative action.
- (4) Good idea, but will require additional work, or may be better suited for future action.

Abbreviations

CSI Customer Satisfaction Index

GAO General Accounting Office

ICR Information Collection Requests

IRS Internal Revenue Service

NPR National Performance Review

OIRA Office of Information and Regulatory Affairs

OMB Office of Management and Budget

SSA Social Security Administration

***** Executive Summary

The Internal Revenue Service, the federal agency most citizens prefer to avoid, might seem the least likely to develop a customer focus. But a story about the IRS shows the kind of service that government employees can deliver:

A down-on-his-luck taxpayer hitchhiked from out of state to the IRS Ogden, Utah Service Center to pick up his refund check. As it turns out, Ogden does not issue checks. But IRS employees there confirmed that he was due a refund. They ordered a check sent to Ogden from a disbursing center. Because the process would take 10 days, and the hitchhiker had no money, IRS employees found him shelter and collected enough food money to see him through until the check arrived.

This Ogden center won the 1992 Presidential Award for Quality. Unhappily, their performance is not typical of the federal government.

Service is Below Expectation. The overall quality of service provided by the government is below what the public expects and has a right to expect. Long lines, busy signals, bad information, and financial errors are far too common. Similar problems with similar causes also afflicted corporate America--too many layers, internal monopolies, and lack of customer focus. But business, which lives or dies based on customer satisfaction, has been busy reinventing itself over the past 15 years. Today's business successes are customer driven.

So far the government has not kept pace. Unlike businesses, government agencies rarely get their funding directly from the public. Lacking this direct link to their real customers, agencies often focus instead on powerful stakeholders, such as Congress or higher-level management. As these stakeholders raise issues, agencies increase their specialization, add organizations, and pile on more directives. In the process, the focus moves further and further from their real customers, the public.

The Beginning of a Customer Service Emphasis. The good news is that the help given to the hitchhiking taxpayer in Ogden is not an isolated incident. In some agencies there are beginnings of a new public sector emphasis on customer service.

Programs in the Forest Service, the Defense Department, and other federal organizations have already boosted both customer satisfaction and productivity. The Commerce Department's International Trade Administration set up a 24-hour phone system that lets callers select topics from a menu and fax themselves information on the changing trade situation in Eastern Europe. The Department of Veterans Affairs plans mandatory training in courtesy for employees serving the needs of veterans. And information technology leaders from 12 federal agencies have formed a "Service to the Citizen" alliance, in which members collaborate on projects and fund work to sort out how technology can improve service to the government's customers.

In June 1993, this alliance, plus 150 federal, state, and local officials, and leaders from the private sector and academia, met at a Richmond, Virginia, conference to consider the government's ability to deliver information and services to the public. The

conference report, We the People, sees the government's challenge as learning to focus on the customer instead of internal processes. "[T]he ultimate goal," it said, "would be to reestablish government for the people as promised by the constitution." [Endnote 1]

A Vision for the Future. This indeed is the vision of the National Performance Review--a government turnaround, like that of America's best corporations, to reestablish government for the people. These real customers will drive government services. Agencies will constantly ask customers what they want and whether they are satisfied with what they are getting. Agencies will post performance standards, measure performance in terms of customer satisfaction, and allocate resources to maximize such satisfaction. Front-line workers will be the primary sources of ideas on how to deliver better services for less. And the federal government will set its goal as providing customer service to equal the best in business.

Three agencies with the bulk of the government's contacts with the public--the IRS, Social Security Administration, and Postal Service--have already begun to work with customer service standards. Each of these agencies has a significant customer service program. Their standards address specific dimensions of customer service, such as waiting times and courtesy. Each is publishing its standards and posting them on the walls of offices where it has contact with the public.

One route for agencies to understand what their customers want is through the use of surveys. This means more surveys will need to be reviewed and approved under the Paperwork Reduction Act. The Office of Management and Budget (OMB), which is responsible for these reviews, is looking to streamline its procedures. OMB should delegate its approval authority to departments that are able to comply with the requirements of the Act. OMB should provide training, advice, and interagency coordination. OMB should also clarify guidance on the use of public focus groups as a source of input and streamline the process to renew survey approvals.

Taken collectively, the actions recommended in this report put government's focus squarely on the customer where it belongs. With this focus, all the lessons from both the public and private sector say that rework, make work, and unnecessary tasks fall away, and productivity soars.

ENDNOTE

1. Services to the Citizen Intergovernmental Task Force, We the People (July 1993). (Conference report.)

Recommendations and Actions

ICS01:

Create Customer-Driven Programs in All Departments and Agencies that Provide Services Directly to the Public

BACKGROUND

The National Performance Review seeks a government where services are customer-driven. If government services are to be customer-driven they must be judged based on the public's expectations. These expectations are being set, in large part, by the quality of services delivered each day by America's corporations. Federal Express says, "when it absolutely, positively has to be there overnight." Government can learn from the kind of commitments that America's best corporations make and how they view service.

These corporations view service as creating an experience. [Endnote 1] Generating a check or providing a missing piece of information is not all that matters; courtesy, surroundings, complaint procedures, redress, choices, and accessibility all add up to define a quality service experience. And these corporations seek constant feedback from their customers on how they are doing. Can the government live up to this corporate standard? If it does any less the idea will persist that government just doesn't work right.

The government of the United Kingdom believes it can meet this higher standard. Its Citizen's Charter, launched in July 1992, sets the standard for public services to be "up to and beyond the best at present available." The Charter goes on to define key principles of service, including accessibility, choice, courtesy, putting things right, setting standards for performance, and others. To carry out these policies, British Rail sets on-time standards, publishes actual results, and discounts next month's rail pass if it doesn't meet the standards.

The idea of setting the standard for federal services to be the equal of those in the private sector may have a huge payoff. It is probably the simplest way to tell the federal work force what kind of service to deliver. Each government employee can immediately draw on his or her own experience to define quality. That is why the Air Force Tactical Air Command adopted its written standard for visiting-airmen's quarters to be "a moderately priced hotel, like Ramada." This works much better at no more cost than the thick manual it replaced.

NEED FOR CHANGE

A program to improve government customer service would not start from scratch. Several federal agencies have already begun to empower their employees to focus on their real customers with immediate results.

The Ogden, Utah, Service Center of the Internal Revenue Service processes tax returns. It instituted a total quality program, put its focus on the customer, generated big savings, increased productivity, and won the 1992 Presidential Award for Quality. [Endnote 2]

The employees in Ogden really believe in customer service. A taxpayer, recently down on his luck, hitchhiked from out of state to Ogden hoping to pick up his refund check. The Ogden center doesn't issue refund checks, but the IRS employees pulled up the computer records and found that the check had been sent from the disbursing center to his old address, and returned. They ordered a new check sent to Ogden, but the process would take 10 days, and the hitchhiker had no money. So the employees found him shelter and, from among themselves, collected enough food money to get him through. No wonder they won the quality award.

The customer focus of the IRS center in Ogden is not unique. The Postal Service now routinely surveys customer satisfaction and uses the results to judge performance around the country. [Endnote 3] The Social Security Administration built its new strategic plan on service delivery goals and objectives that focus on its customers. [Endnote 4] There is a Service to the Citizen alliance of information technology leaders from 12 federal agencies collaborating on projects and funding work to sort out how technology can improve service to the government's customers. [Endnote 5] The Commerce Department's International Trade

Administration set up a 24-hour-a-day phone system that lets callers select topics from a menu and fax themselves information on the changing trade situation in Eastern Europe. [Endnote 6]

These and other initiatives already under way provide the first building blocks for a customer-driven government, but the government lacks an overall policy statement setting out what it is trying to achieve. Also needed is an initial call to action in order to stimulate broad federal participation. In addition, we need more direct customer input--most current planning is based on what managers or other stakeholders think the public wants.

Similarly, front-line employees need to be heard. They need to be placed at the center of programs to improve quality. Everything written about successful reinvention efforts, public and private, says that front-line employees are the best source of good ideas on how to improve efficiency, quality, and service. Front-line employees need access to training that will help them serve the public better. For example, anyone who handles inquiries from the public should have the opportunity to learn active listening skills. Front-line employees also need the authority to deal with customer issues that they face. Corporate America translates this belief into action. A 1990 Harris Poll of service companies found 92 percent gave employees explicit authority to handle customer problems. [Endnote 7]

Customer and employee inputs will provide a solid basis for setting performance standards for customer services. And what gets measured gets done, so these standards must be published, posted, and tracked. Continuing measurement of customer satisfaction will fit neatly with the performance measurement requirements of the recently passed Government Performance Results Act of 1993 (P.L. 103-62).

ACTION

Establish an overall policy for the quality of federal services delivered to the public, and initiate customer service programs in all agencies that provide services directly to the public. (2)

The President should issue an Executive Order that would establish this overall standard for quality in services to the public: Customer services equal to the best in business.

The Executive Order would state that the following

principles govern the provision of customer services:

- Survey customers frequently to find out what kind and quality of services they want.
- Post service standards and results measured against them.
- Benchmark performance against the best in business.
- Provide choices in both source of service and delivery means.
- Make information, services, and complaint systems easily accessible.
- Provide redress for poor services.
- Handle inquiries and deliver services with courtesy.
- Provide pleasant surroundings for customers.

The Executive Order would recommend that all federal agencies that deliver services directly to the public undertake the following actions:

- Immediately identify who their customers are.
- Survey their customers on services and results desired and on satisfaction with existing services.
- Survey front-line employees on barriers to, and ideas for, matching the best in business.
- Within six months, report results on these three steps to the President.
- Within one year, publish a customer service plan that can be readily understood by their customers.

The required customer service plans would include at least initial customer service standards. Under these plans, customer satisfaction would be sampled often during the year and used as a primary criterion in judging the performance of agency management and in making resource allocations. To support the plan, agencies would provide training needed by employees. For example, front-line employees handling inquiries would learn customer service skills, and managers would learn to use results-oriented, customer

satisfaction information.

These policies and supporting actions represent a major initiative to put government's focus on people, both the public and front-line employees. Moreover, several of the recommended principles of customer service seek to make government agencies accountable to the public for the quality of the service provided.

To begin with, publishing standards and actual performance results creates a sense of accountability among employees. These results, along with surveys of customer satisfaction, provide a direct basis for judging management and employee performance. In addition, redress by way of an apology and an explanation can be given when individuals are treated poorly, and in some cases the government will be able to put things right by, for example, forgiving penalties or paying interest.

On a broader scale, customer satisfaction can be used as a basis for changing resource allocations. Note that customer satisfaction must measure many aspects of the service experience, but especially results. For instance, when the government runs employee service centers, we need to ask "Did a customer get a job, and at what pay level?" Based on this type of satisfaction measurement, for example, funding might be shifted among service centers in order to deal with problems, or workloads shifted to the best performing locations to improve service within an area. And when the public can actually exercise a choice to obtain a service elsewhere, competition will enter as a powerful stimulus to productivity.

Cross References to Other NPR Accompanying Reports

Creating Quality Leadership and Management, QUAL01:
Provide Improved Leadership and Management of the
Executive Branch.

Mission-Driven, Results-Oriented Budgeting, BGT02:
Effectively Implement the Government Performance and
Results Act of 1993.

ENDNOTES

1. Schneider, Benjamin, "The Perception of Organizational Climate: The Customer's View," Journal of Applied Psychology, vol. 57, no. 3 (1973), pp. 248-256, and Heskett, James L., W. Earl Sasser,

Jr., and Christopher W.L. Hart, Service Breakthroughs: Changing the Rules of the Game (New York: Free Press, 1990).

2. Federal Quality Institute, "Presidential Award for Quality," Washington, D.C., 1992.
3. See U.S. General Accounting Office, Tracking Customer Satisfaction in a Competitive Environment, GAO/GGD-93-4 (Washington, D.C.: U.S. General Accounting Office, November 1992).
4. See Social Security Administration, "The Social Security Strategic Plan," Baltimore, MD, September 1991.
5. See John F. Kennedy School of Government, Customer Service Excellence (Cambridge, MA: Harvard University, July 1992).
6. Interview with Gloria Gutierrez, Acting Chief Financial Officer and Assistant Secretary for Administration, Department of Commerce memorandum, August 11, 1993.
7. See Harris Poll/Consumer Affairs Council, "The State of Quality Customer Service in America," 1990.

ICS02:

Customer Service Performance Standards--Internal Revenue Service

BACKGROUND

The Internal Revenue Service (IRS) faces a host of big issues in the 1990s. The Service feels budget deficit pressure to improve collections. A one percent increase in voluntary compliance equals \$7 billion in annual revenue, but IRS believes that the number of people choosing not to file is growing. In addition, the service holds over \$100 billion in gross receivables, all of which must be managed in order to recover even a fraction of it. Besides all this, IRS is awash in paper, handling 1.7 billion pieces annually. Plans are for a major systems modernization to deal with the paper flood.

Major support for the overall plans of IRS comes from an established, internal Total Quality Management program that is intended to improve productivity. Moreover, the IRS refers to its recently developed strategic plan as a business plan and refers to

taxpayers as customers.[Endnote 1] IRS is empowering employees in pilot projects that are improving productivity, winning quality awards, and have a strong customer-first flavor. It is also trying out pilot accounting systems that focus on outputs and remove line item controls in budgets.[Endnote 2]

The IRS fosters competition among tax return centers, shifting work loads to those showing the highest productivity. New job opportunities accompany the shift in workload.

The very poor marks given IRS by the General Accounting Office (GAO) and others for phone support are improving. In 1989, one out of three callers got incorrect answers.[Endnote 3] GAO accepts IRS testing that says in 1992 the IRS gave the right answer to taxpayer questions 88 percent of the time.[Endnote 4]

NEED FOR CHANGE

The shift to a customer-driven mentality is well under way at the IRS. The overall IRS mission statement has a customer service flavor: "serve the public by continually improving products and services." [Endnote 5] Its products are tax forms and notices. Service includes phone support.

The key objectives of IRS all have a customer dimension:

- Reduce taxpayer burden,
- Increase voluntary compliance, and
- Improve productivity and customer satisfaction.

IRS is planning to measure success against these objectives. It is already starting to survey customers. They give high ratings for timeliness of tax forms delivery and poor ratings for product clarity and support.

In another step forward, IRS is increasing the authority of front-line employees to negotiate resolution of issues with taxpayers. This supports its stated goal of resolving a person's tax issues in one IRS contact.

The time to issue refunds is central to customer service at IRS. After IRS finishes processing a return, it creates a computer tape notifying the Financial Management Service (FMS) that this and

other refunds are due. The tape is then flown to FMS. FMS processes the tape and issues a refund. Ten days elapse from the time the tape is made until a refund goes out. Transmitting refund information electronically and giving at least selected disbursing authority to IRS might cut this time.

ACTIONS

1. As part of its participation in the National Performance Review, IRS should publish customer service performance standards, to include the following examples. (1)
 - A refund due on your paper return will be mailed within 40 days; a refund due on your electronic return will be mailed within 21 days when you request a check, or sent within 14 days when you specify direct deposit.
 - Our goal is to resolve your account inquires in a single contact; if you have a repeat problem you can contact the Problem Resolution Office, which will resolve the problem in an average of 21 days.
 - When you provide sufficient and correct information to an IRS tax assistor and get an incorrect answer, we will cancel related penalties.
 - Let us know where our tax forms or instructions are confusing or difficult--by 1995, we plan to boost the clarity of tax forms and instructions so that 90 percent of individual returns are error-free.

The publication of these service performance standards will represent another step on the part of IRS toward a customer-driven operation. IRS plans to measure performance against these and other standards and seek continuing customer feedback on the importance of particular areas of service. IRS has a broader, aggressive effort to get customer inputs to measure the value added by its full set of initiatives.

2. The Secretary of the Treasury should delegate disbursing authority to IRS for refunds made using electronic funds transfer and should, for all other disbursements, expedite efforts to transmit refund information electronically between IRS and FMS. (1)

Current modernization plans will give IRS return centers most of the technical capability to do

electronic funds transfer. Granting disbursing authority to IRS for these transactions should save time by eliminating the need to transfer information to the FMS before paying the taxpayer.

Similarly, electronically notifying FMS of refund checks to be issued could speed the process compared to shipping tapes by plane. Therefore, IRS and FMS are urged to find ways to do quicker transfers electronically.

ENDNOTES

1. See U.S. Department of the Treasury, Internal Revenue Service (IRS), Strategic Business Plan FY-93 and Beyond (Washington, D.C., September 1992).
2. See U.S. Department of the Treasury, Internal Revenue Service, "Cost Management System, Cincinnati Service Center," Washington, D.C., February 1993.
3. See U.S. General Accounting Office, Monitoring the Accuracy and Administration of IRS' 1989 Test Call Summary, GAO/GGD-90-36 (Washington, D.C.: U.S. General Accounting Office [GAO], 1990).
4. U.S. General Accounting Office, IRS' Budget Request For Fiscal Year 1994, GAO/T-GGD-93-23 (Washington, D.C.: GAO, 1993).
5. See IRS, Strategic Business Plan FY 1993 and Beyond.

ICS03:

Customer Service Performance Standards--Social Security Administration

BACKGROUND

The scale of the Social Security Administration's (SSA's) contact with the public is huge. It administers Old-Age, Survivors and Disability Insurance; Supplemental Security Income; and the Part B-Black Lung program. It pays over \$300 billion annually to 47 million beneficiaries, and it maintains earnings records for 131 million taxpayers.

SSA has 1,300 field offices and gets 60 million 1-800 calls per year, certainly one of the world's largest 1-800 services. The SSA estimates a 26 percent increase in workload by 2005. [Endnote 1] This is due

primarily to the population maturing. Disability claims are a trouble spot. The process is slow, and SSA has a backlog of disability claims, hearings, and appeals. SSA acknowledges the need for major improvement in disability insurance administration.[Endnote 2]

A 1993 Health and Human Services Inspector General's (IG's) report on overall SSA services shows declining customer satisfaction for the fourth year in a row. The IG reports longer waiting times in offices. It links dissatisfaction among 1-800 callers to the number of attempts needed to get through.[Endnote 3]

To deal with a growing workload and backlogs, SSA is planning major automation improvements. It also plans on completing a greater percentage of the work at the first point of public contact and enhancing its telephone answering capacity.[Endnote 4]

NEED FOR CHANGE

SSA has a strong customer orientation, but it has some service problems and its already formidable task is growing. The SSA mission statement says it will administer its programs in an equitable, effective, and caring manner. The SSA strategic plan sets out three overall goals that emphasize the public and its employees.[Endnote 5]

- Serve the public with compassion, courtesy, consideration, efficiency, and accuracy.
- Protect trust funds and instill public confidence.
- Maintain a motivated work force.

The plan also details seven Service Delivery Goals and an extensive list of 34 supporting objectives, ranging from issuing a social security number orally within 24 hours to accuracy in trust fund outlays. The goals and objectives are based in large part on the judgment of SSA management, without the benefit of direct customer input. Appropriately, the objectives do seek to cover the full range of SSA tasks.

The strategic plan proposes the objectives to be reached by the year 2005. There are no interim objectives, so measuring progress between now and then will be difficult. On the other hand, some of the objectives are within reach today, and major initiatives are under way to address those problems

that would prevent SSA from achieving some of the objectives.

The actions that follow build on the important baseline established by the strategic plan, and go on to address some of the shortcomings of the plan, which are well understood by SSA management.

ACTIONS

1. As part of its participation in the National Performance Review, SSA should publish nationally and post in each of its offices the following performance standards for customer service. (1)

- You will be treated with courtesy every time you contact us.
- We will provide you with all the information you need in order to understand SSA programs, including your own potential for benefits.
- We will also provide you with information about other social service programs that may help you.
- When you call our 1-800 service for information or help, you will reach us on the first call.

These objectives from the strategic plan have an impact on the quality of the SSA's direct interaction with the public. Each is within reach today and, thus, can be set as a standard. Doing so, and then publishing and posting them, will immediately communicate to the public, and reinforce with SSA employees, that the quality of customer service is a priority at SSA.

2. In addition, SSA should obtain customer opinions on all the goals and objectives of the strategic plan, using that input to revise the goals and objectives as needed, set priorities, and establish interim objectives. (1)

Obviously, while courtesy and the helpful information services in Action 1 are critical in an overall customer service program, SSA cannot satisfy its customers without doing the job customers expect in the delivery of benefits and other services. Action 2 addresses benefits and other services delivery. It seeks feedback from SSA customers on the basic assumptions of the strategic plan, and most of the plan focuses on the delivery of specific benefits and

other services. The goals and objectives of the plan should be broadly publicized. Comment cards on them should be placed in offices. Focus groups should be used to help sort out the right directions to take. Formal surveys could be done, as well.

These tools should be used to address fundamental issues of customer satisfaction. Are these the right objectives for SSA, or have we missed what matters to you? What areas are most important? How do the proposed numerical performance standards measure up to your expectations? How does SSA performance compare to the level set out in the standard? Answers to these and other questions will provide an improved basis for planning and resource allocation.

Both the actions above are consistent with the SSA overall, customer-oriented approach to the future. For example, in the key problem area of disability claims processing, SSA is working on a major reinvention effort. This project will field test several new models for disability claims processing in fiscal year 1995. The long-term goal is to reduce processing times dramatically, consistent with the strategic plan.

ENDNOTES

1. See U.S. Department of Health and Human Services, Social Security Administration (SSA), The Social Security Strategic Plan (Baltimore, MD, September 1991).
2. See U.S. Department of Health and Human Services, Social Security Administration, Social Security Administration Annual Financial Statement for Fiscal Year 1992 (Baltimore, MD, February 1992).
3. See U.S. Department of Health and Human Services, Office of the Inspector General, Social Security Client Satisfaction: Fiscal Year 1993 (Washington, D.C., April 1992).
4. See SSA, The Social Security Strategic Plan.
5. Ibid.

ICS04:

Customer Service Performance Standards--Postal Service

BACKGROUND

The U.S. Postal Service delivered 166 billion pieces of mail in 1992 and generated revenues of \$46 billion. By volume and revenue, business mail accounts for the bulk of its business. However, residential mail delivery and window service in nearly 40,000 offices are the postal services most visible to the public.

The Postal Service has adopted three goals to put itself on an increasingly businesslike basis.

- Improve service and customer satisfaction.
- Strengthen commitment to employees.
- Generate revenues above costs.

The Postal Service's commitment to customer service is being driven by the competitive business environment in document delivery and electronic information services. There is direct accountability because business consumers have a choice of service providers, and postal revenues depend upon customer satisfaction. The Postal Service has instituted a Total Quality Management program, a central feature of which is the goal to achieve 100 percent customer satisfaction over the next several years. Marvin Runyon, the Postmaster General, is committed to improving the accountability, credibility, and competitiveness of the Postal Service. In restructuring the Postal Service in 1992, he created a new emphasis on customer service throughout the organization.

The Postal Service has developed a Customer Satisfaction Index (CSI) to track satisfaction of residential customers in 170 metropolitan areas. The CSI measures overall satisfaction levels and more than 35 individual indicators such as courtesy, waiting time, prompt delivery, and complaint response. A contractor, Opinion Research Corporation, administers the CSI quarterly, with responses from an average of approximately 183,000 customers each quarter.[Endnote 1] The CSI has been reviewed by the General Accounting Office (GAO) and is considered to be a statistically valid survey, conducted in a sound and independent manner.[Endnote 2] The External First Class Measurement System conducted by Price-Waterhouse measures, in 95 metropolitan areas, the elapsed time from when a letter is mailed to when it is delivered.[Endnote 3]

The Postal Service recently incorporated the CSI into its employee bonus system. Absolute ranking in CSI, improvement in CSI, and financial success are each counted as one third in determining performance bonuses. Employees represented by two of the Postal Service's major unions and management are participating in this new bonus system. In 1994, the Postal Service plans to replace its system of individual objectives and incentives with one in which performance-based rewards for executives and managers will be linked to organizational and team success in three areas--financial performance, commitment to employees, and customer satisfaction (as measured by CSI).

Between August and November 1992, the Postal Service carried out a large-scale restructuring that eliminated nearly 30,000 positions, focusing on people who didn't touch the mail. According to GAO, the restructuring was carried out "without adversely affecting customer service in the short term. For example, nationally, overnight First-Class mail delivery performance remained stable during the restructuring period." Performance and CSI have remained stable or have improved even after the restructuring. [Endnote 5]

The Postal Service is developing ways to strengthen employee commitment and productivity. It recently initiated focus groups with employees and is taking a number of internal steps to improve employee morale. The Postal Service is also monitoring employee attitudes toward customer service, among other topics, through an annual opinion survey. In the most recent survey, 85 percent of employees indicated that they understood the impact of their work on customer satisfaction.

NEED FOR CHANGE

The Postal Service first set service standards for First-Class mail in 1971. The standards include local delivery overnight, delivery within two days to contiguous states, and delivery anywhere in the United States within three days. Today, 84 percent of First-Class mail is meeting the overnight target for local delivery, 78 percent for two-day delivery, and 82 percent meets the target for third day long-distance delivery according to Price-Waterhouse, which conducts evaluations of the Postal Service's performance. [Endnote 6] However, the delivery standards are not generally known. For example, until recently First-Class mail standards were buried in the back pages of the ZIP Code Directory.

Using focus groups and other means of getting customer input, the Postal Service has identified several additional areas for improving customer service: shortening waiting times at Post Office counters, increasing easy access to postal information, improving complaint handling, and becoming more responsive to the needs of business customers.

Customers in focus groups across the country identified waiting time in retail lobbies as an issue they care about. In response, the Postal Service has developed, and is beginning to introduce nationwide a "service in five minutes" program. It began in August 1993 with those offices that can demonstrate that they can provide this level of service on a consistent basis. Other offices will need to make operational changes before they are able to participate in the program.

The Postal Service is planning to train front-line employees in the new "service in five minutes" program. It has developed "service in five minutes or less" door decals and retail counter display cards to be used in those offices that can satisfy the unit manager and the district team that they can consistently meet the standard.

Easy access to postal information is a second area of service improvement. Basic information, such as the price of a stamp, used to require a trip to the post office or a wait for a telephone representative. In 1988, the Postal Service introduced an interactive Postal Answer Line so consumers can get routine information by using a touch-tone keypad. Although this service is now available to more than 112 million customers in 80 metropolitan areas, it is not well known. The Postal Service is looking at a number of ways to extend this service: for rotary-dial customers using voice recognition technology, for hearing impaired customers who have access to TDD (Telecommunications Device for Deaf and Hearing Handicapped) equipment, and for automated ZIP Code information.

ACTION

As part of its participation in the National Performance Review, the U.S. Postal Service should expand its plans to display the following standards in Post Office lobbies. (1)

--You can expect First-Class mail delivered

anywhere in the U.S. in three days, your local mail overnight.

--You will receive counter service within five minutes.

--You can get postal information 24 hours a day by calling the following local number: (appropriate local numbers will be used).

The standards above are ones that the Postal Service itself has developed and that are included in the Postal Service's plans. The National Performance Review believes that publishing and posting these standards even more broadly will highlight and reinforce the Postal Service's growing program of customer service.

The First-Class mail standard was revised in 1989; it is not well known. Posting it in at least all post offices in the largest 95 metropolitan areas, beginning in the spring of 1994, will enhance the public's awareness of this commitment.

The commitment to service within five minutes is a new standard; the Postal Service began a comprehensive program to introduce it this past summer. It will be posted in retail lobbies nationwide as staff are trained and demonstrate that they can meet this performance standard consistently.

Information on the 24-hour postal information line is currently posted in some post offices. NPR's recommendation will mean that this sign will be placed in all other retail lobbies in the 80 metropolitan areas where this service is offered.

These standards and their public display are part of the Postal Service's plans to reach 100 percent customer satisfaction. As its service levels improve and as it gets additional customer feedback, the Postal Service plans to set additional customer service standards. Currently it is working on two additional areas, complaint handling and improved service to business customers.

The Postal Service is seeking ways to improve its complaint handling processes. It now handles consumer complaints via telephone and written complaint forms that are available in retail lobbies. It is completing what appears to be a highly successful test of a 1-800 number for complaints in two metropolitan areas and has expanded the test to three more cities. The Postal Service hopes to begin

nationwide expansion during the latter part of 1994.

Increasing its responsiveness to business customers is also a priority for the Postal Service. Although this program is earlier in its development than the residential program, efforts are under way to develop an index and a survey instrument to measure the satisfaction of business customers. Within the past year, the Postal Service has opened 95 Business Centers nationwide to assist small and mid-size business customers.

The National Performance Review supports the efforts of the Postal Service in making customer service a core part of its strategic planning; using focus groups and customer surveys to assess customer issues and concerns; developing innovative customer service programs; and commissioning and publishing external assessments of customer satisfaction.

ENDNOTES

1. See U.S. Postal Service, U.S. Postal Service Customer Survey (Washington, D.C., 1993).
2. See U.S. General Accounting Office, U.S. Postal Service: Tracking Customer Satisfaction in a Competitive Environment, GAO-GGD-93-4 (Washington, D.C.: U.S. General Accounting Office [GAO], November 1992).
3. Interview with Ann McK. Robinson, U.S. Postal Service, Vice President and Consumer Advocate.
4. U.S. General Accounting Office, Postal Service: Restructuring, Automation, and Ratemaking, GAO/T-GGD-93-15 (Washington, D.C.: GAO, March 1993).
5. U.S. Postal Service, "Comprehensive Statement on Postal Operations, 1992," Washington, D.C., undated, p. 3.
6. In 1990, the Postal Service revised the localities to which the standards apply in an effort to set standards that could be met with greater consistency. GAO criticized this move saying it actually slowed delivery of some mail. See U.S. General Accounting Office, Revised Delivery Standards: Postal Delivery Scores Improved but Service is Slower, GAO-GGD-93-12 (Washington, D.C.: GAO, November 1992).

ICS05:

Streamline Ways to Collect Customer Satisfaction and Other Information from the Public

BACKGROUND

Drawing on authority granted in the Paperwork Reduction Act of 1980, as amended in 1986, the Office of Management and Budget (OMB) currently reviews and approves Information Collection Requests (ICRs) from federal agencies to the public. Several recommendations from the National Performance Review (NPR) depend on a greater input of public opinion. For example, the first step in the recommended program to improve customer service (ICS01) is for agencies that deal with the public to identify their customers and survey them on services desired and levels of satisfaction. With this NPR recommended program, frequent surveys of customer opinions would be used to set directions and measure performance.

NPR recommendation REG04, part of the accompanying report on Improving Regulatory Systems, encourages greater use of focus groups and small surveys of the public to test new rulemaking ideas early in the process. The goal is to avoid complicated mid-course program corrections.

The Mission-Driven, Results-Oriented Budgeting NPR accompanying report, in its recommendation BGT02, proposes surveys of the public as a basic performance measurement method. The findings and purposes section of the Government Performance and Results Act of 1993 also makes specific reference to customer satisfaction as a necessary performance criterion.

Each of these NPR recommendations seeks to get more public input for a similar reason. Directly asking the public what it wants and how its government is doing will be much more accurate than current practices of making best estimates or using second- or third-hand information about the needs of the public. None of the recommendations for more public input would make their input mandatory. In all cases the public's response would be voluntary.

The primary objectives of the Paperwork Reduction Act are to minimize the federal paperwork burden on those outside the federal government, to minimize the government's cost in collecting information, and to maximize the usefulness of the information collected. Departments and agencies have the primary responsibility for meeting these goals, but may not collect information without OMB approval. [Endnote 1

The act covers all ICRs to ten or more people. The Office of Information and Regulatory Affairs (OIRA) administers the act within OMB.

Under the act, OMB may delegate ICR review and approval authority to agencies that commit sufficient resources to carry out the responsibilities of the act effectively and that assign the task to a senior official who is independent of program responsibility.² Review and approval authority has been delegated to the Federal Reserve Board, but that is the only instance to date of delegation.

NEED FOR CHANGE

Requirements in the Government Performance and Results Act, added to NPR recommendations on customer service, regulatory improvement, and performance measurement, would produce a major increase in workload for OIRA. The staff currently working on all ICRs numbers about 35.

Program staff in agencies often describe the process of getting out a survey as already being a significant barrier.^[Endnote 3] The goals of the Paperwork Reduction Act to reduce burden on the public and improve quality are unquestionably excellent ones. But NPR's concern is that the process of getting clearance is itself enough of a burden to discourage attempts to get customer opinions.

The most common complaint among agency staff is that the survey approval process takes too long. OIRA's most recent annual report estimates that it takes 65 days to process the average request it receives, including time for public comment.^[Endnote 4] Some agency ICR offices agree with that estimate and say they can get expedited processing when needed, but most agencies estimate that the process takes much longer. When agency program staff comment that the process is lengthy, they are typically looking at the time spent preparing the package for review, plus the time spent in agency review, added to the time spent by OIRA.

Whatever the precise cause, clearly OIRA is under pressure to do the job faster. As NPR's recommendations for more frequent customer surveys become reality, the requirement to do a lot more reviews will be added. If ICRs continue to be processed the way they are today and OIRA staff levels are not increased, performance can only decline. But many agencies now have staff experienced in designing packages that can pass OIRA standards--

in effect they now represent another review layer-- and this staff represents a resource that could speed the clearance process if they were given approval responsibility for at least some portion of the ICRs.

Besides the general interest in speeding up the overall clearance process, there are two proposals that home in on specific types of ICRs and seek to reduce the work involved. The first concerns group discussions. Agency interest is growing in the use of focus groups or group discussions of interested individuals brought together to discuss a particular topic. The reason is that focus groups or group discussions represent a potentially simple way of getting customer input. However, the need for ICR clearance on group discussions could be clarified by OIRA.

Focus groups are reviewed in the same ICR process as conventional surveys, although agencies often view them only as a way to get quick, preliminary inputs early in a program's development. OIRA has informally offered the opinion that other forms of group discussion, those without a required script of focus questions, are outside the coverage of the PRA, and thus do not require OIRA review. OIRA should clarify the distinctions between various forms of group discussions and streamline the review process for formal focus groups to reduce the disincentive against using the more structured method.

The second proposal to save time and work concerns renewals of previously approved ICRs, where the questions to be asked and the targets for those questions are unchanged. The agencies' argument is that in these cases it would be appropriate to have special procedures for a quick review, or even an outright delegation of approval authority.

The administrator of OIRA has already begun to improve OIRA management of the overall ICR approval process, including simplifying the tasks agencies face in making applications to OIRA. For example, she has directed her staff to streamline and simplify the ways that agencies must submit materials in support of their requests. The NPR recommendations that follow urge specific actions as part of the Administrator's overall initiative.

ACTIONS

1. For voluntary customer surveys, the Office of Management and Budget will delegate its survey approval authority under the Paperwork Reduction Act

to departments that are able to comply with the Act. (2)

A customer is defined to be a member of the public to whom the federal government supplies services or financial assistance directly and individually. A voluntary request would be clearly labeled as such when sent to the public and would exclude any requests where the information is required in order to maintain or obtain eligibility for a program or benefit. It is important that the requests be perceived as voluntary by recipients in order that the burden of supplying the information be a matter of personal choice.

At this point, Action 1 is not intended to include surveys by regulators of regulated entities. The task of managing requests for information from these agencies to regulated entities so that the requests would be perceived as truly voluntary is a difficult one. Nonetheless, NPR believes that the regulatory agencies would benefit significantly from more public input. The following recommendation on focus groups addresses this need in part. However, NPR believes that more research is warranted to define conditions under which voluntary opinion surveys can be done by regulators.

Departments taking responsibility for ICR approval in connection with Action 1 would be accepting the obligation to comply with the Paperwork Reduction Act in its entirety for surveys they approve; a delegation by the Director of OMB would not imply relief from any requirements of the Act itself.

OIRA would retain the right to spot check ICRs. Under the Act, if OMB found Departments unable to meet their responsibilities, the Director of OMB could revoke a delegation.

2. The administrator of OIRA should issue guidance on focus groups, specifically establishing under what circumstances group discussion activities would be excluded from OIRA review. (2)

This action would allow all agencies to get public opinions in a quicker, less formal way than surveys. However, the guidance should not be interpreted as empowering agencies to convene political focus groups.

3. The administrator of OIRA should greatly simplify and speed renewal of previously approved ICRs when the questions asked and the recipients of the ICR are

unchanged. (2)

This action simply seeks to take advantage of prior work in ICR development and review to reduce the workload on both OIRA and agency staff. The mechanics of the clearance process for renewals would parallel the delegation proposed under Action 1.

The thrust of all three actions is that OIRA should adopt a "steer not row" posture whenever possible with regard to ICRs. OIRA could offer training programs in the design of collection vehicles. It could advise agency heads on the design of review systems, and establish coordinating mechanisms to help agencies identify collection efforts similar to their own in other agencies. In parallel to agency efforts, OIRA could review completed information collection vehicles and results on a sample basis so as to advise agency heads on opportunities to improve quality and minimize burden. These sampling activities could provide the basis for an ongoing set of OIRA publications about best practices.

Cross References to Other NPR Accompanying Reports

Improving Regulatory Systems, REG04: Enhance Public Awareness and Participation.

Mission-Driven, Results-Oriented Budgeting, BGT02: Effectively Implement the Government Performance and Results Act of 1993.

Small Business Administration, SBA01: Allow Judicial Review of the Regulatory Flexibility Act.

Executive Office of the President, EOP01: Delegate Routine Paperwork Review to Agencies and Redeploy OMB Resources More Effectively.

ENDNOTES

1. See U.S. Office of Management and Budget, Information Collection Review Handbook (Washington, D.C., January 1989).
2. See paragraph 3507e of the Paperwork Reduction Act.
3. See various agency/Vice President town hall transcripts; in addition, see notes on NPR discussions with agency staff who submit information collection requests.
4. See U.S. Office of Management and Budget, Managing Federal Information Resources, Tenth Annual Report

(Washington, D.C., August 1992).

Appendices

Appendix A:

Summary of Actions by Implementation Category

(1) Agency heads can do themselves

ICS02: Customer Service Performance Standards--
Internal Revenue Service

ICS03: Customer Service Performance Standards--
Social Security Administration

ICS04: Customer Service Performance Standards--
Postal Service

(2) President, Executive Office of the President, or
Office of Management and Budget can do

ICS01: Create Customer-Driven Programs In All
Departments And Agencies That Provide Services
Directly To The Public

ICS05: Streamline Ways To Collect Customer
Satisfaction And Other Information From The
Public

Appendix B:

Accompanying Reports of the National Performance
Review

Governmental Systems.....Abbr.

Changing Internal Culture

Creating Quality Leadership and Management....QUAL
Streamlining Management Control.....SMC
Transforming Organizational Structures.....ORG
Improving Customer Service.....ICS

Reinventing Processes and Systems

Mission-Driven, Results-Oriented Budgeting.....BGT
Improving Financial Management.....FM
Reinventing Human Resource Management.....HRM
Reinventing Federal Procurement.....PROC

Reinventing Support Services.....SUP
Reengineering Through Information Technology....IT
Rethinking Program Design.....DES

Restructuring the Federal Role

Strengthening the Partnership in
Intergovernmental Service Delivery.....FSL
Reinventing Environmental Management.....ENV
Improving Regulatory Systems.....REG

Agencies and Departments

Agency for International Development.....AID
Department of Agriculture.....USDA
Department of Commerce.....DOC
Department of Defense.....DOD
Department of Education.....ED
Department of Energy.....DOE
Environmental Protection Agency.....EPA
Executive Office of the President.....EOP
Federal Emergency Management Agency.....FEMA
General Services Administration.....GSA
Department of Health and Human Services.....HHS
Department of Housing and Urban Development....HUD
Intelligence Community.....INTEL
Department of the Interior.....DOI
Department of Justice.....DOJ
Department of Labor.....DOL
National Aeronautics and Space Administration.NASA
National Science Foundation/Office of Science
and Technology Policy.....NSF
Office of Personnel Management.....OPM
Small Business Administration.....SBA
Department of State/ U.S. Information Agency...DOS
Department of Transportation.....DOT
Department of the Treasury/ Resolution
Trust Corporation.....TRE
Department of Veterans Affairs.....DVA