

## CHAPTER I

### OVERVIEW

#### I. THE AGENCY AND ITS PROGRAMS

The Social Security Administration (SSA) is one of the largest Federal agencies, with 84,000 employees in its central offices and at more than 1,300 field offices and regional operating centers throughout the nation. Federal benefit payments and **SSA's** other expenditures for **FY** 1985 are estimated at \$200 billion, of which 1.75 percent pays for administration. SSA estimates that in 1985 the programs it administers will send about 600 million checks to over 40 million recipients. In addition, the agency will process 6.2 million new claims for benefits and take nearly 60 million actions to keep the benefit rolls current.

The vast majority of **SSA's** resources are expended in carrying out its program responsibilities for the Old Age, Survivors and Disability Insurance (OASDI) programs and the Supplemental Security Income (SSI) program. Social insurance paid through OASDI programs provides primary cash benefits for retired and disabled workers and their survivors and dependents, and the SSI program provides a uniform Federal benefit to needy aged and disabled persons with little or no other income and resources.

SSA also administers part of the Black Lung program and has oversight responsibility for the programs of Aid to Families with Dependent Children (**AFDC**), Child Support Enforcement (**CSE**), Refugee Resettlement, and Low Income Home Energy Assistance. Benefits and services under these latter four

programs are generally provided by State and local governments; SSA is responsible for ensuring State compliance with Federal law and regulation. Finally, SSA also provides administrative services to other Federal-agencies for **which** it is reimbursed. In fiscal year 1983, SSA utilized 87,900 workyears on OASDI and SSI (98.4% of total workyears) and 1,400 workyears on AFDC, CSE, and other programs. (See Appendix **E** for a concise history of the programs and organizations of SSA.)

Prior to the **mid-1970s**, SSA was considered one of the premier Federal administrative agencies for operating efficiency and quality of public service. Since then, for a number of reasons, SSA has lost its public reputation for administrative excellence. During the past decade SSA:

- o experienced serious problems in implementing the major welfare reform provisions of the SSI program;
- o was unable for a prolonged period to take decisive and sustained action to upgrade its deteriorating computer systems, which threatened the agency's ability to carry out its mission;
- o took corrective action to reduce erroneous benefit payments and to decrease delays in processing backlogs of earnings reports only after such administrative failings had received widespread public attention and criticism;
- o bore the brunt of a decline in public confidence in social security resulting from **the two** major financial crises the program faced in the late 1970s **and** early 1980s;
- o became inundated with appeals and mired in conflicts with the States and Federal courts over the administration of congressionally-mandated reviews to determine continuing eligibility of disabled beneficiaries, large numbers of whom successfully appealed the loss of benefits;

- o was subjected to congressional and other complaints that the quality of public service was declining;
- o was unable to maintain a strong sense of organizational **mission**
- ... due, among other reasons, to frequent turnover of top level managers and disruptive internal reorganizations.

Concurrently, the social security programs became newly vulnerable to critical attention from political leaders--Presidents, Secretaries of Health and Human Services, members of Congress--because, rather than being reliably self-supporting, they were unpredictably threatened with well-publicized revenue shortages. Furthermore, in an era of sustained high inflation and very large Federal budget deficits, Presidents of both parties have placed particular emphasis on the need to control government spending, especially in entitlement programs, and, for the first time in their history, the social security programs became the target of cuts. Because they account for so large a share of domestic spending in the Federal budget (30 percent in 1985), because their outlays have grown rapidly (from \$30.9 billion in 1970 to nearly \$200 billion in 1985), and because the financial condition of the trust funds depends heavily on the performance of the economy, the social security programs will undoubtedly remain under scrutiny and susceptible to controversy.

National debates over social security's financing problems apparently have undermined public confidence in the social security programs. For example, a poll conducted by Peter D. Hart Research Associates in 1980 found that 61 percent of **non-retired** respondents had little confidence that funds would be available to pay their retirement benefits. Almost three quarters of those between 25 and 44 expressed such doubts. However, bipartisan legislation in 1983 shored up the program's financing. Actuarial estimates in

the 1984 report of social security's Board of Trustees, assuming moderately favorable economic and demographic conditions, show the programs to be adequately financed through the next 75 years. Indeed, if realized; these assumptions would result in a large build-up of the trust funds from the early 1990s until the baby boom generation begins to retire in about 2010. This large trust fund balance would help to finance benefit payments in the middle decades of the next century and is necessary to show long-run actuarial balance in the programs.

## II. PROPOSALS FOR INDEPENDENCE

Bills to make SSA independent of the Department of Health and Human Services (DHHS) were introduced in Congress starting in the early 1970s. Congress took no action on them, but mandated the present study after two national commissions addressed the question of independence.

The National Commission on Social Security, established pursuant to the 1977 social security amendments, recommended in 1981 that an independent agency be created in the belief that "significant improvements in the operation of Social Security and related programs and the public's understanding of those programs would result." The majority of members of the National Commission on Social Security Reform (the Greenspan Commission) concluded, in 1983, "as a broad, general principle--that it would be logical to have the Social Security Administration be a separate independent agency, perhaps headed by a **bi-partisan** board." It noted, however, that it had not had time to look into the various complex issues involved in establishing an independent agency and recommended a separate study.

Most proposals for independence have recommended a bipartisan, three-member board as an organizational form. This was **SSA's** original

organization, and it prevailed from 1935 until 1946, when, under a reorganization plan of the Truman Administration, the board was superseded by a single administrator. Proponents argue that a bipartisan, plural' executive **would, tend** to insulate the social security programs from sudden, imprudent shifts in policy and would restore public confidence in the programs. Because there is a historical precedent for this form, and because it has current advocates, the Congress specifically asked the Panel to consider it. Were a board to be established, it would be in charge of both policymaking and administration for social security, and it would appoint an executive head of the program to whom responsibility for administration would be delegated.

### III. CRITERIA FOR ANALYSIS AND CHOICE

At the beginning of its study, the Panel agreed on criteria it would use to guide analysis of options to be considered and issues to be resolved in setting up an independent social security agency. These criteria were made available for comment to experts on government organization and management, to DHHS, and to interested-groups representing SSA employees and senior citizens. Then the Panel held six public meetings and heard from 53 expert witnesses (listed in Appendix D) as a means of gathering information and advice, as well as comments on the Panel's proposed decision criteria. The following are the principal tests to which the organizational principles for an independent social security agency were subjected:

- o Operational Efficiency and Effectiveness. SSA is a large Federal agency with operations that affect virtually every citizen. Efficient and effective administration of the social security programs--its core functions--represents a major national priority.

- o Policy Coherence. Coordination among the Federal government's income support programs is highly desirable and may be affected by the distribution of functions among and within agencies of the executive branch.
- o Accountability. It is a fundamental principle of our democratic system of government that executive agencies shall be accountable to political leaders, who in turn are made accountable to the electorate by means of regular and frequent elections. Supervision of executive agencies in the Federal government comes from many sources. It is carried out by Presidents, their immediate staffs, and the control agencies of the executive branch; by Congress and its staff agencies, including the General Accounting Office (GAO); by the courts; and even to some extent by citizens and public interest groups. One of the Panel's central concerns was to assure full accountability of the social security agency to the Congress and the President, while at the same time achieving an appropriate balance within the executive branch between central controls and managerial discretion.
- o Continuity of Leadership. SSA has had nine Commissioners in the past dozen years; four of the nine, including the incumbent, have served only in an acting capacity. SSA has undergone several reorganizations since 1975, one result of which was to encourage departures of top-level personnel. This experience seriously disrupted the organization and adversely affected the morale of its employees, and it is in sharp contrast to **SSA's** previous history

- during which its leadership was exceptionally stable. No organization can perform well if it undergoes incessant changes of top staff and leadership. It is urgent to restore to SSA at least that degree of stability in its executive leadership implied by the President's constitutional term of four years and to provide for longer-term stability in its corps of policy and management officials.
- - o Public Confidence. Because advocates of independence for SSA have argued that a change of organizational form would improve public confidence in the social security programs, the Panel sought to weigh the possible effects of various organizational changes on public perceptions. It has concluded that confidence depends, in the last analysis, on the fundamental financial soundness of the programs and on the public's perception that changes in the programs are made with due regard for both their immediate and long-term effect on the benefit structure.

The Panel did not attempt to order these criteria in importance, and it recognizes that in practice some of them may conflict. For example, the effort to improve the accountability of executive agencies in our government fosters extensive central controls over such activities as hiring and promotion practices, major procurements, and acquisition and management of office space--detailed controls that, when imposed from a government-wide perspective upon any particular agency, are likely to result in inefficiencies. Nevertheless, to the extent possible, the Panel's recommendations attempt to satisfy all of these criteria.

IV. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

The recommendations of the Panel, stated below, are explained in subsequent chapters of this report. In addition, a draft bill to establish an independent agency and a suggested transition plan are included as Appendices B and C. The Panel's recommendations are:

- o TO ASSURE A COHERENT OPERATIONAL MISSION, A NEWLY INDEPENDENT SOCIAL SECURITY AGENCY SHOULD BE RESPONSIBLE FOR ADMINISTERING THE OLD AGE, SURVIVORS, AND DISABILITY INSURANCE AND THE SUPPLEMENTAL SECURITY INCOME PROGRAMS. OTHER PROGRAMS NOW ADMINISTERED BY THE SOCIAL SECURITY ADMINISTRATION SHOULD REMAIN IN THE DEPARTMENT OF HEALTH AND HUMAN SERVICES. NO PROGRAM (INCLUDING MEDICARE) CURRENTLY ADMINISTERED BY ANOTHER AGENCY SHOULD BE BROUGHT INTO THE SOCIAL SECURITY AGENCY (CHAPTER III).
- o TO ACHIEVE ACCOUNTABILITY AND MANAGEMENT EFFECTIVENESS, THE NEW SOCIAL SECURITY AGENCY SHOULD BE HEADED BY A SINGLE ADMINISTRATOR OF HIGH RANK, WITH A STATUTORY TERM OF 4 YEARS, ELIGIBLE FOR REAPPOINTMENT.. THE ADMINISTRATOR WOULD REPORT TO AND BE APPOINTED BY THE PRESIDENT BY AND WITH THE ADVICE AND CONSENT OF THE SENATE. THIS ADMINISTRATOR SHOULD HAVE PROVEN COMPETENCE AS A MANAGER OF LARGE ORGANIZATIONS AND KNOWLEDGE OF FEDERAL GOVERNMENT OPERATIONS. THE POSITION OF ADMINISTRATOR SHOULD BE ESTABLISHED AT EXECUTIVE LEVEL II, WITH CONCOMITANT AUTHORITY AND ENHANCED ADMINISTRATIVE AND PROFESSIONAL-STATUS SO AS TO ENCOURAGE CONTINUITY IN TOP MANAGEMENT (CHAPTER IV).



0 TO PROMOTE INDEPENDENT REVIEW AND ENCOURAGE BROADLY BASED POLICY ANALYSIS, A **PERMANENT** SOCIAL SECURITY ADVISORY BOARD SHOULD BE ESTABLISHED WITHIN THE NEW AGENCY. ITS FUNCTIONS WOULD **BE** TO OVERSEE MANAGEMENT AND ASSESS POLICY ISSUES IN SOCIAL SECURITY AND TO ADVISE THE SOCIAL SECURITY ADMINISTRATOR, THE PRESIDENT, AND THE CONGRESS ON IMPORTANT DEVELOPMENTS. SOME OF THE MORE IMPORTANT FUNCTIONS OF THE BOARD WOULD BE (1) TO MAKE INDEPENDENT ASSESSMENTS OF THE ANNUAL REPORTS OF THE BOARD OF TRUSTEES, MAJOR STUDIES ON SOCIAL SECURITY, AND PROPOSED LEGISLATION; (2) TO ENGAGE IN PUBLIC DIALOGUE AND EDUCATION ABOUT SOCIAL SECURITY; AND (3) TO SUGGEST TO THE PRESIDENT NAMES TO CONSIDER IN SELECTING HIS NOMINEE FOR THE POSITION OF SOCIAL SECURITY ADMINISTRATOR. THIS BOARD WOULD CONSIST OF NINE MEMBERS, NO MORE THAN FIVE OF WHOM MAY BE OF THE SAME POLITICAL PARTY. FIVE OF THE MEMBERS WOULD BE APPOINTED BY THE PRESIDENT (NO MORE THAN THREE FROM THE SAME POLITICAL PARTY), AND, TO REINFORCE BIPARTISANSHIP AND CONGRESSIONAL PARTICIPATION, TWO OF THE BOARD MEMBERS (ONE FROM EACH POLITICAL PARTY) WOULD BE APPOINTED BY THE SPEAKER OF THE HOUSE, AND TWO OTHER MEMBERS (ONE FROM EACH PARTY) WOULD BE APPOINTED BY THE PRESIDENT PRO TEMPORE OF THE SENATE. ALL BOARD MEMBERS WOULD BE SUBJECT TO SENATE CONFIRMATION. THEY WOULD BE APPOINTED FOR 6-YEAR TERMS, WITH STAGGERED TERMS FOR THE INITIAL BOARD MEMBERS, AND WOULD BE ELIGIBLE FOR **REAPPOINTMENT**. THE BOARD CHAIRMAN WOULD BE DESIGNATED BY THE PRESIDENT. THIS BOARD WOULD BE PART TIME, WITH REGULAR **MEETINGS** HELD AT LEAST BIMONTHLY (CHAPTER IV).

0 TO STRENGTHEN THE MANAGEMENT OF THE NEW SOCIAL SECURITY AGENCY AND  
TO IMPROVE OPERATIONAL ACCOUNTABILITY, THE CONGRESS SHOULD DELEGATE  
TO THE SOCIAL SECURITY ADMINISTRATOR SELECTED MANAGEMENT  
AUTHORITIES AVAILABLE UNDER CURRENT LAW. SPECIFICALLY, CONGRESS  
SHOULD DIRECT DELEGATIONS OF ESSENTIAL AUTHORITIES FROM THE GENERAL  
SERVICES ADMINISTRATION AND THE OFFICE OF PERSONNEL MANAGEMENT FOR  
(1) AUTOMATED DATA PROCESSING/INFORMATION RESOURCES MANAGEMENT, (2)  
ADMINISTRATIVE SERVICES, AND (3) PERSONNEL MANAGEMENT.  
FURTHERMORE, THE CONGRESS SHOULD ENACT LEGISLATION PROVIDING THE  
SOCIAL SECURITY ADMINISTRATOR GREATER FLEXIBILITY IN BUDGET  
FORMULATION AND EXECUTION. SPECIFICALLY, THE AGENCY'S BUDGET  
SHOULD BE SUBMITTED TO CONGRESS BIENNIALY, AND THE PERSONNEL  
REQUIREMENTS INCLUDED IN ITS ADMINISTRATIVE BUDGET SHOULD BE BASED  
ON A WORKFORCE PLAN RATHER THAN ON PERSONNEL CEILINGS. AT THE  
EARLIEST PRACTICAL DATE FOLLOWING ENACTMENT OF LEGISLATION THE  
PRESIDENT SHOULD SELECT AN ADMINISTRATOR FOR THE AGENCY. IN THE  
INTERIM, THE COMMISSIONER OR ACTING COMMISSIONER OF SOCIAL SECURITY  
WOULD SERVE AS ACTING ADMINISTRATOR AND WOULD ESTABLISH A  
TRANSITION TASK FORCE AND CONDUCT THE TRANSITION UNTIL SUCH TIME AS  
THE ADMINISTRATOR IS CONFIRMED. THE ACTING ADMINISTRATOR WOULD  
ALSO BEGIN TO DEVELOP A PLAN AND NEGOTIATE CRITERIA TO EVALUATE THE  
RESULTS ACHIEVED BY THE NEWLY CONSTITUTED AGENCY AND WOULD BEGIN TO  
NEGOTIATE APPROPRIATE OVERSIGHT ROLES FOR THE CENTRAL MANAGEMENT  
AGENCIES (CHAPTER V).