Collection: Deaver, Michael
Folder Title: Productivity (3)
Box: 54

A POLICY STATEMENT ON PRODUCTIVITY

--- By William E. Simon

There is no more urgent area of concern to the future of this country and to the free world as a whole than that of productivity.

Never in the history of nations has a country weakend internally been able to maintain a posture of strength externally.

A great power must always provide an example of economic progress and rising living standards; this is the very essence of world leadership, and the United States cannot remain the beacon of freedom and hope to the world that it is if it lacks the resources to preserve the precious liberty that sustains its leadership role.

Furthermore, without greater productivity and economic growth, there is no hope of generating jobs to enable all citizens to better their condition, of developing new energy sources, of fighting disease, of improving our lagging military strength, nor engendering enough wealth to stabilize the nations of the world.

IT IS AN ECONOMIC FACT OF LIFE THAT INCREASED PRODUCTIVITY IS THE ONLY WAY TO INCREASE OUR STANDARD OF LIVING.

For the sake of future economic growth -- jobs, real income and reasonable price stability -- the inescapable conclusion is that government policies must become more suportive of capital investment and that we must make a fundamental shift in our domestic policies away from continued growth in personal consumption and government spending and toward greater savings, capital formation and investment.

It is a fact that the effectiveness of all the other factors that determine productivity are heavily dependent on the quantity and quality of capital available.

For a variety of reasons, our labor force has grown enormously in recent years, and the demand for capital investment to handle this continuing influx into the economy is evident and of paramount importance to the nation's well-being.

For many years our advantageous ratio of capital to labor has been acknowledged as fundamental to the remarkable rise of the U. S. economy.

THE PRODUCTIVITY DECLINE WE NOW FACE HAS REACHED CRISIS PROPORTIONS

Consider these facts - - -

In 1979, the rate of growth of capital formation in the U.S. as a percentage of GNP was only 17.9%, which left us seventh on a list of eight major industrialized countries headed by Japan, whose rate was 31.6%.

In 1978-79, the productivity growth rate of the economy as a whole declined by 1.1%; we ranked last with Canada out of the eight industrialized nations led again by Japan, whose growth rate was 5%.

In 1978, Americans saved only 4.9% of their income, while the Japanese were saving 20.1%.

Real net addition to plant and equipment amounted in 1979 to only about 2% of GNP. This works out to be about $40 billion or roughly one-third of what business had to spend to comply with government regulations.

During the period 1971-79, the number of U.S. patents issued to Americans decreased by 24%, while the number issued to foreigners increased by some 14%.

Our productivity crisis is made in Washington, D.C. and is caused principally by the expanding size of government. Government induced inflation has taken the greatest toll on American productivity.

Furthermore, when the federal government -- which cannot produce anything itself but is capable only of spending taxpayer dollars -- goes into the money-market to finance deficits, it sops up capital that would otherwise be available in the productive private sector. In recent years, this "crowding out" effect has run as high as 35-40% of total borrowing in the economy.

Deficit financing also leads directly to an irresponsible monetary policy and contributes heavily to the rise in interest rates and the decrease in savings and investment.

Where taxes are concerned, inflationary conditions make tax write-offs for depreciation grossly unrealistic since replacement costs are so much higher than the historical cost of acquisition.

In inflationary times, profits and resulting taxes are overstated, while taxes imposed on capital gains are really taxes on inflationary increases and thus amount to a confiscation of capital.

We have the highest capital gains tax in the world and are, in fact, one of the few countries with such a tax at all.

OUR CORPORATE TAX STRUCTURE

Our crippling tax structure, indeed, is another way in which government has discouraged productivity.

It does everything possible to hinder savings and investment while encouraging present consumption - - -

Personal income tax runs as high as 70%;

Interest on savings accounts is taxed as "unearned" personal income (as though there were no economic value to the willingness to save prudently);

Economic gains from holding stocks are diminished through capital gains taxes;

Dividends are taxed twice, first at the corporate level and then at the personal level;

And, corporate profits are taxed up to 46%.

As a further result of this tax policy, funds are diverted from the normal flow of productive investment into tax shelters which are often unnecessary and inefficient, and can do nothing to encourage economic growth.

The regulations pouring out of Washington have substantially diverted funding from the research and development activities essential to economic growth into government coffers: the costs to industry of complying with mandatory regulations have caused much of our abundant natural resources, also vital to productivity, to be virtually impounded by government.

MORAL CHARACTER

Government policies have not encouraged the moral character necessary in a productive work force. As the welfare state and various transfer programs have expanded, so laborers have become less mindful of the need to work diligently and to save to provide for their futures. Uncle Sam will always be there to prop them up.

Since investment is the key to productivity -- which must improve if our standard of living is to increase -- the decline in capital investment represents the major challenge to the future growth of economy.

It will require nothing less than government policies which will combat inflation and balance the Federal budget over time in order to avoid diverting needed capital away from investment and into the financing of chronic government deficits.

THE NATIONAL COMMITTEE ON PRODUCTIVITY

- - -ITS GOALS AND STRUCTURE- - -

The growing public concern about the destructive effects of declining producitvity has created an opportunity to marshal and maintain broad support for effective policies to abolish disincentives and to create incentives for increased productivity.

Accordingly, a committee of distinguised government officials and private citizens with extensive experience at the highest levels of government, business and labor has been formed to promote such policies.

Members of the National Committee on Productivity will include the Secretary of the Treasury, the Secretary of Labor, the Secretary of Commerce, the Chairman of the Council of Economic Advisors, the Director of the Office of Management and Budget, the Assistant to the President for Policy Development, and a group of private citizens representing a broadly-based cross-section of business and labor, to include minority and small businessmen.

The National Committee will have two subcommittees, one comprised of those members serving in government and the other of those members in the private sectors. Both subcommittees will work together closely to achieve their common purpose.

The National Committee on Productivity urges the prompt adoption of a comprehensive program of government reforms to address our economy's declining productivity.

While the economy is capable of financing its large private capital investment requirements, our success in achieving that goal is dependent on the shape of government policies.

Any continuation of the severe fiscal and monetary distortions of past government policies will only deepen our decline in productivity. Inflation must be brought under control, and the government must avoid disrupting capital markets.

The National Committee on Productivity recognizes that the problem of decline in productivity did not emerge suddenly. It has been smouldering for some time. Its roots lie in certain enept and mindless government policies over the past several decades.

The task of solving the problem of declining productivity will be difficult. There is no hope of eventual success unless the American people come to understand the problem and are prepared to support those measures required to solve it.

The National Committee on Productivity will do its utmost to heighten public awareness of the problem and will encourage government, business and labor to work together to remove productivity disincentives and create incentives in the areas of fiscal policy, monetary policy, tax policy, regulatory policy, labor policy, welfare policy and civil service policies. It will work with government to modify importantly the adversary relationship between government and business.

Specific recommendations follow.

FISCAL POLICY

The steps which will be outlined in the sections following cannot be achieved unless a substantial reduction occurs in the size and scope of government, government which currently absorbs almost 40% of GNP today, versus only 10% in 1930. This reduction can only happen if Congress cuts back on current expenditures, resisting pressures to adopt and expand spending programs.

MONETARY POLICY

As a corollary to fiscal restraint, firm guidelines must be established for monetary policy, which has tended to stretch to accomodate deficit spending patterns. A monetary growth rate of two to four percent annually should be maintained, in keeping with the long-term trend in productivity and real output. In so doing, the Federal Reserve will need the fullest support and cooperation of the Congress.

TAX POLICY

Proposals to reform tax policy should be based upon two vital principles - a broader tax base and lower and simpler tax rates.

In order to encourage productivity, tax disincentives to capital formation must be removed and provisions must be made for tax reform in areas that direclty influence the cash flow available for investment.

One example of such reform is a tax system which uses consumption, rather than income, as a basis for taxation.

Such changes in tax policy would help to divert funds from consumption into investment, and therefore would contirbute to an increased rate of capital formation. Other reforms aimed at encouraging business activity should be incorporated into tax policy ---

Reduction in the rate of corporate taxation;

Tax credits to business for dividends paid to shareholders;

Tax credits for incressed research and development;

New depreciation guidelines for various corporate assets;

A reduction or restructuring of tax on personal income and savings accounts.

REGULATORY POLICY

A flood of regulations has poured out of Washington in past years to mitigate public concerns about environmental protection and the health of workers and consumers. Many of these regulations are unnecessary and scientifically invalid, and are extremely expensive in terms of dollars diverted from productive use and cost passed along to the consumer.

These unnecessary costs obviously make us less competitive in the world market place and therefore tend to reduce our share in the world markets.

The promulgation of such regulations must cease and regulatory reform must be introduced that provides for cost-benefit analyses of proposed regulations to determine that only those regulations are passed that benefit the economy as a whole and which are aboslutely necessary for the well-being and protection of workers.

Regulatory reform should also give close attention to the pace at which changes in practices and products are mandated, and should obviate excessive paperwork and reporting requirements.

Congress should abolish existing legislation that impedes the competitive process, particularly import quotas and other restraints on international trade, farm price supports and transportation industry regulations. It is also critically important that Congress revise regulations imposed on the energy industry.

Special attention here needs to be focused on the development of our coal and shale resources to facilitate independence from OPEC countries and to under-gird our national defense.

LABOR POLICY

Labor Policy must encourage competition and keep labor costs at a reasonable level relative to productivity. Measures that should be adopted in support of these goals include careful scrutiny of the impact of the Davis-Bacon and minimum wage legislation and an investigation of the powers of the National Labor Relations Board. Such examination is necessary to halt inferior workmanship or other practices which increase costs and, in turn, diminish our competitiveness in world markets.

SOCIAL WELFARE POLICY

Substantial modification in unemployment and social benefits is required to release workers from the moral shackles of government dependence and to remove the disincentives now existing to work.

CIVIL SERVICE POLICIES

Emergency legislation must be enacted to provide that inefficient, unwanted, unproductive civil servants can be expunged from the federal payroll in sufficient numbers to show a meaningful saving in our federal budget.

OBJECTIVES

The National Committee on Productivity will strive to encourage the implementation of the policies described above. As a means to this end, the Committee will have two subcommittees that will work to achieve the Committee's goals within their respective spheres of influence.

Some major functions of the Government Subcommittee and the Private Sector might be to - - -

Government Subcommittee

1. Encourage legislative initiatives and urge Congressional enactment of legislation that will remove disincentives to productivity.

2. Urge a cooperative, constructive relationship between government and business. Eliminate as far as possible the adversary relationship between government and business so that American industry may get a bigger share in the world economic market place.

3. Encourage organized labor to assume the attitude of a partner with government and business intent on increasing productivity and jobs, rather than maintain an adversary position.

4. Continually probe the bureaucracy and evaluate its performance.

Private Sector Subcommittee

1. Convince the American public that its only hope for an improved standard of living lies in greater productivity.

2. Enlist advocates for increased productivity from among prominent leaders in business.

3. Strengthen support for growth where it is weakest (e.g. among educators, those in social service occupations and both employed and unemployed public sector dependents).

4. A continuing employee education program based on the advantages to the individual employee and his family of higher productivity.

   This program means votes for fiscally responsible candidates as well as a better understanding of productivity and free enterprise.

5. This Committee must create a program to help form a coalition of responsible legislators, regardless of party, to immediately support Administration remedial legislation.

   This must include a carefully planned and organized program in every state and every Congressional district encouraging the voters to support immediate emergency legislation which will make it possible to cope more effectively in reducing the cost of government and thereby working in the direction of eliminating inflation.

6. The President, Vice President, Cabinet members and other members of the new administration must take the lead (particularly the President) in enacting remedies necessary to halt the ravages of inflation.

   Without the strength of this leadership this remedial program will not fly.

File

OFFICE OF THE SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

January 29, 1982

MEMORANDUM FOR THE NATIONAL PRODUCTIVITY ADVISORY COMMITTEE

FROM: ROGER B. PORTER RBP

SUBJECT: Address List and May Meeting

A list of National Productivity Advisory Committee members, their addresses, and office telephone numbers is attached. We will try to advise you promptly of any changes in addresses or telephone numbers.

The National Productivity Advisory Committee will hold its second meeting on Tuesday, May 4, 1982, in Washington, D.C. The meeting will commence at 10:00 a.m. Please reserve this date on your schedules.

Attachment

THE NATIONAL PRODUCTIVITY ADVISORY COMMITTEE

ADDRESSES AND TELEPHONE NUMBERS

CHAIRMAN

William E. Simon
Chairman, Crescent
Diversified Limited
505 Park Avenue
New York, NY 10022

(212) 750-4807

\- - -

EXECUTIVE SECRETARY

Roger B. Porter
Special Assistant to the President
for Policy Development
The White House
Washington, DC 20500

(202) 566-9083

\- - -

MEMBERS

Mr. Lamar Alexander
Governor, State of Tennessee
Nashville, TN 37204

(615) 741-2001

\- - -

Mr. Lewis M. Branscomb
Chairman, National Science Board
1800 G Street, NW
Washington, DC 20550

(202) 357-9582

\- - -

Mr. Harold J. Buoy
Int'l President, Int'l
Brotherhood of Boiler Makers
570 New Brotherhood Building
Eighth and State Streets
Kansas City, KS 66101

(913) 371-2640

\- - -

Mr. Jesse M. Calhoon
President, National Marine
Engineers Beneficial Assoc.
AFL-CIO
444 North Capitol Street, NW
Washington, DC 20001

(202) 347-8585

\- - -

Mr. Nicholas Camicia
Chairman and Chief
Executive Officer
The Pittston Company
1 Pickwich Plaza
Greenwich, CT 06830

(203) 622-0900

\- - -

Mr. Justin Dart
Chairman of the Executive
Committee
Dart & Kraft, Inc.
Post Office Box 3157
Los Angeles, CA 90051

(213) 658-2000

\- - -

Mr. Michael K. Deaver
Assistant to the President and
Deputy Chief of Staff
The White House
Washington, DC 20500

(202) 456-6475

Mr. John T. Dunlop
Lamont University Professor
Harvard University
Littauer 209
Cambridge, MA 02138

(617) 495-4157

Mr. Martin S. Feldstein
President, National Bureau
of Economic Research
1050 Massachusetts Avenue
Cambridge, MA 02138

(617) 868-3900

- - -

Mr. Clifton C. Garvin, Jr.
Chairman of the Board and
Chief Executive Officer
Exxon Corporation
1251 Avenue of the Americas
New York, NY 10020

(212) 398-5702

- - -

Mr. Harvey A. Goldstein
Managing Partner
Singer, Lewak, Greenbaum &
Goldstein
10960 Wilshire Boulevard
Los Angeles, CA 90024

(213) 879-3501

- - -

Mr. Peter Grace
Chairman of the Board and
Chief Executive Officer
W.R. Grace & Company
1114 Avenue of the Americas
New York, NY 10036

(212) 764-5555

- - -

Mr. C. Jackson Grayson
Chairman, American Productivity
Center
123 North Post Oak Lane
Houston, TX 77024

(713) 681-4020

- - -

Dr. Robert E. Hall
Professor of Economics
Stanford University and
Senior Fellow, Hoover Institute
Stanford, CA 94305

(415) 497-2215

- - -

Mr. David T. Kearns
President and Chief Executive
Officer
Xerox Corporation
Stamford, CT 06904

(203) 329-8700

- - -

Mr. Alfred H. Kingon
Vice Chairman
Macro Communications, Inc.
150 East 58th Street
New York, NY 10022

(212) 826-4290

- - -

Mr. Charles F. Knight
Chairman and Chief Executive
Officer
Emerson Electric Company
8000 West Florissant Avenue
St. Louis, MO 63136

(314) 553-2000

- - -

Mr. William Konyha
President, United Brotherhood of
Carpenters and Joiners of
America
101 Constitution Avenue, NW
Washington, DC 20001

(202) 546-6206

- - -

Mr. Laurence William Lane, Jr.
Chairman of the Board, Lane
Publishing Company
Publisher, Sunset Magazine
85 Willow Road
Menlo Park, CA 94025

(415) 321-3600

- - -

Dr. Paul W. MacAvoy
Professor, Yale University
Department of Economics
37 Hillhouse Avenue
Box 1972, Yale Station
New Haven, CT 06520

(203) 436-1116

- - -

Mr. Donald S. MacNaughton
Chairman and Chief Executive Officer
Hospital Corporation of America
One Park Plaza
Nashville, TN 37203

(615) 327-9551

- - -

Mr. Ruben F. Mettler
Chairman and Chief Executive Officer
TRW, Inc.
23555 Euclid Avenue
Cleveland, OH 44117

(216) 383-3070

- - -

Captain John J. O'Donnell
President, Air Line Pilots Association
1625 Massachusetts Avenue, NW
Washington, DC 20036

(202) 797-4010

- - -

Mr. Paul H. O'Neill
Vice President, Corporate Planning
International Paper Company
77 West 45th Street
New York, NY 10036

(212) 536-6000

- - -

Mr. Gerald L. Parsky
Partner, Gibson, Dunn & Crutcher
1776 G Street, NW
Washington, DC 20006

(202) 789-8520

- - -

Mr. John H. Perkins
President, Continental Illinois National Bank & Trust Company
231 LaSalle Street
Chicago, IL 60693

(312) 828-2345

- - -

Mr. Richard F. Schubert
Vice Chairman
Bethlehem Steel
Martin Tower, Room 2136
Easton, PA 18016

(215) 694-2424

- - -

Mr. Maurice R. Schurr
Int'l Vice President, Local 929
Int'l Brotherhood of Teamsters Chauffeurs, Warehousemen and Helpers of America
4345 Frankford Road
Philadelphia, PA 19124

(215) 288-1430

- - -

Mr. Donald V. Seibert
Chairman and Chief Executive Officer
J. C. Penney Company
1301 Avenue of the Americas
New York, NY 10019

(212) 957-4321

- - -

Mr. L. William Seidman
Vice Chairman
Phelps-Dodge Corporation
300 Park Avenue
New York, NY 10022

(212) 940-6400

- - -

Mr. Roger B. Smith
Chairman and Chief Executive
Officer
General Motors Corporation
3044 West Grand Boulevard
Detroit, MI 48202

(313) 556-5000

Ms. Jayne Baker Spain
Executive-in-Residence
George Washington University
Washington, DC 20037

(202) 676-5802

Dr. Arnold R. Weber
President
University of Colorado
Boulder, CO 80309

(303) 492-6201

RECOMMENDATIONS

I. THE PRESIDENT'S ECONOMIC RECOVERY PROGRAM IS DESIGNED TO:

1. REDUCE INFLATION
2. REDUCE UNEMPLOYMENT
3. INCREASE WORLD COMPETITIVENESS
4. INCREASE ECONOMIC STRENGTH FOR DEFENSE
5. INCREASE AMERICA'S STANDARD OF LIVING
6. RETAIN ECONOMIC LEADERSHIP IN THE WORLD

II. AT PRESENT, THIS PROGRAM CONSISTS OF FOUR MAJOR THRUSTS:

1. REDUCED TAX RATES
2. REGULATORY RELIEF
3. REDUCED GOVERNMENT SPENDING
4. STABLE MONEY SUPPLY GROWTH

III. IT IS RECOMMENDED THAT A FIFTH THRUST BE ADDED TO THE PROGRAM: AS A MAJOR POLICY INITIATIVE:

5. INCREASE PRODUCTIVITY GROWTH

JULIUS MIRABAL, GENERAL ELECTRIC

"UNLESS WE START DOING SOMETHING TO INCREASE U.S. PRODUCTIVITY, THE UNITED STATES WILL BE OUT OF BUSINESS AS A COUNTRY."

TIME, DECEMBER 8, 1980

ECONOMIC SITUATION

- STAGNANT GROWTH
- HIGH UNEMPLOYMENT
- HIGH INFLATION
- HIGH INTEREST RATES
- ERODING WORLD COMPETITIVENESS
- FALLING REAL EARNINGS
- DECLINING REAL PROFITS

RECENT ECONOMIC STATISTICS

INFLATION	10%
UNEMPLOYMENT	7.3%
PRIME INTEREST	19%
<u>REAL</u> EARNINGS	-4.0%
<u>REAL</u> PROFITS	-16.0%

PRODUCTIVITY STATISTICS

	AVERAGE ANNUAL GROWTH RATE		
	USA	JAPAN	GERMANY
1870 - 1913	2.0	1.8	1.9
1913 - 1950	2.6	1.3	1.1
1950 - 1973	2.6	8.0	6.0
1973 - 1978	1.5	3.9	4.3
1978 - 1980	0.4	3.6	2.7

A PROPOSED

NATIONAL PRODUCTIVITY PROGRAM

NATIONAL PRODUCTIVITY PROGRAM

FOUR LEVELS

- GOVERNMENT
- INDUSTRY
- INDIVIDUAL FIRMS
  - MANAGEMENT
  - LABOR
- INTERNATIONAL

GOVERNMENT

1. IMPROVE PRODUCTIVITY IN GOVERNMENT
   - ORGANIZE PRODUCTIVITY PROGRAMS IN EVERY FEDERAL DEPARTMENT AGENCY
   - FORM LABOR/MANAGEMENT PRODUCTIVITY TEAMS THROUGHOUT GOVERNMENT
   - SHARE PRODUCTIVITY IMPROVING IDEAS ACROSS GOVERNMENT AGENCIES AND SECURE IDEAS FROM PRIVATE SECTOR
   - IMPROVE MEASUREMENT OF GOVERNMENT PRODUCTIVITY
   - ASSIST STATE AND LOCAL GOVERNMENT IN PRODUCTIVITY IMPROVEMENT
2. REMOVE/REDUCE GOVERNMENTAL IMPEDIMENTS TO PRODUCTIVITY
   - RECOMMEND TAX CHANGES FOR PRODUCTIVITY IMPROVEMENT
   - CREATE ANALYSIS OF PRODUCTIVITY IMPACT OF GOVERNMENT REGULATIONS AND RECOMMEND CHANGES, IF ANY

3. <u>PRIVATE SECTOR ASSISTANCE AND ENCOURAGEMENT</u>

- ANALYZE/IMPROVE PRESENT GOVERNMENT PRODUCTIVITY ASSISTANCE PROGRAMS

- CREATE PROGRAMS FOR DIFFUSION & APPLICATION OF TECHNOLOGY

- ORGANIZE TRAINING, RE-TRAINING, ADJUSTMENT ASSISTANCE PROGRAMS

- IMPROVE TRADE INFORMATION AND EXPORT ASSISTANCE

INDUSTRIES

1. ORGANIZE INDUSTRY-WIDE PRODUCTIVITY PROGRAMS
2. FORM LABOR-MANAGEMENT-GOVERNMENT INDUSTRY PRODUCTIVITY TEAMS
3. INITIATE PROGRAMS FOR INTER-FIRM PRODUCTIVITY COMPARISONS
4. CONDUCT RESEARCH ON OBSTACLES/SOURCES OF PRODUCTIVITY IMPROVEMENT IN EACH INDUSTRY
5. DIFFUSE "BEST PRACTICES" OF MOST PRODUCTIVE FIRMS
6. ORGANIZE INDUSTRY TOURS OF OTHER INDUSTRIES AND OTHER NATIONS

INDIVIDUAL FIRMS AND UNIONS

1. ORGANIZE FORMAL PRODUCTIVITY PROGRAMS IN INDIVIDUAL FIRMS, INVOLVING EMPLOYEES AND MANAGERS -- UNION AND NON-UNION
2. ORGANIZE "QUALITY OF WORK LIFE" PROGRAMS
3. CONDUCT PRODUCTIVITY EDUCATION PROGRAMS FOR EMPLOYEES, MANAGERS, COMMUNITY, SCHOOLS
4. CONDUCT TRAINING, RE-TRAINING, AND ADJUSTMENT PROGRAMS FOR CHANGES CAUSED BY PRODUCTIVITY CHANGES
5. INCREASE EXPORTS
6. CREATE PROGRAMS FOR INCREASING PRODUCT QUALITY

PRODUCTIVITY AREAS NEEDING ATTENTION IN INDIVIDUAL FIRMS

AWARENESS

1. MISCONCEPTIONS NEED CLEARING UP
2. ROLE IN INFLATION-UNEMPLOYMENT NOT UNDERSTOOD
3. UNAWARENESS OF SLOWDOWN TREND
4. MAIN FOCUS ON "MACRO"
5. UNAWARENESS OF INT'L COMPETITION
6. UNAWARENESS OF SOURCES & OBSTACLES
7. JOINT MANAGEMENT/UNION STAKE NOT ACCEPTED
8. BUSINESS SCHOOLS' LACK OF ATTENTION
9. SERVICE INDUSTRIES: "DOESN'T APPLY TO US"

INFORMATION

1. NO CENTRAL CLEARINGHOUSE
2. INTERNATIONAL DATA LACKING
3. NEED FOR BETTER NATL. DATA-PUBLIC POLICY
4. INDUSTRY DATA DEFICIENT
5. COMPANY DATA DEFICIENT

APPRAISAL

1. NO SYSTEMATIC PRODUCTIVITY AUDIT IN FIRMS
2. NO SYSTEMATIC ASSESSMENT OF IMPROVEMENT OPPORTUNITIES

PROGRAMS

1. STOP - START, SPORADIC DRIVES
2. NO WAY TO COMBINE PIECES--"PUT IT TOGETHER
3. LITTLE EMPLOYEE-MGT. INVOLVEMENT
4. LACK OF INTEGRATION WITH OTHER SYSTEMS
5. IN ONE DEPARTMENT OR PLANT ONLY
6. FOCUS ON ONE TECHNIQUE

MEASUREMENT

1. LACK OF TOTAL FACTOR APPROACH
2. OUTPUT PROBLEMS
3. INPUT PROBLEMS
4. ACCOUNTING SYSTEMS DEFICIENT
5. LACK OF GOOD PRICE DEFLATORS
6. LACK OF "EFFECTIVENESS" MEASURES
7. PROBLEMS WITH MEASUREMENT OF CAPITAL, R&D, EDUCATION, HEALTH, GOV'T., INDIRECT LABOR
8. NEGATIVE ATTITUDES TOWARD MEASUREMENT

LABOR/MANAGEMENT

1. ADVERSARY RELATIONSHIP
2. QUALITY OF WORKING LIFE SEPARATED
3. INCENTIVE SYSTEMS SEPARATED
4. INSUFFICIENT ATTENTION TO EMPLOYEE JOB SECURITY
5. WORK RESTRICTIONS
6. TOO MUCH BLAME ON UNIONS -- OFTEN MANAGEMENT INATTENTION

TECHNIQUES

1. SMALL AMOUNTS OF TRANSFER OF IDEAS
   - --FROM GOVT. & UNIVERSITIES TO INDUSTRY
   - --FROM INDUSTRIES TO OTHER INDUSTRIES
   - --BETWEEN SECTORS IN ECONOMY
   - --FROM OTHER NATIONS
2. FEW CASE STUDIES AVAILABLE
3. CLEARINGHOUSES NOT EFFECTIVE
4. OBJECTIVE EVALUATIONS DIFFICULT TO OBTAIN

INTERNATIONAL

1. IMPROVE MEASURES FOR INTERNATIONAL PRODUCTIVITY COMPARISONS

2. CREATE PROGRAMS FOR INCREASING TRANSFER OF TECHNOLOGY AND KNOW-HOW FROM OTHER NATIONS

3. ORGANIZE PROGRAMS FOR COOPERATION WITH PRODUCTIVITY INSTITUTIONS IN OTHER NATIONS

4. CONDUCT OVERSEAS TOURS FOR BUSINESS, LABOR, AND GOVERNMENT GROUPS

5. CREATE PROGRAMS FOR ASSISTING PRODUCTIVITY IMPROVEMENT IN THE 3RD WORLD

ACTIVITIES TO DATE

- MOSTLY NEGLECT
- LARGELY RHETORIC, EXHORTATION, ALARM
- ADVERTISING CAMPAIGNS
- STUDIES, PUBLICATIONS
- HEARINGS
- NATIONAL COMMISSION ON PRODUCTIVITY (NCOP)
  --LOW FUNDING --NO HOME --NO PROGRAM
  --NO POWER --NO CHAMPION
- COUNCIL ON WAGE AND PRICE STABILITY (COWPS)
- NATIONAL PRODUCTIVITY COUNCIL

SIGNALS THAT LITTLE WILL HAPPEN TO IMPROVE PRODUCTIVITY

- "PRODUCTIVITY WILL TAKE CARE OF ITSELF, IF WE JUST...
    - CUT TAXES
    - CUT GOVERNMENT SPENDING
    - REDUCE THE MONEY SUPPLY"
- "PRODUCTIVITY COMES FROM INVESTMENT. ALL WE HAVE TO DO IS STIMULATE INVESTMENT
- "WE NEED TO STUDY..."
- "LET'S DO IT CAREFULLY AND DELIBERATELY: A PIECE AT A TIME"
- "WE MET WITH OUR EMPLOYEES AND MANAGERS AND WE STRESSED PRODUCTIVITY"
- "THE GOVERNMENT HAS NO ROLE IN PRODUCTIVITY"
- "AFTER WE GET ALL OF THE OTHER PROGRAMS AND FIRES SETTLED DOWN, WE"LL TAKE A LOOK AT PRODUCTIVITY"

A NATIONAL PRODUCTIVITY PROGRAM
SIGNIFICANT FEATURES

- A NATIONWIDE DEDICATION TO
  - (1) PRODUCTIVITY (GROWTH)
  - (2) QUALITY
    - PRODUCT QUALITY
    - QUALITY OF WORK LIFE
  - (3) WORLD COMPETITIVENESS
- MACRO <u>AND</u> MICRO ACTION
- PRIVATE <u>AND</u> PUBLIC SECTORS
- MULTI-LEVEL: GOVERNMENT, INDUSTRY, FIRM, INTERNATIONAL
- MULTI-FACTOR
  - LABOR
  - CAPITAL
  - MATERIALS
  - ENERGY
- LONG-TERM
- ACTION FOCUSED
  - NOT STUDY ORIENTED
  - NOT RHETORIC, LIP SERVICE
  - NOT EXHORTATION
  - NOT "BLAME" ORIENTED

<u>IT IS NEEDED AND TIMELY</u>

1. OUR PRODUCTIVITY GROWTH IS <u>STAGNANT</u>
2. OUR <u>FOREIGN</u> COMPETITORS ARE GAINING
   - LOSING COMPETITIVENESS IN MARKETS
   - LOSING JOBS
3. AT STAKE IS OUR SOCIAL, MILITARY, AND POLITICAL STRENGTH
   - WITHOUT A STRONG <u>ECONOMIC</u> BASE, NONE OF THESE ARE POSSIBLE
   - OUR LEADERSHIP IS THREATENED
4. PRODUCTIVITY <u>IS</u>-
   - MORE UNDERSTANDABLE TO PUBLIC THAN MOST FISCAL-MONETARY MEASURES
   - LONG LASTING -- NOT A QUICK FIX
5. IT PERMITS <u>INVOLVEMENT</u> OF INDIVIDUALS --
   - ALL LEVELS (EMPLOYEES AND MANAGERS)
   - ALL SECTORS (PUBLIC AS WELL AS PRIVATE)

6. THE <u>TIMING</u> IS GOOD

- PEOPLE ARE WORRIED -- INFLATION, UNEMPLOYMENT FOREIGN COMPETITION
- PRODUCTIVITY IS "POSITIVE" -- ACTION, GROWTH, JOBS, PROFITS
- POLLS SHOW PUBLIC BELIEVES PRODUCTIVITY IMPORTANT (79%)

7. THE <u>PRIVATE</u> SECTOR HAS THE <u>PRIMARY</u> RESPONSIBILITY FOR PRODUCTIVITY IMPROVEMENT. BUT GOVERNMENT CAN ENCOURAGE, ASSIST, AND LEAD

8. SIGNIFICANT PRODUCTIVITY IMPROVEMENT DOES <u>NOT</u> FLOW FROM:

- JUST ALARM AND CONCERN
- A SINGLE FACETED APPROACH
- MANAGEMENT <u>OR</u> LABOR WORKING ALONE

9. WHAT IS NEEDED IS:

- A BROAD, <u>COMPREHENSIVE</u> "NATIONAL PRODUCTIVITY PROGRAM"
- INVOLVING
  - SHORT RANGE ACTIONS
  - LONG RANGE ACTIONS
  - THE PUBLIC SECTOR
  - THE PRIVATE SECTOR
  - MACRO POLICIES
  - MICRO ACTION

10. BY: <u>LABOR</u> -- <u>MANAGEMENT</u> -- <u>GOVERNMENT</u>

"THE OVERRIDING FACTOR IN ALL THE ISSUES RAISED BY OUR WORK IN THE PRODUCTIVITY AREA IS THE <u>NEED FOR COOPERATION AND COMBINED COMMITMENT ON THE PART OF INDUSTRY, LABOR, AND GOVERNMENT TO IMPROVE OUR PRODUCTIVITY</u>."

ELMER STAATS, COMPTROLLER GENERAL
NOVEMBER 12, 1980

"FEW MAJOR COUNTRIES HAVE BEEN <u>BROUGHT</u> <u>DOWN</u> BY FOREIGN COUNTRIES, BUT MANY HAVE DISAPPEARED BECAUSE OF <u>INTERNAL</u> <u>FAILURES</u>...<u>BRITAIN</u>, ONCE THE WORLD'S UNDISPUTED ECONOMIC LEADER, NOW STUMBLES ALONG WITH A STANDARD OF LIVING <u>HALF</u> THAT OF THE REST OF NORTHERN EUROPE. ENGLAND HAS ENTERED INTO A STATE OF RELATIVE UNDERDEVELOPMENT, AND THE <u>SAME</u> <u>FATE</u> COULD BEFALL US."

LESTER THUROW

<u>TECHNOLOGY REVIEW</u>

NOVEMBER, DECEMBER 1980, P. 42

"I THINK WE WILL ALL AGREE THAT THE PASSWORDS TO THE 1980'S WILL BE PRODUCTIVITY AND QUALITY.. ABOVE ALL, PRODUCTIVITY: WE MUST ALL ADDRESS THE QUESTION OF PRODUCTIVITY AS IF OUR CORPORATE AND COLLECTIVE LIVES DEPEND ON IT, BECAUSE THEY DO."

DON PETERSEN, PRESIDENT
FORD MOTOR COMPANY
APRIL 28, 1980