SOCIAL SECURITY'S READINESS FOR THE IMPENDING WAVE OF BABY BOOMER BENEFICIARIES

HEARING

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY

AND THE

SUBCOMMITTEE ON HUMAN RESOURCES

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

FEBRUARY 10, 2000

Serial 106–86

Printed for the use of the Committee on Ways and Means

U.S. GOVERNMENT PRINTING OFFICE

65–267 CC WASHINGTON : 2001

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402

COMMITTEE ON WAYS AND MEANS

BILL ARCHER, Texas, *Chairman*

PHILIP M. CRANE, Illinois
BILL THOMAS, California
E. CLAY SHAW, JR., Florida
NANCY L. JOHNSON, Connecticut
AMO HOUGHTON, New York
WALLY HERGER, California
JIM MCCRERY, Louisiana
DAVE CAMP, Michigan
JIM RAMSTAD, Minnesota
JIM NUSSLE, Iowa
SAM JOHNSON, Texas
JENNIFER DUNN, Washington
MAC COLLINS, Georgia
ROB PORTMAN, Ohio
PHILIP S. ENGLISH, Pennsylvania
WES WATKINS, Oklahoma
J.D. HAYWORTH, Arizona
JERRY WELLER, Illinois
KENNY HULSHOF, Missouri
SCOTT MCINNIS, Colorado
RON LEWIS, Kentucky
MARK FOLEY, Florida

CHARLES B. RANGEL, New York
FORTNEY PETE STARK, California
ROBERT T. MATSUI, California
WILLIAM J. COYNE, Pennsylvania
SANDER M. LEVIN, Michigan
BENJAMIN L. CARDIN, Maryland
JIM MCDERMOTT, Washington
GERALD D. KLECZKA, Wisconsin
JOHN LEWIS, Georgia
RICHARD E. NEAL, Massachusetts
MICHAEL R. MCNULTY, New York
WILLIAM J. JEFFERSON, Louisiana
JOHN S. TANNER, Tennessee
XAVIER BECERRA, California
KAREN L. THURMAN, Florida
LLOYD DOGGETT, Texas

A.L. SINGLETON, *Chief of Staff*
JANICE MAYS, *Minority Chief Counsel*

SUBCOMMITTEE ON SOCIAL SECURITY

E. CLAY SHAW, JR., Florida, *Chairman*

SAM JOHNSON, Texas
MAC COLLINS, Georgia
ROB PORTMAN, Ohio
J.D. HAYWORTH, Arizona
JERRY WELLER, Illinois
KENNY HULSHOF, Missouri
JIM MCCRERY, Louisiana

ROBERT T. MATSUI, California
SANDER M. LEVIN, Michigan
JOHN S. TANNER, Tennessee
LLOYD DOGGETT, Texas
BENJAMIN L. CARDIN, Maryland

SUBCOMMITTEE ON HUMAN RESOURCES

NANCY L. JOHNSON, Connecticut, *Chairman*

PHILIP S. ENGLISH, Pennsylvania
WES WATKINS, Oklahoma
RON LEWIS, Kentucky
MARK FOLEY, Florida
SCOTT MCINNIS, Colorado
JIM MCCRERY, Louisiana
DAVE CAMP, Michigan

BENJAMIN L. CARDIN, Maryland
FORTNEY PETE STARK, California
ROBERT T. MATSUI, California
WILLIAM J. COYNE, Pennsylvania
WILLIAM J. JEFFERSON, Louisiana

Pursuant to clause 2(e)(4) of Rule XI of the Rules of the House, public hearing records of the Committee on Ways and Means are also published in electronic form. **The printed hearing record remains the official version.** Because electronic submissions are used to prepare both printed and electronic versions of the hearing record, the process of converting between various electronic formats may introduce unintentional errors or omissions. Such occurrences are inherent in the current publication process and should diminish as the process is further refined.

CONTENTS

	Page
Advisory of February 3, 2000, announcing the hearing	2

WITNESSES

Social Security Advisory Board:	
Hon. Stanford G. Ross, Chair	7
Sylvester J. Schieber, Ph.D., Member	17
U.S. General Accounting Office, Cynthia M. Fagnoni, Director, Education, Workforce and Income Security Issues, Health, Education, and Human Services Division; accompanied by Joel C. Willemssen, Director, Civil Agencies Information Systems, Accounting and Information Management Division	30
Coates and Jarratt, Inc., James E. Burke	75
McTigue, Hon. Maurice P., Q.S.O., George Mason University	87
National Quality Program, National Institute of Standards and Technology, Technology Administration, and U.S. Department of Commerce, Harry S. Hertz	81

SUBMISSIONS FOR THE RECORD

Matsui, Hon. Robert T., a Representative in Congress from the State of California	6
National Association of Disability Examiners, Zachary, LA, Terri Spurgeon, statement	99
Steinberg, Michael A., Michael Steinberg & Associates, Tampa, FL, statement	102

SOCIAL SECURITY'S READINESS FOR THE IMPENDING WAVE OF BABY BOOMER BENEFICIARIES

THURSDAY, FEBRUARY 10, 2000

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEES ON SOCIAL SECURITY AND HUMAN RESOURCES,
Washington, DC.

The Subcommittees met, pursuant to notice, at 11:23 a.m., in room 1100, Longworth House Office Building, Hon. E. Clay Shaw, Jr. (Chairman of the Subcommittee on Social Security) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON SOCIAL SECURITY

CONTACT: (202) 225–9263

FOR IMMEDIATE RELEASE
February 3, 2000
No. SS–9

Shaw Announces Hearing Series to Examine Social Security's Readiness for the Impending Wave of Baby Boomer Beneficiaries

Congressman E. Clay Shaw, Jr., (R–FL), Chairman, Subcommittee on Social Security of the Committee on Ways and Means, today announced that the Subcommittee will hold a series of hearings to examine Social Security's readiness for the impending wave of Baby Boomer beneficiaries. The first hearing in the series is a joint hearing by the Subcommittees on Social Security and Human Resources, and will focus on current and future service delivery challenges that the Social Security Administration is facing in the 21st Century. The hearing will take place on Thursday, February 10, 2000, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 11:00 a.m.

Subsequent hearings in the series will be announced at a later date.

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. Witnesses will include members of the Social Security Advisory Board, representatives from the U.S. General Accounting Office, and service delivery experts. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

The services that the Social Security Administration (SSA) provides impact the lives of nearly all Americans. For example, in 1999 SSA paid benefits to more than 45 million retired and disabled workers and their families and to more than 6.6 million Supplemental Security Income recipients, processed 250 million reports of earnings and more than 6 million initial claims for benefits, handled more than 26 million visitors requesting services at 1,300 field offices, fielded 80 million calls to the 800-number service, issued 16 million new and replacement Social Security numbers, and provided 30 million Social Security Statements to help individuals plan for their financial future.

As America enters the 21st Century, SSA will face increasing challenges. SSA workloads are projected to begin increasing rapidly within the next decade as the huge Baby Boom generation enters its peak disability years prior to reaching early retirement age starting in the year 2008. Social Security retirement and disability workloads are projected to rise 16 percent and 47 percent, respectively, between now and the year 2010. Claims under the Supplemental Security Income (SSI) program, which is administered by SSA and provides cash benefits to poor disabled and elderly individuals, are expected to grow 12 percent between now and the year 2020. At the same time, Social Security programs are becoming more complex, with initiatives to prevent fraud and abuse, complete continuing disability reviews, provide increased rehabilitation and employment services for the disabled, and perform re-

views to determine whether SSI beneficiaries continue to meet the program's income and resource requirements. These factors, combined with recent workforce downsizing and the coming retirement of large numbers of SSA's aging workforce, will place tremendous pressures on the Agency to meet the public's need for service in the 21st century.

In announcing the hearing series, Chairman Shaw stated: "Ensuring the Social Security Administration delivers quality service in a timely way is more than a goal—it's a necessity for American workers and families. Workers pay their hard-earned wages for their Social Security benefits. It's their program and they deserve not only all the benefits they paid for, but the highest quality of service as well. Our goal is to ensure that happens without any glitches, despite the Social Security Administration's many challenges ahead."

FOCUS OF THE HEARING:

This hearing will focus on the Social Security Administration's service delivery practices, key service delivery challenges in the future, and effective strategies to address these challenges.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit six (6) single-spaced copies of their statement, along with an IBM compatible 3.5-inch diskette in WordPerfect or MS Word format, with their name, address, and hearing date noted on a label, by the *close of business*, Thursday, February 24, 2000, to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Social Security office, room B–316 Rayburn House Office Building, by close of business the day before the hearing.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be submitted on an IBM compatible 3.5-inch diskette in WordPerfect 5.1 format, typed in single space and may not exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers where the witness or the designated representative may be reached. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press, and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at "HTTP://WWW.HOUSE.GOV/WAYS_MEANS/".

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman SHAW. Welcome. I apologize for being a few minutes late starting, but I would like to welcome all of you to the joint hearing of the Human Resources and Social Security Subcommittees.

Yesterday, Chairman Archer raised an issue that is very disturbing to me and to many of us, and I am sure it is disturbing to the Subcommittee Members on both sides of the aisle. I'm referring to the computer hackers disabling major Internet Web sites and accessing consumer credit information. We are concerned because the Social Security Administration's computer systems guard the most sensitive records of the American people, their wage and other personal information.

I know Social Security has world-class security measures in place, and I am sure this is a top priority for the Commissioner, but I want to comment publicly that the Social Security Administration has the full support of this Committee to help protect the privacy of the American people. Such was stated yesterday by Chairman Archer. We must catch these Internet hijackers and put an end to this cyberterrorism. There is nothing funny or smart about it. It is criminal activity and they should be punished.

Today's hearing is about Social Security's current and future service delivery challenges. Social Security touches nearly every American family. In 1999, the Social Security Administration paid Social Security and SSI benefits to more than 50 million beneficiaries. Without a doubt, continuing to provide timely, accurate benefits and world-class service will remain Social Security's number one mission in the years ahead. This mission will become more complicated as the huge baby boomer generation enters its peak disability years and then enters retirement age starting in 2008.

By 2010, Social Security retirement benefits claims are expected to rise by 16 percent and disability claims by 47 percent. The rapid rise in disability claims is especially noteworthy since we know disability cases are the most complex, time consuming, and expensive from an administrative standpoint. For an agency facing a wave of retirement by its own workers and high expectations from customers, there is a great challenge. This is no idle concern.

Although Social Security is widely regarded as among the best administered Federal programs, and it is, the need to improve public service was highlighted in a recent report by the bipartisan Social Security Advisory Board. The report concluded, and I quote, "There is a significant gap between the level of services that the public needs and that which the agency is providing. Moreover, this gap could grow to far larger proportions in the long term if it is not adequately addressed."

This is our purpose today, to examine what Social Security is doing now to prepare for the even greater challenges of tomorrow. In addition to the Advisory Board and General Accounting Office, we will hear from experts on how high performing public and private organizations have prepared for emerging challenges and thrived. We have even booked a futurist—new word to me—to help us to do some deep thinking about changing values, attitudes, customer service preferences, and technologies that will affect Social Security's ability to provide services for the impending wave of baby boomers.

For those who think that it's just too much action to pack into one hearing, you are right. That is why the Social Security Commissioner, Ken Apfel, will join us at an upcoming meeting about Social Security's plans to respond to such challenges. Today's hearing will put those plans in context. That way, we will have a better chance of assessing what the right track is and whether Social Security is on it when it comes to delivering the services to the public in the 21st century.

I now yield to my co-chairman of this hearing, Nancy Johnson.

Chairman JOHNSON of Connecticut. Thank you, Chairman Shaw. I just want to welcome those who are testifying.

I share the Chairman's great alarm at the security challenges that the Social Security system faces. Of all of our government agencies, the Social Security computers contain more personal data routinely and across the board than any other system, and it is extremely important that we meet the challenge of security. And while I know they are serious and dedicated about this, as we witness new abilities to enter our systems, we really are going to have to look at new possibilities for security. So it is a tremendous challenge, but it is an extremely important one. We will not be able to govern if we cannot protect private information.

I also want to mention that, unfortunately, I am not going to be able to stay through the whole hearing, and I just wanted to extend a special welcome to the former member of Parliament from New Zealand who is here as a distinguished visiting scholar and from whom we will hear on the last panel, Hon. Maurice McTigue.

We do have an excellent series of witnesses, and I would like to move on with the hearing. So welcome to you all and thank you, Chairman Shaw.

Chairman SHAW. Mr. Cardin.

Mr. CARDIN. Thank you, Mr. Chairman. First, I would like to put into the record the opening statement from Mr. Matsui, the Ranking Member on the Social Security Committee, if I might; and, Mr. Chairman, let me also acknowledge that we have on the floor today a bill from the Ways and Means Committee, so I am going to have to leave also and I apologize for that. These conflicts do occur.

Mr. Chairman, we may spend a good portion of this year debating on how much of the overall Federal budget surplus should be Social Security and Medicare. At the very least, there appears agreement not to spend any of the Social Security-generated surplus other than use for Social Security. However, saving Social Security money while allowing the disbursement system for those funds to deteriorate may be a hollow victory for our elderly and dis-

abled Americans who depend on the timely assistance from our insurance system that they paid into.

I am therefore pleased, Mr. Chairman, that you are holding these hearings to examine the readiness of the Social Security Administration to provide reliable service when the baby boomer generation retires. In this context, there is one question our Subcommittee must address head on. How long can a shrinking work force cope with a growing workload before the quality of service is affected? Over the last 15 years, the number of full-time employees of SSA has declined from 80,000 to 63,000 while the amount of work performed by that agency has grown substantially.

Mr. Chairman, I might tell you that many of those 63,000 live in the Third Congressional District of Maryland. I am very proud of the work that SSA employees do every day of the week in their public service on behalf of the citizens of this nation. They work very hard. They are very dedicated and they have been working with less and less resources every year.

The increase in SSA's workload is projected to continue to grow over the next decade, 16 percent for retirement cases, 47 percent for disability cases, and 10 percent for SSI claims. Increased efficiencies due to technology advances or system improvements may moderate the impact of workload increases on SSA, but we all need to acknowledge that there is a core work force that is needed at SSA in order to handle the applications, answer questions, and determine eligibility.

Mr. Chairman, I look forward to our witnesses addressing these work force issues as well as providing their advice on special steps that SSA should take to improve the service it provides to millions of Americans. Thank you.

Chairman SHAW. And thank you, and without objection, your full statement, that of Mr. Matsui, and all the Members of both these Subcommittees will be placed in the record.

[The opening statement of Mr. Matsui follows:]

Opening Statement of Hon. Robert T. Matsui, a Representative in Congress from the State of California

Thank you, Mr. Chairman.

I want to commend you for holding this hearing on the challenges facing customer service delivery at the Social Security Administration. By now, it is common knowledge that long-term demographic trends will pose a challenge for the financing of the Social Security program in the years ahead. However, the challenges that these and other trends will create for the administration of the Social Security and SSI programs are less widely discussed.

Consequently, I look forward to hearing from our witnesses today about the customer service challenges those trends will create and about the initiatives that SSA has already implemented or is currently developing in order to meet those challenges.

We all know that as the Baby Boom generation retires, SSA will experience rapid workload growth. At the same time, however, SSA will experience the loss of a significant proportion of its workforce since many of its employees are Baby Boomers themselves. SSA must begin to plan now to ensure that it is prepared to handle these events when they occur.

The task at hand is vitally important. With the possible exception of the Internal Revenue Service, the American people interact with the Social Security Administration more than any other federal agency. As a result, for many Americans the Social Security Administration is the face of the government. They equate the manner in which SSA delivers services with the government's responsiveness in general to the problems they face and the needs they may have.

Recent studies indicate that SSA is performing fairly well with regards to customer service. Last December, SSA scored an 82 out of a possible 100 on the American Customer Satisfaction Index compiled by the University of Michigan Business School and the American Society for Quality. In contrast, the aggregate score for the federal government as a whole was 68.6.

We should also keep in mind that SSA was at the forefront of the federal government's efforts to prevent Y2K-related computer problems, easily the largest and most pressing service delivery issue the government has addressed in recent years.

Despite these successes, progress still needs to be made on a number of service delivery problems, such as the length of time necessary to complete a disability appeal. While it is incumbent upon the Congress to highlight these problems and to ensure that SSA is administering its programs properly, it is also incumbent upon the Congress to provide SSA with the resources it needs to meet a growing workload.

The FY 2000 appropriation for SSA's administrative budget that Congress enacted last year was $6.572 billion, $134 million below the $6.706 billion requested by the President. SSA projects that, as a result, the agency will be able to process 169,000 fewer disability claims, 91,000 fewer retirement/survivors claims, and answer 3 million fewer telephone calls to its national 800 number.

While we must receive every assurance from SSA that the agency is utilizing its existing resources in the most efficient manner possible, I strongly hope that we will not repeat this short-sighted approach to budgeting when we consider the agency's FY 2001 appropriation this year.

I want to thank all of the witnesses for being here, and I look forward to hearing your testimony.

Thank you.

Chairman SHAW. Our first two witnesses, Mr. Ross and Mr. Schieber are members of the Social Security Advisory Board. This Advisory Board was set up back in 1994 as a bipartisan board which was supported by the Administration as well as by the Congress in order to take a close look and give us a road map on how we can do better in providing the Social Security functions to the people that it's designed to serve.

Welcome to both of you, and, Mr. Ross, if you would start out on the testimony. Thank you for being with us.

STATEMENT OF HON. STANFORD G. ROSS, CHAIR, SOCIAL SECURITY ADVISORY BOARD; AND FORMER COMMISSIONER, SOCIAL SECURITY ADMINISTRATION

Mr. ROSS. Mr. Chairman, Chairman Johnson and Members of the Subcommittees, I want to thank you for your invitation to testify. This is an opportunity for the Social Security Advisory Board to address the issue of how the Social Security Administration can better fulfill its obligation to serve the American people.

With your permission, I would like to submit my full statement for the record and briefly summarize some of the major points.

Chairman SHAW. Without objection, the full text of the testimony will be placed in the record, as it will for all the witnesses today, and you may proceed as you feel most comfortable. Thank you.

Mr. ROSS. I'm going to be sharing my time with Sylvester Schieber who is member of the Board. As the chair of the Board, I'm going to try to present the basic thrust of what we learned in over 2 years of study.

First of all, I want to make it clear that when Congress created our Board in 1994, it was given a mandate to make recommendations for how the Social Security Administration can improve its

service to the public. We did not volunteer for this task. This task was part of the job that you wanted the Board to do.

When we began our work, we had no preconceptions, but by the time we finished after 2 years and issued our 85-page report last September, we had the unanimous endorsement of all of the members of the Board, Democrats and Republicans, and most importantly our report was issued in a nonpartisan spirit. It was a professional job.

The bottom line of that report is as follows: The Social Security Administration has serious problems that need prompt attention. Most importantly, there are not only current problems that need attention, but it is absolutely clear that the problems will get worse in the future if not addressed now. It takes a long time to get to the situation that the agency is now in, and there are no quick fixes. It's not going to be easy to get out of it, but the time to start is clearly now.

This is a situation that the public will feel directly if the tide is not reversed. So the time to do something is now before you have a lot of public discontent. We have come to the Congress to try to get the Congress to deal with this set of issues.

All is not bleak. The Social Security Administration is fortunate to have an experienced and dedicated work force and a management that ranks among the top of government agencies. Having said that, though, those assets do not justify complacency because they alone have not been adequate so far to deal with the problems that face the agency. SSA needs to move forward on its problems urgently. It needs to change, but it also needs resources to help it make the changes that are needed.

What are the problems? Problems manifest themselves most obviously in overcrowded waiting rooms where waits of 2, 3, or 4 hours are not uncommon, inconveniencing many people who come to the office to get a Social Security card or file a claim and putting pressure on overworked employees to process work faster even if it means cutting corners. There are large backlogs in a number of areas of the agency's work, which means that work does not get done in a timely manner, and there is also broad consensus among staff in the field that the quality of work and program integrity are at times seriously threatened.

To deal with workload pressures, the agency is continually shifting work from one component to another, addressing one problem while creating a new one. A prime example of this robbing Peter to pay Paul is how the agency deals with the 800 number. To meet the goal of answering 95 percent of calls in 5 minutes, SSA has been diverting employees from their own important work to answer the telephone. This is generating delays in other parts of the agency and producing even more telephone calls. A vicious cycle has been created that is undermining the quality of service agency-wide.

Despite agency efforts, 800 number service remains far from satisfactory. As Chart 1 shows, of the 79 million calls to the 800 number in 1999, 20 million either resulted in a busy signal or were abandoned before receiving service. Thus only 75 percent of the public's calls actually received service. Moreover, this performance will only go down in 2000 under the budget that has been proposed

thus far. That budget shows only 57 million calls being answered in 2000, so even if there were no more calls, that 75 percent would be down to about 70, and if calls increase, it could even go from 75 percent to two-thirds.

I do not think that is adequate telephone service. What are the causes? What are the roots of this problem? The telephone is just a prime example. Prolonged downsizing has contributed to the agency's problem. As Chart 2 shows, since 1982 employment at SSA has declined by 27 percent, and most importantly the number of employees in the field has declined by more than 29 percent. Downsizing has occurred across government, and in Chart 3 we have compared SSA to two other agencies that have service delivery functions, the IRS and the Department of Veterans Affairs, and Social Security has declined more where as the IRS has even gotten increases.

Changes in the managerial structure have also been an issue and created difficulty. There are far fewer managers, and the managers are less able to monitor, to check, to try to provide the kind of quality control that they have previously provided. The impact of past staffing cutbacks and managerial changes will be felt even more acutely over the next decade when a large portion of the agency's seasoned work force is expected to retire.

Chart 4 shows that the number of retirees will almost double between now and 2007, and this retirement wave will be occurring at the same time that the baby boomer generation will increase the numbers who need to be served, which is shown on Chart 5. A significant portion of this growth, too, will be in the DI and SSI disability programs which are highly complex to administer.

In general, the agency's work is growing more complex. Disability applications, for example, increasingly involve mental impairments which are frequently difficult to evaluate and require careful judgment. The legislation passed last year to help the disabled return to work will add to the agency's responsibilities. And yet, as far as I know and I received a briefing yesterday, there is no money in the budget specifically designated to address the new responsibilities and needs that will be created by the new legislation.

I could say more, but time is short, but I hope I will have said enough to convince you that SSA cannot continue with business as usual if it is to meet its growing challenges. The Board has made several basic recommendations for how the agency should proceed to begin to meet these challenges.

First, the agency needs a service delivery plan that sets fourth for the short- and long-term how it expects to handle its growing workloads, whether through staffing increases, technological improvements, changing the way the agency does its business, or a combination of these approaches. It needs the work force plan that was called for by the 1994 legislation and which has not yet appeared, and that work force plan needs to be tied in with an information technology strategy so that people are trained and hired to do the right jobs based on the rapidly changing technology that is available.

Second, the agency needs to make dramatic improvements in its telephone service and systems capabilities and accelerate significantly the use of new technologies.

Third, the agency needs to address longstanding institutional problems. These include a culture that discourages open discussion of problems, which means that problems are not being addressed in a forthright way. Also, there are major weaknesses in communication between SSA's headquarters and operations in the field, including the state disability agencies, which undermine the ability of those in the field to understand agency policies as well as the ability of headquarters to benefit from the experience and ideas of employees in all parts of the agency. Further, SSA's administrative structure spreads responsibilities over too many components, making communication, coordination, team work, and timely decision-making difficult to achieve.

Changes in SSA's structure and business processes are crucial if the agency is to the meet its future challenges, but the agency will need additional resources as well, both in the short term and long term. The upcoming retirement wave and the aging of the baby boomers make it critical for the agency to begin quickly to hire and train a work force for the future. We believe as a Board, and it is unanimous, an important first step is that the agency's administrative budget, like its program budget, should be explicitly excluded from the statutory cap that imposes an arbitrary limit on the amount of discretionary domestic spending.

The agency's budget should be work-based, not based on artificial constraints. The American people, by their contributions, are paying for the program and for the service, and they ought to get the service which they need and to which they are entitled. It is time for a work-based budget to be given to the agency.

In conclusion, I want to commend Commissioner Apfel and the agency for beginning to respond positively to the findings and recommendations in the Board's report. They have started to take some steps to address a number of problems that are described in our report, but they will need the help of the Congress and the administration if they are to be successful.

Let's make no mistake. There is a long way to go. Staying the course will require years of consistent work. The agency reached its present condition over a long period, and there are no quick fixes. But the important thing—the vital thing—is to get started now, this year.

Thank you very much, Mr. Chairman.

[The prepared statement follows:]

Statement of Hon. Stanford G. Ross, Chair, Social Security Advisory Board (former Commissioner of Social Security Administration)

Chairman Shaw, Chairman Johnson, and members of the Subcommittees on Social Security and Human Resources, I want to thank you for your invitation to the Social Security Advisory Board to testify on the subject of Social Security's service to the public. I am accompanied today by Sylvester Schieber, a member of the Board, who is filing his own testimony. I hope that these hearings, coming as they do at the beginning of this second session of the 106th Congress, will provide the impetus for the prompt action that is needed to ensure that the Social Security Administration can fulfill its current and future obligation to serve the American people.

Although most people are aware of the financing deficit that the Social Security program faces over the long term, few are aware of the Social Security Administration's serious and growing service delivery problems. On behalf of the Board, I welcome this opportunity to begin a public discourse on what needs to be done to ensure that these problems are appropriately addressed. In the report on service that

we issued last September, we set forth our unanimous recommendations for the actions we believe are necessary.

When the Congress created the independent, bipartisan Social Security Advisory Board in 1994, you included in its mandate a specific charge that the Board make recommendations for how the Social Security Administration can improve its service to the public. Responding to that charge has been one of the Board's highest priorities. Over the course of more than two years, we talked with thousands of SSA and State disability agency employees in all regions of the country. We examined agency reports and statistics, and we held hearings to hear the views of the public. As with all the studies that we have undertaken, we have worked in a spirit of nonpartisanship, with the objective of serving the best interests of the agency and the public. While we have at times been critical of the agency, we have tried to be constructive.

SSA has significant strengths, including an experienced and dedicated workforce and a management that ranks among the top of government agencies. But it is also presently experiencing serious problems and, more importantly, problems that will only grow disastrously if left unattended. We are grateful for the opportunity to share with you the findings and recommendations that emerged from our study.

PROBLEMS OF SERVICE DELIVERY—AN UNTOLD STORY

Social Security's problems in serving the public have been an untold story so far as the American people are concerned. But they are a story well known to those who are serving the public on the front lines. The response of Social Security and State agency employees around the country to the Board's report on service delivery has been overwhelmingly supportive. Employees in all parts of the system -including field offices, teleservice centers, program service centers, and State disability agencies -have called and written to express their appreciation that the Board has recognized their concerns and is giving voice to a situation that urgently needs to be addressed.

The employees who carry out the agency's work have a tradition of loyal service to the agency and the public. They share a "can do" attitude that has helped the agency to cope with the many administrative crises that it has faced over the years. But as workloads have grown and become more complex and resources have dwindled, these highly motivated employees have become increasingly concerned about their capacity to provide aged and disabled individuals with what they believe is an appropriate level of service.

SSA'S SERVICE DELIVERY PROBLEMS ARE NATIONAL IN SCOPE

SSA's service delivery problems are being experienced in all regions of the country. Although most acute in urban areas, they are prevalent in suburban and rural areas as well. In our discussions with managers and other employees in the field, we heard repeated accounts of overcrowded waiting rooms, where waits of 2, 3, or 4 hours are not uncommon. These long lines in waiting rooms are not only causing serious inconvenience to those who need a Social Security card or want to file a claim for benefits, they are putting pressure on employees to process their work faster, even if it means cutting corners. An agency executive told the Board that "employees no longer have the time to cross the t's and dot the i's."

The effects can be serious. For beneficiaries and claimants it can mean an inaccurate benefit check or failure to file a properly documented disability claim. For the agency and the public at large it can mean overpayments, failure to follow up on potential fraud, or erroneous issuance of a Social Security card.

Although the agency's indicators are generally positive, there are signs of problems. For example, despite the agency's increasing emphasis on collecting overpayments, the amount of outstanding debt owed to the agency due to overpayments has increased steadily over the last 5 years. At the end of fiscal year 1994, outstanding debt was $4.l5 billion. By the end of fiscal year 1999, outstanding debt was $6.52 billion, a 57 percent increase.

SSA has a large backlog of postentitlement actions in its field offices, actions that are necessary to maintain the accuracy of the benefit rolls. These actions involve changes in income or resources, changes in address or living arrangements, or other changes that can affect eligibility or payment amounts or the accuracy of the benefit rolls. Data from SSA show that the volume of pending postentitlement actions increased from 1.4 million at the end of fiscal year 1995 to more than 2 million at the end of 1999.

The results of a recent survey of field office managers underscore the concern about the quality of service that SSA is able to provide. The survey, conducted by the National Council of Social Security Management Associations, included 111 managers representing a cross-section of offices from all regions, ranging from large

metropolitan offices to small rural offices. While three-quarters of those responding rated the quality of their office's Social Security claims work as good or excellent, only about half rated their Social Security postentitlement work as good or excellent, and half rated their SSI claims work, as only fair or poor. Sixty percent rated SSI postentitlement work fair or poor.

To deal with workload pressures, the agency often shifts work from one component of the agency to another, so while one problem is addressed, a new one is created. A striking example of this is what is happening with the agency's 800 number. For years, SSA has been trying to shift as much of its workload as possible to the 800 number in order to cut down costs. An agency goal has been to answer 95 percent of calls in 5 minutes, and to meet this goal, SSA has been diverting employees in its program service centers from their own critical work to answer the telephone. As a result, issues that field offices have sent to program service centers for resolution are taking longer and longer to process. At the end of fiscal year 1999, there were more than a million items pending in the program service centers, a 15 percent increase from a year earlier. Benefits are being delayed. This generates even more calls from frustrated claimants who are trying to find out what is happening to their claims. A vicious cycle has been created, and overall agency service is suffering.

SSA's statistics show that the agency has been meeting the goal of answering 95 percent of calls in 5 minutes, but what this means requires clarification. In fiscal year 1999, 79 million calls were placed to the 800 number. Nearly 7 million, or 9 percent of these callers, got a busy signal. Of the 72 million calls actually received by the 800 number, 13 million, or 18 percent, were abandoned, either while callers were waiting for someone to handle the call or before they were able to navigate SSA's automated service. In the end, only 59 million callers out of 79 million or some 75 percent actually talked to an SSA employee or finished using SSA's automated service.

Impact of Prolonged Downsizing

Although the agency's current service delivery problems stem from a combination of factors, the prolonged period of downsizing SSA has experienced over the last couple of decades has been an important factor. Since 1982, employment in SSA has declined by 27 percent, from 88,600 in 1982 to 64,600 in 1999. The number of employees in the field has declined even more, by more than 29 percent, from 59,800 to 42,300. We believe the agency cannot sustain any further reductions, and in fact now faces staffing shortages in key parts of its organization.

Downsizing has occurred across government, by some 14 percent overall. But the impact has not been evenly spread across agencies. SSA's cuts have been disproportionately large, particularly when compared with what has happened in two other agencies that also have significant service delivery responsibilities. Although in recent years the IRS has experienced cutbacks, over the 1982–1999 period employment in the agency grew by 19 percent. Over this same 17-year period, employment in the Department of Veterans Affairs declined by seven percent, after experiencing substantial growth until 1993.

The Looming Retirement Wave

The impact of SSA's past staffing cutbacks will be felt acutely over the next decade. Years of downsizing and severe restrictions on hiring have given the agency a rapidly aging workforce. The average age of Social Security's employees increased from 41 to 46 over the last decade. A major reason the agency has been able to cope with its growing workloads as well as it has is that its workforce is currently highly experienced and there are experienced managers in the field. But a large portion of this seasoned workforce is expected to retire within the next 10 years. Based on the agency's projections, the number of retirees each year is expected to more than double, from 1,350 in 1999 to almost 3,000 a year in 2007 through 2009.

Compounding the problem is the fact that certain field positions will be particularly hard hit. SSA predicts that between 6 and 7 percent of its managers and supervisors in the field will retire in each year between 2004 and 2008. This will come on top of a reduction in the number of managers that many in the agency believe is already undermining the quality of work by reducing the amount of training and quality review that is being done in the field. SSA has the very large challenge of hiring and training replacements who will be able to carry out the agency's work as efficiently and effectively as has been done in the past.

FUTURE WORKLOAD GROWTH

The agency's large wave of retirements will occur at the same time that the workload is expected to grow rapidly. Over the last decade, the number of people receiving Social Security and Supplemental Security Income benefits has grown at a rate significantly faster than the population as a whole. This disproportionate growth will accelerate as the baby boom generation ages, placing increasing pressures on the Social Security Administration to find ways to keep pace. These pressures will be exacerbated by the fact that a significant portion of the growth will be in the DI and SSI disability programs, both of which are extremely time consuming for the agency to handle. Between 1999 and 2020, the general population is expected to grow by about 16 percent. But SSA's actuaries expect the number of Old-Age and Survivors beneficiaries to grow by 51 percent, while the numbers of DI and SSI disability beneficiaries are expected to grow by 71 percent and 17 percent respectively.

GROWING ADMINISTRATIVE COMPLEXITY

The agency's work is also growing more complex. For example, disability applications increasingly involve mental impairments, which can be very difficult to evaluate and tend to require carefully informed judgment. The agency's new emphasis on program integrity requires employees to spend increasing amounts of time on continuing disability reviews and SSI redeterminations. The job of issuing Social Security numbers has become more complicated and time consuming for the agency as the number of non-English speaking individuals applying for numbers has grown. Higher levels of immigration are a factor. Immigrants often are not readily able to provide all of the documentation that is needed. The number of immigrants admitted to the United States has climbed from 531,000 in 1980 to an annual average of more than 770,000. SSA now has employees who speak more than 90 languages.

SSA is also being asked to fill needs not being met elsewhere. Many of those who call or come into the office are seeking help with Medicare, Medicaid, Food Stamps, or other matters not directly related to SSA's program responsibilities. Employees in the field tell us that more and more Medicare beneficiaries are turning to SSA for information and advice because of the increasing complexity of the law and because no other resource is available in their community to provide this service. In fiscal year 1999, SSA processed more than 65 million workload items relating to Parts A and B of Medicare, requiring about 1,400 agency workyears.

The legislation passed last year to help the disabled return to work will add to the agency's responsibilities. Even if much of the work is contracted out to other public or private entities, the public will expect Social Security's employees to be able to answer their questions about the new program, and to explain the rules and the value of the services that are being offered.

WHAT SSA NEEDS TO DO

SSA cannot continue business as usual if it is to meet these growing challenges. Although employees at all levels of the agency value quality service and are working hard to deliver it, their ability to do so is increasingly at risk. The agency needs to focus much more sharply than it has in the past on the question of what it needs to do to meet its future challenges. The Board has made several overarching recommendations for how the agency should proceed.

Establish a Service Delivery Plan for the Short Term and the Long Term

Although SSA's strategic plan includes providing "world-class" service as one of the agency's strategic goals, the strategic plan does not purport to be a detailed service delivery plan and includes only limited discussion of how the agency expects to achieve this goal. We recommend that SSA establish a service delivery plan that will set forth how it expects to handle its growing workloads, whether through increases in staffing, technological improvements, changes in the way the agency processes its work, or a combination of these approaches. The plan should address both the short term and the long term.

Planning should not be a one-time exercise. The agency should establish a permanent planning process that will enable it to adapt its plan as needed to reflect the changes in law, technology, and beneficiary characteristics that will inevitably occur.

Improve Service Delivery Practices and Strategies

Second, the agency needs to make major improvements in its service delivery practices and strategies. If SSA is to meet its goal of providing high quality service, it will have to make dramatic improvements in its telephone service and systems

capabilities, and accelerate significantly its ability to use new technologies in conducting its work.

In deciding where and how to focus its efforts, the agency should follow the example of the best private and public entities and become much more oriented toward understanding the needs and expectations of its clients. To do so will require far better measurement tools than it is currently using.

At present, there are many basic questions for which the agency has insufficient answers. For example: What are the service delivery needs and expectations of SSA's different client groups? Should the agency be developing different service delivery strategies for different client groups? Are SSA's current 800 number standards lower or higher than the public wants and expects? Would people prefer to call the 800 number or their local field office and, if so, why?

Only by getting answers to questions such as these will the agency have a valid basis for setting its goals and for planning how various components of the agency will be used in delivering service.

The Board has heard numerous concerns about how the agency sets its quality goals and the way it measures performance. Many of the agency's own employees believe there is an overemphasis on process rather than outcomes and that for various reasons agency data sometimes fail to provide a true picture of the quality of service that is being delivered. Because goals and performance measures tend to drive the work of the agency, we believe SSA needs to give high priority to improving these measures and the way they are being used, taking guidance from successful private and public entities.

Address Longstanding Institutional Problems

Third, we urge the agency's leadership to address longstanding institutional problems. Although these problems relate to all of the agency's work, they directly affect SSA's ability to serve the public. These are problems that have grown over many years and to some degree are endemic to any large institution. To address them will require changing the culture of the agency. These problems include an agency culture that discourages open discussion and timely identification and resolution of problems and weaknesses in communication between SSA's headquarters and operations in the field. The agency also has an administrative structure that spreads responsibility across many components, making communication, coordination, teamwork, and timely decision making difficult to achieve. This problem of dispersion of accountability manifests itself particularly in the areas of disability and SSI, where some of the most serious service delivery problems occur.

SSA's leadership needs to send a convincing and consistent message throughout the agency that open discussion of problems is both needed and expected, and that ideas for resolving problems will not only be welcomed, but rewarded. The agency also needs to develop and institutionalize better tools of communication between management in headquarters and employees who work in the field and in State disability agencies. The problem of dispersion of responsibility across many components of the agency with parallel responsibilities needs urgently to be addressed in order to enhance accountability for achieving results. Trying to promote better teamwork is an obvious approach, but organizational changes may be needed as well in order to satisfactorily address the problems that we have identified.

The Agency Needs the Support of the Administration and the Congress

Finally, although all of the changes that I have been describing are within the purview of the agency itself, there is one area in which it must have the support of both the Administration and the Congress. The upcoming retirement wave makes it critical for the agency to begin quickly to hire and train a workforce for the future. The 1994 legislation making SSA an independent agency called for the development of a comprehensive workforce plan that would serve to clarify the agency's human resource needs. SSA's requests for appropriations should reflect the real needs of the agency to provide high quality service to the public. We urge the Administration and the Congress to provide the funds that will be necessary to meet those needs.

The Board is unanimous in urging that the agency's administrative budget, like its program budget, be explicitly excluded from the statutory cap that imposes an arbitrary limit on the amount of discretionary government spending. Both workers and employers contribute to the self-financed Social Security system, and are entitled to receive service that is of high quality. It is entirely appropriate that spending for administration of Social Security programs be set at a level that fits the needs of contributors and beneficiaries, rather than an arbitrary level that fits within the current government cap on discretionary spending.

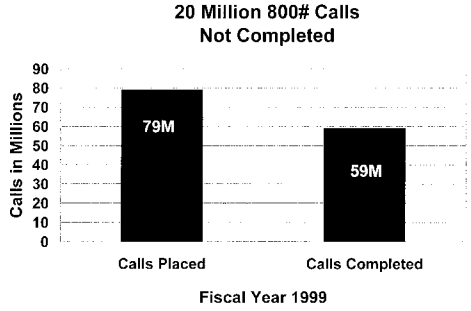
CONCLUSION

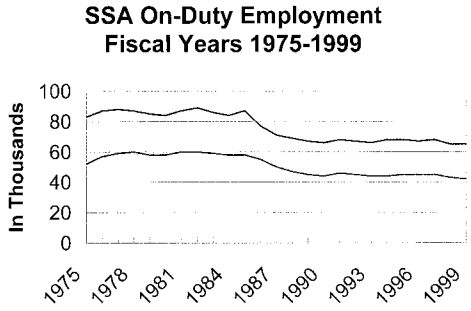
In closing, I want to commend Commissioner Apfel and the agency for beginning to respond positively to the findings and recommendations in the Board's report. They have taken some steps to begin to address a number of problems that we described in our report. The Commissioner has established a process for developing a service delivery vision for the agency, and steps are being taken to assess the agency's workforce needs in future years.

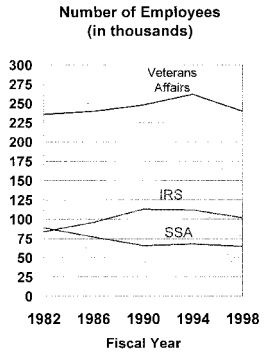
But make no mistake there is a long way to go. Staying the course will require years of consistent effort. The agency reached its present condition over a long period and there are no quick fixes. But it is vital to get started now and I believe the Commissioner is doing this.

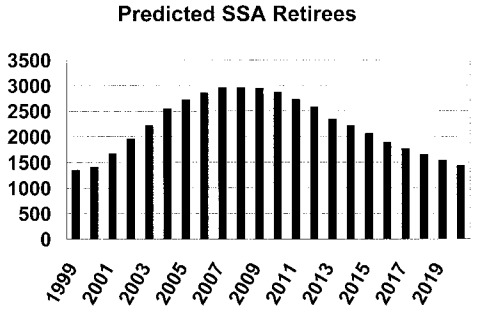
I assure you that the Board intends to follow up on the work it has done on service to the public. We expect to monitor carefully the progress that the agency is making to make sure that there is progress in fact as well as in words. We are currently studying how we can work with the agency on a joint undertaking to improve the way the agency measures customer service.

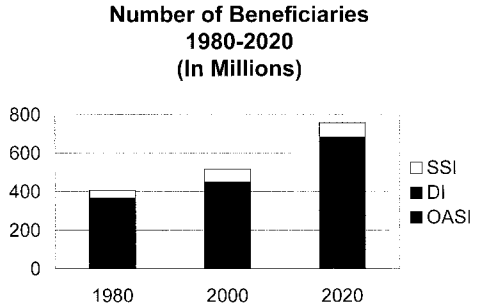
The functions performed by SSA touch nearly every individual in immediate and direct ways. Employers, workers and their families, and beneficiaries are all affected by how well the agency does its job, and we all have a stake in its success. Our assessment is that SSA is fundamentally strong, and with strong leadership and the support from the Administration and the Congress that it needs, there is no reason why it cannot meet the very large challenges that it will be facing in the coming years.











[An attachment is being retained in the Committee files.]

Chairman SHAW. Thank you, Mr. Ross.

We have a vote pending at this time. So it would be a good time to break, and I'm going the break until a quarter after twelve. That would give people here a chance to run downstairs and get a sandwich or something if you would like. It will not give you a lot of time, but we will go ahead and break for one-half hour and we will

then reconvene and then, Mr. Schieber, we will of course start off with you and then there will be questions. Thank you.

[Recess.]

Chairman SHAW. I apologize for the lack of attendance that we have here, but there are a number of things going on, including a Ways and Means bill on the floor of the House. So I know that a lot of our Members are working there with that.

Mr. Schieber.

STATEMENT OF SYLVESTER J. SCHIEBER, MEMBER, SOCIAL SECURITY ADVISORY BOARD

Mr. SCHIEBER. Mr. Chairman, Members of the Subcommittee, I would like to thank you for the invitation to testify here today.

As Mr. Ross indicated in his discussion, all of the members of our Advisory Board are in full agreement on the findings and recommendations of our report on service delivery. For me, personally, getting to those findings and recommendations created some considerable ambivalence. I come from a private sector background, and I think I'm naturally receptive to many of the changes that are occurring at Social Security. Work force downsizing, leveling of managerial hierarchy, implementing technology, customer satisfaction are concerns for survival in business today. Though I embrace these practices generally, I am troubled by their adaptation in Social Security's case.

My impression, and I believe that other board members agree, is that the staffing levels of the agency are largely dictated by budget and personnel goals with little regard for the agency's dynamic workloads. To the extent that the workload is considered, many people in the agency have little faith in the work force measurement systems that are used, and I think we are at a point now where the agency should seriously consider replacing downsizing with right-sizing as has become much more prevalent in the private sector.

Staffing issues must be addressed forthrightly by the agency, and it must engage both the administration and Congress to have the resources that are needed to fulfill its charter. The managerial staff ratios that have been religiously adopted by the agency do not reflect the managerial needs of the organization. The agency should strengthen its management structure at headquarters and ensure that field managers have the flexibility and tools to manage their offices effectively.

SSA should improve its measurement of the needs and expectations of the people it serves and its benchmarking against external organizations. Some of the goals that SSA has made central to its operation, such as answering 95 percent of 800 calls in 5 minutes, do not reflect current private sector standards. Last year, we had an expert come visit the Board who advised that the goal of the answering of 90 percent of calls within 30 to 60 seconds is now the market standard. Internet access is replacing phone transactions, in many instance driving down costs while improving customer satisfaction in the private sector.

Measures of good service from just 5 years ago are no longer sufficient. Despite the fact that the 95–5 standard may not be up to speed, the agency's singular focus on it is resulting in downgrading

of other services. Pulling staff off of program service center activities to answer phones simply delays the processing that's supposed to go on in the PSC centers. Once a periodic duty, today PSC personnel spend virtually the whole year servicing the 800 system. The problem is exacerbated by Social Security's antiquated phone system and software.

The agency needs to become much more adept in acquiring and integrating new technologies. Its IWS/LAN project to place new computers in all of SSA's offices went out for bids in September 1994, but the contract was not awarded until 1996, and the national roll-out of these systems is still underway. Few companies in highly service-oriented business today rely on 1994 systems and technology. I wonder how many offices here on Capitol Hill are still using 1994 vintage computers and operating systems.

If the agency is to keep up with its needs, it must find quicker ways to acquire state-of-the-art systems and to bring them online. In addition to the hardware problems, we heard repeated concerns about the development of and implementation of software systems. Staffing limits are based on system roll-out schedules that are not met. This phenomenon simply compounds the difficulties imposed on field office operations by excessive staff reductions.

The Board's service report did not address the structural problem of the agency's disability determination and appeals processes which are central to many of the agency's service delivery problems. We did address these matters in an earlier report. My own personal concern coming out of this is that the current disability administration model is so badly flawed that it cannot be successfully implemented. I believe this is a subject that needs to be reviewed again by the agency, the Board, and Congress as Congress did back in the 1970s.

Downsizing a work force by natural attrition, as Social Security has done in recent years, results in significant work force aging. The average age of Social Security's work force has increased by more than 5 years over the past decade. Within the next decade, a disproportionate share of Social Security's workers will retire.

The personnel situation at Social Security provides significant risks on at least three fronts. The first relates to a lack of infusion of new blood and new ideas into the organization dating back more than 15 years. The second relates to the potential of an abnormally large number of retirements at the time the beneficiary population is going to explode. So you are going to have new people without much background and understanding of the system taking charge. And the third relates to the loss of a whole generation of workers who should be maturing into senior positions as these current older workers matriculate out of the system into retirement. The agency simply cannot put off hiring any longer.

In closing, let me say that because large bureaucracies are difficult to move, making some of the changes that we recommend, particularly those that involve changing the agency culture, will take strong leadership. You will hear the agency has many initiatives to address the problems raised in the Board's report, but it has to address them far more aggressively than it has in the past if it is to meet the changes that it will face in the coming decade.

I believe that it needs more resources than are being called for in the President's proposed budget if it is to meet these challenges.

Thank you very much.

[The prepared statement follows:]

Statement of Sylvester J. Schieber[1], Member, Social Security Advisory Board

Chairman Shaw, Chairman Johnson, and members of the Subcommittees on Social Security and Human Resources, I thank you for the invitation to testify.

As Mr. Ross has indicated, the Board's report on service delivery was the work of all the members of the Board. We are in full agreement on the findings and recommendations. For me personally, getting to those findings and recommendations created considerable ambivalence.

I have spent most of my career in private enterprise. Although I am a working manager, I have been in management positions for more than 20 years. I work in an industry and business that is highly competitive. In that context, I have personally had to deal with ongoing market pressures to produce more and better work with steadily diminishing resources. Given this background, I am naturally receptive to many of the trends that are occurring at Social Security. Downsizing a workforce has been a personal experience, one that I should note I did not relish. Elimination of unnecessary levels of managerial hierarchy is a gospel in our business. The use of technology is what allows these things to occur. For the business in which I work, customer satisfaction is a condition for survival. Despite my receptivity to all of these considerations, I am troubled by their adaptation in the administration of the programs under the Social Security umbrella. I would like to take the opportunity today to elaborate on several points that I think are particularly important.

- The Board states in its report that the agency cannot sustain any further reductions in its staff and in fact now faces staffing shortages in key parts of the organization. It is my impression, and I believe that of other Board members, that staffing levels in the agency have been largely dictated by budget and personnel goals that have not seriously considered the agency's workload and how it is changing. To the extent workload is considered, many if not most of the people in the agency have almost no faith in the work measurement system now used to measure the work they do. The private sector has replaced "downsizing" with "rightsizing," and this should be the agency's objective as well. This problem needs to be addressed forthrightly by the agency, and the agency needs to engage with the Administration and the Congress to get the resources that it needs to satisfactorily fulfill its charter.
- The managerial-staff ratios that have seemingly been religiously adopted by the agency do not reflect the managerial needs of the organization. The agency needs to strengthen its management structure in headquarters and ensure that managers in the field have the flexibility and tools they need to manage their offices effectively.
- SSA needs to do a much better job than it is currently doing of measuring the needs and expectations of the people it serves and of benchmarking its service goals against external organizations. Some of the goals that SSA has made central to its operations, such as answering 95 percent of calls in 5 minutes, do not reflect present day private sector standards. We heard repeatedly that SSA had been judged number 1 in its provision of 800 level service by a DALBAR survey done in 1995. To give you a sense of the dynamics in the private market place, my employer was rated number 1 in a 1995 DALBAR survey of defined contribution retirement plan record keepers in the United States. By 1999 we exited that business because the linkage of record keeping to mutual fund investing had eliminated our utility as a provider of these services. Standards for telephone service have been rising. Last year an expert in the private sector advised the Board that a goal of answering 90 percent of calls within 30 to 60 seconds -not 95 percent in 5 minutes -is now the market standard. Measures of good service from just five years ago are no longer sufficient.
- Despite the fact that the 95–5 standard may not be up to grade, the agency's singular focus on it is resulting in the downgrading of other service levels. Pulling staff off of Program Service Center (PSC) activities to answer the phones simply

[1] Sylvester J. Schieber, Ph.D., is Vice President of Research and Information at Watson Wyatt Worldwide. He has been a member of the Social Security Advisory Board since January 1998. The views presented in this statement are his own and do not necessarily reflect the views of other members of the Advisory Board or of Watson Wyatt Worldwide or any of its other associates.

delays case processing which generates additional calls. The use of PSC staff on the 800 system was originally intended to cover only a few days a year when call levels spiked, specifically days around the first of each month, a day or two after holidays, and so forth. Now PSC staff are pulled into supporting the 800 system virtually year round. This problem is exacerbated by the antiquated phone system used by the agency and its underlying software.

• The agency needs to become much more adept at integrating new technologies into its processes. Systems improvements are being introduced far more slowly than in the private sector. In the 1940s, 1950s, and 1960s SSA was a pioneer in using computer technology but today it is lagging behind. Partly this is a procurement issue that can only be resolved with streamlining of governmental procedures. The agency's IWS/LAN project, which involves placing new computer equipment in all of SSA's offices throughout the country, went out for bids in September 1994, but the contract was not awarded until June 1996 and national rollout is still continuing. Rapid systems advances mean that SSA's equipment is already out of date even before it has been universally implemented. If the agency is to keep up with its needs, it has an urgent need to find quicker ways to get state-of-the-art equipment to its employees.

• In addition to the hardware problems, we heard repeated concerns about the development and implementation of software systems. Staffing levels often are based on promised system rollout schedules that are not met. This phenomenon simply compounds the difficulties imposed on field office operations by excessive staff reductions.

• As we point out problems, we should also point out that the agency is required to perform some highly complicated tasks. I refer specifically to the administration of the disability programs. The Board's report did not address the structural problems of the agency's disability determination and appeals processes, which are central to many of the agency's service delivery problems. In the 1970s, the Congress made a careful study of the Federal-State relationship between SSA and the State Disability Determination Services. It also examined the appeals process, including the Office of Hearings and Appeals and the courts. My own personal concern is that the current disability administration model is so badly flawed that it cannot be successfully implemented. I believe these are subjects that need to be reviewed again by the agency, the Board, and the Congress.

• Having sat across a desk from more than one employee whom I had to terminate because of staff downsizing, I appreciate that a preferred way to accomplish such goals is through natural attrition. If such a policy is implemented over a long time frame, as it has been in the case of the agency, the end result is a significant aging of a workforce. The average age of Social Security's workforce has increased by more than five years over the past decade. Within the next decade a disproportionate share of current workers will retire from Social Security. The personnel situation at Social Security poses significant risks on three fronts. The first relates to a lack of infusion of new blood and ideas into the organization dating back more than 15 years. The second relates to the potential of an abnormally large number of retirements at the time the beneficiary population explodes with baby boomers' eligibility. The third relates to the loss of a whole generation of workers who should be maturing into senior positions as older current workers pass into retirement. The agency cannot put off hiring any longer.

In closing, let me say that because large bureaucracies are difficult to move, making some of the changes we recommend—particularly those that involve changing the agency culture—will take strong leadership. Having a confirmed Commissioner has improved the agency's ability to take the necessary action.

You will hear that the agency has many initiatives to address the problems raised in the Board's report. But it will have to address them far more aggressively than it has in the past if it is to meet the challenges it will face in the coming decade.

Chairman SHAW. Thank you. Mr. Schieber, I would like to pursue the last part of your statement with regard to the work force and new hires and the fact that these retirements are going to coincide with the baby boomers coming into the agency. In the 104th Congress, we authorized an additional $4 billion. That was during a 7-year period for the agency to reduce the backlog of the continu-

ing disability reviews. I gather from your testimony, are you referring only to the retirement area or also in the disability area?

Mr. SCHIEBER. I'm talking about the whole agency. As we have visited a number of regions as we were developing our research, we repeatedly heard in the field about the large number of people, significant numbers of people in management positions that are going to be eligible to retire within the next 3 to 5 years. There is significant concern within the organization about the availability of people to move up in the system and really provide the institutional knowledge, institutional wisdom to keep things going.

Chairman SHAW. What would you do differently?

Mr. SCHIEBER. I think they need to begin to hire people and get them on board and possibly even attract people in mid-career that can come in and assume leadership roles over the next few years. They have begun the necessary actions. They ran a retirement window last year providing early retirement incentives, I think in August and September of last year, offering early out for some workers so they could simply create some vacancies to hire new blood. But they need to do more of it.

Chairman SHAW. What is the percentage of the people that you see in management that will be retiring over the next 5 or 10 years? Mr. Ross, you might chime in on this too if you want.

Mr. ROSS. OK.

Mr. SCHIEBER. We heard some fantastic numbers in some of the senior grades of the majority of people eligible to retire within the next 5 years, even numbers approaching 70 and 80 percent in some cases.

Chairman SHAW. Kim has just handed me a GAO study that I suppose you have reviewed which is, indeed, frightening. The percentages eligible to retire between—well, this was between 1999 and 2009. GS–1 to 11 was 50 percent; GS–12, 64; 13, 74; 14, 83, 86, 84, 54. What has caused that? It seems that an agency ongoing like this would have a natural turnover with the growth.

Mr. SCHIEBER. What has happened is you have had this very significant downsizing that has been going on for about 15 years, and these agencies do not like to lay people off. So what they're doing is they are using natural attrition to do the downsizing. If you are using natural attrition and not enough people are walking out the door, you simply cannot bring very many new people in. That is what has happened. And the work force ages very rapidly in that kind of condition. I have seen it in private sector companies also.

Mr. ROSS. Let me just add one thing that underscores an aspect of this. Because of so much pressure on the work force, particularly in the field offices, some of these people may retire even earlier than they have historically. There is a great deal of burnout and the loss here cannot be described just in numbers. The field force in particular is still very customer oriented. They really do believe in service and dealing with the people who come in the door and who manage to get them on the telephone. But unless there is some real overlap between the new hires and these people who have the historic institutional memory and values, you are going to be getting different kinds of people. You really do need this overlap.

You cannot wait until somebody leaves and then think you are going the get somebody in who is really a replacement, because you will never replace that institutional memory unless they have had a period of mentoring and being part of the traditional organization. What's going on is really dangerous, particularly with the staff burnout.

Those figures that have been referred to, could easily get worse. These are just best estimates.

Mr. SCHIEBER. The situation is that today not everybody retires when they are eligible, but if you start to see a massive infusion of eligible beneficiaries coming online, increasing the work burden at the local office level without a commensurate increase in resources, you have people that can walk out the door because they are eligible for a pension. Under increased work burdens they are going to be more likely to do it sooner than they have in the past. That is the probability. That is the risk.

Chairman SHAW. Let me switch gears for just a moment to you, Mr. Ross. You recommended that Social Security establish a service delivery plan over both the short term and the long term. I want to know why this has not been developed until now. As you know, the SSA came up with a plan to redesign the disability program 7 years ago, and the plan still is in the progress of being implemented. There have been many questions raised all along about whether the redesign has really changed anything, and what is the difference between a service delivery plan that you are referring to versus the re-design of the disability program plan, and what needs to be done differently?

Mr. ROSS. The agency has historically at various times tried to get a service delivery plan together, and by that I mean a kind of comprehensive analysis of what it's going to take, what sort of business processes, what kind of human resources, what kind of technology strategy you are going to follow, where is the work going to be done, who is going to do it. The problem historically the agency has had in doing this, and why it's never been accomplished, is that if you get all the components represented, they wind up fighting for turf and jobs and whatever, and it's sort of a stalemate that is produced.

The only way out of that kind of situation is with very strong leadership. You need somebody who hears everybody, talks to all the stakeholders but then says, "This is the way it's going to go," and you put in place a plan. It's not immutable. It would be subject to change. Things change. Technology changes. The workload changes, but you have got to have something that people can relate to so they know what they are going to be doing in the future and where. The agency is totally lacking in that understanding at present.

Chairman SHAW. Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman. Thank you, gentlemen.

As you read over, Mr. Ross, your report and, Mr. Schieber, I did not get back in time to hear all of your comments, and listening to you, Mr. Ross, as you went through the current problems and also some recommendations, as someone who has been in a small business for 35-plus years, you quickly can see where the problem lies here and it's in people. When you name each one of these, over-

crowded waiting rooms, long waits, someone is not there to service these people, or the ones who are there are not servicing these people. The workloads, and it's going to get worse as you say, the telephone services, managerial services, all of these pertain to people.

I am reminded that when we created this independent agency that there was a request that—I say request. It was part of the legislation that the agency is to submit a work force analysis. The agency. I do not believe we have received that analysis from the agency itself.

There is one area that I would like for you to maybe further explain, and, too, it goes back to the people within the agency, and that is that you refer to the culture in the agency. Would you like to further explain what you are meaning by culture?

Mr. ROSS. Yes, I would. By culture I mean the sort of habits, patterns of thought, processes that get built into any institution. There are some good things in the SSA culture, particularly in the field. They do care about the beneficiaries, the claimants, the people that come in to get a card. But for the agency as a whole, and I would say it's particularly true in Baltimore at the higher levels where there is less contact with the people that are being served, there is a tendency to brush aside problems, to ignore them, to say, "Oh, we have heard that before, we know what's going on," and there is very little premium put on really bringing to the top management, to somebody who could make a difference, the Commissioner for example, a forthright statement of the issues and some options for dealing with them.

For too long there has been a tendency to sort of keep the problems away, keep them kicked under the rug, and not really pursue them. In part, this is because there have been too many Commissioners who have come and gone, Now clearly when the independent agency legislation was passed in 1994, the Congress felt that one of the things that we would get out of it would be the agency coming up and honestly describing its problems so that the Congress could address them, give it some help and do things, get on with what the people being served need.

Senator Moynihan's floor statement—he was the principal sponsor on the Senate side—said this very explicitly, "We want to hear about it, and we want to deal with it. We do not want to wake up some morning and find out that there are all these unaddressed problems. We care about this agency." And that legislation went through on a fully bipartisan basis in both houses. Well, here we are 6 years later and that is not being done, and we cite in our report numerous examples of where the Congress still had to find the problem, ask the agency about it, and then get some sort of tepid acknowledgment of it.

Mr. COLLINS. Well, the light is caution there. You are drawing a distinct difference between the Baltimore office and the field offices, the waiting rooms, the long lines, the telephone ringing in the field offices, and that's where we have a shortage of personnel, but we have an abundance in personnel in the Baltimore office.

Mr. ROSS. I am not so sure about that. I would hesitate to say. I think people care and are dedicated in Baltimore. The major thrust of what I was saying, though, when you have to man those

front windows and see the people you are serving, it gives you a different perspective.

Mr. COLLINS. Well, I have very few complaints from my office in the Georgia and the field offices. I mean they are trying to do their best there, but we have had testimony here over the last three or 4 years since I have been on this Subcommittee referencing the Federal Employees Union and how the union itself has actually prohibited or prevented or delayed or deterred action within the office. Well, that has to be in the headquarters area of Social Security, not in that field office.

Did you sense any problems with the union itself as it relates to this culture problem that you are talking about?

Mr. ROSS. I think the field force is heavily unionized too. I do not think that's just a phenomenon of headquarters. I think the union has very definite concerns. One would hope that they would share the concern for the agency's need to serve the public and they would balance that concern with their demands related to various things.

Mr. Schieber may want the add to this. We did not get deeply into the role of the unions. Our focus was less on who shot Jack, because this is clearly a development over many Presidents and many Commissioners. But the question for the future is where do you need to go and how do you get people tied to a plan for addressing the agency's problems. So I cannot really fully answer your question.

Mr. SCHIEBER. I think that the union, the very presence of unions in the field offices and in the whole operation has made the administration of the program more difficult. But I think some of what has evolved here may actually have created the environment that led to the unions and the unions' positions. If you have people in work environments where they see their workload going up consistently and resources available to handle that workload declining, and these people do not have the sense that management is really paying attention to what's going on and cares about the situation, after a while what happens is the workers decide that they are going to get together and they are going to put together a sufficient force that they can command management's attention.

The big problem that usually occurs when things get to that situation in a workplace is that all of a sudden you have both parties worrying about the letter of the real or implied work contract. Workers refuse to take a call at 7:59 in the morning when the work day does not start until 8. Management worries about what happens at 4:28 in the afternoon when the work day lasts until 4:30. Everyone ends up worrying about what people are doing one minute to the next minute and what the precise work agreement is and they forget the substance of the primary task.

I think that the unions are a complicating factor, but in some regards you can understand why they are there and have complicated matters. Somehow we need to get this agency back together with every party pulling on their oar all trying to go in the same direction. That's part of the challenge here, I believe.

Mr. COLLINS. Well, I believe you are exactly right. That is normally what causes problems within a work force, is when management itself and the higher-ups do not listen to those who are actu-

ally doing the work. There becomes this resistance that builds up and it gets worse and worse and worse.

Mr. SCHIEBER. Absolutely.

Mr. COLLINS. Do you think that those who are in the head positions at the Social Security Administration can handle this situation and make the constructions needed? Maybe we should not say can. Do you think they will?

Mr. SCHIEBER. I think that we have gotten their attention with our report and some of the prior reports. There are many issues that need to be addressed. For example, we are now seeing the implementation of the new union in the administrative law judge area where, if you really think about it, at least from where I come from, is mind boggling. So here's a lot of work to do.

I do believe that we have gotten some people's attention. Not everybody is happy with us for what we have said, but at least we have begun to lay out a road map.

Mr. COLLINS. Well, the frustration among the administrative law judges is the reason they made the decision to organize, and that frustration runs throughout the labor force at Social Security.

Thank you, gentlemen. Thank you, Mr. Chairman, for your leniency.

Chairman SHAW. Just one final question. This report has been presented to the Commissioner, I suppose, in person. What type of response have you all received?

Mr. ROSS. I think the Commissioner is trying to take steps, and you will hear about some of them when he testifies in the next couple of weeks. I know you are planning to schedule him. I think it is important to keep the right perspective on this. There are no quick fixes. It took a long time to get here. It is going to take a long time of continual work to reverse course.

To me, the absolutely most important thing, though, is to get started now. It is like the moment when the tide has been going out and it starts to come in. We need a clear signal from the Congress and the administration that they are going to turn the tide on this situation. I think it is wrong to just sit still and wait until you start to hear about problems and complaints back in your districts which could produce a sort of IRS situation which then requires a drastic remedial process. I think this is a case where the patient should be taken into the intensive care ward right now and given the things that are needed and put back going in the right direction, healthy and out of danger.

I think the important thing now is taking the first steps and changing the direction, and I think that you will hear from the Commissioner that he is going to try to do that.

Chairman SHAW. Well, thank you both for doing a very fine job and being with us here now this afternoon. Thank you very much.

[The following questions were submitted by Chairman Shaw to Dr. Schieber and Mr. Ross, and the respective answers, follow:]

QUESTIONS FOR THE RECORD

1. What in your view is the most important thing the Social Security Administration must do to ensure they are ready to effectively deliver service in the 21st Century?

SSA urgently needs to address directly how it expects to meet the serious service delivery challenges that it faces both in the short term and the long term. It should develop a service delivery plan that presents a straightforward assessment of the

agency's human resource and technological needs. In addition, SSA should engage with the Administration and the Congress to work toward getting the resources that it needs to provide high quality service to the public.

2. The Social Security Administration has a strong reputation among the American people, which some might contend is an extension of the public's support for *what* Social Security does rather than *how* efficiently they do their work. Anyone waiting literally years for their appeal for disability benefits to be resolved knows what I mean. How does Social Security stack up against companies that provide similar services, such as a private disability insurer? Do their customers ever experience the long waits that some Social Security disability applicants do? If not, what are those companies doing to provide better service? At what cost? Is Social Security studying any of them in hopes of improving the service they provide?

In 1995, Dalbar, Inc., a Boston-based financial services company, completed a comparison of SSA's 800 number service to the service provided by private sector firms. At that time, it rated SSA's service as number one in the country. But one-time measurements are not good enough. Experts in the private sector have told the Board that SSA's standard for telephone service is now far below the standard used in the private sector. Customer service expectations are rising, and the public will inevitably find the agency's service wanting if it lags far behind, whether this be in telephone service or otherwise.

The Board believes that SSA needs to follow the lead of the best private and public entities and make major improvements in the way it measures and uses customer service information. At this time, the agency has only limited information on client needs and expectations and on client satisfaction with its service. This is especially the case with respect to particular client segments. For example, SSA does not measure discrete client segments such as SSI disabled children or SSI disabled adults. Nor does it measure client satisfaction with particular types of agency actions, such as the hearing process. As the private sector has learned, this type of information is vitally important if the agency is to understand and address its service delivery problems.

In addition, in the past the way the agency has set its quality goals and the way it has measured performance have been largely developed internally. SSA needs to expand its efforts to learn how these important functions are being carried out by the most successful organizations in the private and public sectors. The agency will be taking a step in the right direction this summer when it joins with the Board in sponsoring a joint effort to bring to the agency outside, private sector expertise and advice on how to improve its client measurement procedures.

Although the agency is conducting several major disability-related research endeavors, such as the Disability Evaluation Study and studies of alternative ways of measuring disability, we are unaware of any special agency studies relating to how private disability insurers are providing service.

3. You indicate that Social Security's work is complex and becoming more so, especially in disability, program integrity, return to work, and health-related areas. Can these complexities be addressed through changes in regulations or in law? Is SSA conducting a review of their regulations and the law with an eye towards reducing complexities?

Much of the difficulty of administering SSA's programs is the result of their inherently complex nature. SSI is a means tested program, and requires a continuing review of income, resources, living arrangements, and other changing factors. The statutory definition of disability appears relatively simple on its face, but to implement it requires careful development of medical history and use of personal judgment. Disability decision-makers need extensive and ongoing training to carry out their job.

SSA recently began taking a closer look at the SSI program in an effort to identify areas where simplification might be possible. We believe that some improvements can be made by changing agency regulations. Even relatively small changes could make a significant difference to workers in the field. We have recommended that as a first step the agency should consult with employees in the field to identify rules and procedures that are requiring disproportionately large amounts of staff time to administer but have little impact on benefit determinations and do not require legislative change.

Over the longer term, the agency should examine areas of greater complexity that involve more substantive change, such as the rules that apply with respect to living arrangements and in-kind support and maintenance. There are 186 pages of instructions that field office employees are required to follow on this subject alone. Although changes in policy areas like this may be controversial because of their possible impact on individuals and program costs, we believe the agency should take

the leadership in identifying the issues that are involved and proposing changes in regulations or law where it believes they are warranted.

With respect to disability, the agency proposed a major redesign of the determination process in 1994. It has subsequently stepped back from many of the changes that it proposed at that time, although some are being further tested in 10 prototype States with a view to nationwide implementation within the next couple of years. Based on our studies, we doubt that the changes that are being proposed will result in simplification of the process, although for some claimants the elimination of the reconsideration step of appeal and changes that are being made in the hearing process may speed up decisions. One area where the process could be simplified and enhanced from the perspective of employees is in systems improvements. As we pointed out in our September 1999 report on service delivery, we are concerned about the extraordinarily slow pace of developing a systems strategy that will serve all parts of the disability determination process. Some of the agency's most serious service delivery problems now occur in the disability programs. We have urged the agency to give high priority to developing a system that would support all parts of the disability process. We have noted that implementation of a well designed system holds promise for speeding up the flow of cases through the claims and appeals process, improving the quality of the information that is available to decision makers, and providing a more uniform basis for decision making. In addition, innovations such as electronic retrieval of medical information could ease the burden on both claimants and disability workers and these should be incorporated into the process to the extent possible.

4. The Advisory Board recommends that Social Security's efforts to improve computer hardware and software should be strengthened and accelerated. What specific hardware and software problems did you observe? How does Social Security's systems improvement performance compare with technology enhancements being implemented in the private sector?

Systems are primary enablers of SSA's efforts to improve its processes. However, many of SSA's systems enhancements and improvements have not been delivered on schedule and sometimes they do not perform according to the agency's expectations. Moreover, SSA has not been able to demonstrate that promised dollar savings have been realized, even when the process has resulted in better service or work products.

One of the primary reasons for the implementation delays at SSA is the procurement process. The private sector does not have to comply with federal procurement guidelines and can introduce new technology more quickly and efficiently. In addition, the private sector has greater flexibility than government agencies in using innovative approaches to attract and retain qualified technical expertise. Nonetheless, we believe SSA should make better use of the flexibility that now exists in the law to speed up its delivery of systems innovations to workers in the field.

In our visits to field offices around the country, we heard many concerns about systems technology from SSA employees. We heard that there is a shortage of computers available to field offices. Customers are served more slowly as a result. We also heard that much of the software used by field offices is not as user friendly as it should be, especially for many new employees who think they need more training in its use than they have been getting. In addition, we heard complaints that many of the systems at use in the field are older systems that break down regularly, causing delays in workload processing.

SSA has been lagging well behind the private sector in its introduction and use of technology. This is an area where considerably greater investment is needed.

5. You testified that SSA must become much more adept at integrating new technologies into its processes. How can SSA accomplish this most efficiently and effectively? Does SSA have the needed expertise in-house? Are they working with outside experts? Should SSA consider outsourcing some of these functions?

We do not believe that SSA has all of the technical expertise that it needs in house at the present time. The private sector has more flexible pay and benefit structures that enable it to be more innovative than government agencies in attracting and retaining skilled employees. In addition, SSA has perhaps not been as aggressive as it could be in using the hiring authorities that it currently has.

Many who work in the field believe that SSA should have far greater capacity than it has now to keep up with the agency's systems needs. They also believe there is a need for additional staff in the field who are qualified to do systems work. One of the greatest challenges the agency will face is ensuring that it will have adequate staff with the technical expertise that will be required to met its future needs in the area of information technology.

SSA is facing a situation where the salaries it is able to offer are so much lower than those being offered in the private sector that it is losing its ability to compete. Other government agencies share this problem, but SSA's needs are greater than those in many other agencies because of the complexity and vastness of its operations.

Although the salary issue is important today, there are even greater grounds for concern when the impending retirement wave begins to hit the agency. SSA needs to begin to hire replacements right away if experienced personnel are to be in place when they are needed.

SSA needs to consider whether it should have greater pay flexibility so that it can be more competitive with the private sector in hiring systems specialists. Even with greater flexibility it is likely that the agency's salary scales will remain below those offered in the private sector. Given that fact, the Board has urged the agency to examine whether there are areas in which the private sector may be able to perform tasks that are becoming increasingly difficult for the agency to do. Additional contracting for some of these tasks may be necessary.

6. In your testimony you indicated that the response of Social Security and State disability employees to the recommendations in your report was overwhelmingly supportive. Have you heard about any disagreement with your findings or recommendations?

We have been pleased with the positive response that the Board has received to its report from all parts of the agency. Groups that represent managers and other employees in the field have been particularly supportive of our findings and recommendations. In addition, the Commissioner has announced a number of initiatives that respond to our recommendations. Although there may be some within the agency who take issue with one or more of our findings or recommendations, no one has presented reservations to us. We would be pleased to have a dialogue with anyone who would present other views.

7. One criterion for judging service delivery is the accuracy of payments and the ability to recover overpayments. You say that the amount of outstanding debt in the form of overpayments due to SSA has increased from $4.1 billion in 1994 to $6.5 billion in 1999, a 57 percent increase. Why has this happened and is SSA doing anything about it?

The Board believes that one of the principal reasons for the increase in outstanding debt at SSA is insufficient staffing in the field. Downsizing in the field, combined with the rapidly growing, more complex workloads that we have documented, have meant that employees no longer have as much time as they need to work on collections of overpayments. In addition, staffing shortages have also resulted in fewer quality reviews. In an environment where employees do not have the time to work as carefully as they should—and there is insufficient attention to training and to quality measures—more inaccurate payments will occur. The Board has been told that the agency is making more mistakes because there are now too few managers and supervisors in the field to ensure an adequate level of quality control.

In addition, there are large delays in processing postentitlement actions resulting from the agency's focus on the 800 number. SSA has been diverting program service center staff from their own critical work to answer the telephone. This has caused more overpayments to be made because beneficiary records are not being kept current. For example, if a beneficiary reports a change in living arrangements and the SSA program service center is delayed in processing that change, inaccurate SSI payments will result until the change is made.

SSA has been taking some important steps to improve program integrity. It is doing more cross checking of data with other agencies. It is planning to use other debt collection authorities, including Federal salary offset, charging interest, expanding the Treasury offset program, and credit bureau reporting. It has also supported an increase in the size of its Inspector General staff. We believe the most important need of the agency, however, is sufficient staff in the field to do the careful work that is needed to prevent overpayments from occurring in the first place.

8. Your testimony indicates that Social Security should follow the examples of the best private and public entities as it improves service delivery practices and strategies. Can you provide some specific examples to illustrate what you mean by this? Does SSA have a process in place to regularly compare itself with other public and private high-performing agencies?

SSA has begun applying the Baldrige Criteria for Performance Excellence to its operations. The Baldrige Criteria include making regular comparisons with other organizations as a way of measuring performance. It is our view that SSA should be doing much more than it has been doing in the way of benchmarking its performance against the best performers in the public and private sectors and it should be doing this on a systematic basis. SSA's performance goals, such as trying to answer

95 percent of its 800 number calls within 5 minutes, need to be regularly reviewed and updated. SSA will have to keep up with private sector standards if it is to satisfy the public's demands for high quality service.

9. You point to several major service delivery problems that need immediate attention, including problems with telephone service, waiting times in field offices, and large backlogs of actions after people start receiving benefits (such as adjusting benefits for changes in earnings or living arrangements). What in your view are the most pressing problems and their effects on customers? Did you provide any specific recommendations to SSA as to how to address these problems?

In our report we urge SSA to identify in its service delivery plan those problems that need to be addressed immediately. We stated that based on our study, we believe that improving telephone service is foremost among them and we make specific recommendations for how this should be done. We urge the agency to improve its measures of the public's needs and expectations for telephone service so that it will have a more valid basis for setting its goals for service delivery and for determining how various components of the agency will be used in delivering service. Among other changes, we recommend that the agency develop more balanced measures of the telephone service that it is providing—for example, measures that emphasize the percent of calls that are served as well as the percent that achieve access. We urge greater attention to improving the telephone service that is being provided by local field offices. We also urge the agency to improve its telephone service through technological improvements and to strengthen its training programs for those who answer the telephone.

Another area needing prompt attention is the administration of the disability programs. We have recommended five priority measures to address the problems: development and implementation of an ongoing joint training program for all adjudicators; development of a single presentation of disability policy that is binding on all decision makers, including the updating of medical listings and vocational standards; development and implementation of a quality assurance system to unify the application of policy throughout the disability determination system; improvement in the quality of medical evidence that is used in determining disability claims; and development and implementation of a computer system that will provide adequate support to all elements of the disability claims process. SSA has begun work on all of these recommendations, but progress has been too slow.

We also recommend that the agency pay close attention to service in its field offices, where there are serious problems of crowded waiting rooms and long waiting times. We believe that in the short term the agency should try to alleviate these service dislocations by shifting either employees or workloads wherever possible. But we believe that hiring and training additional field office staff will also be necessary.

We will continue to monitor SSA's progress in addressing these issues and will work with the agency to resolve them.

10. Social Security has an aging workforce and will soon face a wave of retirements. Do you think SSA is taking appropriate actions to prepare for the retirement of its own employees?

SSA has been studying its retirement wave and is planning a program of allowing employees to opt for early retirement with the expectation that this will enable it to hire and train younger and more technology-oriented employees to replace them, thereby smoothing out the transition. Going beyond this, the agency needs to take a realistic look at its future staffing needs. It is our understanding that as the agency looks toward the future, it is doing so under the constraining assumption that staffing for the agency is fixed and will not increase.

In contrast, the Board believes that the agency needs to develop a comprehensive workforce plan as provided for in the 1994 legislation that established SSA as an independent agency. This plan should provide a bottom-up analysis of the workload needs of the agency. The agency's budget should be based on this plan. The agency also urgently needs a new and more accurate work measurement system in order to properly assess its workforce needs. SSA's work measurement system has a pervasive influence on how the agency conducts its business. The field employees who spoke to the Board about the current system universally described it as inaccurate and unfair.

Our next panel will be the United States General Accounting Office. We have Cynthia Fagnoni. I have a way of butchering names,

so I hope the witnesses will correct me. She is the director of Education, Work force and Income Security Issues at Health, Education, and Human Services Division, and she is accompanied by Joel Willemssen who is a director in Civil Agencies Information Systems and the Accounting Information Management Division.

Welcome. We look forward to your testimony, and welcome back to this Subcommittee.

STATEMENT OF CYNTHIA M. FAGNONI, DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION, U.S. GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY JOEL C. WILLEMSSEN, DIRECTOR, CIVIL AGENCIES INFORMATION SYSTEMS, ACCOUNTING AND INFORMATION MANAGEMENT DIVISION, U.S GENERAL ACCOUNTING OFFICE

Ms. FAGNONI. Thank you, Mr. Chairman and Members of the Subcommittee. I am pleased to be here today to discuss the Social Security Administration's service to the public.

SSA faces a number of future challenges that can affect its ability to provide high quality service to the public. Today, I will discuss these challenges and the agency's strategy to meet them. This information is based both on our published as well as ongoing work.

As you have heard, the challenges SSA faces are significant, and demand for services is expected to grow significantly. Applications for the DI program alone are projected to increase by 46 percent by the year 2010. Moreover, the expectations and needs of SSA customers are changing. Some are expecting faster, more convenient services or more automated services. Others, such as the high proportion of disabled beneficiaries with mental impairments, may require more time and additional staff skills to serve them successfully.

SSA's ability to cope with these changes will be further challenged because of the number of SSA employees expected to retire. Agency retirements are likely to peak at the same time the agency experiences the large increases in workload. To meet these challenges, SSA will need to marshal two of its key resources, its technology and its work force.

We recommended as long ago as 1993 that SSA prepare a service delivery plan to guide its investment in these two key areas. This plan would provide a detailed road map of who in the future will be providing what service, where and how, and SSA is beginning to take some steps in this direction. Recently, the agency began to work on what it calls a service vision for the year 2010. As we understand it, though, this vision will provide a high level summary of future service options rather than the detailed road map needed to make information technology and work force decisions.

In the meantime, SSA is proceeding with specific information technology and work force initiatives to deal with its future challenges. To prepare for the expected workload increases, SSA plans to rely in large part on efficiencies gained through using information technology. However, to date, SSA has had mixed success and has not yet been able to show specific benefits from some of its most significant investments. For example, since 1996, SSA has in-

stalled more than 75,000 new workstations and related equipment as part of its intelligent workstation local area network. The initiative is to provide the infrastructure to support redesigned, speedier work processes and make information more available.

However, the benefits of this investment are unclear. SSA has not yet assessed the initiative's contribution to improved productivity and service delivery. Further, SSA spent most of the last decade trying to develop a system to automate its entire disability claims process. However, after 7 years and more than $71 million, the agency discontinued the effort and began testing a new, less ambitious strategy. The new strategy currently focuses on automating the disability intake process using an electronic folder to speed the movement of disability cases from the field office to a disability determination service.

To its credit, SSA is applying some of the lessons it learned from the prior unsuccessful effort. It is taking a more incremental development approach and is regularly monitoring the status of the project at high level meetings. However, the initiative is still in the early stages and its cost and benefits have not yet been defined.

SSA is also pursuing other technologies that could help enhance service delivery. It is experimenting with different ways to provide service over the Internet using imaging and document scanning to reduce time spent moving and tracking paper documents and is trying video conferencing of disability hearings to cut processing time.

Turning now to SSA's work force initiatives, the agency has taken steps to prepare for retirements in its own work force and for changing customer needs and expectations. Many of its initiatives, however, are still in their early stages. Just this week SSA completed a 5-year work force transition plan. While a step in the right direction, this plan is long overdue. We recommended such a plan in 1993, and as you know, the agency's independence law requires one. The new plan spells out a number of actions the agency will take to prepare the work force for the future; however, much work remains. For example, SSA has made progress in identifying the skills that its leaders and staff need today, but it still needs to identify the skills its future work force will need. SSA has also completed a study that helps predict when agency staff are likely to retire and is beginning to work on ways to make hiring simpler and faster. Because the agency expects to lose large portions of its senior executives and other managers, it has also initiated a number of leadership development programs to prepare its future leaders.

In conclusion, even if SSA is able to successfully carry out all of its planned information technology and work force initiatives, it is not clear that the agency is adequately prepared for the future. It will be important for the agency to clarify its gains from information technology and complete a service delivery plan to guide its investments and better position itself to cope with future challenges. Without a detailed service delivery plan, SSA runs the risk that it will not have the right people with the right skills and in the right jobs and locations to face its future challenges.

This concludes my oral statement. We would be happy to answer any questions you or the members may have.

[The prepared statement follows:]

Statement of Cynthia M. Fagnoni, Director, Education, Workforce, and Income Security Issues, Health, Education, and Human Services Division, U.S. General Accounting Office

Messrs. Chairmen and Members of the Subcommittees:

We are pleased to be here today to discuss the Social Security Administration's (SSA) efforts to prepare to meet its future service delivery challenges. As you know, SSA is one of only a few federal government agencies with which most American families will have regular contact. In fiscal year 1999, SSA provided benefits of over $400 billion to more than 48 million individuals through its retirement and disability programs, and the agency maintained records on the earnings of the vast majority of U.S. workers. Because of SSA's broad reach, the quality of its customer service can affect the public's view of government overall, and SSA has committed itself to providing world-class service to the American public.

While SSA has generally been viewed as one of the better-run federal agencies and has been recognized for its service to the public, the agency faces a number of challenges that could adversely affect its ability to provide world-class service in the future. Today, we are here to discuss (1) the extent and seriousness of these challenges, (2) SSA's strategy to meet them, and, more specifically, (3) the status of the agency's efforts to use information technology to cope with the challenges, (4) the agency's efforts to prepare its workforce for the future, and (5) the implications of SSA's plans and efforts for its readiness to meet future challenges. The information we are providing is based on both published and ongoing work (see the list of related GAO products at the end of this statement).

In summary, we found that SSA will be challenged to maintain a high level of service to the public in the next decade and beyond. Demand for services is expected to grow significantly, with applications for one of SSA's already-burdened disability programs projected to increase by 54 percent by 2010. Moreover, the expectations and needs of SSA's customers are changing. Some are expecting faster, more convenient service, while others, such as non-English speakers and the large population of beneficiaries with mental impairments, may require additional assistance from staff with more diverse skills. At the same time, SSA's ability to cope with these changes will be challenged, since the number of SSA employees retiring is expected to peak at the same time that large increases will occur in applications for benefits, according to SSA's Actuary's estimates.

While we have recommended since 1993 that SSA prepare a service delivery plan, SSA is only now beginning to develop a broad vision for customer service for 2010. This broad vision, as well as a more detailed plan spelling out who in the future will be providing what service and where, is needed to help the agency focus its efforts to meet its future challenges. In the meantime, to cope with pending workload increases, the agency is relying in large part on technology to achieve increased efficiencies. However, SSA has had mixed success in implementing information technology initiatives, and the benefits from its technology investments have largely been unclear. On the other hand, SSA's efforts to prepare for the increasing number of retirements from its own workforce and changing customer needs and expectations have shown more promise, although many initiatives are still in their early stages and much work remains. SSA will need to fully assess the skills its workforce will need to serve its future customers, particularly its growing population of disabled beneficiaries and the high proportion of those with mental impairments. SSA will also need to ensure continuity in leadership through ongoing succession planning efforts. Finally, without a vision for future service followed by a more detailed service delivery plan, SSA cannot be sure that its investments in technology and human capital—that is, its workforce—are consistent with and fully support its future approach to service delivery. It will be important for the agency to complete this plan to guide its investments and better position itself to cope with its future challenges.

BACKGROUND

SSA administers three major federal programs. The Old Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs, together commonly known as Social Security, provide benefits to retired and disabled workers and their dependents and survivors. In fiscal year 1999, SSA provided OASI retirement benefits totaling more than $332 billion to 38 million individuals and DI benefits of more than $50 billion to 6.5 million individuals. The third program, Supplemental Security Income (SSI), provides income for aged, blind, or disabled individuals with limited income and resources. In fiscal year 1999, 6.6 million individuals received more than

$28 billion in SSI benefits.[1] SSA needs to keep up with changes in the circumstances of those currently receiving benefits—from address changes to changes in health or work status. In addition, SSA maintains records of the yearly earnings of over 140 million U.S. workers and provides them with annual estimates of their future benefits.

To meet its customer service responsibilities, SSA operates a vast network of offices distributed throughout the country. These offices include 1,343 field offices, which, among other things, handle application in-take; 132 Offices of Hearings and Appeals (OHA); and 36 teleservice centers responsible for SSA's national 800 number operations.[2] The agency's policy is to provide customers with a choice in how they conduct business with SSA. Options include visiting or calling a field office, calling the 800 number, or contacting SSA through the mail. To conduct its work, SSA employed 63,000 staff in 1999: 13,000 at its headquarters offices and 50,000 in the field offices and at other facilities. In addition, to make initial and ongoing disability determinations, SSA contracts with 54 state disability determination service (DDS) agencies.[3] While federally funded and guided by SSA in their decision-making, these agencies hire their own staff and retain a degree of independence in how they manage their offices and conduct disability determinations.[4]

SSA relies extensively on computer technology to support its large volumes of programmatic and administrative work. Since the 1980s, SSA has taken numerous steps to modernize its computer systems in an effort to better serve its increasing beneficiary population and improve its productivity. A key aspect of the modernization effort has been the agency's transition from a centralized mainframe-based computer processing environment to a more highly distributed processing environment. SSA has also taken other steps to improve its service delivery capability, such as enhancing its electronic payment services and implementing direct access customer service on the Internet.

SSA Faces Significant Customer Service Challenges Over the Next 10 Years

Over at least the next 10 years, SSA will face a number of changing conditions that could tax its effort to provide world-class service. Demand for services will grow as the baby boom population ages. This growth will place additional strain on the disability claims process, which is already troubled. In addition, the agency will have to adapt to changing customer service expectations. For example, some customers may expect faster, more convenient service through the use of technology. As the agency is trying to cope with these changes, increasing numbers of its own experienced staff will be retiring.

Customer Demand for Services Is Likely to Grow and Change

SSA expects customer demand for its services to grow and change significantly over the next 10 years. The aging U.S. population means many more people will be applying for disability and retirement benefits with SSA, and determining initial eligibility—and in the case of DI and SSI, continuing eligibility—are costly and time-consuming activities. Figure 1 shows the estimated growth in the number of people applying for benefits. By 2010, applications for OASI, DI, and SSI benefits are predicted to have increased by 20, 54, and more than 10 percent, respectively, over 1999 levels. Moreover, applications are expected to continue to grow even more dramatically for a number of years after 2010 as the baby boom generation reaches retirement age. More applications imply growth in other work areas for SSA as well, such as updating and maintaining records for those awarded benefits.

---

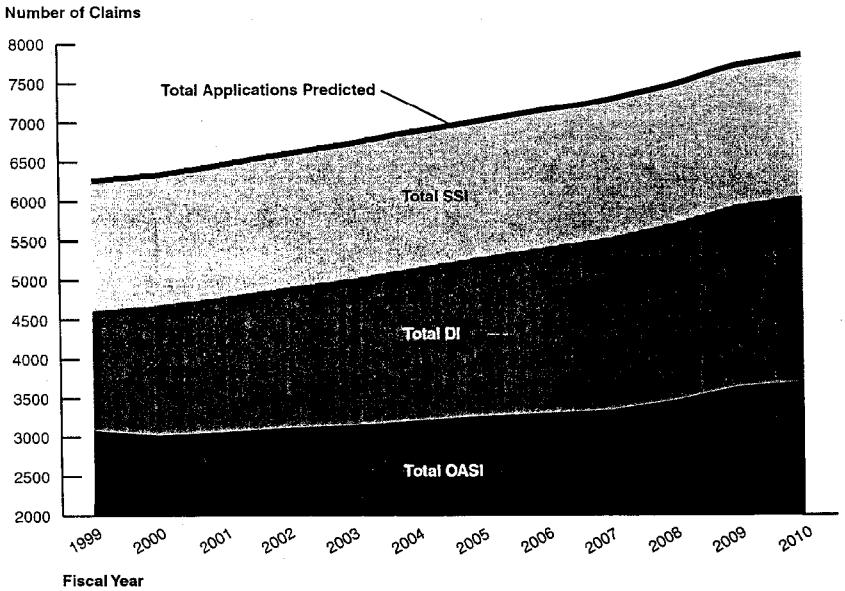
[1] Some DI benefit recipients have incomes low enough to qualify them for SSI as well and receive benefits from both programs.

[2] Other SSA facilities include 10 regional offices, 7 processing centers, and 1 data operations center.

[3] These agencies exist in each state, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.

[4] The state DDS sites employ a total of more than 14,000 staff.

Figure 1: Predicted Increases in OASI, DI, and SSI Applications



Note: SSA's Office of the Chief Actuary does not have estimates of applications for OASI and DI beyond 2010. Also, these estimates reflect some double-counting of those individuals who apply for both DI and SSI—a group that is expected to grow from about 480,000 in fiscal year 1999 to 640,000 in fiscal year 2010.

Source: Data provided by SSA's Office of the Chief Actuary.

Increased customer demand for services has serious implications for SSA's workforce. For example, if SSA did not change the number of staff currently handling initial applications for benefits, worker productivity would need to increase by 27 percent—whether through technology enhancements, process improvements, or other changes—to manage increases in applications predicted by SSA's Office of the Chief Actuary.[5] Table 1 shows the increased level of productivity that would be needed to manage predicted levels of applications in 2010.

Table 1:—Productivity Needed to Manage Estimated 2010 Workloads

Fiscal year	Initial applications Processed	Work-years required	Initial applications processed per work-year
1999 (actual)	6,177,723	16,714	370
2010 (predicted)	7,855,800	16,714	470

Note: SSA's accountability report used slightly different data in calculating fiscal year 1999 applications than did SSA's Office of the Chief Actuary; the difference amounted to about 66,000 cases.

Source: Fiscal year 1999 data are from ***SSA's Accountability Report for Fiscal Year 1999***. Fiscal year 2010 data were calculated from Office of the Chief Actuary data.

Increases in disability applications are particularly worrisome for SSA because of its complex process for determining whether an applicant is disabled. The process spans a number of offices and can take a long time. First, an applicant contacts a field office to file a claim for benefits. This information is forwarded to one of the state DDS offices to determine whether the individual is disabled. To make this determination, DDS staff must often collect a number of documents, including medical records and other evidence. The decision itself requires difficult judgments. If the applicant is dissatisfied with the original decision, the process provides for several

[5] The estimated increase in productivity might be conservative, since SSA predicts a slightly higher proportion of DI applications, which are more complex and resource-intensive than retirement applications.

opportunities for appeal: a reconsideration of the decision at the DDS, a hearing before an administrative law judge at an OHA, and a review by SSA's Appeals Council. Finally, after exhausting all these remedies, the applicant may file a claim in federal court.

Even as SSA expects increases in the number of disability applications, the agency is experiencing difficulty managing its current workload effectively. In 1999, over 500,000 people initially denied disability benefits appealed the decision, and it took an average of 316 days to reach a final decision for these cases. Reducing the lengthy period that the disability claims process takes at both the initial and hearings levels has become one of SSA's priorities for improving customer service. SSA has been attempting for a number of years to streamline, or redesign, the disability claims process and has counted on these efforts to help absorb some workload growth. However, as we testified before you in October 1999, SSA's past progress has been slow and disappointing.[6] The agency is now conducting a test of some proposed changes and has also begun a new initiative to speed decisions at the hearings level. It will be challenging, but necessary, for the agency to achieve significant improvements in processing times in order to handle the impending workload increases. Otherwise, the predicted growth in applications could further erode customer service in this area.

In addition to the expected increase in customer demand for SSA services, the demands that customers place on SSA are changing, presenting SSA with a dual challenge. Changing customer expectations are pushing the need for faster, more convenient service from SSA, such as by phone or computer. For example, the volume of calls handled by SSA's national 800 number's automated menu grew by over 1.6 million (13 percent) between 1997 and 1999. More dramatically, during a recent 6-month period, requests for individual estimates of future Social Security benefits via the Internet increased by 45 percent. At the same time, some aspects of SSA's customer service workload have become more time-consuming and labor-intensive. For example, SSA is hiring more staff with bilingual skills and spending more time serving an increasing number of non-English or limited-English speaking customers. In addition, since 1986, the proportion of disabled beneficiaries with mental impairments has increased—by 18 percent for SSI and by over 30 percent for DI—and these beneficiaries can be challenging and even more time-consuming to serve successfully. Moreover, SSA's efforts to help disabled beneficiaries join or rejoin the workforce could require some additional time and new skills.[7]

Retirements of SSA Staff Will Affect Agency's Ability to Meet Challenges

SSA's ability to meet growing and changing customer demands will be strained by increasing retirements expected within its own workforce over the next decade. SSA's retirement wave is predicted to begin in 2001 and peak in 2009. As shown in table 2, more than half of SSA's 63,000 employees will be eligible to retire by 2009.[8] The percentage is higher for employees that compose SSA's supervisor or manager ranks. In particular, 83 to 86 percent of SSA's upper-level managers and executives (GS–14, GS–15, and SES level) will be eligible to retire by 2010.

Table 2:—SSA Employees Eligible to Retire Between 1999 and 2009

Grade level	Number of employees	Number of employees eligible to retire	Percentage eligible to retire
GS–1 to 11	47,983	23,848	50
GS–12	8,617	5,518	64
GS–13	4,395	3,245	74
GS–14	1,568	1,298	83
GS–15	479	414	86
SES	117	98	84
Total	63,159	34,421	54

Source: SSA, Office of Human Resources.

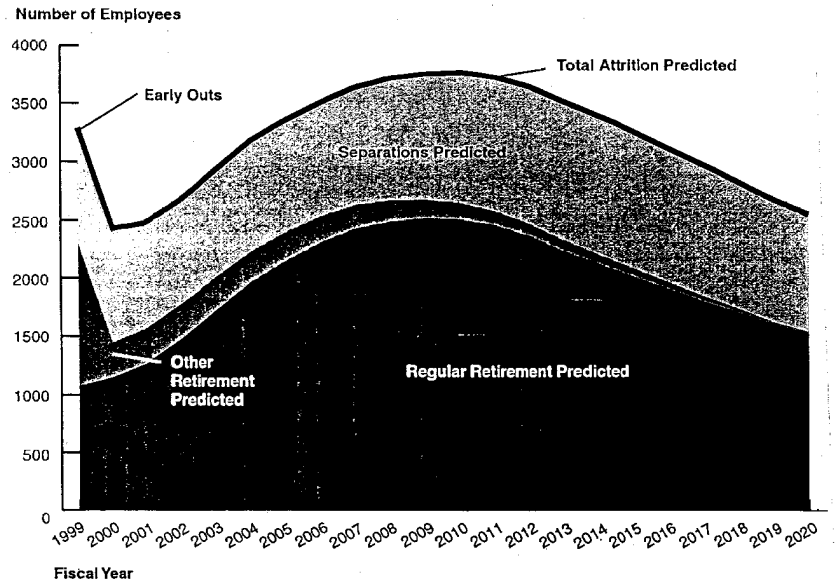
[6] *Social Security Disability: SSA Has Had Mixed Success in Efforts to Improve Caseload Management* (GAO/T–HEHS–00–22, Oct. 21, 1999).

[7] The Ticket to Work and Work Incentives Improvement Act of 1999 directs SSA's Commissioner to provide disability beneficiaries with a ticket, or voucher, they may use to obtain vocational rehabilitation services, employment services, and other support services from an employment network of their choice.

[8] SSA officials predict an average of 18 percent to retire each year.

Retirement eligibility figures, while useful, do not show the actual challenge an agency will face in replacing its staff. To get a better idea of the challenges it will face, SSA has developed estimates of how many staff it will lose each year to retirement and other factors. Figure 2 shows SSA's predicted workforce losses over the next 20 years. As the figure shows, peak losses occur in fiscal years 2009 and 2010. This peak generally coincides with the time period for which SSA's Office of the Chief Actuary predicts large increases in applications for benefits. In addition, the largest number of retirements will most likely occur in job positions that provide direct service to the public; for example, over 7,500 of the agency's approximately 16,500 claims representatives—those who accept and process claims for benefits—are expected to retire by 2010. Retirements can especially affect SSA's small offices around the country, where the loss of just a few experienced staff or managers can seriously undermine customer service and effective operations.[9]

Figure 2: Expected Workforce Losses Between Fiscal Years 1999 and 2020



Source: SSA, Office of Human Resources.

SERVICE DELIVERY PLAN IS NEEDED TO FOCUS EFFORTS TO ADDRESS FUTURE CHALLENGES

To meet the challenges we just outlined, SSA will need to marshal its key resources: its technology and its workforce. To help ensure that these vital resources are put to the best use, SSA needs to complete a service delivery plan, which we have recommended as long ago as in 1993.[10] Such a plan should spell out for the future who will be providing what type of services and where these services will be made available. It should take into account changing customer needs and expectations; the views of interest groups and oversight bodies; and other future challenges, such as growing workloads. We have also criticized SSA in the past for developing plans out of sequence, that is, for developing an information technology plan without having first developed a service delivery plan. Ideally, the agency should base its

[9] Of SSA's approximately 1,300 field offices, about 200 have only 1 to 10 employees, and more than half of all the field offices have 20 or fewer staff, according to the Social Security Advisory Board.

[10] *Social Security: Sustained Effort Needed to Improve Management and Prepare for the Future* (GAO/HRD–94–22, Oct. 27, 1993). Also, see *SSA's Management Challenges: Strong Leadership Needed to Turn Plans Into Timely Meaningful Action* (GAO/T–HEHS–98–113, Mar. 12, 1998) and *Social Security Administration: Effective Leadership Needed to Meet Daunting Challenges* (GAO/HEHS–96–196, Sept. 12, 1996).

decisions on and investments in both information technology and its workforce on a detailed service delivery plan. We view SSA's workforce, or its human capital, as an asset whose value can be enhanced through investment, such as training and staff development. As the value of its people increases, so does the performance capacity of the organization. However, to help ensure their effectiveness, SSA's human capital strategies and practices should be aligned with the agency's vision for the future, including its plans for serving its customers and its strategic goals and objectives.

SSA has begun taking some long overdue steps to better plan for its future service delivery; however, much work remains. In 1998, SSA established its Market Measurement Program to improve and consolidate its approach to assessing customer expectations. When this program is fully developed, SSA will monitor and measure the needs, expectations, priorities, and satisfaction of customer groups, major stakeholders, and its workforce. However, collecting complete data on the needs, expectations, and satisfaction of these various groups is a multiyear project, and as of January 2000, SSA was about midway through its initial wave of data collection, analysis, and reporting. SSA has a separate initiative under way to assess future customer needs and expectations.

In addition, the agency has recently begun to develop a service vision for 2010. This vision, according to SSA officials, will be based on future customer and stakeholder needs and expectations and will provide a high-level summary of the principles on which SSA plans to base its service provision and the various delivery options available. The agency plans to incorporate this vision into its strategic plan, which will be updated this year. However, to be useful for making information technology and human capital decisions, this vision should be followed by a more detailed service delivery plan. According to SSA officials, the agency does not have plans to go beyond this vision statement to issue a more detailed plan at this time. Without a well-developed plan, SSA cannot be assured that its investments in human capital and technology, as well as any related decisions regarding the use of its many field offices and other facilities, will fully support its vision of service delivery. Nor can the agency be comfortable that it has taken the necessary steps to meet its future challenges.

SSA's ability to develop a detailed service delivery plan is hampered by weaknesses in the agency's complex systems for measuring workloads, productivity, and quality. These weaknesses make it difficult both to monitor current customer service performance and to use the data to develop and support planned changes. For example, SSA has the capability to monitor and measure only service provided at the national and regional level, not by its various offices located around the country.[11] As a result, line managers and planners do not know the efficiency or quality of service provided by individual offices, or even the level of service provided by phone as opposed to face-to-face, and therefore cannot plan for improvements accordingly. SSA recognizes that its workload and quality data have limitations. The agency is in the early stages of piloting alternative workload measurement systems and also just recently let a contract to review its quality assurance systems.

In the absence of a service delivery plan, SSA has a number of information technology and workforce initiatives under way to try to prepare for its future challenges. The following sections provide specific information on agency progress on these initiatives.

SSA is Pursuing Various Information Technology Initiatives, but Impact on Service Delivery Cannot yet be Determined

To cope with its growing workloads, SSA plans to rely extensively on information technology to help it achieve processing efficiencies and improved customer service. To this end, the agency has devoted considerable time and effort to identifying strategies to meet its goal of providing world-class service. SSA has pursued a number of initiatives over the past decade aimed at establishing the technological infrastructure needed to enhance its claims-processing capabilities and the overall administration of its programs. As we testified last summer,[12] however, SSA has experienced mixed success in carrying out its information technology initiatives and it has not yet been able to demonstrate specific benefits resulting from some of its most significant investments. Because many of SSA's information technology initiatives are still

[11] SSA uses sampling to assess the level and quality of service provided. Due to budgetary restrictions, SSA does not collect sufficient data to assess service below the national or regional level.

[12] *Social Security Administration: Update on Year 2000 and Other Key Information Technology Initiatives* (GAO/T–AIMD–99–259, July 29, 1999).

in various stages of development, evidence of how they will improve the agency's processing capabilities and service to the public remains to be seen.

According to a 1999 independent audit of SSA's systems environment, the agency must also contend with the challenge of further strengthening controls over the information contained in its computers.[13] The vulnerabilities identified could lead to unauthorized access to, and modification or disclosure of sensitive SSA information. In turn, this could result in the loss of data and resources, and compromised privacy of information associated with SSA's key business processes.

SSA's Computer Modernization Benefits Are Not Yet Known

One of SSA's most significant initiatives is its computer modernization effort known as the Intelligent Workstation/Local Area Network (IWS/LAN). SSA considers this initiative to be the linchpin for both its customer service program and its entire business approach. It is expected to provide the automation infrastructure to support redesigned work processes and improved availability and timeliness of information throughout SSA and state DDSs.[14] SSA began acquiring the IWS/LAN equipment in December 1996. As of January 30, 2000, the agency reported that it had installed more than 75,600 intelligent workstations and about 1,900 local area networks in most of the approximately 2,000 SSA and state DDS sites included in the initiative.

Despite its progress, however, the benefits of SSA's investment in IWS/LAN remain uncertain because the agency has not yet assessed the initiative's actual contribution to improving productivity and service delivery. While SSA should be able to claim some work improvements from various desktop management tools that are integral to IWS/LAN, such as on-line guides and directories, standardized notices, and electronic mail, it has not completed the evaluations needed to fully assess the efficiencies achieved through implementing IWS/LAN and its impact on providing higher quality and more effective service.

During our testimony before the Social Security Subcommittee last July,[15] we expressed concern that SSA lacked target goals and a defined process for measuring IWS/LAN performance—two ingredients essential for determining whether this investment will yield expected improvements in service to the public. We noted, in particular, that SSA had not conducted postimplementation evaluations to determine actual project costs, benefits, risks, and returns, as required by the Clinger-Cohen Act of 1996 and Office of Management and Budget guidelines. During a meeting held in December 1999 to address our concerns, SSA's chief information officer acknowledged the need to measure IWS/LAN's performance, stating that the agency had begun formulating plans and studies to evaluate the investment in and actual benefits resulting from the initiative. On February 8, SSA told us that it is now conducting studies to assess the benefits of IWS/LAN.

SSA Has Initiated a New Technology Strategy to Support Its Disability Claims Process

As part of its efforts to reengineer the disability claims process, SSA intended to achieve many of its benefits from programmatic software that was to operate on IWS/LAN. To accomplish this, SSA spent most of the last decade designing and developing the Reengineered Disability System to serve as part of the enabling platform for its modernized disability claims process. Specifically, this system was to automate SSA's disability claims process—from the initial claims-taking in the field office to the gathering and evaluation of medical evidence in the state DDSs, to payment execution in the field office or processing center, and include the handling of appeals in hearing offices. However, after approximately 7 years and more than $71 million reportedly spent on the initiative, SSA discontinued the effort due to software development and performance problems.

SSA is now pursuing a new technology strategy to address the needs of its disability claims process. This new strategy is expected to incorporate several key components, including: (1) an electronic disability intake process, (2) enhanced state DDS claims processing systems, and (3) a technology approach to support new business processes within OHA. The components are to be linked to one another through the use of an electronic folder that is being designed to transmit data from one processing location to another, and to serve as a data repository, storing documents that

---

[13] *Social Security Accountability Report for Fiscal Year 1999.*

[14] Under the IWS/LAN initiative, SSA planned to replace approximately 40,000 "dumb" terminals and other computer equipment used at SSA and state DDS sites with an infrastructure consisting of networks of intelligent workstations connected to each other and to SSA's mainframe computers.

[15] GAO/T–AIMD–99–259, July 29, 1999.

are keyed in, scanned, or faxed. SSA began testing the electronic disability intake component and electronic folder in July 1999, with the overall objective of automating the disability interview process in the field office, storing data collected through the interview in an electronic disability folder, then passing key data elements to a DDS system.[16] SSA believes that automating the field offices' disability intake process will expedite the movement of the disability case to the DDS, and will provide for earlier adjudication and claimant notification.

To date, SSA has tested the electronic folder concept on two versions of the electronic disability software. Based on the test results, it now plans to test the software and electronic disability folder in a limited production environment in May 2000 at its Delaware field offices and the Delaware state DDS. However, according to SSA's preliminary plans for the effort, the agency does not expect to be able to identify anticipated benefits or return on investment from the electronic disability intake component until fiscal year 2001, after the project has undergone additional testing at other sites.

One of the keys to SSA's success in developing the electronic disability intake process is avoiding the kinds of development and performance problems that caused the Reengineered Disability System to be discontinued. As part of its evaluation of that development effort, SSA identified a number of lessons learned that it is now applying in its development of the electronic disability intake component. For example, SSA is taking an incremental approach to developing the electronic disability software application, and is using proofs-of-concept to evaluate design options before pursuing full development. SSA also is managing the development by (1) requiring a contract between software developers, customers, and end users to ensure that all parties agree to the scope of the project; (2) performing risk assessments and developing risk mitigation and project management plans; and (3) regularly monitoring the status of the project during weekly management meetings chaired by the Deputy Commissioner for Systems.

Beyond the electronic disability intake process, SSA has agreed to have several state DDSs participate in pilot projects to determine the technology required to support a fully electronic (that is, totally paperless) disability process, and help assess costs and benefits of the electronic folder. For example, the California DDS has been selected to explore whether a public key infrastructure[17] can be used to test digital signatures and encryption for medical consultative examination reports. One challenge associated with this is that, by regulation, some medical evidence used to make disability determinations must contain an original signature. In New York, the DDS has been approved to test the management and operational feasibility of an electronic disability folder as it moves through all stages of SSA's processes. Further, a pilot being undertaken by the Wisconsin DDS will use the electronic folder concept to measure the impact of an electronic claim on the DDS' internal operations. The results of this pilot are expected to provide SSA with information needed to interface a fully paperless DDS case processing system with an electronic folder, and allow the agency to study the ergonomic effects of paperless processing upon DDS case adjudicators.

Various Initiatives Are Being Implemented to Support OHA, but Long-Term Efforts Have Not Been Defined

SSA also considers information technology crucial for improving the capabilities of OHA. Therefore, in August 1999, the Commissioner of Social Security launched a hearings process improvement initiative to create a more customer-focused and efficient hearings process. The initiative, combined with related activities such as the expanded use of videoconferencing, aims to further reduce processing times and yield higher quality decisions without additional resource expenditures. OHA implemented the first phase of this initiative in January.[18]

While the hearings process improvement plan relies mostly on innovative management and reengineered processes to achieve dramatic improvements in the process, it also emphasizes the use of various technologies and automation to help support the workload management needs of the hearing offices. For example, SSA is exploring the use of videoconferencing as a means to potentially reduce OHA's hearings processing times, travel time and travel-related expenses, and to increase time

[16] Of the 54 state DDSs, 46 currently use one of three standard systems to process disability claims. SSA is currently working with 6 DDSs to procure standard systems and the remaining 2 DDSs use their own systems.

[17] A public key infrastructure is a system that uses a matching pair of encryption and decryption keys, along with digital certificates, to achieve secure Internet services.

[18] Under phase I, 37 hearing offices were selected to apply the new hearings processes in conjunction with 10 states that will prototype modifications to the disability process.

available for in-office case-related work. Currently, in order to provide customers with face-to-face hearings and to correct imbalances in workloads among various hearing offices, administrative law judges can spend a large percentage of time (for example, about 2 weeks out of every month) traveling to remote sites. However, the use of videoconferencing equipment to conduct hearings has the potential to reduce travel and processing times, while increasing productivity.

In February 1996, OHA began piloting the use of videoconferencing equipment at two sites—West Des Moines, Iowa, and Huntington, West Virginia. SSA estimates that, to date, a total of about 3,000 hearings have been held via videoconferencing at the two pilot sites. According to SSA, an evaluation of the initial pilot results cited a reduction in processing time of 38 days in one of the pilot offices. OHA has been granted permission to expand the use of videoconferencing to nine additional sites. Once the equipment has been installed at these sites and the users become comfortable with the technology, OHA plans to collect data to quantify the benefits of expanding the use of videoconferencing at additional sites.

SSA is also evaluating whether speech recognition software can be used by OHA's administrative law judges and other staff involved in writing decisions to dictate their casework directly into a computer. SSA initiated this effort in December 1999 and is currently testing the dictation performance of speech recognition software on computers of various processing speeds. This technology is still being evaluated; therefore, the agency has not determined the costs and benefits associated with the initiative, or whether it will actually be implemented.

In collaboration with the Office of the Deputy Commissioner for Systems, OHA has also identified four automation efforts to support the goals of the hearing process improvement initiative. These projects, as shown in table 3, primarily involve the use of automated tools to aid in scheduling hearings and to monitor and track case progress throughout the hearing process.

Table 3:—OHA Automation Initiatives to Support HPI Goals

Initiative	Objective	Anticipated effect on workload	Status
Hearings Process Improvement (HPI) software modifications.	To make software modifications to the Hearing Office Tracking System that will support HPI.	Allow users to track incoming HPI work, work assigned to processing groups, and the date a case is certified and generate two new case tracking reports.	Modifications completed in January 2000; system currently being used by the 37 hearing offices participating in phase I.
Consolidated Hearing Office Tracking System.	To replace the existing Hearing Office Tracking System with a new application compatible with IWS/LAN and to consolidate the over 140 separate databases into a single database.	Enable OHA to provide timely reporting nationwide and locally and reduce the duplicate data entry currently required to track cases during the various levels of OHA appeals.	System currently being designed and a prototype scheduled to be implemented at OHA's headquarters in Falls Church, Va., by September 2000.
Hearing Office Scheduling System.	To provide automation support in the scheduling of hearings that will record and share current information on resource availability within the hearing office and electronically notify the administrative law judge that a hearing has been scheduled.	Reduce the manual aspects of the hearing scheduling process.	Pilot testing began at OHA headquarters in Falls Church, Va., during January 2000 and will be deployed at hearing offices in Johnstown, Pa., in February 2000 and Morgantown, W.V., in March 2000.
Document Generation System	To provide users with a system that generates decision notices and routine correspondence.	Provide the means for generating and subsequently editing decisions and supporting correspondence, with an automated interface to the Hearing Office Tracking System.	System implemented in November 1999.

Source: SSA.

It is too early to know whether these four automation projects will successfully support the goals of the hearings process improvement initiative. To date, only two of the four have been developed and integrated into the phase I process modification now under way, and the ability of these systems to adequately support the modified hearing processes has not yet been determined. Further, according to the acting director of OHA's Office of Management, these efforts do not represent all of the information technology that will be required to help OHA increase its productivity and provide better service to its customers. SSA is currently in the process of preparing a statement of work for the development of an information technology strategy to support OHA's business processes. Until this strategy is defined, SSA will not be in a position to identify all of the technologies that will be required to meet OHA's needs. SSA expects to finalize OHA's information technology strategy by late 2000.

SSA Is Exploring Other Technologies to Enhance Service Delivery

As noted, SSA's beneficiaries of the future are likely to demand services that require new and different technological options to meet their needs. As a result, SSA's success in providing world-class service will depend on how effectively it can apply such technologies to enhance its processing capabilities. Moreover, recently enacted legislation and other initiatives have reenforced the urgency for agencies such as SSA to pursue new and innovative technologies to carry out their work. For example, the Government Paperwork Elimination Act states that federal agencies should consider electronic alternatives to paper submissions, and the President's December 1999 electronic government initiative directs the heads of various federal agencies to make a broad range of benefits and services available through private and secure electronic use of the Internet. In addition, the National Partnership for Reinventing Government is urging federal agencies to offer more online transactions through its Access America initiatives.

To its credit, SSA has long recognized the potential value in exploring alternative technologies to enhance its service delivery. Since at least 1997, SSA has included an electronic service delivery strategy in its planning documents to support the agency's strategic direction in dealing with self-service communication technology and access delivery alternatives. Moreover, it has explored a number of technology options, ranging from Internet/electronic commerce applications to document imaging and scanning. SSA is currently in various stages of designing, developing, and implementing these technologies. In doing so, however, it faces the continual challenge of ensuring that the technologies are implemented in a manner that is cost-effective and that does not compromise the security and privacy of beneficiaries' personal information. In addition, a technological challenge that SSA must address before some of its interactive Internet or electronic commerce initiatives are implemented is upgrading its network infrastructure, including IWS/LAN, to provide the capabilities to support the new applications.

Internet service is a major project under SSA's electronic service delivery initiative. SSA is pursuing the use of Internet applications to increase the number of electronic transactions available to the public and to help absorb workload increases expected as aging baby boomers become eligible for benefits. Over the past 3 years, SSA has explored various options for deploying Internet applications on its web site without violating privacy issues. As a result, it now uses Internet applications to assist customers in conducting business with the agency. For example, customers can download or access the ten most frequently requested SSA forms, such as an application for a Social Security card, and they can use on-line applications to determine the location of a Social Security office and to request statements of benefits.

SSA has now developed an Internet services tactical plan, which includes a framework for identifying and approving future electronic service delivery efforts. However, it has not finalized a strategy that identifies and prioritizes the applications that will be deployed. Further, because it has not developed a service delivery plan, SSA does not yet know what efforts will be required to meet its future service delivery needs. Moreover, according to the framework, before SSA launches its future efforts, it needs to determine (1) what electronic services make sense to its customers, (2) how the new line of service delivery will affect the agency's workload, (3) whether the agency has the available resources (staff and technology) to implement these actions, and (4) whether the technology needed to authenticate the electronic customer is available. Furthermore, sound, disciplined processes such as business case analyses; cost/benefit analyses; and requirements, technology, and risk assessments must drive these decisions. Some of these processes are already being applied to various projects under the direction of SSA's Software Process Improvement Program, which is responsible for serving as a focal point to the agency's Office of the Deputy Commissioner for Systems. The objective of the Software Process Improvement Program is to create an environment that encourages continuous improvement

in software development activities that will result in the ability to develop high-quality software products and to deliver those products to the customer as promised.[19]

In addition to its electronic service delivery initiatives, SSA intends to support its future workload demands with projects that rely on technologies such as imaging and scanning. One such initiative, which has been ongoing since September 1993, is SSA's Paperless Processing Center project to begin to turn SSA into a paperless agency and position its resources and processes to meet emerging workloads. Based on its initial analysis of the paperless processing concept, SSA estimated that 95 percent of a clerk's workday and 10 percent of a manager's workday are occupied with paper-related activities, such as locating a folder and the associated case material. Accordingly, the project's objective is to implement document imaging and paperless technologies to improve SSA's intensive paper folder processing in program service centers and the Office of Central Operations. Paperless processing will be used to eliminate SSA's reliance on paper records by building and storing comprehensive electronic client records. The new technology is expected to increase productivity and quality, which in turn should reduce backlogs and improve public service.

SSA has thus far spent about $35 million to implement and maintain the necessary hardware and software to pilot paperless processing at three program service center sites. According to the project manager, about $69 million[20] in total will be required to complete the paperless processing effort at all six program service centers and the Office of Central Operations by 2001. SSA projects savings attributable to the paperless processing initiative of about $161 million, or about 5,600 work years, once fully implemented. However, the agency considered this to be a conservative estimate, given that additional savings may be realized from being able to redirect program service center staff to other activities such as assisting the telephone service staff in responding to 800-number telephone calls.

SSA'S EFFORTS TO PREPARE ITS WORKFORCE FOR FUTURE CHALLENGES ARE IN EARLY STAGES, AND MUCH WORK REMAINS

SSA has a number of initiatives under way to help prepare its workforce for the remaining two key challenges: the impending retirement of many of its experienced staff and the projected changes in customer needs and expectations, such as the increased reliance on technology as a means of service delivery. Many of these steps are consistent with principles of human capital management laid out in our self-assessment checklist[21] and common to organizations recognized as leaders in human capital management.[22] (App. I outlines the selected principles of human capital management that are most relevant to SSA's future challenges.) Many of SSA's human capital initiatives, while steps in the right direction, are in the early stages. Moreover, without a more detailed future service delivery plan linked to the agency's goals and objectives, SSA runs the risk that it will not have the right people, with the right skills, in the right jobs and locations to face its future challenges.

SSA Is Making Progress in Workforce Planning Initiatives, but Some Lack Future Focus

Principles of human capital management suggest that workforce planning be explicitly linked to an agency's strategic and program plans and that it meaningfully involve the agency's human resource professionals. To address SSA's impending staff retirements and to help meet its strategic objective "to create a workforce to serve SSA's diverse customers in the 21st century," SSA is developing a 5-year workforce transition plan. The draft plan strives to project what SSA expects to happen in the future, what the effects will be on SSA's workforce needs, and what actions SSA should take to respond to those needs.[23] The plan was developed with direct involvement of key human resource professionals throughout the agency. While a step in the right direction, such a plan is long overdue. The Social Security

---

[19] Social Security Administration: Software Development Process Improvements Started But Work Remains (GAO/AIMD–98–39, Jan. 28, 1998).

[20] This figure does not include additional costs that may be incurred to replace hardware acquired for the initial pilot sites.

[21] *Human Capital: A Self-Assessment Checklist for Agency Leaders* (GAO/GGD–99–179, Sept. 1999).

[22] *Human Capital: Key Principles From Nine Private Sector Organizations* (GAO/GGD–00–28. Jan. 31, 2000).

[23] SSA's draft workforce transition plan includes over 20 action items, with milestones for each to (1) improve the workforce projection and planning process, (2) recruit new employees with the necessary competencies, (3) fully develop and utilize employees, and (4) provide a work environment and culture that support employees.

Independence and Program Improvements Act of 1994, which made SSA an independent agency, required that the agency's appropriations requests for staffing and personnel be based on a comprehensive workforce plan. Even earlier, we reported that the absence of a human resource plan contributed to low morale and problems in such areas as management development and training, agencywide succession planning, and employee/management communication.[24] Then in our 1993 report, we recommended that SSA develop a long-term human resources plan to prepare for future workforce changes.[25]

To link workforce planning to an agency's strategic vision, human capital principles call for identifying current and future human capital needs. Recognizing that it will shortly be facing the prospect of increasing retirements, SSA conducted a study that predicts staff retirement and attrition by year, from 1999 to 2020, as well as by major job position and agency component. In making these predictions, SSA went beyond identifying the dates that its employees first become eligible to retire by also factoring in 10 years of historical retirement data to make more realistic projections. SSA also conducted focus groups with recent retirees and current employees eligible for retirement to identify factors that might affect their decisions to retire once eligible. SSA expects the focus group and retirement study will help its managers in their workforce planning, and the agency intends to update the retirement data on an ongoing basis. However, aspects of the retirement study might not provide sufficient detail to be useful for some line managers. For example, the study lumps all supervisors from the GS–7 to SES levels into one supervisory category, whereas planners and managers might have a better idea of how to prepare for the imminent retirement of upper-level managers if the supervisory data were broken out into further detail. SSA officials told us they plan to break out these data in their next update. Even with this additional information, the agency will still need to develop a concrete plan to clarify what staff, where, and with what skills will be needed to replace the retirees.

To ensure that staff are well-prepared to do their jobs, agencies need to compare the competencies—that is, the knowledge, skills, and abilities—employees need, both now and in the future, with the knowledge, skills, and abilities they possess. As part of its draft workforce transition plan, SSA has already identified core competencies that its leaders and employees need to possess today, and the agency is taking steps to evaluate and update the competency levels of its existing staff.[26] The agency has developed automated self-assessment tools that supervisors and nonsupervisors can use to evaluate whether they need improvement in any of the core competencies identified by SSA. When the individual completes the assessment, the tool identifies areas where the individual needs additional training and provides a list of courses related to that competency area. The self-assessment tool is currently being piloted at a number of SSA offices. Through these steps, SSA is making some progress in identifying and developing core competencies, but its efforts to date reflect today's workforce needs rather than tomorrow's. SSA recognizes the need to identify competencies that reflect its future workforce needs so that it can more effectively recruit and train staff to handle more complex customer needs and new technology tools. Once these future competencies are identified, SSA will need to develop new training programs, including ones to help current and new staff adapt to new technologies.

To ensure continuity of leadership, human capital principles call for identifying leadership traits that support an agency's mission and goals, and building and sustaining a pool of leaders through recruitment, hiring, development, retention, and succession planning. We have long stressed the importance of succession planning and formal programs to develop and train managers at all levels at SSA. As early as 1993, we recommended that SSA make succession planning a permanent aspect of its human resource planning and evaluate the adequacy of its investments in management training and development.[27] SSA has recently created three 2-year national development programs to help prepare selected staff to assume mid-and top-

---

[24] *Social Security Administration: Stable Leadership and Better Management Needed to Improve Effectiveness* (GAO/HRD–87–39, Mar. 18, 1987) and *Social Security: Status and Evaluation of Agency Management Improvement Initiatives* (GAO/HRD–89–42, July 24, 1989).

[25] GAO/HRD–94–22, Oct. 27, 1993.

[26] Core competencies identified by SSA are attributes needed by all its employees, including qualities such as organizational awareness, basic program knowledge, ability to apply computer skills on the job, and customer service orientation.

[27] See GAO/HRD–94–22, Oct. 27, 1993; GAO/HEHS–96–196, Sept. 12, 1996; GAO/T–HEHS–98–113, Mar. 12, 1998; and *Social Security Administration: Significant Challenges Await New Commissioner* (GAO/HEHS–97–53, Feb. 20, 1997).

level leadership positions at the agency.[28] Each of these programs accommodates between 35 and 40 staff. Because of the large number of expected management retirements, SSA hopes to regularly repeat these national programs over the next 10 years. It will be important for the agency to do so. In addition to these formal development programs, SSA is also taking steps to provide leadership training for all its current supervisors, managers, and executives.[29] Also, SSA regional and headquarters offices are providing additional leadership development opportunities to their staff.

SSA Recognizes Need to Improve Hiring and Investments in Human Capital

Human capital principles call for recruitment and hiring strategies that target short-and long-term needs and gaps identified through workforce planning. SSA's draft workforce transition plan emphasizes that, in the future, the agency will need to recruit and hire more effectively in order to compete with other employers in an increasingly tight labor market. To improve the recruitment process, SSA is seeking ways to simplify its hiring process and use special recruiting tools and approaches for hard-to-fill jobs. For example, SSA is seeking to establish procedures for providing a salary advance for job candidates who possess skills that are in high demand and is developing criteria for incentive awards for current employees who refer candidates who are hired for such jobs. However, according to SSA officials, the agency's freedom to take some actions may be limited by governmentwide hiring and recruitment policies and procedures, such as the Office of Personnel Management test requirements for certain SSA positions and governmentwide salary limitations on candidates who have needed critical skills. SSA recognizes it will need to work with the Office of Personnel Management to simplify these aspects of its hiring process. Regardless, competition in the labor market for staff with certain critical skills, such as those with the ability to help design and implement new technology and information systems, is already stiff, and SSA will have difficulty recruiting the talent that is critical to meeting future challenges.

Maintaining positive working conditions is another key to human capital management. The draft workforce transition plan contains a number of action items to provide a work environment that supports employees. These items include opening or expanding child care facilities and fitness centers and making improvements to SSA facilities from a environmental health or security standpoint where necessary. For certain action items, such as expanding telecommuting, it will be difficult for SSA to be receptive to employee preferences for telecommuting because employees' responsibilities for customer service often require an on-site presence.

Another essential human capital principle involves investing in training and development to build and sustain critical staff competencies, such as customer service skills. This would include appropriate investments in education, training, and other developmental opportunities to help employees build the competencies needed to achieve the agency's strategic mission and goals. To meet the challenge of SSA's significant training needs, particularly with respect to the large number of anticipated new staff, SSA has been making a major investment in Interactive Video Teletraining (IVT). SSA currently provides IVT at 78 percent of its sites around the country and is considering expanding IVT to all sites. In the past, staff generally received classroom training, often away from their home units—an approach SSA recognizes will be costly to sustain given the large numbers of new staff it expects to hire. In contrast, SSA's new IVT training modules are transmitted live to staff in their home units, thus avoiding travel and per diem costs. However, to be effective for new hires, IVT sessions are to be supplemented with on-the-job training by a mentor at the work site. Providing for mentors will be challenging for SSA given the large number of experienced staff expected to retire and the growing customer service demands being placed on remaining staff. SSA officials told us that having the ability to bring new staff on board before the experienced staff retire would facilitate the mentoring process. SSA plans to evaluate the relative effectiveness of IVT, which is important, because IVT is new to SSA.

Even though individual elements of SSA's workforce transition plan are consistent with principles of human capital management, to date the agency is undertaking these initiatives in isolation from a comprehensive vision and plan for future service

[28] Specifically, SSA established the Career Development Program in July 1998 to prepare staff for senior executive positions and the Advanced Leadership Program in April 1999 to prepare staff for upper-level management positions. SSA expects to begin the Leadership Development Program, to prepare staff for mid-level management positions, in March 2000.

[29] As a basis for its training, SSA is using 30 leadership competencies, or characteristic and measurable patterns of behavior, skills, and knowledge, that engender superior performance in a specific job.

delivery. It is vital that SSA's workforce efforts be well integrated with any future service delivery plans. If they are not, actions taken now could prove counterproductive. For example, SSA is now considering the expansion of its IVT equipment and facilities to all SSA offices. SSA officials told us that while IVT equipment is not very expensive, renting or otherwise securing appropriate facilities to support IVT training can be. However, such investments may ultimately prove unnecessary if SSA's service delivery plan calls for adjustments in the number of field offices, other facilities, or the types of services offered at these facilities. Similarly, SSA's current policy to replace each staff person who retires might result in the deployment of staff in locations or positions inconsistent with the agency's future vision.

State Disability Offices Face Similar Workforce Challenges

While SSA has taken many steps toward preparing its own workforce for future retirements and other challenges, its workforce planning efforts do not extend to the large number of state workers who are responsible for making disability determinations. Because state workers are not SSA employees, SSA's draft workforce transition plan has not taken into account DDS retirement and other workforce trends. However, the state agencies will likely be undergoing many of the same stresses being experienced by SSA, including the retirement of large numbers of skilled staff and stiff competition in the labor market for qualified staff. As noted earlier, these DDS employees are responsible for making initial and ongoing disability determinations, which requires considerable expertise and knowledge of complex regulations and policies. It will be important for the DDS offices to adequately prepare for these workforce changes and for SSA to share its plans and other useful approaches with DDS managers. According to SSA officials, DDS staff have participated in SSA's training programs, and SSA plans to invite them to use the self-assessment tool for evaluating their core competencies.

IMPLICATIONS OF SSA'S CURRENT PLANS AND EFFORTS FOR ITS FUTURE READINESS

If SSA is to meet its future customer service obligations, it is important for the agency to allocate funds for the human capital and information technology initiatives that are vital to helping it face its impending challenges. For example, SSA will need to continue and possibly expand its leadership development programs to fill the gaps left by retiring managers and executives. Also, SSA will need to continue exploring and investing in various technologies to manage its increasing workload and to improve service delivery. As with any initiative, continued funding should depend on progress or demonstrated success under a program of vigilant oversight.

Even if SSA is able to carry out all of its planned initiatives, however, it is not clear that the agency is adequately prepared for the future. SSA is relying heavily on its information technology to meet the demands of its growing workload. However, until the agency has identified the benefits from its various information technology investments, it will not know whether it will need to take other steps, such as adding staff or contracting out some of its services, in order to cope with its future challenges.

Given the serious challenges facing the agency, you asked us to address the possible implications of removing SSA's administrative expenses from the caps that are used to limit discretionary spending in the federal budget overall. If this were done, SSA would no longer have to compete directly with other federal agencies for funding of its administrative expenses, which could potentially result in increased administrative funding. However, most of SSA's administrative budget is financed from the OASI and DI Trust Funds.[30] An increase in SSA's administrative budget, unless paid for through a separate appropriation of general funds, would not provide any new source of funding but would instead draw additional resources from the Social Security Trust Funds. This would reduce the Trust Fund surpluses and somewhat exacerbate the Social Security program's long-term financing problems. In addition to the effect on the Trust Funds, there are technical implications of removing SSA's administrative expenses from the discretionary spending caps. (We provide additional information on this issue in app. II.)

Because of the uncertainty over whether SSA's current plans are adequate, it will be important for SSA and the Congress to closely monitor the agency's performance. Also, before future financing needs can be determined, SSA will need to complete a number of important planning activities. To help ensure that SSA makes optimal use of its resources and places itself in the best position to cope with its future service delivery challenges, the agency will need to complete its 2010 service vision and

[30] The OASI and DI Trust Funds are funded by Social Security taxes paid by workers and their employers. SSI administrative costs are paid through general funds.

use it to develop an overarching service delivery plan. This plan would then provide the framework to guide SSA's future information technology and workforce decisions and investments. In addition, the agency will need to

- complete assessing the benefits (that is, work-year savings, productivity increases, and improved service delivery) expected from its information technology initiatives and then closely monitor whether these benefits are being realized;
- monitor service delivery measures for degradation in quality, satisfaction, and timeliness and to look for early warnings of work backlogs; and;
- more aggressively pursue all possible options to better position itself for the future, such as developing cost-saving electronic service delivery options or altering the agency's network of facilities to more closely align it with projected customer needs and demographics.

This concludes my formal statement. I will be happy to answer any questions that you or other Members of the Subcommittees may have.

GAO CONTACTS AND ACKNOWLEDGMENTS

For future contacts regarding this testimony, please call Cynthia M. Fagnoni at (202) 512–7215 or Joel Willemssen (202) 512–6253. Kay Brown, Valerie Melvin, Christine Bonham, Michele Grgich, Yvette Banks, Robert Tomcho, and Gregory Micco also made key contributions to this testimony.

APPENDIX I

SELECTED HUMAN CAPITAL PRINCIPLES KEY TO MEETING FUTURE CHALLENGES FACED BY SSA

In reviewing SSA's efforts to prepare its workforce for the future, we applied the following human capital principles.[31]

Treat human capital management as fundamental to strategic business management. Integrate human capital considerations when identifying the mission, strategic goals, and core values of the organization as well as when designing and implementing operational policies and practices. Establish measures that provide meaningful data on the full range of human capital policies and practices and how these practices promote mission accomplishment.

Implement an explicit workforce planning strategy. Link workforce planning to the agency's strategic and program planning efforts to identify its current and future human capital needs, including the size of the workforce; its deployment across the organization; and the knowledge, skills, and abilities needed for the agency to pursue its strategic mission and goals. Include information on attrition rates, retirement rates, and projected eligibility by pay level and ratios of managers to employees. Identify roles and core competencies needed to support the agency's strategic mission and goals, and develop an inventory of current and future skills needs and gaps.

Integrate employee input into the design and implementation of human capital policies and practices. Incorporate the first-hand knowledge and insights of employees and employee groups to develop responsive human capital policies and practices. Empower employees by making them stakeholders in the development of solutions and new methods of promoting and achieving high performance of organizational missions and goals.

Hire, develop, and sustain leaders according to leadership characteristics identified as essential to achieving specific missions and goals. Define the kind of leaders the agency wants (that is, their roles, responsibilities, attributes, and competencies) and the broad performance expectations it has for them in light of the agency's shared vision. Ensure continuity through succession planning; investments in development programs; selection criteria linked to the agency's shared vision, competencies, and broad expectations; and information on attrition rates, retirement eligibility, and retirement rates of executives.

Hire, develop, and retain employees according to competencies. Develop a recruiting and hiring strategy that is targeted to fill short-and long-term human capital needs and, specifically, gaps identified through the agency's workforce planning efforts. Make appropriate investments in education, training, and other developmental opportunities to help employees build the competencies needed to achieve the agency's shared vision, and encourage continuous learning and improvement.

Deploy the agency's workforce in a way that is appropriate to mission accomplishment. Ensure that workforce deployment—both geographically and organization-

[31] An effective performance culture to enable and motivate performance is another key human capital principle; however, SSA's efforts in this area were beyond the scope of our review.

ally—supports organizational goals and strategies and is keyed to efficient, effective, and economic operations.

Measure the effectiveness of human capital policies and practices. Evaluate and make fact-based decisions on whether human capital policies and practices support high performance of mission and goals.

Implement an information technology plan. Ensure that employees are making the best use of information technology to perform their work and to gather and share knowledge. Emphasize the alignment of the agency's information technology programs with its mission, goals, and strategies. Obtain employee feedback to ensure they have the opportunity, incentives, support, and training to make the appropriate use of technology to do their work and to acquire and share knowledge.

Take the necessary steps to help employees effectively, economically, and efficiently pursue their work. Establish appropriately tailored organizational structures, job processes, workplace facilities, tools, work arrangements, and other resources and opportunities.

These human capital principles represent a subset of principles from two recent GAO reports that are relevant to our review of SSA's efforts to address its future challenges. The first report[32] is a checklist of human capital issues we developed for agencies to use to self-assess and improve their human capital management. The values found in the checklist were derived from various sources, including 32 leading organizations in the private sector and governments at the state and local levels and abroad; the Malcolm Baldridge National Quality Award Program and the President's Quality Award Program; relevant parts of title 5 U.S.C., "Government Organization and Employees," and 5 C.F.R., "Administrative Personnel"; and the Government Performance and Results Act, along with agency guidance contained in OMB *Circular No. A–11.* The second report[33] identifies common principles underlying the human capital strategies and practices of nine private sector organizations recognized as innovative or effective in strategically managing their human capital: Federal Express Corp.; IBM Corp.; Marriott International, Inc.; Merck & Co., Inc.; Motorola, Inc.; Sears, Roebuck and Company; Southwest Airlines Co.; Weyerhouse Co.; and Xerox Corp., Document Solutions Group.

APPENDIX II

TECHNICAL IMPLICATIONS OF REMOVING SSA'S ADMINISTRATIVE EXPENSES FROM THE DISCRETIONARY SPENDING CAPS

Currently, SSA's administrative expenses are controlled by an obligation limitation contained in the agency's appropriation act and are considered to be subject to the discretionary caps set forth in the Deficit Control Act (DCA).[34] This means SSA's administrative expenses must compete for funding with most of the other discretionary programs in the budget.[35]

We contacted OMB regarding the implications of removing SSA's administrative expenses from the discretionary spending caps. According to OMB, under the DCA, if this funding was moved out from under the discretionary caps by redefining it as "mandatory"—that is, not subject to appropriation act control—this would be a "change in concepts and definitions." The DCA requires adjustments to the caps for such changes in concepts, but the timing of the adjustment would depend on how the change was made. Further, OMB indicated that if the change was the result of technical discussions and agreement among the scorekeepers[36] and was not related to making room for additional spending by other agencies under the existing discretionary caps, OMB would lower those caps by the baseline amount of SSA's administrative funding. If the change was made by direction in legislation, the administrative funding would not be scored as discretionary and more room would be available under the caps for 1 year. However, OMB would most likely reflect the change by lowering the caps in subsequent years, thus putting more pressure on the following year. As a result, in OMB's view, shifting SSA's administrative expenses

[32] GAO/GGD–00–28, Jan. 31, 2000.

[33] GAO/GGD–99–179, Sept. 1999.

[34] The Deficit Control Act is the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Enforcement Act of 1990, the Omnibus Budget Reconciliation Act of 1993, and the Budget Enforcement Act of 1997. The Deficit Control Act, as amended, established statutory limits on federal government spending for fiscal years 1991 through 2002 by creating, among other controls, annual dollar limits (spending caps) on discretionary spending funded through the regular appropriations process.

[35] For fiscal years 2001 and 2002, SSA's administrative funding does not compete with highway and mass transit spending, each of which has its own cap.

[36] The scorekeepers are the House and Senate Budget Committees, the Congressional Budget Office, and OMB.

to mandatory spending would create, at the most, additional room under the caps for 1 year for funding other programs.

Administrative expenses are typically viewed as controllable and thus fit into the discretionary category of spending. Questions might be raised about considering them mandatory. If SSA's administrative expenses are not controlled by obligation limitations in an appropriation act, the locus of control would shift to SSA's authorizing committees, and some mechanism would be required to limit the amount of Social Security trust funds that could be spent on administrative expenses.

It is important to note that the shift in the locus of control would not provide any new source of financing, because administrative funds come out of the trust funds that pay Social Security benefits. Therefore, any increase in the administrative budget would reduce the trust funds unless a general fund appropriation was made. However, such an appropriation would be discretionary and would have to compete with other programs for the limited funding under the discretionary caps.

RELATED GAO PRODUCTS

Human Capital: Key Principles From Nine Private Sector Organizations (GAO/GGD–00–28. Jan. 31, 2000).

Social Security Disability: SSA Has Had Mixed Success in Efforts to Improve Caseload Management (GAO/T–HEHS–00–22, Oct. 21, 1999).

Human Capital: A Self-Assessment Checklist for Agency Leaders, Discussion Draft (GAO/GGD–99–179, Sept. 1999).

Social Security Administration: Update on Year 2000 and Other Key Information Technology Initiatives (GAO/T–AIMD–99–259, July 29, 1999).

SSA Disability Redesign: Actions Needed to Enhance Future Progress (GAO/HEHS–99–25, Mar. 12, 1999).

Social Security Administration: Technical Performance Challenges Threaten Progress of Modernization (GAO/AIMD–98–39, June 19, 1998).

SSA'S Management Challenges: Strong Leadership Needed to Turn Plans Into Timely, Meaningful Action (GAO/T–HEHS–98–113, Mar. 12, 1998).

Social Security Administration: Software Development Process Improvements Started, but Work Remains (GAO/AIMD–98–39, Jan. 28, 1998).

Social Security Administration: Significant Challenges Await New Commissioner (GAO/HEHS–97–53, Feb. 20, 1997).

Social Security Administration: Effective Leadership Needed to Meet Daunting Challenges (GAO/HEHS–96–196, Sept. 12, 1996).

Social Security Administration: Risks Associated With Information Technology Investment Continue (GAO/AIMD–94–143, Sept. 19, 1994).

*Social Security: Sustained Effort Needed to Improve Management and Prepare for the Future (*GAO/HRD–94–22, Oct. 21, 1993).

Social Security: Status and Evaluation of Agency Management Improvement Initiatives GAO/HRD–89–42, July 24, 1989).

Social Security Administration: Stable Leadership and Better Management Needed to Improve Effectiveness (GAO/HRD–87–39, Mar. 18, 1987).

Chairman SHAW. Thank you. In the report that you have submitted to the Congress, and we talked about it several times with the previous panel with regard to the aging work force, this is one of the more frightening things about what is going on. Could you further elaborate on what you found there and what you might suggest as where to go?

Ms. FAGNONI. Well, as we pointed out, SSA did do a study——

Chairman SHAW. I am talking about the aging work force within the agency, not country as a whole. Excuse me.

Ms. FAGNONI. SSA did do an assessment to try to get a handle on what that retirement wave might look like and at what pace people might leave the agency due to retirement. In part they used historical information that, of course, shows not everybody who is eligible for retirement, retires. But they do have some estimates of how many people will retire, are expected to retire, and, as we show, it will peak about the same time that its workloads are ex-

pected to be increasing. That poses significant challenges, and as the members of the Board said, it is important for SSA not only to be positioned now to replenish the staff who are leaving, but to make sure they know what skills and abilities they need for these new staff coming in to meet the challenges with the new kinds of clients that they are going to be serving.

If you think about the fact that many of the people who will be retiring over the next 10 years were hired 30 years ago, the skill mix that is needed for this century is likely to be very different from what was needed 30 years ago when these people came into the agency. Just to cite one example, there is a significantly higher percentage of individuals on the disability rolls who have mental impairments, and that poses particular challenges both in terms of how to serve these individuals but also the judgments and training that are needed to assess whether or not people are, in fact, mentally impaired and how severe the impairment is.

So while SSA officials have taken some important steps to get a handle on how many people might be leaving over the next decade, they have not gone as far at this point to determine what the skill mix might be that they need in the future and how that might differ from what they have on board.

Chairman SHAW. How does all of this relate to the increased productivity due to technology? I see that also in your testimony you refer to the computers and the aging of these particular computers. The replacement that we make today we assume will probably be somewhat obsolete at the time the baby boomers hit the system. Is there any plan in place for an orderly replacement of the technology as it's upgraded? We are starting from way behind at that particular point according to how I understand your testimony.

Ms. FAGNONI. I will turn to Mr. Willemssen who is our expert on technology.

Mr. WILLEMSSEN. The agency has just undergone a major modernization with its field offices on the workstations and local area networks, and they are planning a major replacement project for that effort to start I believe in Fiscal Year 2003, and one of the areas that we are most anxious to see is SSA is now committed to demonstrating what kind of benefits have accrued from that initial investment so they can use that information to better target their technology modernization upgrade that will be starting down the line.

Chairman SHAW. Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman, and thank you, Ms. Fagnoni, and welcome back.

Ms. FAGNONI. Thank you.

Mr. ENGLISH. A couple of points you raised that I am particularly interested in: First of all, you have expressed concern over weaknesses in the agency's complex systems for measuring workload, productivity, and quality. How much does SSA know about who receives services and the quality of those services rendered in the field offices? What is the agency doing to address any weaknesses in this regard, and are they taking the right steps in your view?

Ms. FAGNONI. Actually, that is a weakness that has been, I think, frustrating to those of us who are trying to get a good handle on SSA's service delivery structure and how well positioned the

agency is, and the reason I say that is because while SSA has methods for on a national level knowing how satisfied people are with service, what SSA is not able to do is go field office by field office and understand how satisfied people are with the service at that particular office. Particularly they do not have good measures of the numbers of people who walk into those offices each day and how that may ebb and flow at different points in time.

They do not have a good handle on the numbers of people who call the field office and why they are calling. They do not know why people are walking in on a routine basis. Routinely, they do not know this and how many might walk out or hang up without being served. They have better information on people who come in to file for claims because that information gets recorded on their systems, so they have a very incomplete picture of how their field offices are performing, and I think that makes it difficult for them when they try to do their service delivery plan to really know which are the offices that are especially overcrowded, and are there offices that may be undercrowded. Maybe the clientele base that once was there is not there or is choosing alternative ways to be served, and I think that is the piece of this that SSA has less information on.

In fact, one of the reasons you will hear so much about their 800 number performance is because they have a lot of data on their 800 number performance and that level of data are not available for the field offices—for specific field offices.

Mr. ENGLISH. In your testimony you indicated that Social Security, while it is making progress in its work force planning initiatives, is lacking a future focus. Can you be a little more specific about what SSA has done in this area and what do you see are the strengths and weaknesses of their approach?

Ms. FAGNONI. Well, as I mentioned a little earlier, they do have a handle on who might retire, and of course that is a piece of knowing what the work force ought to be. They also, as we recommended, reinstituted leadership programs at the executive and managerial level that they had suspended for some time in the mid-nineties. So they do have a better—they are better positioned for succession planning at the executive and managerial level.

They have a sense of who is going to retire. They are in the process of documenting what skills they have on board. They are collecting that information at a sort of general competency level and are in the process of determining on a more job-specific basis what skills they have on hand. What they have not yet done, although my understanding is they know they need to do this, is to get a handle on what skill mix they will need for the future and how that compares with what they have now and what they will need for their hiring, for their recruiting and retention plans.

Mr. ENGLISH. You indicate that the SSA has established something called a market measurement program to improve and consolidate its approach to assessing customer expectations. Can you describe this program, and why do you feel more needs to be done in this area?

Ms. FAGNONI. The market measurement program is something that was put in place a couple of years ago in part because while SSA had a lot of different initiatives underway in different parts of the agency to obtain feedback both from customers and in some

cases from employees, it was not well coordinated. One of the goals of this particular effort was to get a better handle on what data were being collected in terms of feedback, how that could be better coordinated and organized, what else they needed to obtain.

So SSA has done that. They actually did that with the help of an outside consultant. They have also instituted some additional surveys such as re-contact surveys where they are now asking people who call or go to the fields offices how they felt about that service provided. That is something they were not doing in the same way in the past, and at this point they are partway through gathering and analyzing the data that they have obtained. So they will get some better information on—and more coordinated information on—customer as well as employee feedback.

And another very important thing that they are doing for the first time is segmenting people's responses by the type of customer, and the reason that is important is because I believe they may very well find that somebody who is applying for retirement benefits may very well have different views and different preferences for service than someone who is filing for disability benefits or somebody with mental impairments who is seeking assistance once they have obtained disability benefits. I think that information can be important for SSA in understanding and determining how to serve people in the future.

Mr. ENGLISH. Thank you, and thank you, Mr. Chairman.

Chairman SHAW. Thank you, Mr. English. And thank you, Ms. Fagnoni, for joining us. We always look forward to your appearances before this Subcommittee.

Ms. FAGNONI. Thank you.

[The following questions submitted by Chairman Shaw, and Hon. David M. Walker's responses are as follows:]

February 28, 2000

The Honorable David M. Walker
Comptroller General of the United States
U.S. General Accounting Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. Walker:

As a follow up to the joint subcommittee hearing held on February 10 regarding the current and future service delivery challenges that Social Security is facing, I would appreciate your answering the following questions for the record:

1. In your testimony (page 1) you state "While we have recommended since 1993 that SSA prepare a service delivery plan, SSA is only now beginning to develop a broad vision for customer service for 2010." Why the 7-year delay?

You indicate that according to SSA officials, the agency does *not* have plans to go beyond this vision and issue a more detailed plan. How is a "vision" different from a "plan"? What does the absence of a detailed plan mean for customer service?

2. Would you elaborate on the consequences of developing plans out of sequence, specifically SSA's continued pursuit of workforce and information technology planning without a service delivery plan in place? Is SSA expending scarce resources today to develop service delivery systems that may prove to have limited usefulness by the time they are in place? Or hiring employees with the wrong skills to work in locations where they may not be needed in the future?

3. A recent *Washington Post* article discussed how productivity gains especially in manufacturing are helping the economy produce more and better goods and services while lifting wages and still keeping inflation at bay. Presumably this is occurring because businesses are figuring out how to capitalize on the digital revolution.

• In contrast, your testimony points out that, despite SSA's efforts to modernize computer capacity since the 1980s (page 3) and their "relying in large part on technology to achieve increased efficiencies" (page 1), "the benefits from (SSA's) tech-

nology investments have largely been unclear." Further, SSA "has not yet been able to demonstrate specific benefits resulting from some of its most significant investments" (page 10).

• How is it possible that after more than 10 years we do not know whether these investments in SSA have increased worker productivity there? While I note that SSA recently told you they are "now conducting studies," when do you think we will have that information? What is it likely to show? After how much money has been spent on computerization (which SSA calls IWS/LAN)?

• Not having this information seems especially exasperating in light of the gains we see elsewhere in the economy, and given your point (page 4) that SSA needs to increase worker productivity by 27 percent between now and 2010 to keep up with expected increases in demand.

4. You have made the point that Social Security's customers and their needs will change over time. Please tell us more about the special challenges that Social Security will face because of this.

5. About half of all households have online access now. Today, on the internet, you can buy a car. You can find a job. You can access stocks and savings, and pay all your bills. You can apply for a home loan worth hundreds of thousands of dollars in just seconds—without ever sitting down and seeing anyone face to face. You can pay your taxes, and in fact the government is encouraging people to do so. You can even buy and print out stamps without leaving your desk. Yet you can't apply for Social Security benefits online. Why? Does Social Security see online applications for benefits as one way they will provide services in the future? If so, starting when?

Since it's pretty obvious that online applications for benefits are both inevitable and may conserve scarce worker resources, are you comfortable with how Social Security is going about developing this process from the standpoint of openness, timeliness, and ensuring maximum privacy and data protection?

6. Please talk to us about how online applications for benefits might allow Social Security to provide better, more convenient services, and perhaps at lower cost to taxpayers. Rather than only 1,300 field offices, wouldn't people have literally millions of new ways to access benefits, including from the convenience of their home? Might SSA staff have more flexible work conditions, including working from home handling electronic applications? And couldn't field offices concentrate on tough cases that require face-to-face service, such as disability cases and SSI cases, and maybe do more outreach into the community? Does SSA foresee such benefits?

7. You describe a new technology strategy that the agency is using to address the needs of its disability claims process. Can you provide a brief overview of the components of this strategy and your assessment of the appropriateness of this strategy and the effectiveness of the tests of this strategy so far?

8.Your testimony includes a discussion of the various technology initiatives being implemented to support the Office of Hearings and Appeals, yet you indicate that long-term efforts have not yet been defined. Does this mean SSA hasn't identified all of the technologies needed to meet the needs of its hearing offices?

I appreciate your taking the time to answer these questions for the record. If you have any questions concerning this request, please feel free to contact Kim Hildred, Staff Director, Subcommittee on Social Security at (202) 225–9263.

SINCERELY,
E. Clay Shaw, Jr.
Chairman

cc: The Honorable Nancy Johnson
Chairman, Subcommittee on Human Resources

United States General Accounting Office
Washington, DC 20548

Accounting and Information
Management Division

B-285720

May 11, 2000

The Honorable E. Clay Shaw, Jr.
Chairman, Subcommittee on Social Security
Committee on Ways and Means
House of Representatives

Subject: Social Security Administration: Subcommittee Questions Concerning Current and Future Service Delivery Challenges

Dear Mr. Chairman:

This letter responds to your February 28, 2000, request that we provide answers to questions relating to our February 10, 2000, testimony.[1] In that testimony, we discussed the Social Security Administration's (SSA) efforts in preparing its workforce to meet future service delivery challenges. Your questions, along with our responses, follow.

1. *In your testimony (page 1) you state "While we have recommended since 1993 that SSA prepare a service delivery plan, SSA is only now beginning to develop a broad vision for customer service for 2010." Why the 7-year delay?*

   You indicate that according to SSA officials, the agency does not have plans to go beyond this vision and issue a more detailed plan. How is a "vision" different from a "plan"? What does the absence of a detailed plan mean for customer service?

In short, a service "vision" is a futuristic goal, and a service delivery plan is a road map for getting there. According to experts, a well-conceived vision looks beyond the common 5-year planning horizon.[2] A service vision provides broad, guiding principles for future service to the public, takes into account expected changes in the environment and customer needs, and is consistent with the agency's core mission and values. The next step, a service delivery plan, spells out more concretely how the

[1] *SSA Customer Service: Broad Service Delivery Plan Needed to Address Future Challenges* (GAO/T-HEHS/AIMD-00-75, February 10, 2000).

[2] James C. Collins and Jerry I. Porras, "Building Your Company's Vision," *Harvard Business Review* (September-October 1996). Also see *Serving the American Public: Best Practices in Customer-Driven Strategic Planning*, Federal Benchmarking Consortium Study Report, February 1997.

agency will align its organization and resources to turn its vision into reality. Such a plan contains more details on how and where the agency will provide services in the future, and who will provide them.

The reason for SSA's delay in implementing our recommendation is not so clear. In 1993, in response to our recommendation, SSA indicated that its efforts to develop a service delivery plan were on a fast track. However, SSA has not placed a priority on completing such a plan and is only now working on developing a vision for service in 2010. Since our testimony, SSA has indicated that it plans to follow its "2010 Vision" with more detailed service planning. Service delivery plans can involve difficult decisions concerning resource allocations and organizational structure, and completing a meaningful service delivery plan will be challenging for the agency.

In the absence of detailed service delivery plans, SSA has not yet made the difficult choices needed to allocate its limited resources to ensure that the agency is adequately prepared to serve its future customers. For example, the agency must decide what new job skills it needs, whether to hire new staff or train existing staff or both, and where in the organization it should place the individuals with those skills. Other tough choices include whether and how to restructure its network of approximately 1,300 field offices to best serve changing customer demographics, needs, and expectations. Over 50 percent of SSA's staff will become eligible to retire over the next 10 years; as a result, the agency is presented with an opportunity to correct uneven workloads and staffing levels and to rethink where and how to use its workforce to provide service in the most effective and efficient way.[3] A number of options exist for restructuring service delivery, including closing or consolidating offices with very few employees or minimal walk-in traffic, providing specialized services at selected offices, varying the hours of service to the public, co-locating SSA staff with other offices or agencies,[4] and contracting with third parties to provide services.

2. *Would you elaborate on the consequences of developing plans out of sequence, specifically SSA's continued pursuit of workforce and information technology planning without a service delivery plan in place? Is SSA expending scarce resources today to develop service delivery systems that may prove to have limited usefulness by the time they are in place? Or hiring employees with the wrong skills to work in locations where they may not be needed in the future?*

Ideally, SSA should base its decisions on investments in information technology and its workforce on a detailed service delivery plan. Without a well-developed plan, SSA cannot be assured that its investments in human capital and technology, and decisions regarding the use of its many field offices and other facilities, will fully support its vision of service delivery.

---

[3]To successfully match workloads with resources, SSA needs a better system for measuring workloads at the office level. The agency is currently working to make needed improvements in this area.

[4]SSA already participates in U.S. General Stores in Atlanta and Houston, which provide a wide range of government services to respond to individual and small business information needs.

In the absence of such a plan, SSA currently has a number of initiatives underway that involve significant investments in information systems and facilities. For example, as we previously reported, SSA is considering expanding its interactive video training network (beyond the 78 percent of offices currently equipped with this technology). Similarly, SSA has an initiative underway to upgrade telephone systems at its field offices. However, investments in expanded video training or telephone equipment upgrades, or for that matter any large investment in permanent equipment or infrastructure, could prove imprudent if made at offices that do not support or fit into SSA's future vision of service.

Similarly, investments in human resources should be guided by a service delivery plan. As we reported, SSA will need to begin replacing its retiring workforce in the very near future. Moreover, in recent testimony, SSA indicated that it would like to "flatten" the retirement wave by offering early outs—an action that would allow SSA to increase the number of new hires in the near term. SSA needs to have a service delivery plan in place as it begins to replace retiring workers to ensure that new staff have the right skills and are located in offices that support the agency's future service vision. Knowing which new skills are needed and where to place new staff will also be important as SSA moves forward with its initiative to assist disability beneficiaries in returning to work pursuant to the Ticket to Work and Work Incentives Improvement Act of 1999.[5] For example, SSA is exploring a new position—the employment support specialist. This individual might be located at a field office and be responsible for informing beneficiaries of the available new work incentives and conducting outreach to service providers in the community.

3. *A recent Washington Post article discussed how productivity gains, especially in manufacturing, are helping the economy produce more and better goods and services while lifting wages and still keeping inflation at bay. Presumably this is occurring because businesses are figuring out how to capitalize on the digital revolution. In contrast, your testimony points out that, despite SSA's efforts to modernize computer capacity since the 1980s (page 3) and their "relying in large part on technology to achieve increased efficiencies" (page 1), "the benefits from (SSA's) technology investments have largely been unclear." Further, SSA "has not yet been able to demonstrate specific benefits resulting from some of its most significant investments" (page 10).*

   How is it possible that after more than 10 years we do not know whether these investments in SSA have increased worker productivity there? While I note that SSA recently told you they are "now conducting studies," when do you think we will have that information? What is it likely to show? After how much money has been spent on computerization (which SSA calls IWS/LAN)?

---

[5]The act directs SSA to establish a program to provide disability beneficiaries with a ticket they may use to obtain vocational rehabilitation and other services related to finding employment or achieving self-sufficiency.

Not having this information seems especially exasperating in light of the gains we see elsewhere in the economy, and given your point (page 4) that SSA needs to increase worker productivity by 27 percent between now and 2010 to keep up with expected increases in demand.

The benefits from SSA's investments in its computer modernization remain unknown largely because SSA has not previously taken sufficient steps to establish performance measures and to evaluate whether its investments were contributing to tangible, observable improvements in mission performance. Although SSA has repeatedly acknowledged the importance of establishing measurable cost and performance goals and evaluating projects to determine actual costs, benefits, risks, and returns, it has not always followed through to establish such goals or to implement the necessary steps for measuring the performance of its information technology investments.

Specifically, since at least 1994, SSA has been articulating its intentions to determine productivity gains from its computer modernization investment—the Intelligent Workstation/Local Area Network (IWS/LAN).[6] In 1994 we reported[7] that SSA had not established performance measures to help define how the planned computer modernization would support expected improvements in service delivery. Accordingly, we recommended that the agency establish measurable cost and performance goals. In responding to our recommendation, SSA agreed that cost and performance goals for the IWS/LAN investment should be used as a baseline for cost, schedule, and performance monitoring. Moreover, SSA stated that it was developing a system that would provide information to compare actual results to cost, schedule, and performance goals. However, our subsequent review of the IWS/LAN investment in 1998 found that SSA had not followed through on its plan to implement steps for measuring the performance of this initiative.

Our June 1998 report[8] noted, in particular, that SSA lacked target goals and a defined process for determining whether its investment in IWS/LAN was yielding expected improvements in service to the public. We recommended that SSA establish such a process and perform in-process and post-implementation evaluations of IWS/LAN to assess its actual impact on mission performance. These reviews provide managers with information with which to determine the future of the project, such as whether the project should be modified, continued, accelerated, or terminated, and with lessons learned that can be applied to future information technology investments.

---

[6]In 1994, SSA was planning the IWS/LAN implementation; it awarded the initial IWS/LAN contract in June 1996.

[7]*Social Security Administration: Risks Associated With Information Technology Investment Continue* (GAO/AIMD-94-143, September 19, 1994).

[8]*Social Security Administration: Technical and Performance Challenges Threaten Progress of Modernization* (GAO/AIMD-98-136, June 19, 1998).

During a meeting in late December 1999, SSA's chief information officer and deputy commissioner for systems acknowledged that SSA had not evaluated IWS/LAN performance. They stated that this action had not been taken because the agency had not been able to identify an acceptable approach for segregating the benefits specifically attributable to IWS/LAN from those attributable to other factors, such as staffing or policy changes. The officials stated at that time that they had, however, begun formulating plans to evaluate the actual benefits from IWS/LAN, and on February 8, 2000, SSA informed us that it had begun conducting these benefits studies.

At this time, we do not have sufficient information to know what SSA's studies are likely to show about the performance and productivity gains associated with IWS/LAN. According to the Deputy Commissioner for Systems, as of May 8, the studies were ongoing and thus their results were not final. In addition, systems officials stated that they have not yet finished compiling information that will show how much has been spent on the IWS/LAN initiative. They stated that SSA plans to include cost information in the IWS/LAN benefits studies.

We recognize the challenge that SSA faces in trying to identify the benefits specifically attributable to IWS/LAN. However, given the magnitude of this investment, it is important that SSA show the specific performance gains attributable to this initiative. The significance of doing so is increased because SSA is now planning to replace the IWS/LAN equipment in a few years, and the cost, performance, and risk data from the current initiative represent critical input to analyses supporting future information technology investment decisions.

4. *You have made the point that Social Security's customers and their needs will change over time. Please tell us more about the special challenges that Social Security will face because of this.*

Changing customer needs present SSA with a dual set of challenges. One set is associated with the increasing number of its customers who expect to conduct business more quickly and conveniently. To meet this demand, SSA has a number of initiatives underway that involve automation enhancements, such as new or improved communication systems, electronic services, and a decision-support system to help front-line employees provide quick and accurate information. SSA's Office of Systems, which is generally responsible for developing, installing, and maintaining the agency's new systems, will likely be challenged to accomplish the many new initiatives before it, in part because it is experiencing some difficulties retaining and replacing staff with the requisite technical skills. In addition, training front-line staff to use the new systems places demands on SSA's Office of Training, which develops and provides the training, and on the agency as a whole because employees must take time away from growing workloads and directly serving the public in order to be trained.

Another set of challenges is presented by new or growing workloads that require extra time or skills to be managed. For example, as we reported, SSA is serving

increasing numbers of benefits applicants and recipients with mental impairments. Service representatives located at field offices and teleservice centers, already burdened with growing workloads, need to devote more time to helping these individuals with the application process. Disability examiners who work at state agencies and make disability determinations on behalf of SSA will need to stay abreast of an expanding and changing field of medical knowledge, and apply more judgment in assessing disability applications of the mentally impaired. Other workloads that are growing or becoming more complex include those that involve serving an increasing immigrant population, which often has little to no ability to speak English, and providing beneficiaries with return-to-work support.

5. *About half of all households have on-line access now. Today, on the Internet, you can buy a car. You can find a job. You can access stocks and savings, and pay all your bills. You can apply for a home loan worth hundreds of thousands of dollars in just seconds—without ever sitting down and seeing anyone face-to-face. You can pay your taxes, and in fact the government is encouraging people to do so. You can even buy and print out stamps without leaving your desk. Yet you can't apply for Social Security benefits on-line. Why? Does Social Security see on-line applications for benefits as one way it will provide services in the future? If so, starting when?*

   Since it's pretty obvious that on-line applications for benefits are both inevitable and may conserve scarce worker resources, are you comfortable with how Social Security is going about developing this process from the standpoint of openness, timeliness, and ensuring maximum privacy and data protection?

SSA has not yet developed the applications that would enable its customers to apply for Social Security benefits on-line, although it has recently placed more emphasis on doing so in order to help meet future customer service demands. SSA's heightened emphasis on electronic service delivery is being driven by milestones in the President's December 1999 electronic government directive and the Government Paperwork Elimination Act.[9]

For some time, SSA has been cautious in pursuing its on-line initiatives, largely because of the privacy and security concerns raised following its implementation of the on-line personal earnings and benefits estimate statement (currently called the Social Security statement) in 1997.[10] To date, most of SSA's on-line applications have been primarily informational—forms, pamphlets, news, benefits information, and research and statistics—but have not required the disclosure or exchange of personal information. In discussing the agency's status, systems officials stated that SSA has

---

[9]The President's electronic government initiative directs the heads of various federal agencies to make a broad range of benefits and services available through private and secure use of the Internet by December 2000. The Government Paperwork Elimination Act states that federal agencies should consider electronic alternatives to paper submissions and provide on-line processing by October 2003.

[10]*Social Security Administration: Internet Access to Personal Earnings and Benefits Information* (GAO/T-AIMD/HEHS-97-123, May 6, 1997).

chosen to take a more cautious approach to deploying its on-line applications in order to ensure that its computer infrastructure can support the technological measures required to provide maximum privacy and security. Finding reliable ways to authenticate the identity of its customers and ensure the privacy and integrity of its computer systems is critical to SSA's ability to successfully expand its electronic services in an on-line environment.

In anticipation of customer demands for more on-line services, however, SSA has identified various short- and long-term electronic service delivery initiatives that it plans to implement between now and fiscal year 2003. According to officials overseeing these initiatives, current efforts involve only those applications in which the customer supplies data to SSA, such as a request for a retirement claim application or a Medicare replacement card, but does not in return receive data from SSA. To reduce the risk of improper disclosure of personal data, these on-line applications do not provide on-line responses to customers; rather, the responses are mailed. Such applications are considered unidirectional—that is, they do not complete a transaction on-line and do not interact with SSA's systems—thus requiring lower levels of security.

Between fiscal years 2001 and 2003, SSA plans to deploy other on-line applications that will allow customers to access their own accounts and apply for retirement and disability benefits. To date, SSA has released few details about these future on-line applications, stating that its plans are still in the early stages of development. However, because these services will potentially involve exchanging data supplied by both SSA and the customer, these applications will require strong security features to authenticate the customer and protect SSA's data.

SSA is still finalizing its on-line service delivery plans, therefore, we have not been able to assess the sufficiency of the process that it is using to develop and implement its on-line capabilities. However, as SSA proceeds with its plans, it will be essential for the agency to ensure that its on-line applications are secure and that they protect the privacy of the public. Accordingly, the security measures used must be thoroughly developed and tested before the agency begins implementing long-term electronic service delivery efforts and be based on the results of risk assessments that recommend the most suitable technologies for ensuring maximum privacy and data protection. SSA recently reported that it is fully committed to prudent authentication and security technologies to protect the privacy of information with which it is entrusted. To this end, it has begun the process of awarding a contract to determine what security measures are required for its planned on-line applications. These requirements ultimately should help determine whether the agency will be prepared to launch its on-line services between now and fiscal year 2003, as planned.

6. *Please talk to us about how on-line applications for benefits might allow Social Security to provide better, more convenient services, and perhaps at lower cost to taxpayers. Rather than only 1,300 field offices, wouldn't people have literally millions of new ways to access benefits, including from the convenience of their home? Might SSA staff have more flexible work conditions, including working*

from home handling electronic applications? And couldn't field offices concentrate on tough cases that require face-to-face service, such as disability cases and Supplemental Security Income (SSI) cases, and maybe do more outreach into the community? Does SSA foresee such benefits?

On-line applications for benefits could facilitate SSA's efforts to provide better and more convenient service in a number of ways. For example, on-line applications may improve service to SSA's customers by reducing or eliminating the inconvenience of traveling to an SSA office and waiting to speak with a Social Security representative. In addition, on-line applications could help enhance SSA's working conditions by requiring fewer calls from customers and shortening the length of interviews. This, in turn, could free SSA's front-line staff to focus on providing services that are more complex or overly susceptible to fraud. However, providing more flexible working conditions, such as working from home to handle electronic applications, will require more in-depth analyses by SSA to assess such factors as data privacy and security and potential cost savings. SSA will also have to consider how bargaining agreements with labor unions would be affected by these changes.

7. *You describe a new technology strategy that the agency is using to address the needs of its disability claims process. Can you provide a brief overview of the components of this strategy and your assessment of the appropriateness of this strategy and the effectiveness of the tests of this strategy so far?*

The new electronic disability strategy that SSA is developing to address the needs of its disability claims process is expected to incorporate three components:

(1) an electronic disability intake software application, referred to as the Electronic Disability Collect System, that is to be used by SSA's field offices;
(2) enhanced state disability determination service (DDS) claims processing systems; and
(3) a system that will support new business processes within the Office of Hearings and Appeals (OHA).

These three systems components are to be linked via an electronic disability folder that SSA also is developing to serve as its information interface with the disability processing community. According to SSA, the electronic folder will minimize and eventually eliminate the need to retrieve paper files required to process disability cases, and reduce processing times by providing more immediate access to disability claims information.

The first component of the new electronic disability strategy—the Electronic Disability Collect System—is intended to facilitate the field offices' disability intake process by providing an automated means of capturing the required disability information that is currently collected on paper intake forms in field offices or during personal interviews with claimants. SSA expects the new system to expedite the interview process, which is currently estimated to take approximately 1 hour for each client. In particular, the new system is expected to enable field offices to

electronically import from SSA's mainframe systems any case information that had previously been collected on the claimant. In addition, the system is being designed to provide pull-down menus containing responses to frequently asked questions, to help minimize manual rekeying of repetitive information and reduce data-entry errors. Further, according to SSA, this system will enable the collection of preliminary data needed by state DDSs to make disability determinations and will in conjunction with the electronic folder expedite the movement of the disability case to the DDS to begin adjudication.

The second component of the new strategy will involve enhancing state DDS' disability claims processing systems. Currently, 46 of the 54[11] state DDSs use one of three standard systems to process disability claims.[12] SSA plans to leverage its investment in these three systems by adding more features to enhance their capabilities. One of these features is to be an interface to the electronic folder. According to SSA, this interface will allow the DDSs to retrieve field office interview information from the electronic folder to develop the disability case and, conversely, to supply to the folder case-development information and the final disability determination.

As the third component of the new strategy, SSA plans to rely on OHA's Hearing Office Tracking System to support its hearings process improvement initiative and consolidate the over 140 separate databases currently used by hearing offices into a single database. The system is also expected to support the integration of disability hearing data with the electronic folder.

SSA's electronic disability system strategy is still being developed; therefore, we have not yet been able to assess its appropriateness. However, some of the intended steps should be an improvement over the strategy applied in developing the Reengineered Disability System. As we have testified,[13] SSA's approach to developing the Reengineered Disability System focused on building an entirely new system to meet the needs of three separate entities—SSA field offices, state DDSs, and OHA. The effort relied on developing new, customized software instead of reusing, where possible, existing software such as the DDS systems that are already operational and meet users' needs.

On the other hand, consistent with the Office of Management and Budget's information technology investment guidelines and industry best practices, SSA reports that its new electronic disability strategy will apply a modular system development approach involving incremental software releases rather than the comprehensive development of a single, all-encompassing system. In addition,

---

[11]One DDS for each state plus the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.

[12]SSA is currently working with six DDSs to procure one of the three standard systems in fiscal year 2000; the remaining two DDSs use their own systems.

[13]*Social Security Administration: Update on Year 2000 and Other Key Information Technology Initiatives* (GAO/T-AIMD-99-259, July 29, 1999).

according to SSA, the strategy will take advantage of existing technology and minimize the amount of custom-designed software required, which should help reduce development risks. Further, as required by the Clinger-Cohen Act of 1996, SSA has indicated that it plans to identify and analyze the risks and proposed benefits of this investment before proceeding with its development beyond the proof-of-concept phase.

While these intended steps are encouraging, SSA's success in deploying its new strategy will nonetheless depend on several factors, including whether the strategy is developed in accordance with a sound systems development methodology and whether it ensures that user requirements are met. As we reported in July 1999,[14] it is imperative that SSA's software development initiatives adhere to the improved software development processes and methods that the agency has been pilot testing. While SSA previously stated that the new electronic disability strategy would be linked to the agency's software development improvements, the agency has, to date, followed only a limited number of improvement processes for this initiative.

Further, SSA's testing of the new strategy has thus far been limited. For instance, SSA is currently testing how the Electronic Disability Collect System and one DDS standard system, the Modernized Integrated Disability Adjudicative System (MIDAS),[15] interface with the electronic folder in a laboratory environment using copies of real cases.[16] In addition, SSA is testing the transfer of eight data elements from the Electronic Disability Collect System to the electronic folder. These eight data elements, in turn, will be imported into MIDAS and used by the DDS to process disability determinations. According to the project manager, SSA limited its testing to those eight data elements that were acceptable to MIDAS and did not require altering the MIDAS software to test the new strategy. Thus far, SSA reports, the testing has been successful. Nonetheless, while this level of testing may be appropriate for a proof-of-concept, SSA will need to expand its test approach and test cases before it can demonstrate that the system is ready to function in its operational environment.

8. *Your testimony includes a discussion of the various technology initiatives being implemented to support the Office of Hearings and Appeals, yet you indicate that long-term efforts have not yet been defined. Does this mean SSA hasn't identified all of the technologies needed to meet the needs of its hearing offices?*

As our testimony noted, SSA identified interim technology initiatives required to support new hearings processes for OHA; however, the agency has not identified all of the technologies required to meet the long-term needs of its hearings offices. SSA planned to develop an information technology strategy by late 2000 to support OHA's

---

[14] GAO/T-AIMD-99-259, July 29,1999.

[15] The MIDAS software was developed by and is maintained by SSA.

[16] The cases being tested include only adult initial, non self-help disability claims that were developed by the Wilmington, Delaware, DDS office.

business processes. This strategy was supposed to identify OHA's long-term information technology needs.

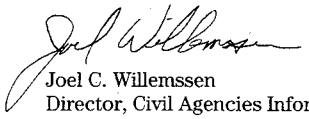
To accomplish this, OHA had begun preparing a statement of work for the development of the information technology strategy. However, according to the acting director of OHA's Office of Management, the agency recently denied the request for the funding needed to complete the statement of work because it did not believe OHA had made enough progress in assessing phase I hearings process improvements to know what specific information technology is needed for this effort. The acting director stated that without funding for the statement of work, OHA will have to rely on its existing and interim information technology projects to support its reengineering efforts until it can pursue another strategy to define its long-term technology needs.

In responding to these questions we primarily relied on past work, including work we performed in our latest review of SSA's efforts to meet future workload and service delivery challenges. We also reviewed and analyzed the most recent agency documents describing SSA's plans for developing and deploying on-line applications and its new electronic disability strategy. We discussed SSA's information technology service delivery efforts with SSA's chief information officer, deputy commissioner for systems, and officials in various headquarters offices, including the Office of Hearings and Appeals, Office of Operations, Office of Program Support, and Office of Systems. SSA officials also reviewed a draft of this correspondence, and their comments have been incorporated where appropriate. We conducted our work from March 13 through May 8, 2000.

We are sending copies of this letter to the Honorable Kenneth S. Apfel, Commissioner of Social Security, and other interested parties. Copies will also be made available to others upon request.

If you have any questions on matters discussed in this letter, please contact me at (202) 512-6253 or Valerie Melvin, Assistant Director, at (202) 512-6304. We can also be reached by e-mail at *willemssenj.aimd@gao.gov* and *melvinv.aimd@gao.gov*, respectively. Key contributors to this assignment were Yvette R. Banks, Kay E. Brown, Michele Grgich, Gregory Micco, and Robert Tomcho.

Sincerely yours,



Joel C. Willemssen
Director, Civil Agencies Information Systems

(511843)

Ordering Information

The first copy of each GAO report is free. Additional copies of reports are $2 each. A check or money order should be made out to the Superintendent of Documents. VISA and MasterCard credit cards are accepted, also.

Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:
U.S. General Accounting Office
P.O. Box 37050
Washington, DC 20013

Orders by visiting:
Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders by phone:
(202) 512-6000
fax: (202) 512-6061
TDD (202) 512-2537

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

Orders by Internet:
For information on how to access GAO reports on the Internet, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web home page at:

http://www.gao.gov

To Report Fraud, Waste, or Abuse in Federal Programs

Contact one:

- Web site: http://www.gao.gov/fraudnet/fraudnet.htm
- e-mail: fraudnet@gao.gov
- 1-800-424-5454 (automated answering system)

Social
Security
Advisory
Board

400 Virginia Avenue, SW * Suite 625 * Washington, DC * 20024
Tel: (202) 475-7700 Fax: (202) 475-7715

APR 10 2000

Chair
Stanford G. Ross

Members
Jo Anne Barnhart
Lori L. Hansen
Martha Keys
Sylvester J. Schieber

Staff Director
Margaret S. Malone

April 7, 2000

The Honorable E. Clay Shaw, Jr.
Chairman, Subcommittee on Social Security
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Chairman:

Thank you for the opportunity to testify before your Subcommittee on February 10. I was pleased to be able to discuss the views of the Advisory Board regarding how the Social Security Administration can meet the service delivery challenges that it is facing. Your interest in the agency's ability to serve the public is much appreciated by all of the members of the Board.

Enclosed are my responses to the questions that you requested be answered for the record. If you would like to discuss them further I would be glad to do so.

Sincerely,

Stanford G. Ross
Chair

Enclosure

QUESTIONS FOR THE RECORD

1. **What in your view is the most important thing the Social Security Administration must do to ensure they are ready to effectively deliver service in the 21st Century?**

SSA urgently needs to address directly how it expects to meet the serious service delivery challenges that it faces both in the short term and the long term. It should develop a service delivery plan that presents a straightforward assessment of the agency's human resource and technological needs. In addition, SSA should engage with the Administration and the Congress to work toward getting the resources that it needs to provide high quality service to the public.

2. **The Social Security Administration has a strong reputation among the American people, which some might contend is an extension of the public's support for *what* Social Security does rather than *how* efficiently they do their work. Anyone waiting literally years for their appeal for disability benefits to be resolved knows what I mean. How does Social Security stack up against companies that provide similar services, such as a private disability insurer? Do their customers ever experience the long waits that some Social Security disability applicants do? If not, what are those companies doing to provide better service? At what cost? Is Social Security studying any of them in hopes of improving the service they provide?**

In 1995, Dalbar, Inc., a Boston-based financial services company, completed a comparison of SSA's 800 number service to the service provided by private sector firms. At that time, it rated SSA's service as number one in the country. But one-time measurements are not good enough. Experts in the private sector have told the Board that SSA's standard for telephone service is now far below the standard used in the private sector. Customer service expectations are rising, and the public will inevitably find the agency's service wanting if it lags far behind, whether this be in telephone service or otherwise.

The Board believes that SSA needs to follow the lead of the best private and public entities and make major improvements in the way it measures and uses customer service information. At this time, the agency has only limited information on client needs and expectations and on client satisfaction with its service. This is especially the case with respect to particular client segments. For example, SSA does not measure discrete client segments such as SSI disabled children or SSI disabled adults. Nor does it measure client satisfaction with particular types of agency actions, such as the hearing process. As the private sector has learned, this type of information is vitally important if the agency is to understand and address its service delivery problems.

In addition, in the past the way the agency has set its quality goals and the way it has measured performance have been largely developed internally. SSA needs to expand its efforts to learn how these important functions are being carried out by the most