

June 15, 1967

A FINAL REPORT OF  
THE PRESIDENT'S TASK FORCE  
ON GOVERNMENT ORGANIZATION

WORKING PAPER NO. 3

HEALTH, EDUCATION AND WELFARE:  
THE DEPARTMENT OF THE GREAT SOCIETY

We have studied the organization and management of the Department of Health, Education and Welfare in some detail. Many of our general recommendations for improved departmental management--outlined in Working Paper No. 2--are rooted in our perceptions and conclusions about HEW and apply with special force to that department. In addition, we have reached more detailed conclusions and recommendations for HEW. These are outlined below.

Our focus on HEW is not capricious. After 14 years as an executive department, the agency itself has advanced some dramatic and precedent-setting ideas for organizational change. These have arrived at a time when HEW's program responsibilities have increased dramatically and promise to continue to expand. The Department stands astride the Great Society program, administering almost two-thirds of all Federal grants to State and local governments outside the transportation area. We believe its potential for favorable impact on the Nation's social problems exceeds that of any other Federal agency.

Despite its central importance to the Administration and American society, however, few observers view HEW as the prime source of social advance. It is more frequently characterized for its leadership in "red tape," "duplication," "overlap," "steeped traditions," "entrenched bureaucracies," "inefficiency," "stagnation," and "waste."

We do not subscribe completely to this indictment, for it ignores some recent organizational improvements and current intellectual leadership rarely commanded by government. Nevertheless, in our judgment, HEW remains a department plagued by three fundamental organizational maladies:

- (1) It is a holding company for self-contained operating units with long traditions of autonomy and close ties to outside interest groups and congressional sub-committees.
- (2) It suffers from a passive, indirect style of administration.
- (3) Its organizational and programmatic fragmentation has been compounded by a congressional policy of weakness in the Office of the Secretary.

#### A. A Holding Company for Autonomous Operating Units

Nearly all of HEW's major subdivisions and many of their sub-units boast long traditions of independent operation. The organizational structure of the National Institute of Mental Health insures heavy influence by mental health philanthropists and lobbyists. The National Institutes of Health have relied on close relations with Congress to seek appropriations well above Administration requests for years. This pattern of bureau autonomy results in massive problems of internal coordination.

As an example, there are four separate Administrations--Vocational Rehabilitation, Welfare, Social Security, and the Public Health Service--now sponsoring programs that both provide and create demand for health services (not to ignore the complicating fact that OE funds can be used to improve school health services in poverty areas). The same pattern of jurisdictional overlap is present in aid to universities and social services.

#### B. A Passive, Indirect Style of Administration

Although some HEW programs serve individuals and institutions (universities, hospitals) directly, most are administered by functional "single state agencies" (Health, Education and Welfare Departments). The Department's potential impact on the cities-poverty-Negro problem is dissipated through its indirect funding channels. HEW's State client agencies rarely deal with one another, and the Department thus finds it difficult to execute comprehensive, multi-faceted program strategies such as Neighborhood Centers or Model Cities despite good intentions in Washington.

In addition, its strong direct support of Departments of Health, Education and Welfare at the State level (which frequently are semi-autonomous) does not assist interested Governors or Mayors to mobilize and coordinate HEW programs in the interest of the constituencies they serve.

#### C. A Congressional Legacy of Weakness in the Secretary's Office

Denied funds by the Congress and therefore operating with only a skeleton staff, with statutory and program authority for health and education vested in the heads of operating units, the Secretary of HEW has historically had few weapons to control entrenched administrations and bureaus. With weakness at the top and political and administrative strength in its component units, HEW has historically been unmanaged as well as "unmanageable."

Despite these long-standing handicaps, recent developments lead us to believe that the Secretary can manage his Department in fact as well as in name.



He has finally won formal authority over most major HEW programs (except Education) from Congress. He has been given three staff Assistant Secretaries--for Health and Scientific Affairs, Education, and Individual and Family Services--to work for program coordination across agency lines within his own Department and with other departments as well. He has a new Assistant Secretary for program planning and evaluation, capable of providing an independent assessment of the actual impact of existing programs and a menu of alternatives.

We are convinced that several additional managerial changes should be made to enable the Secretary of Health, Education, and Welfare to manage his sprawling department. To advance toward this objective, we recommend the following major steps which are discussed in greater detail below.

#### SUMMARY OF RECOMMENDATIONS

##### A. A dramatic strengthening of the Office of the Secretary, including--

- (1) The upgrading of the Under Secretary to a new position of Deputy Secretary;
- (2) Strengthened staff for program planning and evaluation tied in far more closely to major budget and legislative decisions;
- (3) Creation of a new staff Office of Social Research to increase the flow of new ideas to deal with old and unyielding social problems;
- (4) Improvement of budget, legislative planning, and administrative procedures to place managerial initiative clearly with the Secretary;
- (5) Creation of a staff Assistant Secretary for Program Coordination, Regional Administration, and Intergovernmental Relations to assist the Secretary in his relations with regional administrators.

##### B. A thorough reorganization and upgrading of HEW regional organizations, highlighted by--

- (1) Upgrading the Regional Administrators to major departmental executives reporting to the Secretary through the Assistant Secretary for Regional Administration (see A (5) above), possessing line authority for all departmental program operations within the region, and ranked at Level 5 of the Executive Pay Scale;

- (2) Full decentralization of authority to regional executives to review and approve State plans and to review and approve applications for grants;
  - (3) Strengthened staff support for regional administrators so that they can manage regional departmental operations in fact as well as in name.
- C. After substantial progress on A and B above, transform HEW operating bureaus into substantive staff offices to the Secretary, regrouping and upgrading them into three or four broad clusters of related staff activities, such as--
- Health and Welfare
  - Social Insurance and Income Maintenance
  - Education and Manpower
- D. Finally, after reforms A and B are substantially achieved and reform C is in progress, transfer or, in the case of OEO, delegate to HEW the programs discussed in the confidential Appendix to this working paper.

We have developed these recommendations in greater detail below.

#### A. STRENGTHEN SECRETARIAL AUTHORITY AND INFLUENCE

##### General Rationale

It is our unanimous conviction that the strengthening of the Office of the Secretary is the most urgent organizational need in HEW. In contrast to the thinking which appears to prevail in the Department, we believe this need far exceeds that of combining and upgrading operating units. The Secretary of HEW must have control--of programs, of budgets, and of organizations--before he delegates authority to line subordinates with independent sources of power and influence.

If the Secretary is to make HEW a dynamic, cohesive, and progressive organization, his office must be strengthened in size and in quality. While the Washington headquarters of the Social Security Administration alone has 312 professionals, the Secretary of HEW has only 160 analytic, program-oriented professionals at his disposal. This figure is comparable to other departmental staffs such as Treasury (185) and Interior (116). Its inadequacy becomes evident when contrasted with the 1203 professionals who serve the Secretary of Defense.



The Secretary must be able to impose his special perspective on subordinates, command their loyalty to Presidential purposes, and surmount the frequently parochial claims and interests of HEW operating units. With a strengthened staff, skilled in modern analytic and managerial techniques and infused with a sense of urgency about delivering services to people, he will be in a position to challenge and, when necessary, dramatically change "business as usual" routines. Backed by staff, the Secretary will have an indispensable independent base for his own judgment and decision.

#### Upgrade Under Secretary to Deputy Secretary.

No Secretary--not even a super-Secretary--can run HEW alone. He needs a deputy who assumes his burdens fully when necessary and who has the stature to relieve him of many day-to-day operational details. Current top management in HEW operates as a team. We recommend that this relationship be institutionalized through upgrading the Under Secretary position to Level 2 of the Executive Pay Scale and its redesignation as Deputy Secretary. Ultimately this move will also provide greater flexibility for upgrading other top-level staff.

#### Strengthen Staff for Program Planning and Evaluation

With establishment of an effective program planning and evaluation staff, under the Assistant Secretary for Program Coordination, a promising start has already been made. This group, now numbering 21 professionals, should be doubled or tripled as quickly as possible.

This staff should be primarily responsible for two functions. It should engage in systematic program review, assessing the actual effects of programs after they are in operation, and feeding back the results into program change and budgetary decisions. It should also identify the approaches most likely to reduce pressing social problems, and assist in designing legislative programs which could bring them into effect.

The need for such a staff is self-evident. The Secretary must have his own independent capacity to develop meaningful assessments of the impact of operating programs--and to propose innovations, expansions and, where necessary, cutbacks. If the Secretary lacks staff for program review, he will be totally dependent on program operators for review and assessment of their own programs.

The strengthened program planning and evaluation staff should expand its use of the latest methods of cost-benefit and systems

analysis adapting them to HEW's particular needs. It should seek to develop useful measures for "good health," "education," "subsistence" income, and other program goals, as a basis for conclusions about progress toward these goals.

In certain areas the program evaluation and planning staff should work closely with the proposed Office of Social Research described below. The responsibilities of program planners and evaluators would be somewhat more short-term, but the two offices would cooperate in the area of problem definition -- assessing the nature and extent of social problems which HEW programs are generally intended to meet -- and in investigating far-reaching social proposals which have already excited substantial popular interest (e.g., family allowances, negative income tax, use of sub-professional personnel in medicine and education, family planning, etc.)

#### Add Secretarial Staff Capacity for Social Research

HEW should be searching constantly for new ideas and insights into complex social problems. To coordinate and supplement research activity carried out in its administrations, we recommend the establishment of an Office of Social Research in the Office of the Secretary, headed by an Assistant Secretary, which would be comparable in purpose to ARPA in Defense and the program innovation activities of OEO.

The Office of Social Research should be cognizant of the scope, content, and results of research activities elsewhere in the Department and provide advice to the Secretary on the research dimensions of the Department's responsibilities. It should have an advisor's voice in discussions concerning resource allocation between competing research needs.

In addition, the Office should have funds of its own for support of basic and applied social research within the department and in such non-governmental locales as Brookings, Rand, and university institutes for research on public policy. The Office might well become the logical site for the most innovative program staffs in OEO when and if it is deemed desirable to bring the remainder of OEO into the department.

While it should undoubtedly start small, a professional staff of 15 administrative and 20-30 research associates, working in government or on contract, should be an early target.



Give the Secretary Management Initiative in Budgeting and Legislative Planning

We believe that authority for departmental management derives from a Secretary's possession of superior information, superior evaluative analysis, superior new ideas, and total control of the budget process. With these convictions, we view with alarm proposals circulating in HEW to transfer responsibility for program evaluation and development, congressional relations, and budget composition from the Secretary of HEW to functional line subordinates. These functions are already decentralized in HEW, in fact if not in form, to a far greater degree than is consistent with strong Secretarial or Departmental management.

Accordingly, we recommend that these functions remain in the Office of the Secretary, and the procedures for decision-making be carefully reviewed with an eye to restoring and retaining initiative in the hands of the Secretary. Tentative Secretarial judgments on amounts to be spent, on reallocations among program areas, on the ratio of support for new, untried program ideas compared to ongoing programs, and on total budget requests should precede, rather than follow, the submission of spending estimates and detailed spending plans by operating units.

Budgeting

The independent analysis of the Office of Program Planning and Evaluation should facilitate the Secretary's annual re-evaluation of departmental goals and policies.

The Comptroller (Chief Budget Officer) should be the Secretary's chief advisor on the pace of expenditures, the sources of unexpended funds, and on techniques for shifting funds to respond to unplanned demands or unforeseen opportunities. His office should provide technical support to the Secretary and his other associates as they develop the broad reshaping of the Department's activities from year to year.

We also believe that the HEW Secretary can occasionally use the budget as an effective sanction. It may be desirable for him to freeze the flow of funds in a program led by unresponsive or recalcitrant administrators. Such an unprecedented act, appropriately staffed and backstopped, would enhance responsiveness of line operators as well as Secretarial bargaining strength vis-a-vis Congress.

Legislative Program

The Office of Legislation should be the Secretary's chief staff arm for the legislative process. It can play a major role in the translation of new program ideas into saleable legislative packages. At the same time legislative planning should be responsive to, and undertaken jointly with, other Secretarial staff offices (Program Evaluation, Social Research, Budgeting) once Secretarial guidance has been received.

Staff in the Office of Legislation should be sufficiently informed about the details of major legislation and the sensibilities of congressional committees to offer both technical and political advice to the Secretary as well as assist in the preparation of testimony. It should bring legislative proposals into final form. At the same time, on behalf of the Secretary, it should halt legislative efforts at lower echelons that are not consistent with departmental interests.

The present staff of 9 professionals should be increased substantially--perhaps doubled.

Improving HEW's Administrative Services

Administrative services in HEW leave much to be desired. Personnel programs and offices are numerous and fragmented. Despite critical personnel deficiencies and needs, there is no department-wide training program. The Department has a weak management information system and is only now laying the groundwork for centralized data processing and storage. It is unresponsive to burgeoning requirements for office space. Its weak Office of Public Information needs upgrading and expansion.

In addition to the general improvement of the efficiency and quality of its administrative services, the Department should concentrate on four critical areas in the near future:

- (1) Recruiting talented executives, through lateral transfers across agency lines, periodic reassignment of upper-grade personnel, and a readiness to cut red tape to compete for brains and talent.
- (2) Remedying the shortage of management personnel at all levels in nearly all administrations through a department-wide management training program.



- (3) Instituting department-wide data collection standards and procedures and a management information system.
- (4) Taking the lead in a program to simplify procedures for grant-in-aid applications, administration and financial accounting.

Create an Office headed by an Assistant Secretary for Program Coordination, Regional Administration, and Intergovernmental Relations

The rationale for such an office, as staff to the Secretary for operational problems in the field, for department-wide program coordination and intergovernmental relations, and as a channel to the Secretary for Regional Administrators, has been discussed with the general recommendations for domestic departments in Working Paper No. 2. HEW needs such an office because of the diversity of its programs and the relative autonomy of its bureau offices in the field which, in program matters, presently report directly to counterpart functional bureaus in Washington.

Our recommendation for an Assistant Secretary for Program Coordination, Regional Administration, and Intergovernmental Relations is not meant to isolate the Secretary from the field. On the contrary, it would be the purpose of this Office to preserve a direct channel from the field to the Secretary.

An Assistant Secretary for Program Coordination, Regional Administration, and Intergovernmental Relations should have the stature and the authority to bring together all the units of HEW involved in a particular problem and work out a concerted approach. He would seek to minimize wasteful, unplanned duplication and overlap but at the same time also help eliminate "underlap"--those program gaps which deny HEW services to many in urgent need.

B. UPGRADE THE REGIONAL STRUCTURE AND DECENTRALIZE PROGRAM OPERATIONS

The Problem

HEW's field offices have traditionally been little more than conduits between all-powerful Washington bureaus and State agencies. Until very recently most HEW administrations had their own field offices. While the field structures have recently been consolidated into a departmental network, HEW regional directors function primarily as intergovernmental public relations representatives, coordinators without muscle, and housekeepers. They are bypassed in the field

decision-making process by nominal subordinates (functional assistant regional commissioners) who get their marching orders from their bureaus in Washington. Grants in excess of \$10,000 per annum are relayed to Washington for review in nearly all administrations and programs. Many programs bypass the regional offices completely.

### Recommendation

Guided by well-defined program policies provided by Washington, review and action on particular funding applications should take place in the field. Otherwise government will continue to choke in the layers through which grant applications must travel. It must regionalize and decentralize. This can be done, in HEW and elsewhere, if the President insists:

- (1) That HEW's regional administrators be upgraded to Level 5 of the Executive Pay Scale; i.e., to a rank, calibre and status more comparable to that of Assistant Secretaries;
- (2) That regional administrators be given adequate staff and authority, as major line executives, to approve program grants that satisfy the law and departmental policy and regulations;
- (3) That Washington bureaus clear and channel policy directives via the Office of the Secretary to regional administrators--not direct to bureau field representatives;
- (4) That Cabinet Secretaries deal directly and frequently with regional administrators and support them in contests with departmental bureaus.

### Discussion

Regional administrators can, and must, be regional HEW "Secretaries." We reject completely the preliminary HEW conclusion that regional administrators cannot have final authority across the full range of functional responsibilities. Line authority must flow directly from the Secretary to the regional director; and he, in turn, must be responsible to the Secretary.

The Regional Administrators should direct and coordinate all HEW programs in their respective regions and effect appropriate coordination



with regional offices of peer departments.<sup>1/</sup> Regional administrators should provide inputs into departmental program planning and policy formulation. They should help develop multi-year budgets and should review and, if necessary, recommend revision in regional suborganizational budgets with the aid of their own PPMS arms.

They should be called to Washington for staff meetings frequently and provided with information that enables them to act authoritatively vis-a-vis subordinate regional personnel. Formal instructions from Washington bureau chiefs to the regions should be approved in the Office of the Secretary and flow in his name to the regional administrator. And bureau personnel in the regions should look primarily to the regional administrator, rather than bureau chiefs in Washington, for their direction--and for their career advancement.

In the final analysis, the regional office must depend upon the Secretary and will replicate Washington in terms of power relations. The Secretary's strength vis-a-vis the bureaus, measured by the size and capability of his staff; his statutory powers over all the Department's functions; his power to fix the agenda in meetings with agency heads; his power to arbitrate jurisdictional disputes; and his capacity to reserve to himself and make all important departmental decisions: all these will define the latitude and the power of the regional director.

C. TRANSFORM HEW'S WASHINGTON OPERATING UNITS INTO SUBSTANTIVE STAFF OFFICES TO THE SECRETARY, REGROUPING THEM INTO THREE OR FOUR BROAD CLUSTERS OF STAFF ACTIVITIES

The Problem

Eight heads of operating units in Washington now report directly to the Secretary of Health, Education, and Welfare. The fragmentation of HEW's programs among these operating units has raised program coordination problems which are politically and programmatically difficult to conquer. Three Assistant Secretaries are presently assigned responsibility for program coordination in HEW with their separate areas of functional responsibility being Health and Scientific Affairs, Education, and Individual and Family Services.

There is some temptation to begin immediately to realign these Washington administrations and bureaus into a more logical and,

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therefore, a more manageable pattern of sub-departments, possibly corresponding to the division of labor among the Assistant Secretaries for Program Coordination. If implemented, however, our recommendation that operations be decentralized to the field and policy formulation be centralized in Washington will have an enormous effect on the Washington Offices of the bureaus in the department and also on these three Assistant Secretaries.

### Recommendation

We recommend that any formal regrouping or upgrading of the functional administrations be delayed until after the Secretary is strengthened and operations are decentralized. Precipitous creation of departments headed by Secretaries would further erode the Secretary's already fragile authority and confront him, the Regional Administrators, and the President with three or more strong sub-departments independent in fact if not in name.

But after the Secretary's staff has been strengthened and the procedures for top-level decision-making have been modified to give him the managerial initiative, and when the regional administrators have been upgraded and strengthened, then a transformation of Washington's operating units into substantive Secretarial staff is mandatory, and some regrouping of these units into three or four clusters of related staff activities can be undertaken.

At that time the three Assistant Secretaries for program coordination mentioned should probably be transformed into three or possibly four Under Secretaries to head the major substantive staff offices reporting to the Secretary.

### Discussion

While we have offered an example of three broad groupings of related activities (Health and Welfare; Social Insurance and Income Maintenance; Education and Manpower) as a possible model, we would be inclined to defer to the judgment and superior knowledge of the Secretary and his associates on the precise composition of these regrouped and reconstituted units in HEW. We would urge an organizational scheme that reflects the following principles:

- (1) The new substantive staff offices in Washington should conduct program research, design, and evaluation within their areas, and provide policy guidelines for the administration of programs in the field. Washington officials would not be responsible for program execution, however, which should be decentralized to the regions.

- (2) Sub-departments should embrace complementary or competing groups of interests and programs rather than represent highly-organized and self-contained professional groups. Thus, we would favor a sub-Department of Health and Welfare over separate sub-Departments for Health and Welfare. For the foreseeable future, the latter appear to us to have a high probability of being dominated by professional groups with views not necessarily synonymous with the public interest. Since there are health components in nearly every welfare program, and welfare implications in all health research and services, grouping these complementary administrations under one focus of executive leadership would substantially improve efforts for program coordination and integration at the Secretarial level. On the other hand, coordination problems would be exacerbated by separate elevation of "Health" and "Welfare."
- (3) Until authority of the Office of the Secretary of HEW is very firmly established, we advise regrouping operations under officials with the title "Under Secretary" at Level 3 of the Executive Pay Scale rather than under officials with the title "Secretary" at Level 2 of the Executive Pay Scale, as currently advocated in HEW.

Progress toward achievement of the goals of a vigorous decentralized Department, managed from the top down, would suggest future reconsideration of the desirability of elevating functional subordinates of the Secretary of HEW to Level 2 and redesignating them sub-Cabinet Secretaries.

One possible plan for internal reorganization of the Department, which reflects the principles indicated above, is appended at the end of this report.

#### ORGANIZATIONAL ALTERNATIVES CONSIDERED AND REJECTED

##### A Separate Department of Education

The case for a separate Department of Education has been argued with two voices: one against a super-Department of HEW, and the other for a Department of Education.

One band of advocates for a separate Department of Education, or Education and Manpower, believes that HEW is now simply too big and too unwieldy. They argue HEW is "unmanageable" due to the diversity and magnitude of its missions and programs. Furthermore,



they believe that education programs are not closely related to health and welfare efforts and could be administered by a separate Department without seriously increasing the problem of interdepartmental coordination. Finally, they argue that the President could not get anyone substantively qualified and politically suitable to run a strong HEW (plus manpower) and that, even if he could, it would be unwise to vest so much authority in one man.

Those positively favoring a separate Department of Education note that education is at or near the top of the list of vital public activities affecting every citizen. The Federal role in education has increased rapidly during the last three years and promises to advance at a comparable pace in the years ahead. The creation of a Cabinet-level Department of Education would anticipate this growth and provide education with visibility and enhanced status. And the President's recruitment of gifted people to manage the government's growing educational programs would be eased considerably.

The Task Force rejects the main lines of both the negative and positive argument. We believe that an organization embracing various activities and programs, designed to improve the well-being of the individual and the family, is viable and appropriate. Every effort to cope with poverty, the cities, handicapped children, and similar problems indicates that health, education, and welfare are indeed interdependent. With most of the instruments for serving individuals and families united in one Department, its Secretary is in a position to carry out comprehensive planning and analysis of individual, family, and community needs and to make comparative judgments in allocating resources among alternative programs.

We also doubt that the time is now ripe for the creation of a Cabinet-level Department of Education whose principal component would be the Office of Education. In spite of its dynamic top leadership, the Office of Education remains poorly staffed generally. It continues to be dominated by State-oriented professional educators and former State or local school administrators who are timid about any Federal role in education and insufficiently devoted to change and innovation. It is unable to carry through penetrating analyses of current problems and needs, to lay down the broad objectives of government action and to implement programs which will truly serve those objectives. Finally, it appears to have neither the desire nor the contacts to deal effectively with the scholarly community.

The Task Force believes that Presidents in the future will be better served by fewer strong departments than by a proliferation of weaker ones dominated by special interests. It is especially important that the President have his man running the show in HEW rather than a voice for any special set of interests. The less dependent the Secretary is on special interests, the more effective he can be; and the more objective will be his recommendations to the President.



### THE THREE SUB-SECRETARIES PROPOSAL

Last November HEW advanced a proposal to reorganize the Department to make it more manageable and at the same time to stave off pressure for a separate Department of Education. The proposal suggested the establishment of three sub-Cabinet departments (Health, Education, and Welfare), each headed by a Secretary, and each responsible to the Secretary of HEW.

Shortly after it was put forward, the President asked this Task Force to evaluate this plan. We unanimously advised the President to postpone any endorsement until all other organizational options were explored.

The Task Force has now examined the organization and operations of HEW in considerable detail and has unanimously concluded that HEW's primary organizational problems are staff rather than line.

We unanimously disagree with the conclusions of HEW's in-house reorganization task force which advocates sub-Cabinet departments whose Secretaries would be given large staffs and broad responsibilities for legislation, budget, program planning and research. The HEW group seems inclined to cut into the Secretary's slender staff resources to establish staff slots for his sub-Cabinet subordinates. This recommendation would, if implemented, move in precisely the wrong direction.

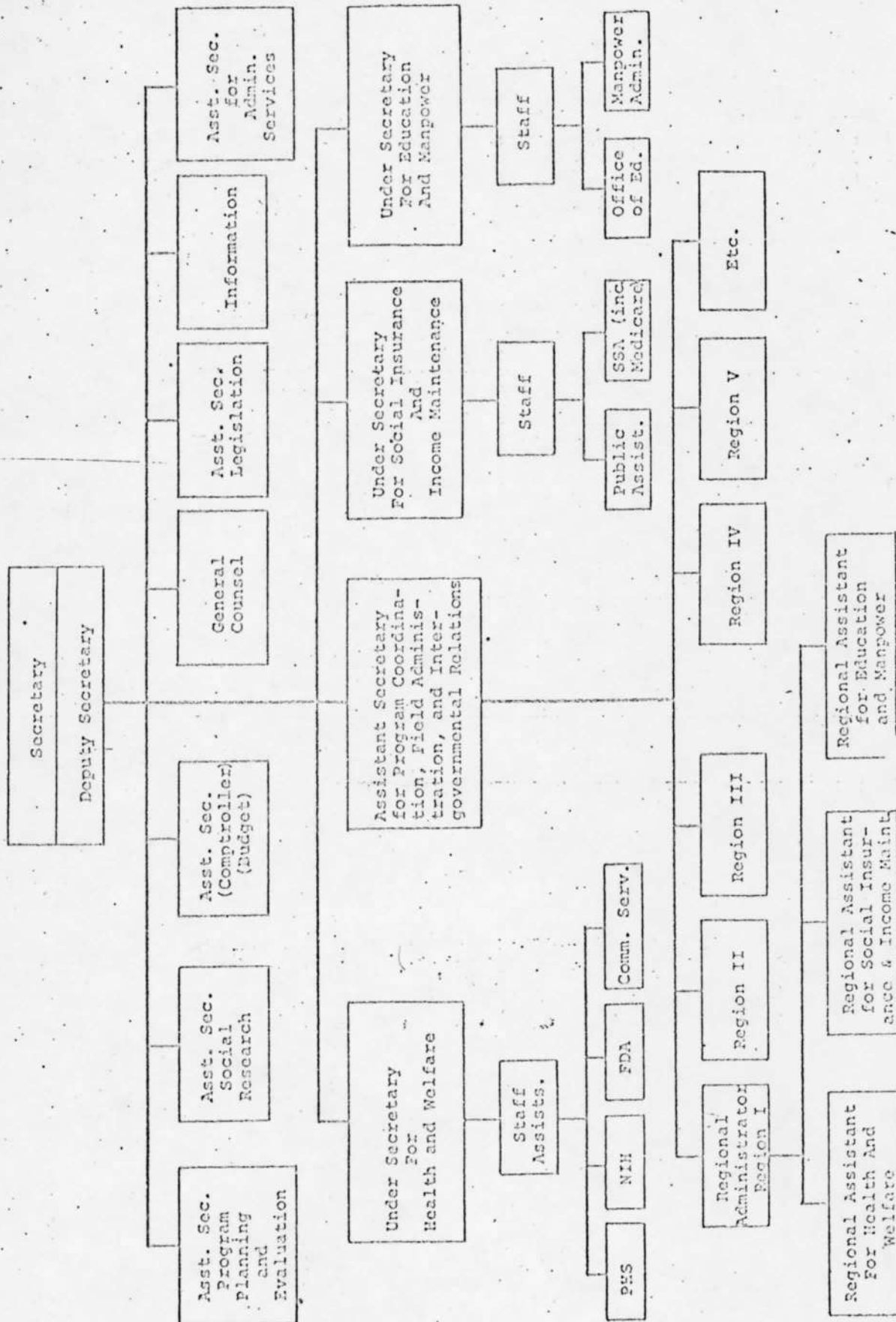
This is not to say that groupings of broad functions should not ultimately be undertaken. The proposed Rehabilitative (Community) Services Administration is a step which the Task Force commends. But regrouping should follow, rather than precede, the effort to strengthen the Secretary and should include the transformation of bureaus into staff units rather than their elevation in the line. Care should be taken to insure that the new staff consolidations do not increase the difficulty of cross-functional coordination, lengthen lines of communication unnecessarily, and become more susceptible to "capture" from below by their bureaucracies.

Since the Three Sub-Secretaries Proposal provides little reassurance against these dangers, and particularly since it makes no provision for strengthening the Office of the Secretary, we do not believe it should be advanced at this time.

We also take exception to proposals by the HEW Task Force that HEW bolster its present field structure by delegating modest decision-making and grant approval authority to agency field officers. As indicated elsewhere in this report, we recommend that departmental regional directors be transformed into general executives with the rank of HEW Assistant Secretaries, and favor dramatic decentralization to them of field decisions for all functional programs in the department.



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
Suggested Reorganization



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APPENDIX TO WORKING PAPER NO. 3

PROGRAM TRANSFERS INTO HEW FROM THE REST OF GOVERNMENT

An HEW strengthened at the top and infused throughout with an enhanced sense of common goals could have great impact on American life. As HEW becomes the prime contractor for the Great Society, it should assume additional program burdens presently lodged in other departments but integral to HEW's central program responsibility for human resource development and conservation.

RELOCATE MANPOWER PROGRAMS FROM LABOR TO HEW

We recommend that responsibility for national manpower policy be transferred from the Secretary of Labor to the Secretary of HEW. A Manpower Administration should be created in HEW, with status equal to that of the Office of Education. It would be composed of the Vocational Rehabilitation Administration (now an independent administration in HEW), the Bureau of Adult and Vocational Education (now in the Office of Education), the Bureau of Health Manpower (now in the Public Health Service), the Job Corps (now in OEO), and the following bureaus and programs now in the Labor Department:

- (1) Bureau of Work Programs (currently delegated to Labor by OEO):
  - a. The Neighborhood Youth Corps.
  - b. The Kennedy/Javits Special Impact Urban Public Employment Programs.
  - c. The Nelson/Scheuer Amendment Private Employment Programs.
- (2) Manpower Development and Training Act Programs:
  - a. On-the-Job Training (OJT), from the Bureau of Apprenticeship and Training (BAT).



- b. Institutional Training (HEW already shares responsibility for these with skill training now vested in HEW) from the Bureau of Employment Security (BES).
- c. Experimental and Demonstration Projects from the Office of Manpower Policy, Evaluation and Research.

In sum, we recommend the transfer of the Office of Manpower Policy, Evaluation and Research and the Bureau of Work Programs from Labor to HEW, together with certain present functions of BAT and BES. Most of BES and BAT would remain in Labor because of their other functions and their close linkages to the Interstate Conference of Employment Security Directors and the Building Trades Division of the AFL-CIO.

The Secretary of HEW--or the new Manpower Administrator--might wish to contract with State employment services for recruitment, counselling, referral and placement of job trainees in some or all areas, but there would be no requirement that he do so.

#### Rationale for Recommendation

Manpower Development remains one of the central, comprehensive goals of the Great Society. Originally conceived to meet the apparent threat of automation during a recession, manpower programs are now aimed primarily at the young and the old who are unprepared educationally and culturally to participate in a rapidly-evolving full-employment economy. Manpower programs remain the major weapon in the War on Poverty and a critical element of the Administration's effort to create opportunity for members of minorities.

Manpower programs are now scattered through HEW, Labor, and OEO. Federal manpower appropriations, including remedial and vocational education, skill training, counselling and rehabilitation, have increased on a piecemeal basis from \$275 million in 1961 to \$2.1 billion in 1967. Unfortunately, comprehensive manpower policy is non-existent; at all levels of government, there is an excessive amount of overlap and duplication (i.e., there are scores of separate, independent manpower programs in operation in Bedford-Stuyvesant area of New York City alone, conducted by a multiplicity of State, county, local, and private non-profit institutions).

- b. Institutional Training (HEW already shares responsibility for these with skill training now vested in HEW) from the Bureau of Employment Security (BES).
- c. Experimental and Demonstration Projects from the Office of Manpower Policy, Evaluation and Research.

In sum, we recommend the transfer of the Office of Manpower Policy, Evaluation and Research and the Bureau of Work Programs from Labor to HEW, together with certain present functions of BAT and BES. Most of BES and BAT would remain in Labor because of their other functions and their close linkages to the Interstate Conference of Employment Security Directors and the Building Trades Division of the AFL-CIO.

The Secretary of HEW--or the new Manpower Administrator--might wish to contract with State employment services for recruitment, counselling, referral and placement of job trainees in some or all areas, but there would be no requirement that he do so.

#### Rationale for Recommendation

Manpower Development remains one of the central, comprehensive goals of the Great Society. Originally conceived to meet the apparent threat of automation during a recession, manpower programs are now aimed primarily at the young and the old who are unprepared educationally and culturally to participate in a rapidly-evolving full-employment economy. Manpower programs remain the major weapon in the War on Poverty and a critical element of the Administration's effort to create opportunity for members of minorities.

Manpower programs are now scattered through HEW, Labor, and OEO. Federal manpower appropriations, including remedial and vocational education, skill training, counselling and rehabilitation, have increased on a piecemeal basis from \$275 million in 1961 to \$2.1 billion in 1967. Unfortunately, comprehensive manpower policy is non-existent; at all levels of government, there is an excessive amount of overlap and duplication (i.e., there are scores of separate, independent manpower programs in operation in Bedford-Stuyvesant area of New York City alone, conducted by a multiplicity of State, county, local, and private non-profit institutions).



We believe these programs require unified direction in Washington. Since many coordination problems can be attributed to the multiplicity of funding sources, of programs, and of administrative agencies, a consolidation of manpower development efforts under one executive department in Washington should lead to rationalization of present administrative and legislative fragmentation.

Manpower policy must speak to short-term needs and long-term goals as well. In the immediate future, programs to provide work training and experience must be coordinated with health, welfare, and other social services financed largely by HEW. The task is comprehensive and involves personal rehabilitation on a large scale--bringing a range of complementary services to people in scores of communities, people now out of the mainstream of American economic life.

In the health field, for example, it is becoming increasingly apparent that medical deficiencies represent a major barrier for the economically disadvantaged in their efforts to attain gainful employment. A closer organizational arrangement between health services and manpower would facilitate the provision of supportive health services as well as provide for more rational planning for our acute shortage of nurses, laboratory technicians, nurses aides, and other health manpower requirements.

In the longer run, national manpower policy must be integrally and intimately related to national education policy and investment. It must aim at nothing less than a transformation of the educational systems and curricula in our central city urban areas while working in harness with other social programs to affect the family, residential, and employment environment so relevant to learning and educational progress.

The Department of Health, Education, and Welfare is the logical place--indeed the only place--where these programs can be brought together under one roof. As a side effect, through the transfer of the Bureau of Work Programs (NYC, Nelson/Scheuer and Kennedy/Javits) and the MDEA programs, HEW would receive two important administrative and programmatic benefits--more flexible project funds, and an opportunity to deal directly with the cities.

For the first time, outside of its Social Security accounting functions, HEW would receive city intelligence directly. This

city intelligence will counterbalance HEW's traditional orientation toward State government. HEW will receive more feed-back from communities, will have intelligence for more informed judgments in Washington and will have some leverage over local constituent agencies through funds to support training programs, the introduction of sub-professional aides, etc.

We feel that the Department of Labor--for reasons not the fault of its leadership--has crippling disabilities that disqualify it as a candidate for comprehensive management of all manpower programs:

- (1) A very weak Manpower Administration presently presides over major Labor Department Manpower programs. Congress, particularly the House Appropriations Subcommittee, has starved the Office of the Manpower Administrator, refused to provide appropriations for a central field staff, and allowed the constituent bureaus--BES, BAT, and the new BWP (Bureau of Work Programs)--to remain virtually autonomous. And, given the exceedingly close links between the Interstate Conference of Employment Security Directors and BES, and between the Building Trades Division, AFL-CIO, and BAT, prospects for building a strong Manpower Administration in Labor are not very bright.
- (2) As the spokesman for organized labor, the Department finds it virtually impossible to challenge the discriminatory practices followed by many of the trade unions, particularly the building trades. With BAT as the governmental outpost of the building trades as well as the administrative arm for On-the-Job Training, Labor simply writes off the possibility that OJT programs can be used to open up building trades to accommodate a large supply of untrained novices even though manpower shortages in these skills are acute.
- (3) In attaining the objectives of MDTA and other manpower programs, the National/State Employment Service presents special problems. This service is funded through a national unemployment insurance tax levied on employer payrolls. Given this source of support, the Public Employment Service has traditionally placed priority on servicing the requirements set forth by employers and shown minimal concern for the applicant who doesn't possess marketable skills.



The Labor Department, however, is under strong political pressure to use the State employment services as subcontractors in manpower programs at the State and local level despite general evidence that employment services feel no great urgency to make these programs work in the areas of greatest need. And the Labor Department finds it politically very difficult to exert heavy pressure to reorient State services.

- (4) Since the vast majority of employment service staff will continue to be hired under State Civil Service requirements and salaries, and the BAT will continue to take on semi-retired business agents and trade union patrons, Labor's capacity for assertive and imaginative leadership of the manpower effort is unlikely to improve to any substantial degree.

#### RELOCATE OEO?

We do not recommend the transfer of OEO to HEW at this time. We believe it remains an asset to the Administration as an independent agency and see no reason to modify the recommendations on OEO which we submitted on December 15, 1966.

At the same time we feel the time will come when it is both programmatically and politically desirable to incorporate OEO in an executive department. If the recommendations for HEW advanced above are adopted and implemented forcefully, we feel HEW is the obvious future home for OEO/CAP, especially if manpower development and training programs are consolidated in HEW.

Ultimate placement of OEO in HEW would place virtually all Great Society social service programs under one Cabinet member; facilitating rational program planning and resource allocation, and integration of social services at the community level.

To avoid a loss of organizational clan at the time of transfer, OEO should probably be kept intact initially and operate as an autonomous subdivision of HEW. Afterward, major OEO programs could be amalgamated with existing HEW administrations: Neighborhood Health Centers with PHS; Headstart with OE; VISTA with a new Community Services Administration. The best local community action programs might be supported by CAP funds appropriated to the Office of the Secretary and could become an operating arm of the new staff Office of Social Research and Program Innovation recommended earlier.

OTHER DESIRABLE TRANSFERS

Previous task forces on government organization and in substantive program areas have recommended the consolidation in HEW of the

- Veterans Administration;
- The College Housing Program, now in HUD;
- The Bureau of Indian Affairs, now in Interior.

We also recommend these changes as substantively desirable, however politically difficult, to implement. But we do not consider these transfers to be matters of high priority, and we condition our recommendation on prior improvements in departmental staff and management.