Chapter 6

Deepening Problems, 1972-81

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Between 1972 and 1981, the Social Security Administration reached a state of crisis. Thi_s term was used, and flat statements that primary operations were faltering, were voiced publicly at the end of the decade by: SSA management, union leaders, overseers in Congress; the General Accounting Office (GAO); the Department of Health, Education, and Welfare (DHE W); the Office of Management and Budget (OMB); the General Services Administration (GSA); Presidential commissions; the National Research Council; and a multitude of experts, consultants, and clients. What they shared was a common judgment that SSA was in near collapse as an effective government agency, and that the disheveled state of the ADP (automated data processing) systems was at the heart of that perilous condition.

THE SS1 CRISIS

Expanding Programs and Congressional Oversight

There were three major streams of action by Congress pertaining to SSA between 1972 and 1981. First, there were 15 new laws making changes in the I?etirement and Survivors Insurance Program and Disability Income Program; four of them made significant alterations in determination of entitlements and benefits. Secondly, Congress gave SSA a major new program to administer: the Supplemental Security Income Program, which took three Federal/State programs formerly administered by the States (payments for the aged, blind, and disabled poor) and converted them into a federally administered program. Finally, SSA was given additional support and assistance programs to administer (such as the energy and refugee programs).

Following the tradition begun in 1935 to 1939, Presidents and Congress continued to reject the concept of universal flat benefit payments such as many other nations used, with minimum administrative complexity, in favor of a mixed insurance and welfare system, with highly complex entitlement and benefit formulas. After 1972 benefit levels embodied both automatic cost of living adjustments (COLA) and periodic adjustments and readjustments, such as the Social Security Amendments of 1980,[1] the Reagan debt collection initiative of 1981,[2] and the Omnibus Reconciliation Act of 1981, all of which meant that reprogramming was necessary for calculation of benefits. To implement the Cost of Living increase in 1981 required changes in 600 software programs, because as written they could not accept four digits (that is, any benefit amount of over $999). The adjustments required by the 1980 Disability Amendments meant that changes had to be made in over 880 programs."

When it was impossible to do the calculations through EDP (electronic data processing) procedures, SSA was forced to do them manually, at heavy costs. There was, according to a Senate report, "constant shifting of management priorities and the coming and going of new policy initiatives. [3]

[1]The 1980 amendments mandated disability reinvestigations, producing large-scale removals of disability clients and a flood of judicial appeals, which eventu ill}' nullified most of the exclusions.

[2]The Administration insisted on aggressive collection of erroneously made payments, as described in ch.3.

[3]U.S. Congress, The *Social Security .4 utomated Data Processing System Crisis,* a report prepared by the staff of the Subcommittee on Social Security, House Commit& on Ways and Means, 97th Cong., 1st sess., May 22, 1981, p. 6; hereafter cited as I louse Subcommittee on Social Security (title, date).

[4]U.S. Congress, *Social Security: How Well* 1s *It Serving t he Public?* H I earing Before the Senate Special Committee on Aging, 98th Cong., 1st sess., Nov. 29, 1983, p. 138; hereafter cited as Senate Special Committee on Aging (title, date).

The time provided by Congress for SSA to make changes in programs or institute major new programs proved again and again to be inadequate. Sometimes SSA commissioners were following stem Administrative directives when they told Congress that they could take on new programs or changes; sometimes they had underestimated what it would take to accomplish the new work on time, while maintaining basic services and accurate performance. Partly this tendency to accept unrealistic deadlines without demur was a function of the commitment of SSA leadership to social security programs and to meeting what they saw as acute needs, and the SSA tradition of getting nearly impossible jobs done through heroic manual efforts. Partly, it represented a weakness in advance assessment of work requirements.

But the situation also reflects two generic, or structural, problems in congressional oversight. The statements that executive agencies can make to Congress about their resource needs or their management problems must always be vetted by the Administration and pass through the filter of Presidential policy and OMB directives. In addition, some congressional committees and their staffs may lack the knowledge and experience to understand the limitations of and the resource demands posed by highly complex operations and highly complex technological systems.

The Medicare Program, added to SSA in 1965, had been handled successfully. Most of those who had to be enrolled were already beneficiaries of the retirement program; the biggest task was working out procedures for deducting the Medicare Program from their benefits and for delivering payments to a service provider. Although these were complicated tasks the agency adjusted relatively smoothly. This was not the case, in 1973, with the Supplemental Security Income Program.

The Supplemental Security Income Crisis, 1973

The same act that in 1935 established the SSA also created a program of old-age insurance administered by the States, although partially funded by the Federal Government. Federal social security benefits were to be determined by past earnings; the State-administered programs were to distribute public assistance on the basis of need. Other insurance and assistance programs for the blind and for the disabled were created by the 1935 act and later amendments. The assistance received by the needy varied considerably from State to State, in spite of Federal contributions, and in some States their income remained far below poverty levels.

In 1972, amendments to the Social Security Act repealed these State-administered assistance programs for the aged, blind, and disabled and replaced them with a new Federal program, Supplemental Security Income (SS1), which became effective on January 1, 1974, to be administered by SSA. SS1 was intended to be a basic national income maintenance system, administered in a manner comparable to the way in which the Retirement and Survivors Insurance, now called Old-Age, Survivors, and Disability Income Program, was administered.[5]

Under the States, monthly payments to an individual with no other income varied widely, from $75 to $250; the new SS1 program was to provide a flat minimum income, originally set at $130. Eligibility requirements had also varied; SS1 was to have minimum barriers to eligibility except for lack of capability to earn other income, and to have fairly generous provisions for disregarding other forms of income such as help from one's children. This "flat grant" approach encouraged Congress to suppose that the new program could be administered much like existing SSA programs.

But since the Federal grant would be less than some recipients were getting in some States, States were allowed to continue (or to choose to give) supplements to the basic grant. SSA would administer and deliver the State

[5] See US Congress, *The Supplemental Security Income Program*, a report of the staff to the Senate Committee on Finance, 95th Cong., 1st sess., April 1977; hereafter cited as Senate Finance Committee (title, date).

supplements, since they had to have the same criteria for eligibility as the Federal basic grant, and would therefore be only add-ens.

Taking over this program turned out to be a traumatic shock for SSA, and a dozen years later some employees and some outside observers think that morale at the agency never fully recovered. There were two kinds of closely related problems—systems problems and public relations problems, and together they shook the confidence of, and in, the agency.

SSA had 14 months to set up the SS1 program after the 1972 legislation, although the grandfather clause (assuring that no one lost eligibility for assistance because of the changeover) and other amendments were added almost at the end of this time. The agency had decided that the new program could not simply be integrated into its existing processes, but required a more highly automated communication system to link district offices, which would deal with clients, to headquarters, where their participation in other Federal insurance programs would have to be checked. The new system (SSA Data Acquisition and Retrieval System, or SSADARS) was inaugurated at the same time as the new program, which was probably a mistake. Before, field offices had not used interactive terminals at all; claims data were sent to headquarters by teletype. With SSADARS there was on-line query and response, but the one to four terminals per office were operated in the "back room" by data-entry technicians, and their machines were often down for several hours, or for a day at a time. The communication terminals quickly became a bottleneck in processing the claims. There were severe startup problems, and in addition the new system was quickly overloaded. This resulted in long waiting lines at district offices, massive backlogs, and high error rates. Claimants often waited for hours only to be sent home at closing time, to return another day. The need for highly trained personnel for the system had been grossly underestimated. Staff overtime skyrocketed.

A Senate Finance Committee report[6] concluded that:

> (The) initial problems far exceeded the normal concept of start-up difficulties. . . . The capability (of SSA) to adapt its existing mechanisms and procedures to the new program was greatly overestimated. As a result, the resources that were provided—both human and material-proved inadequate to the task. The time allotted between enactment and implementation proved insufficient. . . .

Why did this happen? The Senate report said that at the time of the legislation,

> . . . it did not . . . appear to be an unreasonable burden. Representatives of the Social Security Administration . , . indicated no doubt about their ability to do the job.[7]

SSA leaders had wanted for some time to see federalization of this program for the needy aged, blind, and disabled. SSA district offices in hundreds of communities and SSA'S advanced computer operations were arguments for federalizing the administration of the program. SSA had, well before the legislation, created two staff units to plan for and facilitate such a transfer from the States.[8] The planning units developed a concept of "assistance centers" to be located throughout the country. Another option was for an interactive communication system which would allow existing field offices to function as "assistance centers' by having fast access to claimants' or applicants' social security records. This planning was however almost completely ineffective because SSA did not have the resources, nor provide the authority, to develop or test either option until the legislation was passed, and in fact, there was considerable doubt that the legislation would pass until the very end of the congressional session. Suddenly it did, and SSA had 14 months to get ready.

[6] Ibid., p. 27.
[7] Ibid., p. 26.
[8] Ibid., p. 26. According to SSA there was an ABDA (Aging, Blind, and Disabled) Planning Staff in Baltimore, and a Yt'elfare Reform Planning Staff in Washington.

The implementation of SS1 was in any case a massive undertaking, made more difficult by factors beyond SSA'S control. As late as 2 weeks before the program was to begin, nearly a dozen States had not decided whether to provide State supplemental payments, which SSA would be obliged to administer. As it was, even with its backlog growing and long lines of waiting claimants, SSA was criticized for inadequate outreach because the number of applicants was smaller than earlier estimates.

The public relations problem, and the employee morale problem that resulted from it, were perhaps as predictable but more unavoidable than the systems problems. The expectation that SS1 administration would be like that of other SSA programs and could be handled with traditional efficiency was unrealistic. The program was very different from other SSA programs in the demands it placed on the agency. Retirement and survivors benefits were matters of earned right and were set by formulas based on lifetime earnings. SS1 benefits were set through individual determinations and required SSA to ask a number of personal questions. The assumption had been that claimants would be predominantly needy elderly, much like SSA'S other clients. But the proportion of assistance beneficiaries made up of the disabled had been growing rapidly before the shift to a Federal program; so that 80 percent of applications came from (and 70 percent of new awards went to) the disabled, who then made up nearly half of the total beneficiary population. Claims processing for the disabled is much more complex than that for the aged, requires a higher level of expertise, and is more subject to challenge and controversy. A quote from a high-level SSA official[8] is illuminating here:

> People came in, sat down, and negotiated how much they were going to get. And that really wasn't what we were about. Our motto had been. . . "you get every penny that coming to you, not one cent more, not one cent less. " But the clients-they were coming out of an environment. . . where they had a negotiated benefit. And in January 1974 they would come into an office that has a supposedly fixed benefit structure . . . but it could vary on forty-five different variables, plus mandatory State supplement. . . .

So SSA representatives found themselves, in effect, negotiating. SS1 claimants by definition had no other source of income, and were often in desperate straits, needing and demanding emergency funds, and in no mood or condition to be patient with bureaucratic delays, however inevitable.

The authority for granting benefits had to be left almost entirely in the hands of field office employees who interviewed the applicants, with quality assurance resting on review of a small number of the cases. There was a rash of lawsuits challenging SSA procedures. Some observers believe that SSA was so traumatized by the introduction of SS1 in 1974, under inadequate staff resources, that its operations would have been badly shaken even if computer and systems failures had not also taken place.

[8] From the proceedings of a workshop held by OTA during the course of this study, Mar. 5, 1986.

THE POLITICAL ENVIRONMENT AND SSA RESOURCES

As one congressional committee put it in 1981, the key questions were what had caused the SS1 crisis, and why nothing had been done about it by SSA over the years that the likelihood of such a situation was developing. One also needs to ask whether the problems and the failure to attack them effectively, were solely failures of SSA management, or whether external factors forced SSA into a corner. For example, did OMB or cabinet-level policies contribute to the debacle? Were congressional directives or oversight procedures at fault either in contributing to the problems, or failing to bring them to light before they became severe? Answers to these questions could disclose generic problems in the management of

government agencies in a period of continuing technological change. The answers necessarily involve political, social, and resource factors.

From 1973 to 1981 periods of "stagflation" and a series of recessions produced cutbacks in basic industries, significant blue-collar unemployment, and mounting national budget deficits, which reduced resources for financing social programs at the same time that there were rising needs for such services. Increased utilization of benefits and a growing imbalance between current users and paying supporters had created fundamental questions, by the late 1970s, about the financial soundness of the Social Security Trust Fund system and the capacity of the Social Security System to continue paying its own way. The bipartisan consensus under which SSA had operated since 1937 came under serious challenge.

Under Presidents Carter and Reagan, Federal agency requests for appropriations and staff authorizations were cut back, ways were sought to curtail the expansion of program benefits, agency operations were monitored more closely, and campaigns were initiated to curtail "fraud, waste, and abuse" in Federal operations.

In spite of this, SSA programs continued to expand in coverage and benefit levels, and new programs were assigned to SSA. Even when changes were made limiting SSA programs, in 1980 to 1981, these further increased administrative demands on SSA. American society had become accustomed to swift and sophisticated information-handling capacities and SSA as an "advanced user" of information technology was expected to achieve a high level of service.

It was widely believed in the 1970s that organizations applying the new office technologies would not have to layoff large numbers of workers, but could direct them into other expanding operations. But by the early 1980s foreign competition began to force business managers to use automation to shrink work force size as sharply as possible. There was a parallel approach by government leaders. Cutting back the government work force was seen as a necessity for sound fiscal policy and effective government administration.

Further, in the 1970s, emphasis on humanizing and enriching work began to collide with the efficiency thrust of many automation efforts. After 1979, this was to become a powerful concern of the union representing SSA'S employees, an issue about which union leaders would increasingly seek to become involved.

Shortage of resources was a key factor in both the operational weaknesses and the poor ADP performance between 1974 and 1982. SSA was already weakened by the 1969 to 1973 cuts in personnel levels and budget, with field staff and headquarters staffs strained to the limit.

When it was given the SS1 program in 1972, SSA received approval to increase its field personnel, but these resources proved to be wholly insufficient. It was estimated, SSA officials remember, that the States had together 32,000 people employed, whose work was to be shifted to SSA. It was assumed that 10,000 temporary hires would suffice for SSA, since about 70 percent of the claimants would already be on the social security rolls. [10] The results were delays, gross overpayments and other high error rates, confusion in operations, and general disarray in the field offices. Both employees and outside critics maintained that SSA had completely misestimated the amount of labor required to work the system. But SSA requests for more people had been repeatedly refused. [11]

On top of this came two successive high-demand assignments from Congress: the 1977 Social Security Amendments and the 1980 to 1981 legislation. In between, Congress, in a 1978 attempt to reduce paperwork for em-

[10] These figures rely on the memory of the responsible SSA officials, but they are at least approximately correct.

[11] For example, one SSA employee told OTA: "It (OMB) totally underestimated the labor intensiveness of the SSI program-how much work that it would really involve. And I would submit that still to this day they do not understand and do not estimate correctly the labor-intensity of delivering personal services to clients." A DHHS high-level official remembers that: "... OMB kept coming back and saying, 'Cut personnel,' and ... 'Drop personnel and we'll worry about that later,"

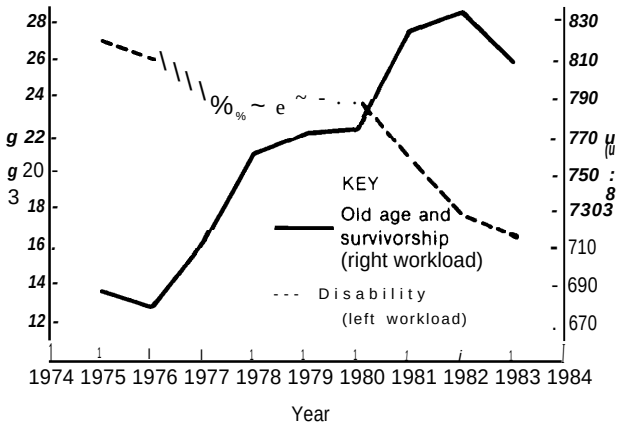
ployers, mandated a change from quarterly report of earnings to annual reporting. For SSA this meant a change from a quarterly cycle in its workload to an annual peak early in the year, which was harder to manage. The earnings reports are central to the computation of benefits, and if they are not posted promptly, other work tends to back up. Eventually SSA had a 3-year backlog of unposted earnings.

SSA again failed in a series of key efforts to obtain adequate resources. [12] A request for 12,000 new permanent positions resulted in approval for only 10,000 temporary jobs. In 1977 Congress voted on the personnel resources SSA sought, a 2 percent rise in total staff, but the Civil Service Reform Act just then levied a complete personnel freeze in the Federal service. SSA'S work force shrank by 7 percent from 1977 through 1980 and the proportion that were part-time and temporary workers rose slightly. [13]

In spite of the governmentwide personnel cuts and freezes of 1981 to 1982, SSA'S work force was, by 1983, 5 percent larger than in 1980. But the ratio of beneficiaries to staff-years had grown by 15 percent (figure 8). Congress consistently authorized higher staff levels than OMB and the Department of Health and Human Services permitted. If there had been a marked improvement in ADP and communications support, the increased workloads would not have resulted in heavy "burnout" pressures for staff or in degraded service to clients. But the combination of inadequate personnel and inadequate or even counterproductive ADP systems were compromising basic delivery of services.

There is considerable disagreement as to where the blame for this situation lies. Congressional staff tend to assert that SSA consistently misestimated or inadequately projected the resource requirements of new programs or

Figure 8.—Growth in the Social Security Administration's Workload From 1975 to 1983 As Defined by the Beneficiaries Per Staff Year



SOURCE: Kenneth Laudon, "SSA Management and Use of Information Technology the Current Period. 1982 -1988," contractor report for OTA, 1985.

legislative changes; SSA veterans claim that they consistently begged for more people and were refused. It appears that throughout this period OMB applied heavy pressure to agencies to reduce their work forces. There were however serious weaknesses in SSA'S top management between 1973 and 1981, as discussed in the next section.14 Whatever the reasons, SSA was always running hard to get its work done. . . and falling. The agency pushed its people in ultimately self-defeating ways to make up the difference, and lost the quality staff it once enjoyed.

Congressional and executive branch confidence in SSA'S management clearly eroded. Weak program delivery, poor quality, doubts about fraud and waste, and bungling of ADP activities brought efforts in the executive branch and congressional committees to remedy these problems. [15]

ADP facilities were still another troubled area; the computer facilities in SSA'S Operations Building suffered from inadequate-elec-

[12] Senate Special Committee on Aging, *Social Security: How Well Is It Serving the Public? 1983,* p. 131.

[13] At the end of 1977 SSA's total work force was 87,500, of whom 7,300 were part-time/temporary workers, At the end of 1980, the total was 81,700, with 7,200 part-time/temporary. Senate Special Committee on Aging, *Social Security, How Well Is It Serving the Public?* 1983, p. 131.

[14] Ibid.

[15] U. S. Congress, *Mismanagement of SSA's Computer Systems Threatens Social Security Programs,* 33d report by the House Committee on Government Operations, 97th Cong., 2d sess., 1982; hereafter cited as House Committee on Government Operations (title, date).

tricity and air-conditioning, limited fire protection, and overcrowding. A new computer center in Baltimore was authorized by the Ford Administration on SSA'S promise to formulate and implement a plan for ADP development. No such plan was implemented, but between 1976 and 1980 a new computer facility was constructed. In 1978a move into the building under construction was approved on condition that a plan to facilitate competitive procurement had been developed. From 1979 to 1980 the work to move old computer hardware into the new building caused implementation of new ADP systems to be tabled, and in May 1981, SSA told the House Ways and Means Committee that the move was a year behind schedule due to construction problems.[16] However, the move was completed during 1981 with no serious disrution of day-to-day operations.

[16]Written response to questions, from Richard S. Schweiker, Secretary of Health and Human Services, May 28, 1981, to Congressman Pickle, Chairman of the Subcommittee on Social Security, following Hearings, U.S. Congress, *Automated Data Processing Systems,* Hearing Before the Subcommittee on Social Security and the Subcommittee on Oversight of the House Committee on Ways and Means, 97th Cong., 1st sess., May ***22, 1981,*** p. 51; hereafter cited as House Committee on Ways and Means (title, date),

WORK FORCE PROBLEMS

Personnel problems became troublesome in these years. For 15 years, SSA had promoted into computer and systems jobs former claims clerks and computer operators who were given minimal training and lacked the fundamental knowledge and skills needed to stay abreast of changing technologies. 17 Then, for reasons to be discussed later, SSA was unable to attract sufficient newly educated programmers and systems experts to upgrade its staff, and suffered heavy attrition from the most talented of those it did hire, as they encountered adverse working environments, heavy overtime, low pay scales, and assignments on antiquated systems that offered no possibility of professional growth or satisfaction.

By the late 1970s, middle managers in the Office of Systems were typically former claims clerks who had learned on the job but had no formal training in advanced systems. '8 In the Office of Systems Development, no division chief had a college degree, and of 400 professionals in the division, only two dozen had advanced degrees, none in relevant subject areas. 'g A former Associate Commissioner for Systems told Congress that in this situation, "retraining is not the answer. 20

Many of those who had only on-the-job training were highly competent at their jobs, but this did not necessarily equip them for conceptualizing new approaches to highly complex technological problems, or give them the knowledge necessary to foresee emerging technological possibilities and ways of pushing forward the state of the art. SSA had developed, or fallen into, a policy of giving promotions strictly on the basis of seniority, rather than training, credentials, or merit.[21] This policy had, and probably still has, the effect of building in those who rise through the ranks to decisionmaking positions, a fierce loyalty to the agency. However, it tended to frustrate the attempt to attract and hold bright and ambitious

[17]U. S. Congress, *Viability of the Social Security Administration's Computer Systems,* Hearings Before a Subcommittee of the House Committee on Government Operations, 97th Cong., 1st sess., Sept. 23, 1981. (This was the Subcommittee on Legislation and National Security, chaired by Rep. Jack Brooks.) Hereafter cited as "Brooks Committee" (title, date).

[18]House Committee on Government Operations, *Mismanagement of SSA's Computer Systems Threatens Social Security Programs,* 33d report, 1982, p. 9, which quotes Dr. Jan Prokop, former SSA Associate Commissioner for Systems. His testimony appears in Brooks Committee, *Viability of the Social Security Administration Computer Systems, 1981,* pp. 127 ff.

[19]Testimony of Rhoda Manchur, former Director of the Office of Systems Development, SSA, in app. 111, of the House Committee on Government Operations, 33d report, cited in footnote 18.

[20]Dr. Jan Prokop, in testimony quoted in the House Committee on Government Operations, 33d report, cited in footnote 18.

*lAccording to congressional testimony by Dr. Prokop and Ms. Manchur, cited in footnote 18.

people more recently trained in computer science and eagerly sought by industry, where they got not only higher salaries but the opportunity to work on state-of-the-art systems, to continue to build their skills, and to advance rapidly in their profession.

Commissioner Svahn testified before a congressional committee that he was "under no significant artificial impediments to hiring," but had serious problems in recruiting and retaining professionals. Svahn blamed this on serious morale problems arising from "six-day work weeks for six months at a time," rather than on SSA'S promotion policies or its obsolescent systems. [22]

A congressional report noted another factor, that SSA: "cannot hire enough qualified personnel to work on its systems because that would entail a huge displacement problem and consequently would be unacceptable. "2[3]

The fear of this displacement, or of being downgraded, was pervasive among SSA staff after the reorganization of the Office of Systems in 1979. With the Reagan Administration's budget-cutting initiatives in 1981, the Office of Personnel Management directed that many ADP positions be reviewed for possible reclassification-that is, for reduction in grade level and salary. The possibility of adverse personnel actions magnified the already serious problem of job uncertainty and low morale, as acknowledged by another congressional report.[24]

[22] Prepared Statement by John A. Svahn, Commissioner of Social Security, for the Subcommittee on Legislation and National Security of the House Committee on Government Operations, Sept. 23, 1981. See Brooks Committee, *Viability of the Social Security Administration's Computer Systems*, 1981.

[23] House Committee on Government operations, 33d report, 1982, p. 9.

[24] U.S. Congress, *The Social Security Automated Data Processing Crisis*, a report prepared by the staff of the Subcommittee on Social Security, House Committee on Ways and Means, 97th Cong., 1st sess., May 22, 1981, p. 9; hereafter cited as House Subcommittee on Social Security (title, date).

TECHNOLOGICAL CHOICES

Most large organizations during this period grew to depend heavily on ADP systems for their basic daily operations, and the capability of resorting to manual backup grew weaker. Aging computers from the 1960s, less efficient than newer systems, were a common problem, and when they were replaced, it was necessary to undertake the software conversion of databases and instructions. Organizations had more options in designing their information systems; but this was also a period of rising expectations as to what information systems should be able to do in the near future.

Private sector insurance companies were automating their procedures during this period. Studies of this industry" indicate that from 1969 to 1973 insurance companies were investing heavily in technology, and their work forces were also growing. Employment in the insurance industry showed strong growth during the 1970s; insurance companies were diversifying their products and expanding their markets, while at the same time they were just learning how to use the technology to increase productivity. Beginning about 1979, these productivity gains began to show up in lower unit costs of service delivery, in constrained work force growth, and more recently in work force reductions.

Researchers agree, however, that the companies that were most successful in using advanced systems tended to be: 1) relatively

[25] Eileen Appelbaum, *Technology and the Redesign of Work in the Insurance Industry*, Institute for Research and Educational Finance and Governance, Stanford University School of Education, Project Report No. 84-A22, November 1984; Barbara Baran and Suzanne Teegarden, *Women Labor in the Insurance Office*, University of California, Berkeley, Department of City and Regional Planning, 1983; Barbara Baran, *Technological Innovation and Deregulation: The Transformation of the Labor Process in the Insurance Company*, Berkeley Roundtable on the International Economy, Contract No. 433-3610.0, prepared for the Technology and Economic Transition Project, Office of Technology Assessment, U.S. Congress, January 1985.

small companies, and 2) those that took a "bottom-up" approach to planning and implementation. SSA, with its mammoth size and workload, compounded its problems by holding to a thoroughly "top-down" approach to planning and decisionmaking.

Organizations had to be increasingly adept, anticipative, and technically well-staffed and well-led to stay abreast, and the costs in dollars and performance of falling behind were growing heavier. The choices involved hardware, data storage, software, and communications.

IBM mainframes dominated the large systems market, but IBM began to stop maintaining older systems. More IBM-compatible mainframes became available to organizations that had IBM software. In the mid to late 1970s organizations could move from tape to new disk storage, but changes had to be made in job control language and in applications programs. Software was the critical element; the development of modern database management depended on separating programs from data, that is, making the database independent and usable by multiple programs.

In communications, the late 1970s and early 1980s saw the arrival of free-standing packet switching networks with their own host computers, separate from the database processors. Processing capabilities could be distributed according to varying loads and priorities. The networks constituted a utility by which transactions and messages could be shipped around.

Managers in most organizations had to be convinced by technical experts that it was necessary to hire systems and programming staff with the new software engineering knowledge, upgrade staffs, retrain supervisors, bring in consultants, and spend substantial amounts of money to apply these resources to software conversions. For Federal ADP shops operating under a combination of civil service and personnel classification controls and budget limitations on large-scale software projects, the decision to modernize older computer systems did not come easily.

Throughout this period, SSA was falling behind. The extent of this slippage will be illustrated later, but SSA failed to keep up with the private sector in hardware, and more importantly, in software development.

PRIVACY AND SECURITY CONCERNS

By the mid-1970s Americans wanted and gradually got regulation over the way information about individuals was handled by private and public organizations. From 1973 to 1981, SSA faced a growing set of requirements for protecting data from misuse:

- *Privacy and Confidentiality:* The Federal Privacy Act of 1974, amendments in 1975 and 1982; OMB circular A-108; the Tax Reform Act of 1976; the Paperwork Reduction Act of 1980.
- *Freedom of Information and Public Access:* The Freedom of Information Act amendments of 1974, 1976, 1978,
- *Security:* OMB Circular A-71 and Federal Information Resources Management Regulations; GSA regulations.
- *Integrity:* Internal quality control and audit requirements; computer-matching projects (since the late 1970s) to deal with fraud or waste in benefit programs.
- *Due Process:* Federal court decisions setting information and procedural requirements for SSA determinations, particularly in the disability area.
- *Information Management:* Paperwork Reduction Act of 1980; Information Resource Management requirements under OMB supervision.

To meet these requirements an organization had to be in effective command of its ADP systems in terms of both operations and advanced planning; such management command of ADP was simply not present at SSA in this period.

As will be seen, there were repeated occurrences of computer-related fraud and sabotage at SSA. However, there were no significant complaints of violations of privacy related to social security data.

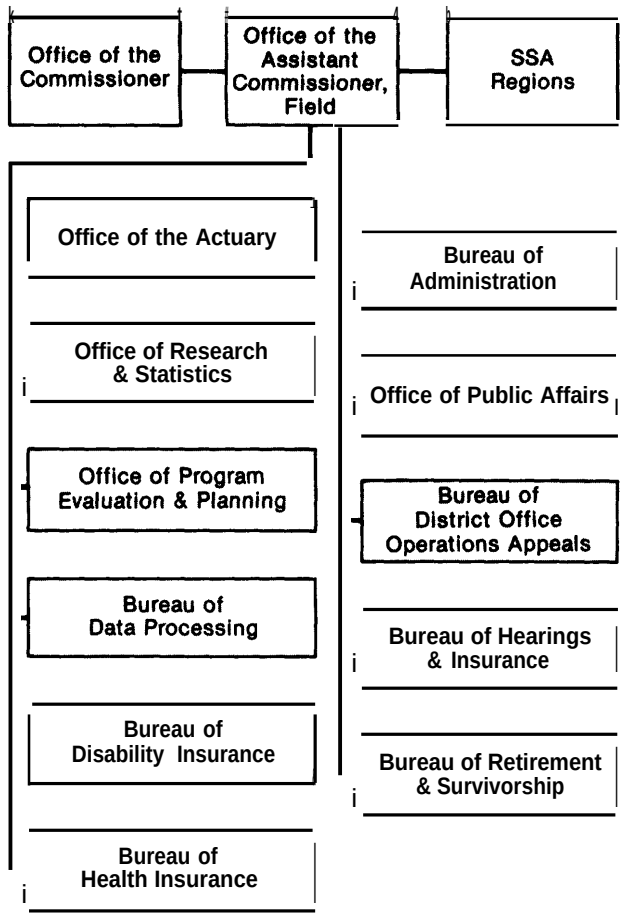
DISRUPTIVE REORGANIZATIONS

In 1972 to 1981 frequent changes took place in top leadership and unsuccessful agency reorganizations. In the first 38 years SSA had six commissioners, with an average tenure of 6.5 years; and two men led the agency for 27 of the 38 years. From 1973 to 1981, SSA had seven commissioners or acting commissioners, for an average tenure of 1.1 years. None of the confirmed commissioners had experience within SSA or was directly knowledgeable about it. The senior staff was also shaken up repeatedly as many of the new commissioners brought in their own senior people. As former Associate Commissioner for Administration Jack Futterman noted in a report for the National Commission on Social Security in 1980,[26] the direction of SSA by its Commissioner could never be the same as in earlier eras. No new Commissioner could, from personal experience within the agency, know the whole organization and its "enormous range of programs, administration, management [and] technology." All Commissioners would be "more dependent on key subordinates" and "would need to make large delegations of authority." The sheer increase in size had taken a toll.

Two commissioners in the mid to late 1970s decided that fundamental reorganization of the agency was the way to gain control (see figure 9). SSA had in fact three major reorganizations: in 1975, by Commissioner James Cardwell; in 1977, as part of a general HEW departmental reorganization; and in 1979, by Commissioner Stanford Ross. Every major analysis of SSA'S performance in this period stresses the disruption and adverse effects that these reorganizations had on agency operations.

26 F$_{uttermm}$, Op. cit., 1980, P. 13

Figure 9.—The Organization of the Social Security Administration Circa 1972

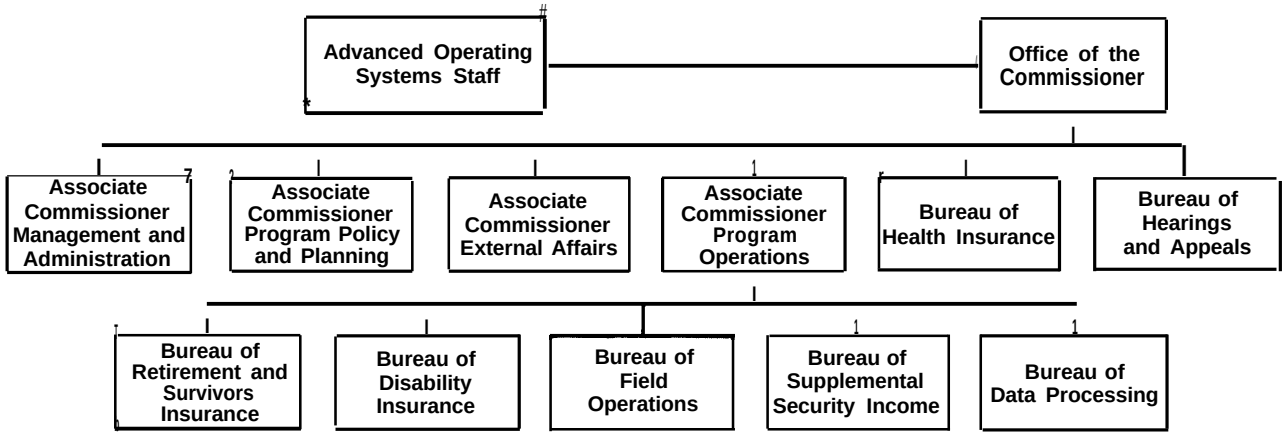


SOURCE" Social Security Administration 1966

The 1975 Reorganization

Commissioner Cardwell, who had no SSA experience, concluded that there was insufficient accountability for program operations, that the Commissioner was forced to resolve too many conflicts between programs, and that diffusion of responsibility was a major source of trouble. The 1975 reorganization therefore eliminated the separate line organizations for the

Figure 10.—The Organization of the Social Security Administration Following the 1975 Reorganization



SOURCE Social Security Admlnlstratlon, 1986

Retirement Security Income, Disability Income, and Supplemental Security Income programs and merged these, along with the staffs from the former Bureau of District Office Operations and the offices of the 10 Regional Commissioners, into one large Office of Program Operations (OPO). This reduced the number of senior staff reporting to the Commissioner. A special Office of Advanced Systems (OAS) was created to develop better computer systems; this unit reported directly to the Commissioner (see figure 10). A Policy Council made up of the heads of first-line units was created to recommend new policies.

Fundamental problems arose with this organization between 1975 and 1979. The Futterman report cited above, based on extensive interviewing of SSA people, concluded that the reorganization was never completed; large numbers of employees were never reassigned, or were left in jobs that no longer existed, and issues about the jurisdiction of senior officials were never resolved. The new Office of Program Operations (O PO) established a large new level of staff superimposed on and duplicating the staff of the three former program bureaus. Neither the OPO staff nor the bureau staff could be effectively held accountable for results and performance.

The 1977 Reorganization

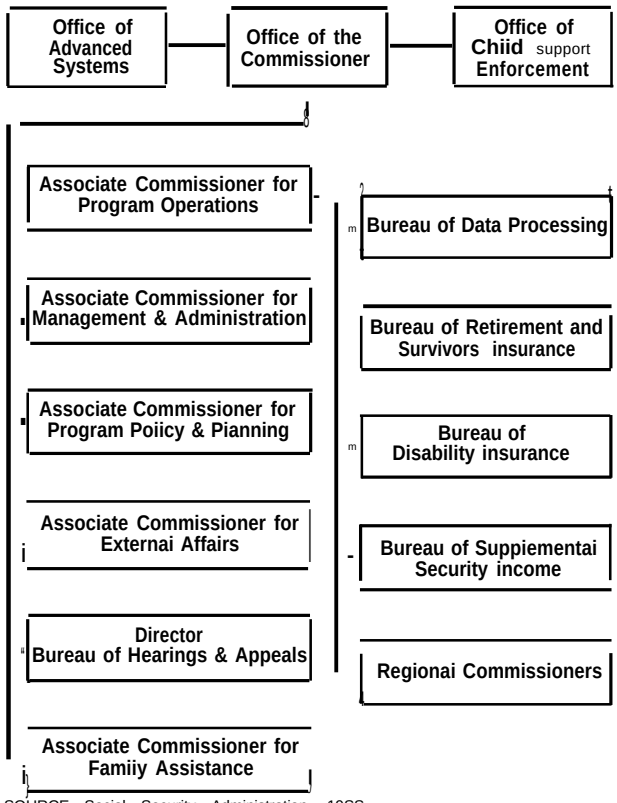
In 1977 the Department of Health, Education, and Welfare, which included SSA, was reorganized. Medicare and Medicaid were merged and put under anew HEW Health Care Financing Administration for which SSA took on important recordkeeping functions. SSA was now to administer the Aid to Families with Dependent Children (AFDC) and the Refugee Assistance Programs, and the Commissioner of SSA was designated as director of Child Support Enforcement. AFDC was assigned to a new SSA Associate Commissioner for Family Assistance (OFA), which meant that SSA field offices now reported both to him and to the Office of Program Operations. The Commissioner now had to resolve boundary disputes and resource issues between the two offices[27] (see figure 11).

The 1978-79 Reorganization

In 1978 Commissioner Ross was appointed with instructions to tie SSA more closely to HEW policy direction. There was another sweeping change in the agency organization. The Commissioner's Office was reorganized

'-Ibid.

Figure 11 .–The Organization of the Sociai Security Administration Foiiowing the 1977 Reorganization



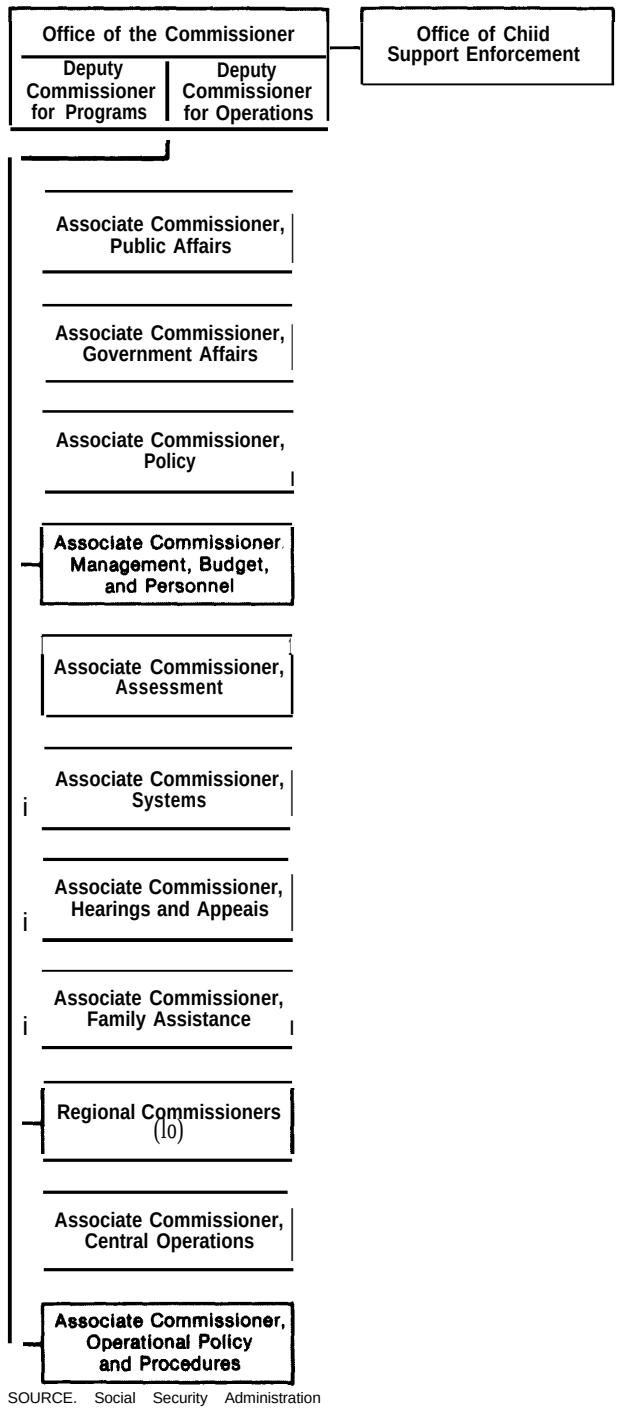
SOURCE Social Security Administration, 19SS

and two Deputy Commissioners (for Operations and for Program Policy Issues) were installed. The rest of SSA was rearranged into a new "functional structure, " with 10 offices, each headed by an Associate Commissioner.[28] The 10 Regional Commissioners were retained, reporting directly to the Commissioner. The Office of Advanced Systems was abolished, leaving SSA with no independent systems planning effort (see figure 12).

SSA operations were thus grouped around general administrative functions rather than around major programs, so that all of the same

[28]They were: Policy, Management, Budget, and personnel; Public Affairs, Governmental Affairs, Assessment, Systems, Operational Policy and Procedures; Central Operations, Hearings and Appeals, Family Assistance.

Figure 12.—The Organization of the Social Security Administration Foiiowing the 1978.79 Reorganization



SOURCE. Social Security Administration

kinds of administrative procedures would be conducted by a specialized unit for all SSA programs. This ran counter to 40 years of SSA experience, by dividing up program segments even more than had the 1975 reorganization and scattering them through functional offices. The Futterman report said, "It became almost an impossibility . . . to render a current accounting of the status of RSI, DI, or SS1. . . ." However, it paved the way for agencywide automation and system redesign in the 1980s.

Now it was up to the Commissioner to coordinate a dozen Associate Commissioners and 10 Regional Commissioners who reported directly to him. An additional feature of this reorganization was that Commissioner Ross deliberately overrode internal career-promotion lines in selecting top managers, reaching down to promote staff and bringing in outsiders.

DEFICIENCIES OF INFORMATION TECHNOLOGY MANAGEMENT

Information management is not different in kind from general administration; it is still fundamentally dependent on the overall direction of ideas, people, material resources, and organizational structures and processes. Between 1972 and 1981, SSA had experienced a profound change of mission and operating culture with the onset of the SS1 program. Then came an on-line system (SSADARS), with high-pressure, fast-turnaround requirements, which was a dramatic and often resented change in the basic work system. As already noted, SSADARS did not work well. New performance measurement pressures on field staff further worsened morale, by most accounts.

The internal awareness of SSA'S deepening problems, and the strong sense of comitment and loyalty to the agency that SSA had long enjoyed, unfortunately combined to produce an extreme defensiveness on the part of many SSA people toward any outside criticism. To those in oversight roles and to other external observers, it often appeared that SSA people "circled the wagons" and fended off any suggestions for basic changes, maintaining that glacial incrementalism was the only feasible way to improve patchwork systems.

The charge was and frequently is made by SSA'S critics that the operations staff in the late 1970s and early 1980s consistently were hostile toward outsiders brought into develop modernization plans, and relied repeatedly on a form of organizational blackmail: "only we know how to run old programs, " and "give us what we want or we can't get the checks out next month. "

While this criticism may be slightly exaggerated, vestiges of these attitudes are still clearly discernible; many long-time SSA managers still react with strong emotion to official assessments of SSA performance that were presented to Congress by the Commissioner and his management team in 1981-82, saying heatedly that "things weren't that bad" and that backlogs and error rates were overstated and exaggerated.[zg] Whether or not this is true (and all evidence indicates that the situation was indeed very bad and worsening, regardless of the accuracy of certain indicators presented to congressional committees), the dispute points again to the increasing difficulty

[1]Whe descriptions of the state of affairs in the late 1970s and early 1980s are based in large part on SSA documents, especially the 1982 Systems Modernization Plan, and on testimony by SSA officials at congressional hearings during that period. These descriptions were confirmed by many people inside and outside of SSA who were consulted by OTA. But in written comments to OTA on an early draft of this case study and in many discussions, SSA officials repeatedly disputed statements taken from those documents. In explanation, *some* pointed out that the documentary statements in question were assembled and used in 1982 **"by** the new management team' in defending requests for appropriations for systems modernization, "over the bitter protests" of those at SSA who had been "satisfactorily coping with the problems, "

and complexity of effective oversight of very large data-handling operations.

Accepting the fact that SSA was having severe problems in carrying out its mission, the tasks of top management in this situation were:

- to improve the existing systems, and to get or hold on to efficient equipment and effective personnel;
- to carry out the planning of major new systems, developing a rationale for reorganizing jobs, people, and structures;
- to institutionalize this planning and systems development in such a way that would not be frustrated by, and would not on the other hand interfere with, the heavy daily requirements of carrying on operations; and, therefore,
- judiciously to allocate resources between operation~ needs and new system development and resolve conflicts over that allocation.

Top management did not accomplish these four tasks. According to people within SSA at the time, Commissioners were frequently told by senior staff that changes "just weren't possible. " With frequent changes and short tenure, commissioners lacked the depth of knowledge of operations to challenge those statements. Teams of outside specialists were hired and then defeated by insiders. Plans were made but not implemented. No effective system was developed for specification of user requirements. System development groups could not discover the basic functional requirements they needed to work with. Budgeting for ADP was not done in a way that specified the relationship of expenditures to operations and missions or to meeting specific information policy requirements.

SSA'S mission had greatly expanded in the 1970s and its staff had grown from 50,000 to 75,000 people between 1970 and 1975. It had reached a cross-over point, at which it could no longer be run effectively with manual processes, even aided by computers and older electromechanical equipment. By 1975, and certainly by 1981, only an effective and integrated ADP system supported by staff professionals could make SSA work. Yet budgeting and planning within SSA treated hardware, software, and telecommunications not as the core need, the structural necessity for doing the work, but as a peripheral service supporting "operations.

Sustained management interventions would be needed to regain top management control of an organization in which bureaucratic pathologies had taken hold and were dominating all reform efforts.

Though it never failed in these "crisis years" to get the monthly beneficiary checks out—which was accomplished by heroic efforts by SSA staff, given the disarray of manual and computer systems—serious problems had developed with the quality and timeliness of SSA services. This had produced areas of significant client dissatisfaction. Privacy Act requirements for "accuracy, timeliness, and complete ness . . . to assure fairness, " were not being met. Court-defined requirements for due process in hearings and appeals were often not forthcoming. Key information needed on a timely basis for disability hearings was often not available. Security and integrity procedures were found by executive and congressional audits to be weak or nonexistent. Procurement policies and compliance with procurement monitoring were seriously weak and key procurements had gone awry. Morale in the field, district offices and service centers had fallen seriously, and key units at central headquarters felt similarly demoralized by the successive reorganizations, leadership shifts, and project failures or abandonments.

As a result, SSA by the end of 1981 had lost the reputation for excellence in performance that had been its hallmark from 1935 to 1972. With its well-publicized problems came a loss in confidence in SSA at DHHS, OMB, GSA, the White House, GAO, and key congressional committees. By having failed to use information technology effectively to cope with serious problems in its external and institutional environments between 1973 and 1981, SSA'S basic ability to carry out its assigned missions was now in jeopardy.