TAFT ON ECONOMY AND EFFICIENCY

President Sends Another Special Message to Congress.

PLANS FOR BETTER SERVICE

Results of Commission's Inquiry Into Methods of Saving Money and Getting Better Work From Government Employes.

Washington, Jan. 17. - President Taft submitted to congress today another message, this time on economy and efficiency in the government serv-

The message in part is as follows: To the Senate and House of Repre-

sentatives: I submit for the information of the congress this report of progress made in the inquiry into the efficiency and economy of the methods of transacting public business.

Efficiency and economy in the government service have been demanded with increasing insistence for a generation. Real economy is the result of efficient organization. By perfecting the organization the same benefits may be obtained at less expense. A reduction in the total of the annual appropriations is not in itself a proof of economy, since it is often accompanied by a decrease in efficiency. The needs of the nation may demand a large increase of expenditure, yet to keep the total appropriations within the expected revenue is necessary to the maintenance of public credit.

Upon the president must rest a large share of the responsibility for the demands made upon the treasury for the current administration of the executive branch of the government. Upon the congress must rest responsibility for those grants of public funds which are made for other purposes.

Reason for the inquiry.

Recognizing my share of responsibility for efficient and economical administration, I have endeavored during the past two years, with the assistance of heads of departments, to secure the best results. As one of the means to this end I requested a grant from congress to make my efforts more effective.

An appropriation of \$100,000 was made June 25, 1910, "to enable the president to inquire into the methods of transacting the public business of the executive departments and other government establishments and to recommend to congress such legislation as may be necessary to carry into effect changes found to be desirable that cannot be accomplished by executive action alone." I have been given this fund to enable me to take action and to make specific recommendations with respect to the details of transacting the business of an organization whose activities are almost as varied as those of the entire business world. The operations of the government affect the interest of every person living within the jurisdiction of the United States. Its organization embraces stations and centers of work located in every city and in many local subdivisions of the country. Its gross expenditures amount to nearly \$1,000, 600,000 annually. Including the personnel of the military and naval establishments, more than 400,000 persons are required to do the work imposed by law upon the executive branch of the government.

Plan of the Work.

In accordance with my instructions, the commission on economy and efficiency, which I organized to aid me in the inquiry, has directed its efforts primarily to the formulation of con crete recommendations looking to the betterment of the fundamental condicions under which governmental operations must be carried on. With a basis thus laid, it has proceeded to the prosecution of detailed studies of individual services and classes of work. and of particular practices and methods, pushing these studies as far, and covering as many points and services. as the resources and time at its disposal have permitted.

In approaching its task it has divided the work into five fields of inquiry having to do respectively with organization, personnel, business methods, accounting and reporting, and

Organization.

I have stated that the congress, the president, and the administrative officers are attempting to discharge the duties with which they are intrusted without full information as to the agencies through which the work of the government is being performed. To provide more complete information on this point the commission has submitted to me a report on the organization of the government as it existed July 1, 1911. This report, which is transmitted herewith, shows in great detail, by means of outlines, not only the departments, commissions, bureaus and offices through which the government performs its varied activities, but also the sections, shops, field stations, etc., constituting the subordinate divisions through which the work is actually done. It shows for the services at Washington each such final unit as a laboratory, library. shop and administrative subdivision; and for the services outside of Washington each station and point at which any activity of the government is car-

Comprehensive Plan of Organization.

commission has entered upon the preparation of three series of reports. The first series deals with the manner in which the services of the government should be grouped in departments. This is a matter of fundamental importance. It is only after a satisfactory solution of this problem that many important measures of reform become possible. Only by grouping services according to their character can substantial progress be made in eliminating duplication of work and plant and proper working relations be established between services engaged in similar activities. Until the head of a department is called upon to deal exclusively with matters falling in but one or a very few distinct fields, effective supervision and control is impossible. As long as the same department embraces services so diverse in character as those of life saving and the management of public finances, standardization of accounting methods and of other business practices is exceedingly difficult of attainment, So dependent are other reforms upon

the proper grouping of services that have instructed the commission to indicate in its report the changes which should be made in the existing organization and to proceed in the same way as would far-seeing architects or engineers in planning for the improvement and development of a great city. My desire is to secure and to furnish to the congress a scheme of organization that can be used as a basis of discussion and action for years to come.

In the past services have been created one by one as exigencies have seemed to demand, with little or no reference to any scheme of organization of the government as a whole, am convinced that the time has come when the government should take stock of its activities and agencies and formulate a comprehensive plan with reference to which future changes may be made. The report of the commission is being prepared with this idea in mind. When completed it will be transmitted to congress. The recommendations will be of such a character that they can be acted upon one by one if they commend themselves to the congress and as action in regard to any one of them is deemed to be urgent.

Report on Particular Services.

The second and third series of reports deal, respectively, with the organization and activities of particular services, and the form of organization for the performance of particular business operations.

One of the reports of the second series is upon the revenue cutter service, which costs the government over two and a half million dollars each year, In the opinion of the commission its varied activities can be performed with equal, or greater, advantage by other services. The commission, therefore, recommends that it be abolished. It is estimated that by so doing a saving of not less than \$1,000,000 a year can be made.

Another report illustrating the second series recommends that the lighthouse and life saving services be administered by a single bureau, instead of as at present by two bureaus located in different departments. These Geo ervices have much in common. graphically, they are similarly located; administratively, they have many of the same problems. It is estimated that consolidation would result in a saving of not less than \$100,006 annually.

General Technical Services. A third series of reports is being prepared on those branches of the organization which are technical in character and which exist for the service of the government as a whole-branches which have to do with such matters as public printing, heating, lighting, the making of repairs, the providing of transportation, and the compilation of statistics where mechanical equipment

Abolition of Local Offices.

Perhaps the part of the organization in which the greatest economy in public expenditure is possible is to be found in the numerous local offices of the government. In some instances the establishment and the discontinuance of these local offices are matters of administrative discretion. In other instances they are established by permanent law in such a manner that their discontinuance is beyond the power of the president or that of any executive officer. In a number of services these laws were passed nearly a century ago. Changes in economic conditions have taken place which have had the effect of rendering certain offices not only useless, but even worse than useless in that their very existence needlessly swells expenditures and complicates the administrative system.

The attention of congress has been called repeatedly to these conditions. In some instances the congress has approved recommendations for the abo fition of useless positions. In other cases not only do the recommendations of the executive that useless positions be abolished remain unheeded, but laws are passed to establish new offices at places where they are not

needed. The responsibility for the main tenance of these conditions must naturally be divided between the congress and the executive. But that the executive has performed his duty when he has called the attention of the congress to the matter must also be admitted. Realizing my responsibility in the premises, I have directed the commission to prepare a report setting forth the positions in the local services of the government which may be discontinued with advantage, the saving which would result from such action and the changes in law which are necessary to carry into effect changes in organization found to be desirable.

offices as may be found useless and can be abolished will be so treated by

In my recent message to the congress 1 urged consideration of the necessity of placing in the classified service all of the local officers under the departments of the treasury, the interior, postoffice, and commerce and

Classification of Local Officers.

The importance of the existence of a competent and reasonably permanent civil service was not appreciated until the last quarter of the last century. At that time examinations were instituted as a means of ascertaining whether candidates for appointment possessed the requisite qualifications for government positions. Since then it has come to be universally admitted that entrance to almost every subordinate position in the public service should be dependent upon the proof in some appropriate way of the ability of the appointee.

As yet, however, little if any attempt has been made by law to secure, either for the higher administrative positions in the service at Washington or for local offices, the qualifications which the incumbents of these positions must have if the business of the government is to be conducted in the most efficient and economical manner. Furthermore, in the case of many of the local officers the law positively provides that the term of office shall be of four years' duration.

The next step which must be taken is to require of heads of bureaus in the departments at Washington, and of most of the local officers under the departments, qualifications of capacity similar to those now required of certain beads of bureaus and of local officers. The extension of the merit system to these officers and a needed readjustment of salaries will have important effects in securing greater economy and efficiency.

In the first place, the possession by the incumbents of these positions of requisite qualifications must in itself

promote efficiency.

In the second place, the removal of local officers from the realm of political patronage in many cases would reduce the pay roll of the field services. At the present time the incumbents of many of these positions leave the actual performance of many of their duties to deputies and assistants. The government often pays two persons for doing work that could easily be done by one. What is the less to the government cannot be stated, but that it is very large cannot be denied, when it is remembered how numerous are the local officers in the postal, customs, internal revenue, public lands, and other field serv-

ices of the government. In the third place, so long as local officers are within the sphere of political patronage it is difficult to consider the question of the establishment or discontinuance of local offices apart from the effect upon local political situations.

Finally, the view that these various offices are to be filled as a result of political considerations has for its consequence the necessity that the president and members of congress devote to matters of patronage time hich they should devote to questions of policy and administration.

The greatest economy and efficlency, and the benefits which may accrue from the president's devoting his time to the work which is most worth while, may be assured only by treating all the distinctly administrative officers in the departments at Washington and in the field in the same way as inferior officers have been treated. The time has come when all these officers should be placed in the classified service. The time has also come when those provisions of law which give to these officers a fixed term of years should be repealed. So long as a fixed term is provided by the law the question of reappointment of an officer, no matter how efficiently he may have performed his duties, will inevitably be raised periodically. So long as appointments to these offices must be confirmed by the senate, and so long as appointments to them be made every four years, just so long will it be impossible to provide a force of employes with a reasonably permanent tenure who are qualified by reason of education and training to do the best

Superannuation.

Attention has been directed in recent years to the need of a suitable plan of retiring the superannuated employes in the executive civil service. In the belief that it is desirable that any steps toward the establishment of such a plan shall be taken with caution, I instructed the commission to make an inquiry first ino the conditions at Washington. This inquiry has been directed to the ascertainment of the extent to which superannuation now exists and to the consideration of the availability of the various plans which either have been proposed for adoption in this country or have actually been adopted in other countries. I shall submit, in the near future, for the consideration of the congress a plan for the retirement of aged employes in the civil service which will safeguard the interests of the government and at the same time make reasonable provision for the needs of those who have given the best part of their lives to the service of the state.

Efficiency of Personnel. I have caused inquiry to be made into the character of the appointees from the point of view of efficiency and competence which has resulted from present methods of appointment; into the present relation of compensation to the character of work done; into the existing methods

ficiency records in the various de- of copy work heretofore done by hand partments; and into the conditions of work in government offices. This inquiry will help to determine to what extent conditions of work are uniform in the different departments and how far uniformity in such conditions will tend to improve the service. I have felt that satisfaction with the conditions in which they worked was a necessary prerequisite to an efficient personnel, and that satisfaction was not to be expected where conditions in one department were less favorable than in another.

This inquiry has not been completed. When it has been ascertained that evils exist which can be remedied through the exercise of the powers now vested in the president, I shall endeavor to remedy those evils. Where that is not the case, I shall present for the consideration of the congress plans which, I believe, will be followed by great improvement in the service.

Business Methods. In every case where technical proceases have been studied it has been demonstrated beyond question that large economies may be effected. The subjects first approached were those which lie close to each administrator, viz, office practices. An illustration of the possibilities within this field may be found in the results of the inquiry into the methods of handling and filing correspondence. Every office in the government has reported its methods to the commission. These reports brought to light the fact that present methods were quite in the reverse of uniform. Some offices follow the practice of briefing all corresponudence; some do not. Some have flat files; others fold all papers before filing. Some use press copies; others retain only carbon copies.

Unnecessary Cost of Handling and Filing Correspondence.

The reports also show not only a very wide range in the methods of doing this comparatively simple part of the government business, but an extraordinary range in cost. For the handling of incoming mail the averages of cost by departments vary from \$5.84 to \$84.40 per 1,000. For the handling of outgoing mail the averages by departments vary from \$5.94 to \$69.89 per 1,000. This does not include the cost of preparation, but is confined merely to the physical side of the work. The variations between individual offices is many times greater than that shown for averages by departments.

It is at once evident either that is is costing some of the offices too little or that others are being run at an unwarranted expense. Nor are these variations explained by differences in character of work. For example, there are two departments which handle practically the same kind of business and in very large volume. The average cost of handling incoming mail to one was found to be over six times as great as the cost of handling incoming mail to the other. Excluding the cost of preparation, the average cost per 1,000 for outgoing mail to one was nearly 50 per cent, greater than that for the other.

It has been found that differences of average cost by departments closely follow differences in method and that the greatest cost is found in the department where the method is most involved. Another fact is of interest, viz. that in the two departments above referred to, which show the lowest averages, orders have been issued Which will lead to large saving without impairing efficiency. It cannot be said what the saving ultimately will be when the attention of officers in all of the departments has been focused on present methods with a view to changing them in such manner as to reduce cost to the lowest point compatible with efficient service. It, however, must be a considerable percentage of nearly \$5,000,000, the total estimated cost of handling this part of the government business at Wash-

ington. Results have already been obtained which are noteworthy. Mention has been made of the orders issued by two departments. Of these the order of one is most revolutionary in character, since it requires flat filing, where before all correspondence was folded; the doing away with letterpress copies; and the discontinuance of indorsements on slips, one of the most expensive processes and one which in the other department has been carried

to very great length.

Need for Labor-Saving Office Devices. The use of labor-saving office devices in the service has been made the subject of special inquiry. An impression prevails that the government is not making use of mechanical devices for economizing labor to the same extent as are efficiently managed private enterprises. A study has been made of the extent to which devices of this character are now being employed in the several branches of the government and the opportunities that exist for their more general use. In order to secure information as to the various kinds of labor-saving devices that are in existence and as to their adaptability to government work, an exhibition of labor-saving office appliances was held in Washington from July 6 to 15, 1911. One hundred and ten manufacturers and dealers participated, and more than 10,000 officers and employees visited the exhibition. There is no doubt that the exhibition served the purpose of bringing to the attention of officers devices which can be employed by them with advantage. The holding of this exhibition was, however, but a step preparatory to the contemplated investigation:

Unnecessary Cost of Copy Work. The efforts of the commission resulted also in the adoption by several bureaus or departments of improved With this outline as a basis, the On the coming in of the report, such of promotion and the keeping of ef- methods of doing copying. The amount sive in some cases than is necessary.

each year in the many offices is estimated to aggregate several bundred thousand dollars. The commission exhibited, at its offices, appliances that were thought to be especially adapted to this kind of government work. Following these demonstrations methods of copying were introduced which have brought about a saving of over 75 per cent, in offices where used for six months. This change in one small cross-section of office practice will more than offset the whole cost of my

Waste in the Distribution of Public Documents.

Going outside the office, one of the business processes which have been investigated is the distribution of departmental documents. This is a subject with which both the congress and administration heads are familiar. The prevailing practice in handling departmental publications is to have them manufactured at the government printing office; each job when completed is delivered to the department; here the books or pamphlets are wrapped and addressed; they are then sent to the postoffice; there they are assorted and prepared for shipment through the mails: from the postoffice they are sent to the railroad station, which is only a few steps from the government printing office, whence they started. The results of this laborious and circuitous method is to make the use of the best mechanical equipment impracticable and to waste each year not less than a quarter of a million dollars of government funds in useless handling, to say nothing of the indirect loss due to lack of proper co-ordination. Wasteful Use of Properties and Equip-

ment.

The use of equipment is a matter which also has been investigated. Up to the present time this investigation has been in the main confined to the subject of electric lighting. The government pays over \$600,000 per year for electric current; it has made large capital outlays for wiring and fixtures. With the increasing demands in many buildings the present equipment is taxed to its limit and if the present methods are continued much of this wiring must be done over; in many places employees are working at a great physical disadvantage, due to inadequate and improper lighting, and thereby with reduced efficiency. In every place where the inquiry has been conducted it appears that there is large waste; that without the cost of rewiring, simply by giving proper attention to location of lights and the use of proper lamps and reflectors, the light efficiency at points where needed may be much increased and the cost of current reduced from 30 to 60 per cent. Other inquiries into the use which is being made of properties and equipment are contemplated which promise even larger results.

Unnecessary Cost of Insurance.

It is the policy of the government not to insure public property against fire and other losses. Question has been raised whether the government might not apply the same principle to other forms of risk, including insurance of the fidelity of officials and employees. A report is now in preparation on the subject which will show opportunities for large savings. I believe that the present expense for insuring the faithful execution of contracts, which, though paid by the contractor, is more than covered in the added price to the government, can be largely reduced without taking away any element of security.

Lack of Specifications. The importance of establishing and maintaining standard specifications is found not only in the possibility of very materially reducing the direct cost of government trading, but also in insuring to the service materials, supplies and equipment which are better adapted to its purposes. One of the results of indefiniteness of specifications is to impose contract conditions which make it extra hazardous for persons to enter into contractual relations. This not only deprives the government of the advantage of broad competition, but causes it to pay an added margin in price to vendors who

must carry the risk. Excessive Cost of Travel.

One of the first steps taken toward constructive work was the reclassification of the expenditures for the year 1910 by objects. The foundation was thus made for the investigation of government trading practices. While it was recognized that this large field could not be covered within a year except at enormous cost, the subjects of "Transportation of persons" and "Subsistence while in travel status" were taken as concrete examples. The annual cost of travel to the government was found to be about \$12,000,000. It was also found that the government employees were traveling in practically every way that was open to the public; it was further found that although the government was the largest user of transportation, it was buying railroad tickets on a less favorable basis than would be possible if the subject of traveling expenditures were systematicaly handled from the point of view of the government as a whole. The form of ticket most often used between such points as New York, Philadelphia and Washington was the single-trip, first-class ticket. In two departments definite tests have been made in the use of mileage books and in each practically the same result has been reported, viz., an average saving of a little over ene-half of one cent per mile.

Better Methods for Purchasing. Through a long period of years and by numerous laws and orders there has grown up a procedure governing public advertising and contracting that is more burdensome and expen-

The procedure is not uniform in the various departments; it is not uniform in many cases for the different services in the same department. To make uniform the requirements so far as practicable will be in the interest of economy and efficiency and bring about that simplicity that will secure the largest opportunity for contractors to bid for government work, and will secure for the government the most favorable prices obtained by any purchaser.

The Budget.

The United States is the only great nation whose government is operated without a budget. This fact seems to be more striking when it is considered that budgets and budget procedures are the outgrowth of Democratic doctrines and have had an important part in the development of modern constitutional rights. The American commonwealth has suffered much from irresponsibility on the part of its governing agencies. The constitutional purpose of a budget is to make government responsive to public opinion and responsible for its

The Budget as an Annual Program.

A budget should be the means for getting before the legislative branch, before the press, and before the people a definite annual program of business to be financed; it should be in the nature of a prospectus both of revenues and expenditures; it should comprehend every relation of the government to the people, whether with reference to the raising of revenues or the rendering of service.

In many foreign countries the annual budget program is discussed with special reference to the revenue to be raised, the thought being that the raising of revenue bears more direct relation to welfare than does government expenditure. Around questions of source of revenue political parties have been organized, and on such questions voters in the United States have taken sides since the first revenue law was proposed.

Public-Welfare Questions.

The principal government objects in which the people of the United States are interested include:

The national defense; the protection of persons and property; the promotion of friendly relations and the protection of American interests abroad; the regulation of commerce and industry; the promotion of agriculture, fisheries, forestry and mining; the promotion of manufacturing, commerce, and banking; the promotion of transportation and communication; the postal service, including postal savings and parcels post; the care for and utilization of the public domain; the promotion of education, art, science and recreation; the promotion of the public health; the care and education of the Indians and other

wards of the nation. These are public-welfare questions in which I assume every citizen has a vital interest. I believe that every member of congress, as an official representative of the people, each editor, as a non-official representative of publie opinion, each citizen, as a beneficiary of the trust imposed on officers of the government, should be able readily to ascertain how much has been spent for each of these purposes; how much has been appropriated for the current year; how much the administration is asking for each of these purposes for the next fiscal

Furthermore, each person interested should have laid before him a clear, well-digested statement showing in detail whether moneys appropriated have been economically spent and whether each division or office has been efficiently run. This is the information which should be available each year in the form of a budget and in detail accounts and reports supporting the budget.

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Continuance of the Commission.

I ask the continuance of this commission on economy and efficiency because of the excellent beginning which has been made toward the reorganization of the machinery of this government on business principles. I ask it because its work is entirely non-partisan in character and ought to apply to every citizen who wishes to give effectiveness to popular government, in which we feel a just pride. The work further commends liself for the reason that the cost of organization and work has been carefully considered at every point. Three months were taken in consideration of plans before the inquiry was begun: six months were then spent in preliminary investigations before the commission was organized; before March 3, 1911, when I asked for a continuation of the original appropriation for the current year, only \$12,000 had been spent.

The expenditure for the inquiry during the present fiscal year is at the rate of \$130,000. The mass of information which must be collected, digested and summarized pertaining to each subject of inquiry is enormous. From the results obtained it is evident that every dollar which is spent in the prosecution of the inquiry in the future will result in manifold savings. Every economy which has been or will be effected through changes in organization or method will inure to the benefit of the government and of the people in increasing measure through the years which follow. It is clearly the part of wisdom to provide for the coming year means at least equal to those available during the current year, and in my opinion the appropriation should be increased to \$200,000, and an additional amount of \$50,000 should be provided for the publication of those results, which will be of continuing value to officers of the government and to the people.

WM. H. TAFT. The White House,

January 17, 1912.