

# Merit System Objectives and Realities

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*January 1, 1950, marked the completion of 10 years of State merit system operations under the pattern established in accordance with the Social Security Act Amendments of 1939. A review of the period indicates notable progress in personnel administration in the grant-in-aid programs for welfare, health, and employment security and points up challenges for future action.*

THE effective administration of the various grant-in-aid programs for welfare, health, and employment security has been recognized by the States and by the Congress to depend, in substantial measure, on the quality of personnel administration in these programs. The merit system applying to the programs is designed to promote efficiency through a plan for selection and development of the best available staff, weeding out the incompetent and promoting the outstanding. It serves also as an instrument of democratic government by affording citizens the opportunity for a career in the public service on the basis of their qualifications and performance.

Effective personnel administration is not achieved by establishing an organizational structure, but only through the continuing and resourceful day-to-day application of sound principles and practical techniques. The functioning of a system over a period of years offers an opportunity to consider its achievements and deficiencies in terms of actual operation.

## Merit System Amendments

It is a decade since the establishment of the Nation-wide pattern of State merit systems and civil service systems covering the employees in the various grant-in-aid programs in the fields of public assistance, child health and welfare services, employment security, and public health. On January 1, 1940, amendments to the Social Security Act became effective, requiring the establishment and maintenance of personnel standards on a merit basis in State agencies receiving

grants-in-aid under the act. Similar requirements were extended to the various public health programs by regulation under the Public Health Act and were included in the Hospital Survey and Construction Act.

The original Social Security Act of 1935 had provided that the required methods of administration in State plans were to exclude those relating to the selection, tenure, and compensation of personnel. At the time there were only nine States with general civil service systems, and several of these were not functioning effectively. The Social Security Board encouraged the establishment of merit systems for the grant-in-aid programs, with some degree of success, but could not require them.

The Council of State Governments recently stated, in its report to the Hoover Commission,<sup>1</sup> "From 1935 to 1939 the social security programs worked under no consistent system of personnel supervision and program difficulties consequently existed in a number of States." The Council also stated, "Unsatisfactory experience with unrestricted national and State patronage in the period of large work relief appropriations during the depression demonstrated in dramatic fashion the need for placing personnel, as far as possible, on a merit basis."

A number of congressional proposals were made in 1938 and 1939 to require that personnel in the State agencies administering the public assistance and employment security programs come under a merit system.

In 1939, President Roosevelt recommended that the Social Security

Board be specifically authorized to require "the establishment and maintenance of personnel standards on a merit basis."<sup>2</sup> His message said:

Much of the success of the Social Security Act is due to the fact that all of the programs contained in this act (with one necessary exception) are administered by the States themselves, but coordinated and partially financed by the Federal Government. This method has given us flexible administration, and has enabled us to put these programs into operation quickly. However, in some States incompetent and politically dominated personnel has been distinctly harmful. Therefore, I recommend that the States be required, as a condition for the receipt of Federal funds, to establish and maintain a merit system for the selection of personnel. Such a requirement would represent a protection to the States and citizens thereof rather than an encroachment by the Federal Government, since it would automatically promote efficiency and eliminate the necessity for minute Federal scrutiny of State operations.

The amendments to the Social Security Act calling for a merit system of personnel administration were supported by a great majority of the State administrators responsible for the direction of the grant-in-aid programs in the States, as well as by the Federal Social Security Board, and by civic organizations.

In the debate on the enactment of the amendments, Senator LaFollette asked for a record vote "so that there could be no question that the Senate fully realized the import of the amendments." The vote was 72-2 with Senators Bilbo of Mississippi and Miller of Arkansas casting the negative votes.

## Promulgation of Standards

After the enactment of the provision and before its effective date, the Social Security Board consulted with

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<sup>1</sup> Report on Federal-State Relations to the Commission on Organization of the Executive Branch of the Government (S. Doc. 81, 81st Cong., 1st sess.).

<sup>2</sup> Message . . . Transmitting a Report of the Committee on Economic Security (H. Doc. 110, 76th Cong., 1st sess.).

State officials and formulated a statement of basic principles entitled "Standards for a Merit System of Personnel Administration." Similar standards were subsequently extended to the other grant-in-aid programs. The standards state:

The development of proper and efficient administration of the grant-in-aid programs is a concern of both the Federal and the State agencies cooperating in the programs. Proper and efficient administration requires clear definition of functions, the employment of the most competent available personnel, and the development of staff morale and individual efficiency. The "merit system" provisions of Federal statutes relating to the grant-in-aid programs are directed to the achievement of these ends through the application of personnel standards on a merit basis . . . The Federal agencies are interested in the development and continued improvement of State merit systems but exercise no authority over the selection, tenure of office, or compensation of any individual employed in conformity with the provisions of such systems.

The standards call for the application of the State civil service system or the development of a State merit system to serve the grant-in-aid programs. In the interest of economy, efficiency, and public convenience, it was recommended that such new merit systems be joint systems applying to all the grant-in-aid programs. In a number of States, however, separate systems for different agencies were set up, and in a few instances they have not yet been united in a joint merit system.

The standards are basic minimums for a merit system rather than a recommendation for an ideal system. If there is no consensus about what constitutes good civil service practice, the provisions are left optional. The States were to establish rules and regulations covering the essentials of merit system organization and policy. In accordance with the standards, such rules provide for the recruitment and appointment of personnel through open competitive examinations, prohibition of discrimination and certain limitations on political activity, the systematic classification

of jobs and the establishment of equitable pay plans, promotions on the basis of capacity and service, and security of tenure based on efficient performance, with separations for cause.

### *Installation Problems*

The period of installation presented a number of problems, both legal and administrative, in establishing a functioning merit system organization. Some difficulties grew out of a lack of understanding of the philosophy and methods of merit system administration; others related to apprehension over the possible fate of incumbent employees.

The standards provided that a State might elect that incumbent personnel be given permanent status through open competition or through merely qualifying in the competitive examinations. Almost uniformly, the States chose to use the examinations on a qualifying basis and to permit incumbents to enter the examinations without regard to minimum qualifications of education and experience. Eighty-five to 90 percent of the incumbent employees passed the examinations. The replacement of the poorest 10-15 percent by persons from the top of new registers meant a major advance in the quality of personnel, without disruption of the continuing activities of the agencies. Newspaper reaction to the installation of the merit system in the States stressed the improvement in administration.

### *Wartime Modifications and Postwar Problems*

The period of installation of the merit systems was barely completed when the national defense program and the commencement of hostilities required drastic changes in the systems to adapt them to wartime conditions. Qualifications had to be lowered for many types of jobs. In most States a plan of war-duration appointments was established that permitted the selection of the best persons then available but did not give them permanent tenure as career employees. This plan provided for postwar competitive examinations that would be open to veterans.

After the war the problem of returning to normal merit system operations was a difficult one. Relatively

full employment and the low scale of State salaries made recruitment difficult. There were also instances of pressure for the retention of provisional employees appointed during the war, as opposed to real competition between these employees and persons not previously in the agency. Although the situation varies from State to State, in general the States have reestablished their merit systems on a sound continuing basis or made substantial progress toward this objective.

### *Technical Services to States*

A number of difficult administrative problems have arisen in the operation of merit systems for the grant-in-aid agencies alone. One question has been how to avoid expensive administration, particularly in the States with relatively small coverage. Another has been the lack of qualified personnel technicians. The Social Security Board established a State Technical Advisory Service to give assistance to the States on merit system administration. This organization and its successor, the Division of State Merit System Services within the Office of Federal-State Relations of the Federal Security Agency, have reviewed merit system organization and operations and have advised on rules, practices, and procedures. The unit has prepared a Manual of Merit System Administration and conducts a series of institutes on examination and classification techniques. It has made available field consultation on the various phases of personnel administration.

The Federal merit system service also provides a central pool of objective examination materials on which the States can draw. From 45 to 48 States have called for these materials each year. The examination items are normally used, with appropriate State adaptation where necessary, in 10 to 20 States before they are retired. During the course of 10 years, the Federal unit has sent out to States, in response to specific requests, more than 10,000 examinations (including in all more than 500,000 questions) for several thousand classes of positions in the State agencies. This service has been widely recognized by the States as valuable and as avoiding

the difficulty and expense of setting up duplicative technical staffs in each of the States.

The Federal Government has also, through grants to the States, financed to a major extent a unit in the American Public Health Association to construct technical health tests not prepared by the Federal merit system service itself.

The State Technical Advisory Service and the merit system units later established in the Children's Bureau, the Public Health Service, and the United States Employment Service were combined in the Federal Security Agency in 1948 in a Division of State Merit System Services. This division works with the Bureau of Public Assistance and the Children's Bureau in the Social Security Administration and with the Office of Vocational Rehabilitation and the Public Health Service in their grant-in-aid programs. It also works with the Bureau of Employment Security, formerly in the Social Security Administration and now a part of the Department of Labor.

Since the transfer of that bureau to the Department of Labor, an interdepartmental agreement has been made for the joint use of the Division of State Merit System Services for personnel consultation, review, and assistance to States. The Federal Advisory Council for the employment security program, representing the general public, management, labor, and veterans' organizations, passed a resolution at its meeting on December 16, 1949, commending the heads of the two departments for their cooperation in using a single service, with consequent economy and effectiveness in State relations.

The responsibility for administration has remained at all times with the State agencies, and Federal services have been optional, although utilized at one time or another by all 48 States. The review of the systems for conformity with minimum standards has been conducted with a view to constructive suggestions rather than the application of sanctions.

### *Diversities in State Operations*

The merit systems in the grant-in-aid programs are State-administered; in a few instances, they are also par-

tially locally administered. As a result, there is, of necessity, a variety of organizational patterns and administrative methods, reflecting variations in State administrative traditions and in public attitudes and the prestige value of public employment. There have been, however, notable examples of joint merit systems that provided a demonstration project on a high level of administration in a State with spoils traditions. Any precise appraisal of results would have to consist of at least 48 studies. However, certain general conclusions are justified by a review of the facts and of analyses made by disinterested organizations and individual authorities in the field of public administration.

### *Merit System Supervisors and Councils*

The State merit system heads, commonly called supervisors or directors, provide the administrative and technical leadership in the merit systems. In general, they have been staunch adherents of merit principles and competent administrators in their application. Their functions vary somewhat under State laws and rules. They have uniformly been responsible for recruitment, administering examinations, certification, and other related functions. Most of the systems not established as State-wide civil service systems carry only an advisory responsibility for classification and compensation plans. The assigned functions have generally been effectively carried out, although small staffs and budgets, inadequate top State administrative support, and lack of public understanding have sometimes prevented the systems from achieving maximum effectiveness.

The merit systems in the grant-in-aid programs are under the policy direction of a public board, usually called a merit system council. The caliber of the merit system councils in the various States has also been of an almost uniformly high level. In most States, distinguished civic leaders were selected, prominent in the community and successful in their own fields of work. However, they have not always been as vigorous and effective as they might be in promoting public support and understand-

ing. Other factors not related to the performance of the merit system staff may, of course, adversely affect the operations of the system. Recruitment in a number of States has been hampered, for example, by inadequate salary scales, residence restrictions, certification by counties, and restrictive conditions of work, such as the possession of a car. Shortages of professional personnel in such fields as public health have also prevented the merit systems from being of maximum service.

### *Evaluations of Merit System Progress*

The Council of State Governments, in its report on Federal-State Relations for the Hoover Commission,<sup>3</sup> evaluated the application of the merit system to the grant-in-aid programs and concluded that, since the merit system amendments, "the national emphasis on personnel supervision has resulted in a generally high caliber of administration." The report compares the Federal requirement of merit systems in certain programs with the certification of minimum standards of training and experience in some of the older grant-in-aid programs. It concludes:

Certification is a means of establishing minimum standards; a competitive merit system aims at selecting the best person for a given job. The latter, therefore, has many theoretical advantages over the former. But neither is foolproof. Merit systems, when operated by appointees without merit, accomplish little.

National insistence upon State-wide merit systems for particular programs has undoubtedly improved the administration of those programs. Experience with merit systems in grant programs has also influenced a considerable number of States to extend these systems to other departments. In addition, many State civil service agencies have been strengthened and revitalized by the services rendered them by the Division of Technical Service to States of the Social Security Administration.

The quality of State administration and of the technical services rendered

<sup>3</sup> Op. cit.

to the States has received recognition from others who have reviewed the programs. Lewis Meriam, in his book, *Relief and Social Security*,<sup>4</sup> stated:

After merit system laws are passed and enforced, the technicians have a chance to do the constructive work required to bring well-qualified people into the civil service . . . It was little short of amazing that several States, where conditions approached a public scandal, should in a few months become the field for great technical advances. It is also doubtful whether any group of administrative personnel has ever made greater contributions to merit system techniques than has the professional group concerned with welfare administration.

Professor Arthur Macmahon, of Columbia University, writing in 1941,<sup>5</sup> stated:

In recent years, the requirement of merit recruitment and tenure for State and local personnel engaged in the cooperative fields of social security (though attended by complications due in part to the variable and usually backward conditions in the civil service of State and local units) has been the outstanding development in the administration of Federal grants-in-aid. Federal grants-in-aid, involving the administration of billions of dollars in benefits, involves the expenditure of several hundred million dollars for administration. These are, in large part, for personal services. The efficient and economical administration of the grants is affected by the caliber of personnel, and certainly the return for administrative costs is dependent upon the quality of such personnel.

Professor Leonard D. White, former member of the U. S. Civil Service Commission, in an article on "Franklin Roosevelt and the Public Service," written in 1945,<sup>6</sup> concluded: "The importance of this amendment to the steady improvement of personnel

standards in the State and county government cannot be exaggerated. This provision may well be recognized over the perspective of the years as one of the two or three principal contributions of Franklin Roosevelt to a better public service."

The Civil Service Assembly of the United States and Canada, at its 1949 annual conference, recognized the progress during the first decade in the following resolution:

Whereas, a decade of merit system administration in the Federal-State grant-in-aid programs will be completed on January 1, 1950,

And whereas, this development has been marked by notable progress in the field of personnel administration and by effective Federal-State cooperation,

Therefore, be it resolved that the Civil Service Assembly of the United States and Canada, in convention assembled, take cognizance of this occasion and extend felicitations to the jurisdictions involved and, in particular, to the Federal Division of State Merit System Services and the State Merit System Councils, which have contributed to the development and application of sound personnel standards.

### *Achievements and Deficiencies*

A major contribution has been made, in the States that have achieved effective merit system operations, by the administrators of both the operating programs and the merit systems, by employees and employee organizations, and by professional organizations that have been concerned with the standards of service to the public in the programs. In these States, cooperative efforts have been noteworthy in general and specialized recruitment, in planning examination programs to meet anticipated needs, in consultation on the examination process, and in speedy use of registers to obtain the best eligibles.

On the other hand, in some States the selection of permanent staff has been made too largely from the ranks of provisional employees. The caliber of provisional employees has often been lower than that of a random sample of the applicants and seriously lower than that of the better candidates. Staff shortages and emergency needs have been made the

basis for marginal appointments. On the establishment of registers, these marginal provisional appointees have been reached for permanent appointment through local certification, and sometimes through induced declinations. The desire to prevent turnover and avoid the training of new employees has combined with factors of personal acquaintance and political influence to reject the best available persons in favor of those temporarily employed. There has not always been full realization of the cost to the agencies in terms of mediocre rather than superior performance, and of lack of future promotional material. This problem is of more than passing significance. Progress in any field of work is in part determined by the success of that field in the continuing competition for persons of superior intellectual capacity, of adjusted personality, and of broad background to assume, with adequate experience, positions of leadership in the field. When tenure is provided, it becomes increasingly important that a fair share of superior talent be recruited.

There are numerous other unsolved problems that present a challenge to administrative leadership. Most of the systems lack provisions for retirement for superannuation or disability. State salary scales are often inadequate to attract the best persons. The universal problem of the tenacity of marginal employees and the lack of administrative courage in rating them and in exercising the power of removal has not been solved. Nor has the dilemma as to the recognition to be given to in-service performance as against superior outside talent been resolved. There is need for the development of adequate techniques for measuring personal attributes to supplement those for measuring knowledges, skills, and mental abilities.

More importantly, not enough has been done to enlist active public support of the merit principle. With such support, administrators can successfully withstand the recurring pressures to which they are subjected for appointment and retention of incompetent personnel. Public understanding of the operations of the merit system may also contribute to

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<sup>4</sup> Brookings Institution, 1946.

<sup>5</sup> "Taking Stock of Federalism in the United States," *Canadian Journal of Economics and Political Science*, May 1941. For further comment see also Joseph P. Harris, "The Future of Federal Grants-in-Aid," and George C. S. Benson, "Federal-State Personnel Relations," *Annals of the American Academy of Political Science*, January 1940; and George C. S. Benson, *The New Centralization*, Farrar and Rinehart, 1941, pp. 85-86.

<sup>6</sup> *Public Personnel Review*, July 1945.

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the prestige of the public service and influence some of the best-qualified young men and women in each college generation to seek careers in the service. Effective application and support of the merit principle can help management in both personnel and program operations in developing staff morale and efficiency.

Personnel administration is a means for accomplishing the purposes of an organization through its employees. To do this, it must not only select persons of capacity and relate their tenure to performance, but it must recognize the individual's desire to use his highest skills, to develop his potentialities, and to gain recognition for his contribution to the organization. It must seek to establish a physical and psychological environment that promotes efficiency.

This process involves a continuing program of progressive departmental

management, as well as a vigorous and effective merit system that gives speedy and realistic service to the programs to which it relates.

There has been realistic recognition in the States that a merit system is not a panacea for management ills or an answer to the absolute shortages of technical personnel in specialized fields, such as psychiatry. At the same time, there is a healthy realization that an effectively operating merit system can contribute, not only in a negative fashion by excluding the unqualified, but positively by helping build a career system. Such a system is founded upon competitive examinations, geared to recruitment of persons of the capacity to assume increasing responsibility, upon equal pay for equal work, and upon tenure and advancement for the competent and for the competent only. Departmental management must assume its full responsibilities within the system. It must further

provide program leadership, standards of performance, dynamic supervision, and training and employment conditions that reflect progressive practices in the human relations aspects of management.

The evolution of personnel practices in the State agencies administering the grant-in-aid programs is an encouraging indication of administrative leadership in the State agencies. At the same time, the review of progress should not obscure the challenge presented by the unsolved problems.

Looking back over a decade of merit system administration in the grant-in-aid programs, one can certainly conclude that the advances have been notable. What is needed now is a reappraisal by each State of its operations in the light of the decade of experience, and a practical approach—on the basis of constantly reviewed plans—toward the objectives of efficient staff selection and management on a merit basis.

# Recent Publications in the Field of Social Security\*

## Social Security Administration

*Annual Report of the Social Security Administration, 1949.* (Also included in the *Annual Report of the Federal Security Agency.*) Washington: U. S. Govt. Print. Off., 1950. 214 pp. 45 cents.

Outlines the operations during the fiscal year 1948-49 of all programs under the Social Security Act and makes specific recommendations—both for strengthening existing programs and for providing a comprehensive social security system. The recommendations were summarized in the January-February issue of the *Bulletin*.

FARMAN, CARL H., and HALE, VERONICA MARREN. *Social Security Legisla-*

*tion Throughout the World.* (Division of Research and Statistics, Bureau Report No. 16.) Washington: U. S. Govt. Print. Off., 1949. 176 pp. 75 cents.

Major provisions relating to old-age, invalidity, and survivors insurance and pension (or assistance) programs, health and maternity insurance, workmen's compensation, unemployment insurance, and family allowance programs. Notes significant legislative developments during the past 10 years, and gives bibliographic references.

SMITH, ANNA KALET. *Juvenile Court Laws in Foreign Countries.* (Children's Bureau Publication No. 328.) Washington: U. S. Govt. Print. Off., 1949. 67 pp. 20 cents.

## General

"Co-operation and Social Security." *International Labour Review*, Geneva, Vol. 60, Nov. 1949, pp. 496-512. Dec. 1949, pp. 625-648. 50 cents.

Discusses the relation between the cooperative movement and social se-

curity developments in the various countries.

"The Federal Social Security Programs." *Monthly Labor Review*, Washington, Vol. 70, Jan. 1950, pp. 1-13. 40 cents.

Old-age and survivors insurance and unemployment insurance are discussed in this article, the first of a series on social security.

MERIAM, LEWIS; SCHLOTTERBECK, KARL; and MARONEY, MILDRED. *The Cost and Financing of Social Security.* Washington: The Brookings Institution, 1950. 193 pp. \$3.

SIMONS, SAVILLA M. "Action of Social Significance Taken by United Nations Economic and Social Council, Summer Session, 1949." *Social Service Review*, Chicago, Vol. 23, Dec. 1949, pp. 423-434. \$1.75.

U. S. CONGRESS. HOUSE. COMMITTEE ON WAYS AND MEANS. *Extension of Social Security to Puerto Rico and the Virgin Islands. Report to the Committee on Ways and Means by the Subcommittee on Extension of Social Security to Puerto Rico and the Virgin Islands.* Washington: U. S. Govt. Print. Off., 1950. 26 pp.

## Retirement and Old Age

BRUNDAGE, PERCIVAL F. "Pension Plans From an Accountant's Point

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