



117130
20313

RELEASED

B-205794

RESTRICTED — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Congressional Relations.

DECEMBER 18, 1981

The Honorable Thomas P. O'Neill, Jr.
Speaker of the House of Representatives

Dear Mr. Speaker:

Subject: The Effectiveness of the Department of Labor's
Office of Construction Industry Services
(APMD-82-28)

In your letter of November 20, 1981, you asked us to provide information on our ongoing review of the Department of Labor's Office of Construction Industry Services (OCIS) program and report on (1) its effectiveness in meeting its objectives and (2) its costs and benefits. OCIS's overall objectives are to improve productivity in the construction industry and reduce the costs of construction services procured by Federal, State, and local governments. Approaches have centered on reducing seasonality--the regular peaks and valleys in demand--of public construction and improving cooperation among labor, management, and government in construction procurement.

We found that OCIS, through Construction Coordinating Committees in five cities, has apparently been effective in reducing seasonality and improving cooperation, although it is difficult to show a direct causal relationship between OCIS sponsored activities and these improvements. The program's \$1.1 million funding seems modest in light of the tangible and intangible positive results attributed to it. If Federal funding for OCIS and its activities ends on January 15, 1982, as scheduled, Committee participants do not believe the activities can be effectively continued.

To obtain the information requested, we interviewed Department of Labor officials in the Labor-Management Services Administration, the Office of Construction Industry Services, and the staff at each of the five Construction Coordinating Committees. We also interviewed several labor, management, and government participants in the Committees. Our purpose was to determine what actions they had taken as a result of the Committees and to gain their views on the approaches taken to solve productivity problems. We also reviewed legislation, evaluations, budgets, and other documents related to OCIS objectives and plans. We did not examine the need for OCIS or whether its operations could be improved.

519733



117130

(910345)

OCIS APPARENTLY HAS REDUCED SEASONALITY
IN THE DEMAND FOR CONSTRUCTION SERVICES

Approaches used by OCIS and its Committees to reduce the seasonal nature of construction have been to (1) improve public agency construction planning and (2) promote winter construction. Public construction demands, particularly those of the Federal Government, are a major factor in the seasonality problem. To help public agencies plan their construction demands so that work is more evenly distributed throughout the year, OCIS has produced bid calendars showing Federal, State, and local government construction plans in the five cities that have Construction Coordinating Committees. To promote winter construction, OCIS has encouraged the rescheduling of indoor repair work and promoted the use of cold weather building technology to include new building materials and worksite heating. Department of Labor evaluators have found some leveling in construction demand and more winter construction in the five cities, but have been unable to directly link these achievements to OCIS efforts.

Construction demand usually rises in the summer months and drops in the winter months. This causes increased unemployment and less use of capital equipment in winter, and a shortage of skilled labor and the purchase of additional capital equipment in summer. Leveling out the peaks and valleys in the demand for construction services would improve productivity by permitting a more efficient use of construction industry resources. The Construction Industry Collective Bargaining Commission (established by Executive Order 11481 on Sept. 22, 1969) found that Federal construction is a major factor in the seasonality problem. The Commission was created to address major construction industry problems, one of which was seasonality.

In response to the Commission's findings, the Secretary of Labor established the first Construction Coordinating Committee in Chicago, Illinois, on November 27, 1973. Four more Committees were established in Kansas City, Missouri (1978), San Francisco, California (1978), Boston, Massachusetts (1979), and Denver, Colorado (1980). Selection was based on (1) strong interest expressed by local labor and management, (2) a substantial construction volume, and (3) broad geographic dispersion. Composed of Federal, State, and local procurement officials and local representatives of construction industry labor and management, and staffed by a director and an economist from the Department of Labor, the Committees were charged with reducing seasonality in their areas.

To improve public agency construction planning, the Committees have produced bid calendars. These calendars show Federal, State, and local agency construction plans in the city for the coming year and are regularly updated. In 1980, the five bid calendars provided information on a total of 3,092 public projects valued at \$4.6 billion. Individuals and organizations affected by public

construction believe the bid calendars encourage agencies to reschedule projects to slack periods and enable local construction firms and labor unions to better plan and control their resources. While agencies are not required to submit their plans for inclusion in the bid calendars, Committee staff say participation has been close to 100 percent.

The Committee staffs actively encourage agencies to reschedule work to the winter months. Using bid calendar information, they can compute potential cost savings to agencies of rescheduling such work as indoor repair projects. The Committees have also made limited efforts to reduce the seasonality problem by stimulating the use of cold weather building technology. They have tried to persuade the construction industry and the contracting agencies that the use of cold weather construction technology can increase the length of the work year without significantly increasing costs. To support this position the Kansas City Committee published results of a study on the use of cold weather technology, and the Chicago Committee estimated the costs of using such technology. OCIS also publishes information on advances in cold weather technology in its bimonthly newsletter.

Although the Department of Labor has attempted to evaluate the effectiveness of OCIS and the Construction Coordinating Committees in reducing seasonality in the construction industry, we have not been able to directly link changes in seasonality to the Committees. Several factors unrelated to the Committees' work, such as unanticipated delays in the awarding of bids, the general level of government spending, and interest rates, all significantly affect seasonality. Nevertheless, there is evidence that seasonality has declined and public construction costs have been reduced in several of the cities with Committees. For example, OCIS estimates that 1980 reductions in seasonality in Kansas City and Chicago resulted in savings between \$9 million and \$13 million in each city. These savings were realized through such measures as reduced unemployment benefit payments and major equipment inventory costs. In San Francisco the 1979 award calendar showed a decrease in seasonality over that predicted by the bid calendar. Government officials we talked to cited instances when project bids were delayed until after a peak period because of bid calendar information. Industry representatives also stated to us that the bid calendars have helped them plan their work.

OCIS HAS PROMOTED LABOR, MANAGEMENT,
AND GOVERNMENT COOPERATION
IN CONSTRUCTION PROCUREMENT

OCIS has promoted labor, management, and government cooperation in the procurement of construction services through regular meetings of the Construction Coordinating Committees. Although the benefits of increased cooperation cannot be quantified, Committee participants believe their activities have positive results.

From six to nine meetings are held each year, which, according to participants and OCIS officials, provide a nonadversarial setting in which labor and management can meet freely and discuss issues that need to be resolved. OCIS functions as a neutral, third-party catalyst, a role that Committee participants view as critical. The meetings also provide a forum for discussions among representatives of construction labor and management and their governmental counterparts. It allows each group to better understand the other's perspective and helps them resolve issues regarding ongoing and future public construction projects. The Committee meetings, which are open to the public, address important construction issues that are both local and national in scope.

Another means by which the Committees encourage cooperation among labor, management, and government is by bringing together the parties involved with major planned public construction so they may work together to resolve problems. The Boston Committee received much credit from participants for bringing together five key Federal, State, and local agencies to coordinate planning on a major General Services Administration project. Other Committees have provided similar services in their cities. Participants claim that, due to Committee involvement, delays in public construction have been avoided and dollar savings have resulted.

BENEFITS OF OCIS PROGRAM APPEAR TO OUTWEIGH COSTS

The Office of Construction Industry Services and its five Construction Coordinating Committees employ 21 individuals and received fiscal 1981 funding of \$1.1 million. This funding level seems modest compared to the perceived benefits of Committee activities.

As discussed above, the work of OCIS and its Committees has been associated with improved productivity in the construction industry, as indicated by reduced seasonality and improved cooperation among labor, management, and government in the procurement of government construction. While a direct linkage cannot be demonstrated between the work of the Committees and this reduced seasonality, most Committee participants believe such a link exists.

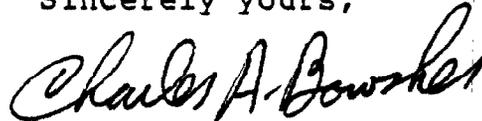
OCIS SUPPORTERS DOUBT ITS FUNCTIONS COULD CONTINUE WITHOUT FEDERAL FUNDING

The Construction Coordinating Committees were created at the initiative of the Federal Government and operate with Federal support. Federal funding for this effort is scheduled to end on January 15, 1982. Although contracting agencies and local construction labor and management organizations have indicated an interest in having Committee functions continued if Federal funds are withdrawn, they do not believe any non-Federal agency or organization has the necessary funding, agency support, or neutrality to be successful. Bringing together the participants in public construction

is especially difficult since so many agencies are involved and the construction industry is so fragmented. The actual result of the scheduled withdrawal of funds is difficult to predict.

At your request we did not take the additional time necessary to obtain agency comments. As arranged with your office, we plan no further distribution of this report until 7 days from its date unless you publicly announce its contents earlier. At that time we will send copies to the Chairman of the Subcommittee on Economic Stabilization and the Secretary of Labor, and make copies available to others upon request.

Sincerely yours,



Comptroller General
of the United States

Enclosure

The Speaker's Rooms
U.S. House of Representatives
Washington, D.C. 20515

20 November 1981

The Honorable Charles A. Bowsher
Comptroller General
United States General Accounting Office
441 G Street, N. W.
Suite 7000
Washington, D. C. 20548

Dear Mr. Bowsher:

It is my understanding that the National Productivity Group of the Accounting and Financial Management Division is currently engaged in a review of the Office of Construction Industry Services, of the Department of Labor. It is the intention of this correspondence to request of the General Accounting Office an information report on how well OCIS has met its objectives, and a description of other costs and benefits of the program.

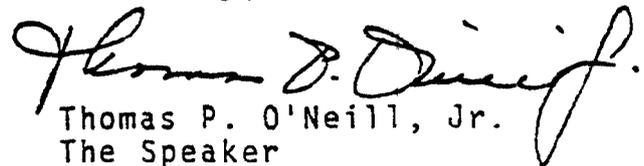
Because the Administration has decided to eliminate the Office, as well as its program functions, at the end of this calendar year, information garnered from GAO's examination may prove of great value in presenting a case for the program's continuance.

For this reason, and because time is short, I respectfully request that this information be made available to my office by December 18, 1981. In addition, I would request that the report not be circulated for agency comment, in order to meet the above time limit. — —

Thank you very much for your cooperation in this matter.

With best wishes,

Sincerely,


Thomas P. O'Neill, Jr.
The Speaker

PS/pi

(910345)