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REPORT TO THE
SELECT SUBCOMMITTEE ON LABOR
COMMITTEE ON EDUCATION
AND LABOR
HOUSE OF REPRESENTATIVES

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Upgrading The Underemployed —
More Management Attention Needed
By The Department Of Labor B-163922

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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MAY 31, 1972





COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-163922

Dear Mr. Chairman:

In response to the interest expressed by you in December 1971, we are reporting on the results of our survey of upgrading training activities administered by the Department of Labor. 9

Almost all manpower training programs seek to upgrade individuals in the sense of raising their employment capabilities. However, activities which the Department of Labor explicitly categorizes as upgrading training and which are discussed in this report are those aimed specifically at the underemployed--persons already working--primarily to qualify them for increased earnings and/or promotion. Most upgrading activities have been initiated since 1966, and we estimated that about \$27 million of Federal funds were obligated for such activities in fiscal year 1971.

The Department of Labor has not determined whether its upgrading activities have been effective and, unless it gives these activities greater management attention, will not be able to judge the desirable magnitude, makeup, and direction of future upgrading activities.

The Department has managed the activities in a context of uncertainties as to what upgrading should include and how upgrading should be accomplished. In 1970 the Department recognized a need to gain better knowledge about upgrading and adopted a strategy aimed at obtaining that knowledge; however, the Department did not issue appropriate policies and procedures to implement the strategy.

We provided the Department with a copy of our draft report and presented our proposal that the Department implement its strategy by establishing a focal point for overseeing upgrading activities and by issuing appropriate policy directives and procedures for systematic collection, evaluation, and coordination of data on upgrading activities.

In a meeting on April 24, 1972, Department officials generally agreed to the matters discussed herein and to our proposal.

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ca In accordance with our agreement with your office, we are providing copies of this report to the Chairman of the House Committee ~~on~~ on Education and Labor; the Senate Committee on Labor and Public Welfare; the Subcommittee on Employment, Manpower, and Poverty *S 1100* of the Senate Committee on Labor and Public Welfare; and the Secretary of Labor. *S 1112*

Sincerely yours,



Comptroller General
of the United States

R *ca* The Honorable Dominick V. Daniels
Chairman, Select Subcommittee on Labor *11 1098*
Committee on Education and Labor
House of Representatives

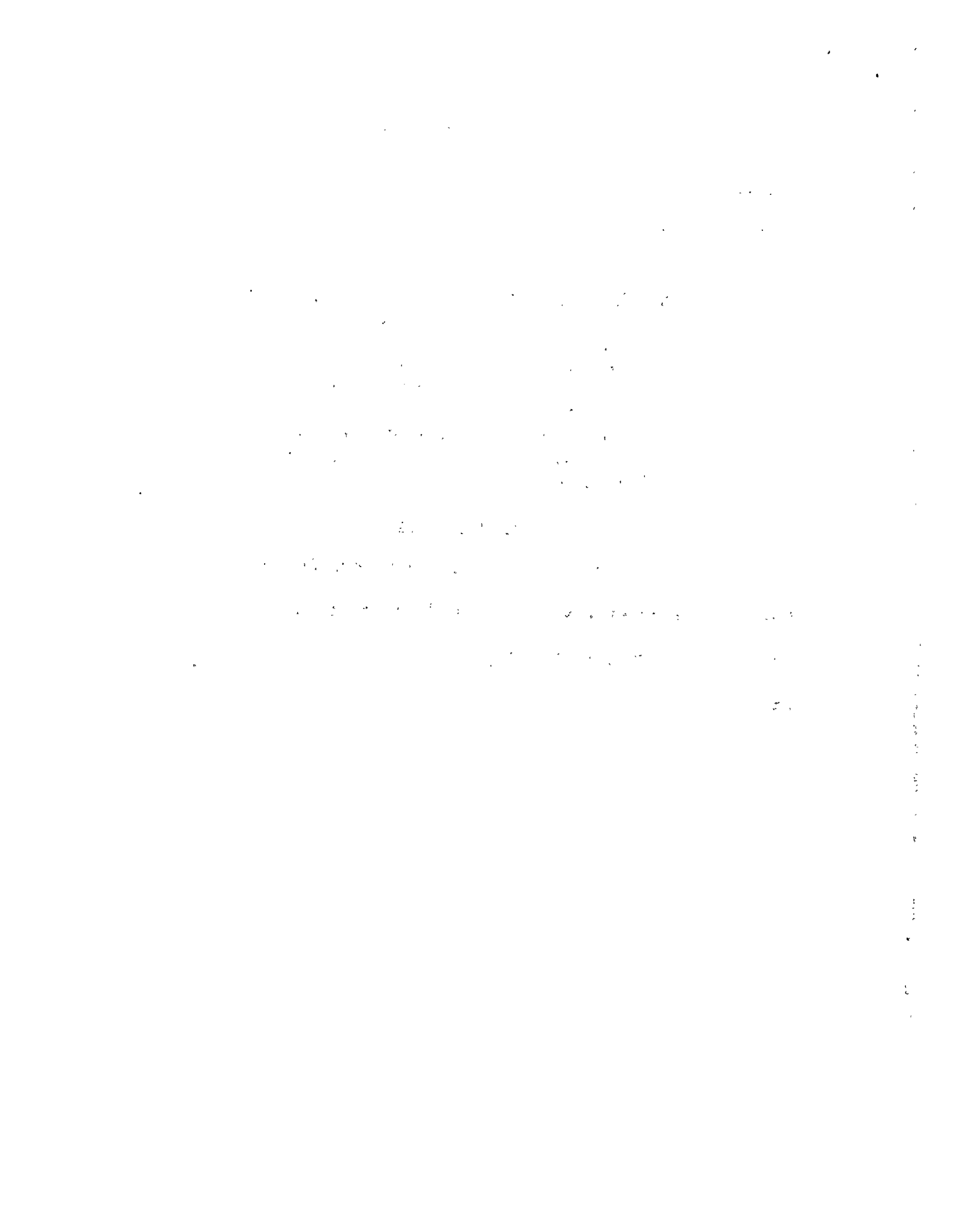


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ABBREVIATIONS

JOB	Job Opportunities in the Business Sector
MDTA	Manpower Development and Training Act
OJT	On-the-job training
PSC	Public Service Careers



CHAPTER 1

INTRODUCTION

The Department of Labor, as part of its broad mission of promoting the welfare of the Nation's wage earners, conducts manpower training activities to assist both unemployed and underemployed persons. Almost all such activities seek to upgrade individuals in the sense of improving their skills to enable them to obtain higher level or more stable employment. However, activities which the Department explicitly categorizes as upgrading training and which are discussed in this report are those aimed specifically at the underemployed--persons already working--primarily to qualify them for increased earnings and/or promotion in the same organization or craft in which they currently are employed.

We made a survey of the Department's upgrading activities to provide an insight into how well the activities were managed. Our survey work was performed principally at the Department's Manpower Administration, Washington, D.C., where we interviewed program managers and research officials and reviewed management reports, departmental study papers, and research documents on upgrading. In addition, we interviewed officials at the Department's regional office in Chicago, Illinois.

The Department of Labor defines underemployed persons as (1) those working below their skill capacities, (2) those who are, or who will be, working on less than full-time bases in their industries or occupations, or (3) those who have received notice that they will be unemployed because their skills are becoming obsolete.

How many underemployed are there? How many would qualify for upgrading, federally assisted or otherwise? The Department does not have an estimate of the total number of persons needing upgrading; however, information provided by the Department indicates that underemployed persons probably number in the millions.

The effects of underemployment are less obvious than the effects of unemployment, but they are nonetheless real.

For individuals the effects of underemployment include underachievement in skill, income, and self-satisfaction; for the Nation these effects include an imbalance in the work force, a shortage of high-skill workers, and an excess of low-skill workers.

The Department's efforts to help combat underemployment through upgrading training stem primarily from the Manpower Development and Training Act (MDTA) of 1962, as amended (42 U.S.C. 2581). The act authorizes Federal training assistance to expand the opportunity for underemployed persons to acquire new or improved skills. Such assistance is intended to help meet shortages of skilled workers and to help alleviate unemployment. It is expected that moving persons to better jobs will create job openings that can be filled by the hard-core unemployed.

TRAINING ACTIVITIES

The Department has included upgrading training in four of its nationwide manpower programs and has conducted research and development work on the subject. The four manpower programs that include upgrading are the

- MDTA on-the-job training (OJT) program,
- MDTA institutional training program,
- Job Opportunities in the Business Sector (JOBS) program, and
- Public Service Careers (PSC) program.

The first three programs provide training primarily for individuals to be placed with private employers. The PSC program provides training for individuals to be placed in governmental agencies--Federal, State, and local.

The upgrading activities under the four programs are relatively new--most of these activities have been initiated since enactment of the MDTA amendments of 1966. Prior to 1966 training was aimed mainly at persons whose skills were becoming obsolete due to changes in technology. By

fiscal year 1971, however, most of the activities were aimed at advancing persons working at, or near, entry-level jobs.

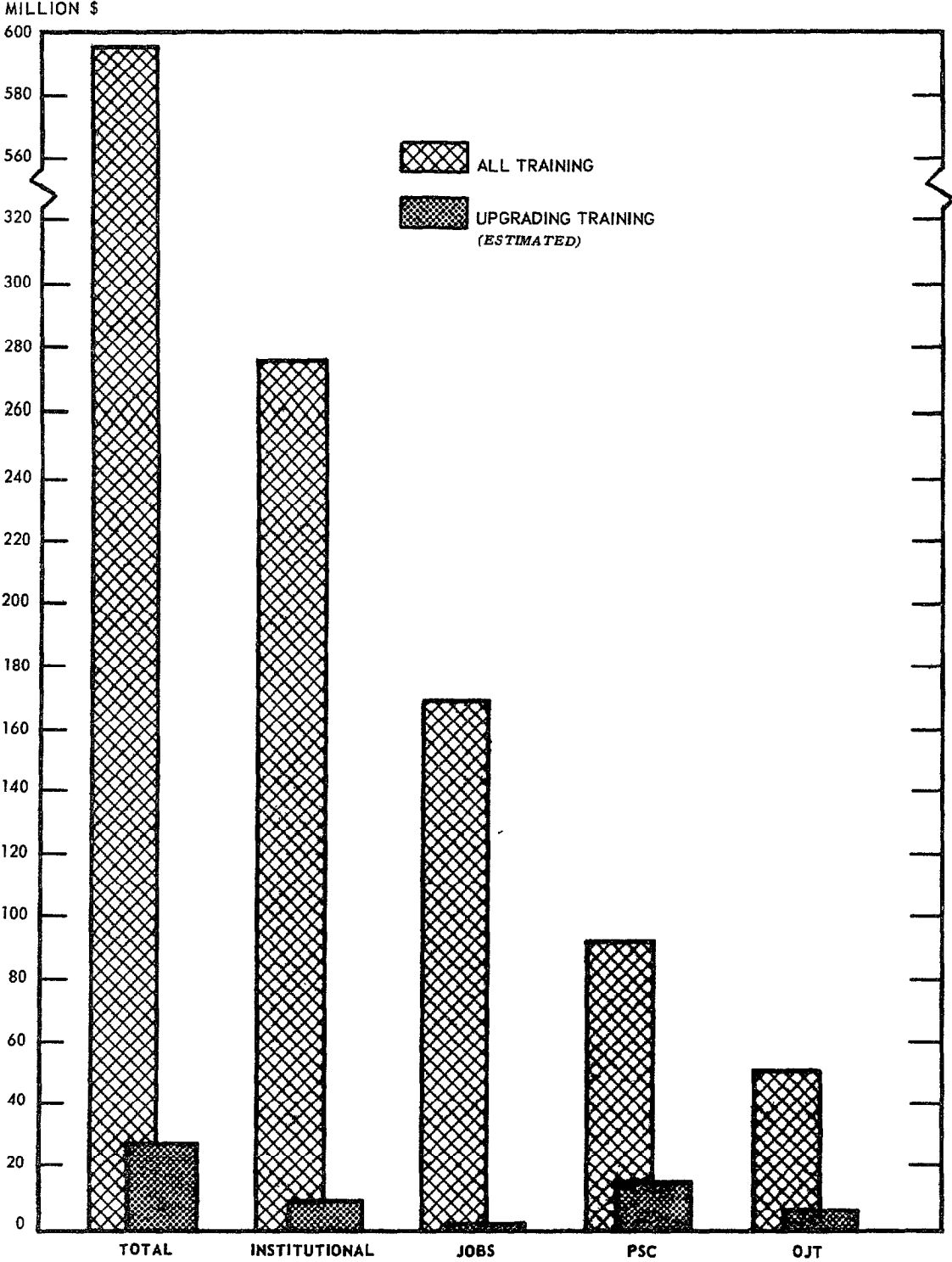
The upgrading activities are also relatively limited in terms of expenditures. (See p. 4.) In the future, however, upgrading may be expanded by new legislation. For example, one measure being considered under a pending welfare reform bill (H.R. 1, 92d Cong.) would require registration of working poor persons and Federal assistance in upgrading their skills and income.

Complete data on the cost and enrollment in upgrading activities under current programs were not available. We estimated, however, that about \$27 million of the total \$596 million obligated under the four programs in fiscal year 1971 was for upgrading. The remaining cost pertained to activities primarily for unemployed persons. We estimated that the \$27 million provided about 34,000 upgrading training positions. The chart on the following page illustrates the relatively limited amounts obligated for upgrading.

The upgrading activities consist mainly of OJT conducted by employers and/or classroom training conducted by public and private educational institutions. The immediate aim of most of the activities is the same--to qualify the trainee for an increase in earnings and/or a promotion. In the OJT program some upgrading trains workers to cope with technological changes. In these cases the aim is to prevent the individuals from being laid off because their skills are obsolete.

The Department finances the training activities directly through contracts with the organizations that conduct the training or indirectly through prime contractors, such as industry associations or national labor unions. The Department's financing is intended to offset the extraordinary costs involved in upgrading persons who would not normally be upgraded.

FUNDS OBLIGATED FOR TRAINING UNDER
MANPOWER PROGRAMS THAT INCLUDE UPGRADING
FISCAL YEAR 1971



Administration of the manpower programs that include upgrading is decentralized. Program managers, responsible for program content and design, are located in Washington, D.C. But day-to-day management of operations--the negotiating, awarding, and monitoring of training contracts--is done mainly by the Department's regional offices and by State agencies. Prime contractors, including private organizations and State and local governmental agencies, play important roles in that they are responsible for monitoring and administering subcontracts. For certain parts of the PSC program, the Department has delegated administrative responsibility to various other Federal agencies.

When the Department began expansion of its upgrading efforts in 1966, it realized the need to also undertake research in this area. From September 1966 to September 1971, the Department obligated about \$6.5 million for 21 research studies and projects in upgrading. The work was performed mainly by public organizations, such as local and State manpower agencies, and by private organizations under contract with the Department.

CHAPTER 2

UPGRADING NEEDS MORE MANAGEMENT ATTENTION

The Department of Labor has not determined whether its upgrading activities have been effective and, unless it gives these activities greater management attention, will not be able to judge the realistic magnitude, makeup, and direction of future upgrading activities. The Department has not come to grips with basic questions that surround upgrading--questions that must be thoroughly considered if the Department is to have a sound basis for carrying out future upgrading activities.

In 1970 the Department recognized a need to gain better knowledge of upgrading and adopted a strategy aimed at obtaining that knowledge; however, the Department did not issue appropriate policies and procedures to implement the strategy. As a result, it was in no better position to evaluate its upgrading activities in late 1971, when we completed our fieldwork, than it had been in October 1970.

UNCERTAINTIES AS TO THE CONTENT AND DIRECTION OF UPGRADING

The Department has managed upgrading activities in a context of uncertainties as to what upgrading should include and how upgrading should be accomplished. Some questions associated with this type of manpower activity, as summarized from Department research papers, are:

- What role should the Department have in upgrading workers?
- What industries and occupations have substantial potential for upgrading?
- What should be the pace and scale of future activities?
- What type of assistance should be provided?
- Who should be selected for upgrading?

One reason such questions exist is that upgrading involves inherent complexities, such as the considerable variation in occupational structures and promotion practices of individual industries and employers, and broad issues of Government-industry relationships in the management of employed manpower. Although many firms and organizations have been conducting upgrading training for many years, information on their experiences has not been collected and analyzed adequately. As described in one of the Department's research documents, the general body of knowledge about upgrading is "exceedingly modest."

The Department recognized its need to answer or clarify these questions so that it would have a sound basis for formulating future actions, and about 2 years ago it considered ways of acquiring additional information.

STRATEGY--ACQUIRE NEEDED KNOWLEDGE
THROUGH EVALUATION OF CURRENT ACTIVITIES

From May to September 1970, a special departmental task force reviewed upgrading activities and explored the possibility of reshaping and expanding them. The task force found that the Department's knowledge of the effectiveness of the activities was far from complete. Much better knowledge was needed to answer the many questions surrounding upgrading. One study paper summed up the situation, as follows:

"Because of the limited focus on Upgrading and limited specific reporting on it, there is little documentation on how current program efforts have fared and how to build on them."

The study papers emphasized that much remained to be learned about the effects of upgrading activities on workers and employers; the potential, practical scale of such activities; the different approaches that could be used for particular industries, occupations, and classes of workers; and the optimum procedures for implementing such activities.

The study papers indicated that the task force considered two general courses of action. One course of action

involved expansion of current activities; the other involved establishment of a broad, well-monitored national pilot program with the clear objective of developing guidelines for shaping an enlargement of upgrading activities.

We were advised by a Department official that around October 1970 the decision was made not to expand or reshape current activities. Instead it was decided to continue the activities on a relatively limited scale and to use them as the means of acquiring needed additional knowledge.

STRATEGY NOT IMPLEMENTED--DATA ON
PROGRAM RESULTS NOT BEING COLLECTED

Although the decision to gain more knowledge appears proper, the Department has not communicated either the objective of its strategy or guidance on how to attain it to the persons responsible for day-to-day management of training activities. In short, the Department has not translated the strategy into action. The strategy was decided at a high departmental management level, and it has not been put into writing as a departmental policy position nor has it been disseminated below the high management level. We were advised by a Department official that the strategy existed only in the minds of a few key officials. Lower level personnel have not been directed to make the evaluations needed to build up the Department's knowledge.

Consequently the Department gained little knowledge as to whether upgrading under its manpower programs had been effective and was in no better position to evaluate its upgrading activities than it had been in October 1970.

As of late in 1971, when our fieldwork was completed, the Department still lacked comprehensive answers to such basic questions concerning its upgrading activities as:

- Have the activities really expanded employers' normal training or have they merely served as substitutes?
- Have trainees received appropriate wage increases and promotions as a result of the training?
- Have the activities been successful in creating job openings for the hard-core unemployed?
- Have the activities been effective in helping meet shortages of skilled workers?

Manpower program managers, in general, have not taken steps to systematically accumulate and analyze information on upgrading activities. Officials of the Department's Chicago Regional Office had not made an evaluation of the activities within the region. They did not have records

that identified the upgrading projects in the region overall or in the individual States for which they had responsibility.

Recurring manpower program reports contained little, if any, information on upgrading activities, let alone data on the effectiveness of upgrading. For instance, for only one of the four programs (the PSC program) did the monthly "Management Information Report" contain information on the upgrading activities involved, and it was limited to such statistics as the number of contracts, training positions, and enrollments. The reports on the three other programs dealt only with the program overall and had no breakdown of data on upgrading. Likewise, the quarterly review and analysis report for the period ending June 30, 1971, "Manpower Development and Employment Assistance," contained analyses of trends, problems, and accomplishments for each manpower program overall but did not provide evaluative information on their upgrading components.

In contrast to its lack of information on the results of operational upgrading projects, the Department has accumulated information on the results of its research and development projects in upgrading. To be of practical benefit, however, the results of the various research and development projects have to be correlated and their implications for operational programs have to be assessed. As of late in 1971, these actions had not been taken nor had a strategy for future research in upgrading been devised.

A Department research official told us in October 1971 that the time had come to analyze the results of the research in upgrading. In that same month a panel of consultants was convened to advise the Department on the direction of departmental efforts in the matter. We believe that the following extract from the panel's report underscores the action needed:

"At some point, sooner rather than later, it is important to analyze and summarize what has been learned from past and current R & D [research and development] projects ***. Unless the findings of R & D can be disseminated effectively they are of limited value beyond academic interests."

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A Department official advised us that the Department had not been able to give upgrading much attention because resources had to be committed to higher priority activities. As examples he cited programs for the unemployed and returning veterans and the public employment program authorized by the Emergency Employment Act of 1971 (85 Stat. 146).

We noted that no one in the Department has been assigned the responsibility to act as a focal point for overall planning and coordination of upgrading activities, for instructing managers as to the type of evaluative data to be maintained, or for receiving and assessing such information.

CONCLUSIONS

We believe that the October 1970 decision not to expand or reshape upgrading activities was proper. It provided the Department with an opportunity to reach its objective of obtaining information on program results for use in making informed judgments as to future courses of action, and fortunately it was made at a time when only relatively small amounts of Federal funds had been spent on an activity in which a great deal of uncertainty existed. The Department has not achieved its objective and will not be able to achieve it, unless it sets up the mechanism for implementing its strategy by establishing a focal point for overseeing upgrading activities and by issuing appropriate policy directives and procedures for systematic collection, evaluation, and coordination of data on upgrading activities in both the operational and research areas.

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We provided the Department with a copy of this report and presented our proposal that the Department implement its strategy by establishing a focal point and by issuing appropriate directives and procedures.

In a meeting on April 24, 1972, the Assistant Secretaries of Labor for Administration and Management and for Manpower generally agreed to the matters discussed herein and to our proposal. We intend to stay abreast of the progress of the Department's efforts to provide more management attention to upgrading.



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