

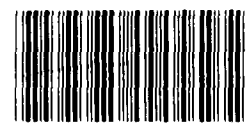
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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Department Of Labor Has Failed To Take The Lead In Promoting Private Sector Productivity



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The Department of Labor has a clear responsibility to lead Federal efforts to improve workers' productivity in the private sector. However, because of the low priority it has assigned to this effort, Labor has not carried out its leadership role.

To encourage Labor to place more emphasis on productivity improvement, Congress should enact legislation to hold the Secretary of Labor accountable for the results of its productivity efforts. GAO also recommends several administrative actions the Secretary of Labor can take to provide leadership in improving private sector productivity.



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AFMD-81-10
DECEMBER 4, 1980

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

B-198285

To the President of the Senate and the
Speaker of the House of Representatives

Senator Jacob K. Javits asked us on June 7, 1979, to assess, as part of an overall evaluation of the National Productivity Council, what the Department of Labor has done to carry out the President's Executive Order 12089 and its implementing memorandum. The President gave the Department, within the framework of its general statutes, specific responsibilities for improving the productivity growth of the Nation's work force.

We found the Department of Labor has done very little to fulfill this leadership mandate. Its existing legislatively mandated programs do not have a direct focus on productivity and it has developed no new programs in response to the President's directive. We believe Labor's failure to respond to the President's directive and provide leadership has hampered Federal efforts to improve private sector productivity. The objectives, scope, and methodology of our review are described in appendix III.

We are completing an overall appraisal of the National Productivity Council's efforts to improve productivity in the private and public sectors of the economy, which is also responsive to Senator Javits' request. In addition, on April 3, 1978 (see app. V), we provided Senator Javits our assessment of the Federal Mediation and Conciliation Service's capacity to carry out its responsibility for promoting labor-management cooperation under the Labor-Management Cooperation Act of 1978. We concluded that the Service did not have the necessary procedures or personnel.

IMPORTANCE OF THE HUMAN RESOURCE FACTOR
IN PRODUCTIVITY

Productivity improvement is a critical factor underlying economic growth and prosperity. It helps reduce inflation, permits American workers to improve their standard of living without giving up leisure time, and allows the United States to maintain its competitive position in international markets. However, U.S. productivity growth rates have been declining for more than 10 years, especially in relation to our major foreign competitors.

Productivity is affected by many factors, including capital investment, technology, and the efficiency with which the work force applies new methods and machines. Recently, the human resource factor in productivity has received increased attention. More and more, the modern worker is demanding improvements in the work environment and a share of increased profits as a precondition for improving productivity. As a result, the past few years have witnessed a broadening interest in cooperative efforts by labor and management to improve communication and encourage employees to participate in the key decisions that affect or determine day-to-day work patterns. This interest, which was institutionalized in the now-defunct National Center for Productivity and Quality of Working Life, emphasizes problem-solving approaches to the economic and industrial issues affecting society, individual workers, unions, and employers. Some of the major issues are the need to improve the Nation's lagging productivity growth, to provide workers with greater control over their working life, to ensure workers' economic security, and to promote mutual trust between management and unions. The importance of the working environment to these issues was pointed out in 1978 by the National Center for Productivity and Quality of Working Life in its final report, which stated:

"Workers, today, have a greater potential than ever before for making large contributions to productivity. They are considerably better educated and more widely traveled and television has expanded their range of experience and information. These factors have also raised, and changed the nature of workers' job expectations. There is a growing belief all over the world that the traditional organization of work, and the workplace itself is changing to satisfy the physical, economic, social, and psychological needs of the modern work force. And it is only by satisfying these needs that progress can be made in realizing the full potential of modern technology."

THE PRESIDENT DIRECTED LABOR TO
LEAD FEDERAL PRODUCTIVITY EFFORTS
IN THREE HUMAN RESOURCE AREAS

Executive Order 12089, issued on October 23, 1978, created the National Productivity Council. The Council comprises 10 departments and agencies and is directed to act as the focal point in the executive branch for efforts to improve productivity in the private and public sectors of the economy. In the memorandum implementing the Executive order the President

directed the Department of Labor, within the framework of its general statutory responsibilities, to provide Federal leadership in three human resource areas:

- Productivity growth through improvement and innovative utilization of employee skills and capabilities.
- Protection and improvement of the quality of working life in conjunction with productivity improvement.
- Labor-management cooperation in productivity growth.

Labor was also given leadership responsibility for productivity measurement, a duty it was already performing. In July 1980 we reported to the Congress that measures of private sector productivity compiled by Labor's Bureau of Labor Statistics can be improved (FGMSD-80-45, July 8, 1980). We had previously recommended that the Congress provide funding for the Bureau to measure State and local government productivity trends (GGD-78-104, Dec. 6, 1978).

LABOR HAS NOT PROVIDED LEADERSHIP

The Department of Labor has not accomplished the objectives necessary to perform a leadership role. Moreover, Labor's actions in pursuing its existing programs cannot, in our opinion, be interpreted as Federal leadership to improve productivity. To provide leadership Labor should:

- Assess private sector needs to determine what Federal actions are necessary to improve productivity, including consulting with business, labor, and academic leaders.
- Develop a plan, based on the needs assessment, which delineates agency responsibilities and program objectives.
- Designate a Departmental focal point to promote program objectives and coordinate activities with other Federal agencies.
- Develop and maintain a capability to monitor and evaluate program results.

Labor has done none of these things.

Although they have not provided leadership, Labor officials told us they have a number of programs which are

primarily oriented toward the quality of working life but which could also improve productivity. These include:

- The Employment and Training Administration with its research and demonstration projects and its job training and skills upgrading programs.
- The Labor Management Services Administration with its tripartite construction and steel industry committees.
- The Office of the Assistant Secretary for Policy, Evaluation, and Research with its quality of employment surveys.
- The Occupational Safety and Health Administration with its health and safety programs.

Labor's programs related to productivity and the quality of working life, along with those of five other departments and agencies, are summarized in appendix IV.

Labor officials gave us two inventories, prepared for the Office of Management and Budget, of programs whose primary purpose was to improve or otherwise directly affect productivity. The inventories included several of the programs listed above, but no Occupational Safety and Health Administration (OSHA) programs. Most of the programs in the inventories existed before Labor was assigned a productivity leadership role. None was initiated in response to the President's directive. We found only one Labor Department program--the Construction Coordinating Committee program--which was specifically designed to improve productivity.

Labor's programs were neither tied to a Department-wide productivity plan nor adequately coordinated or evaluated in terms of their impact on productivity. For example, Labor has not:

- Assessed private sector needs to determine what Federal actions should be taken to improve productivity. Labor has not had much contact with the private sector with respect to private sector needs, but has made some progress toward assessing these needs with its quadrennial quality of employment survey, an effort begun in 1969 to measure job satisfaction and working conditions. However, Labor officials said the surveys do not provide sufficient information on work force needs by specific occupation, industry, or geographical area, and so are not useful for planning or redirecting programs. In spite of these shortcomings, the survey has not been changed to correct the deficiencies.

- Developed a Department-wide productivity plan. Although Labor began one effort which might have led to a plan for expanded support of labor-management committees--a function included in one of Labor's three leadership areas--this effort was not completed. At the National Productivity Council meeting in September 1979, Labor presented several proposals for expanded support of labor-management committees. The Council approved the proposals. Labor, the Office of Management and Budget, and the Federal Mediation and Conciliation Service agreed to develop a detailed plan for implementing the proposals, including organizational assignments and funding requirements. While some action was taken on one of the proposals, no plan was begun and Labor has discontinued efforts in this area. Details regarding the Federal Mediation and Conciliation Service's implementation of that one proposal are contained in appendix IV (see p. 18) and in our April 3, 1980, letter to Senator Javits (see app. V).
- Coordinated its ongoing productivity projects within the Department of Labor and with other Federal departments and agencies. Officials in several departments and agencies told us that Labor has provided no leadership in establishing formal coordination. For example, an Appalachian Regional Commission official told us he had been contacted by Labor in mid-1979 to set up a coordination effort, but as of March 1980, there had been no followup. Several officials also emphasized that coordination occurred during the period the National Center for Productivity and Quality of Working Life was in existence, but that coordination died with the National Center.
- Evaluated its ongoing projects in terms of their impact on productivity. Labor has funded research on a wide array of issues related to the quality of working life, and supported numerous demonstration projects such as the three labor-management committees described on page 6, but it has evaluated none of these projects.

LACK OF LEADERSHIP
HAS HAMPERED EFFORTS TO
IMPROVE PRODUCTIVITY

Since the Department of Labor had no overall productivity goals or objectives, we could not measure the effectiveness of its leadership efforts. We believe, however, that Federal efforts to improve private sector productivity have been hampered by the lack of leadership. Having neither leadership nor an overall plan to guide Federal assistance, agencies

cannot determine the proper level of support, ensure that programs are coordinated, readily obtain guidance or information, or evaluate the productivity impact of projects.

For example, Labor provided no coordination or guidance to other agencies which had programs related to productivity or the quality of working life. The Federal Railroad Administration, which provides \$1.7 million annually to support labor-management committees, told us that the National Center for Productivity and Quality of Working Life provided both coordination and guidance until it discontinued operations in September 1978. Labor did not continue that coordination.

In addition, the Department of Labor has not taken advantage of opportunities to increase its understanding of how labor-management cooperation affects productivity. Nor has it evaluated projects from this point of view. For example, in 1978 Labor funded three private sector labor-management committee demonstration projects to evaluate the committees' effectiveness before Labor embarked on a larger Federal effort to foster such committees. No plans have been made to evaluate the projects even though funding for the committees expired in October 1980. As a result, Labor will be no closer than before to an answer about the relationship between labor-management cooperation and productivity.

LOW PRIORITY PLACED ON LEADERSHIP ROLE

The Department of Labor has not implemented its leadership role as directed by the President because of the low priority assigned to this responsibility by the Department. The low priority is perhaps best demonstrated by the fact that Labor has neither requested specific funding for this effort in its annual appropriation nor used funds available from other programs. In addition, the Secretary has not assigned specific leadership responsibilities within the Department for areas other than coordination of internal productivity projects. Further, we could find no agency in the Department which had accepted the responsibility for developing and implementing a productivity leadership program.

Since there are no funds in Labor's annual appropriation specifically earmarked for implementation of the President's directive, Labor has to depend on the use of general funds available from other programs. Labor officials told us that priorities given other programs prevent funding of this leadership effort. For example, in 1977, Labor agreed to commit \$5 million to support labor-management committee demonstration projects. Funding was to come from the Comprehensive Employment and Training Act (CETA) appropriation. Labor officials later decided to provide only \$400,000 of the \$5 million. An

official told us Labor changed priorities because the funds were needed to support increased responsibilities legislated in the CETA program. According to Labor officials, the low priority resulted because productivity programs did not have the legislative mandate which its higher priority programs had.

As long as Labor's productivity leadership role depends on the interests and priorities of the Department, the nature and importance of that role will change over time as new officials are appointed. However, a legislative mandate would provide continuing emphasis and priority and, most important, make the Department of Labor accountable to the Congress for results achieved through its leadership role. Such a recommendation is included in this report. (See p. 6.)

CONCLUSIONS

Since October 1978, the Department of Labor has been charged by the President to provide leadership in efforts to improve the productivity of the work force through improved utilization of employee skills and labor-management cooperation. It also is responsible for leadership in efforts to improve the quality of working life of employees. Although Labor has provided some limited leadership--for example, in proposing increased Federal support for labor-management committees--we believe its efforts are insufficient to accomplish its leadership role.

If Labor is to fulfill a leadership role in productivity, a higher priority must be assigned to this area. Since Labor has not emphasized its leadership role, we believe there is a need for the Congress to enact legislation to ensure priority consideration and make the Department of Labor accountable to the Congress for that role. In addition, Labor should develop a productivity plan, assign leadership responsibilities within the Department, actively monitor the program to ensure that it is achieving its objectives, and seek appropriate funding.

RECOMMENDATION TO THE CONGRESS

The Department of Labor has a clear responsibility to provide leadership in Federal efforts to improve private sector productivity. However, it has not fulfilled this role because of its other priorities. We therefore recommend that, in order to provide specific accountability to the Congress, the following provisions be enacted in law:

"The Secretary of Labor shall establish an organizational unit at the Assistant Secretary level to serve as the focal point for Federal efforts to"

"increase productivity within the private sector through more effective use of human resources, while at the same time protecting and promoting the economic and social well-being of workers. The organizational unit will:

- Develop, monitor, and update a Department-wide human resource productivity plan.
- Coordinate productivity programs within the Department and among departments and agencies with human resources productivity programs.
- Monitor and evaluate the productivity impact of Department of Labor programs.
- Provide liaison with private sector organizations concerned with human resources productivity.
- Support research, information dissemination, and technical and financial assistance for private sector efforts to enhance human resources productivity."

There are currently several bills under consideration in the Congress which would create a national focal point for productivity and the quality of working life. However, we believe that the Department of Labor has a specific and continuing responsibility independent of any national forum.

RECOMMENDATION TO THE SECRETARY OF LABOR

We recommend that the Secretary of Labor take steps to carry out the President's directive and provide leadership in human resources productivity. As a minimum, we believe the Secretary should:

- Create a focal point at the Assistant Secretary level to prepare specific program goals and objectives, to coordinate and monitor the Department's programs, and to coordinate programs with other agencies.
- Assign specific leadership responsibilities to agencies within the Department.
- Establish an ad hoc group within the Department to assess program needs, consult with business, labor, and academic leaders to determine appropriate actions for the Department to take to improve productivity, define program goals and objectives, plan implementation, and recommend organizational changes for the Department.

AGENCY COMMENTS

Labor provided official comments on this report. The other agencies included in appendix IV provided unofficial comments. Labor disagreed with our recommendation that its authorizing legislation be amended to make the Secretary responsible "for encouraging, supporting, and initiating efforts to improve the productive efficiency and quality of working life of the Nation's workforce." Labor believes such a mandate is unnecessary and inappropriate because (1) its role should be judged in the context of the coherent Federal productivity effort, (2) it was already fulfilling its mandate through existing programs, and (3) our recommended language was not specific enough.

We disagree with Labor's first two points but agree with its third. We reviewed Labor's role within the context of the current Federal effort to improve productivity and concluded that the Department must be given a legislative mandate to provide leadership in Federal efforts to improve private sector productivity. Although the President has already given the Department of Labor a clear leadership mandate, we believe Labor has not taken the actions necessary to implement the directive. 1/

The Department has not assigned a focal point to provide leadership for its productivity efforts, nor has it assessed private sector needs, developed a productivity plan, or coordinated its productivity-related programs.

Labor officials told us they had not taken these actions because of the low priority placed on the Department's productivity leadership role relative to its legislatively mandated responsibilities. A legislative mandate for productivity improvement is necessary to:

- Raise the priority assigned to this area so that it is not solely dependent on the interests of Departmental management.
- Stimulate Departmental leadership action within the overall Federal productivity improvement effort.

1/In a separate review, we are evaluating actions taken by the other agencies which were assigned leadership responsibilities by the President's implementing memorandum to Executive Order 12089.

--Make the Department of Labor accountable to the Congress for results achieved through its productivity leadership role.

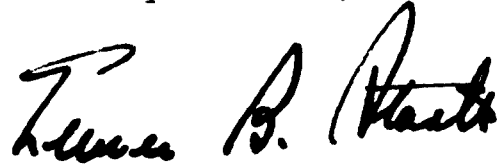
With respect to Labor's second point (p. 9), we do not believe the ongoing programs under the Comprehensive Employment and Training Act and the Occupational Safety and Health Act satisfy the productivity leadership mandate. Our review of Labor's inventories of productivity-related programs indicate that most existed before the Department was assigned a leadership role and none was initiated in response to the President's directive. Furthermore, the inventories included no OSHA programs and only one program specifically designed to improve productivity. In addition, Labor's productivity-related programs have not been evaluated in terms of their impact on private sector productivity.

We agree with Labor's third point that the recommended legislative language in our draft report is too general. We subsequently revised it. Our revised recommendation (p. 8) states that legislation should be enacted to require the establishment of a productivity focal point at the Assistant Secretary level with specified human resource productivity responsibilities.

The Department's detailed comments and our responses are in appendix VI.

Officials at the Department of Commerce, Federal Mediation and Conciliation Service, Appalachian Regional Commission, and Federal Railroad Administration had no comments on our discussion of Federal involvement in programs related to productivity and quality of working life. (See app. IV.)

We are sending copies of this report to the Director of the Office of Management and Budget, the House and Senate Committees on Appropriations, the House Committee on Education and Labor, the Senate Committee on Labor and Human Resources, Senator Jacob K. Javits, the Secretary of Labor, and other interested parties.



Comptroller General
of the United States

LIST OF APPENDIXES

- I June 7, 1979, letter from Senator Jacob K. Javits
- II October 23, 1978, memorandum from President Carter, with copy of Executive Order 12089
- III Objectives, Scope, and Methodology of Review
- IV Federal Involvement in Programs on Productivity and Quality of Working Life
- V April 3, 1980, letter to Senator Javits from Comptroller General Staats
- VI August 29, 1980, letter from Acting Inspector General Goldstock, Department of Labor; and Labor's comments on GAO's recommendations, with GAO's responses

ABBREVIATIONS

- ASPER Assistant Secretary for Policy, Evaluation, and Research
- CETA Comprehensive Employment and Training Act
- DOL Department of Labor
- FMCS Federal Mediation and Conciliation Service
- GAO General Accounting Office
- OMB Office of Management and Budget
- OSHA Occupational Safety and Health Administration
- QWL Quality of Working Life

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United States Senate

COMMITTEE ON HUMAN RESOURCES
 WASHINGTON, D.C. 20510

June 7, 1979

Dear Mr. Staats:

I know you share my view that a strong federal role in promoting productivity growth is a matter of major national importance. The U.S. failure in recent years to maintain a healthy level of productivity growth is the root cause of many of our current economic problems, including excessive rates of inflation, continued high levels of unemployment and underemployment, and the inability of American business to compete effectively in foreign markets.

We have not had a central, well integrated federal strategy to improve productivity because there has been a lack of focus within the Executive Branch on this issue. Your report last year on the inherent weaknesses of the National Center for Productivity and Quality of Working Life, together with other work GAO has done on productivity, have helped to bring the federal role to the forefront. I believe it is time to turn your attention to this issue again.

Over seven months ago, the President issued an Executive Order 12089 creating the National Productivity Council to be comprised of ten departments and agencies "as the focal point in the Executive Branch for efforts to improve productivity in the private and public sectors of our economy." In my judgment, the Congress should have the benefit of your evaluation as to whether this Council can do what the National Center failed to accomplish and whether it is the best means for the federal government to promoting productivity improvement in the U.S.

I believe this evaluation should begin with an examination of the Council's role in improving the performance and capability of our nation's workforce. Within the Council, the Department of Labor was assigned the key responsibility for assessing the effects of labor-management cooperation, quality of working life, and utilization of employee skills and capability on U.S. productivity growth.

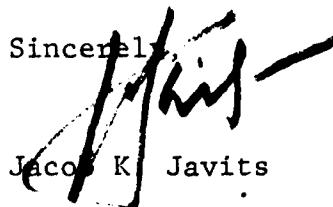
I would like the GAO to assess the Labor Department's programs developed to achieve these goals to assist the Congress in determining the effectiveness of these programs and in developing further legislation to strengthen Federal initiatives in this area. This should include an assessment of the Department's coordination with other agencies, including the Federal Mediation and Conciliation Service which was directed to promote labor-management committees at the plant, area and industry-wide level under the Labor-Management Cooperation Act of 1978.

It is also important to distinguish between efforts to stimulate productivity growth and those to enhance the quality of working life. Although these objectives are often viewed as contradictory, I believe that, properly conceived, there is a healthy tension between them and that, in the final analysis, they are mutually reinforcing. Improving the knowledge, skills, and ingenuity of the nation's workforce has been neglected too long in our search for better economic and social progress.

I look forward to your assistance in these matters.

With best wishes,

Sincerely,



Jacob K. Javits

Honorable Elmer B. Staats
Comptroller General of the United States
441 G Street, N. W.
Washington, D. C. 20548

THE WHITE HOUSE
WASHINGTON

October 23, 1978

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

SUBJECT: Productivity Improvement Program

Today I have signed an Executive order establishing a National Productivity Council. I have established this Council in recognition of the vital role productivity plays in the Nation's economy by helping control inflation, making U.S. goods more competitive in world markets, and increasing the real income of the American worker.

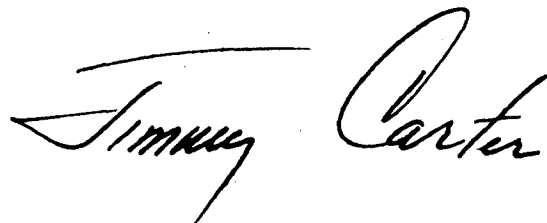
The Council will serve as the focal point in the executive branch for efforts to improve productivity in the private and public sectors of our economy. One of its major functions will be to assure that these efforts are themselves carried out in the most productive fashion.

I would like to highlight the major responsibilities for improvement that are assigned by statute to the executive branch, and identify the departments and agencies to which I look for leadership in carrying out these responsibilities:

- Technological innovation, including improved management systems and production methods--
Department of Commerce;
- Collection and dissemination of information on productivity and productivity improvement--
Department of Commerce;
- Productivity growth through improved and innovative utilization of employee skills and capability--
Department of Labor (in cooperation with the
Department of Commerce);
- Protecting and improving the quality of working life of employees in conjunction with productivity improvement--Department of Labor (in cooperation with the Department of Commerce);

- ° Productivity measurement--Department of Labor;
- ° Labor-Management cooperation in productivity growth--Department of Labor;
- ° Productivity of the Federal Work Force--Civil Service Commission (in cooperation with the Office of Management and Budget); and
- ° Assuring that productivity concerns are taken into account in regulatory policy--Office of Management and Budget (including assuring consideration of productivity in regulatory analyses provided for in Executive Order 12044).

Improved productivity is vital to the social and economic well-being of our Nation. The Federal Government can make a major contribution to improving productivity. I expect all agencies to cooperate with and assist the Council in meeting its responsibilities so we realize maximum benefit from the Federal effort to improve productivity growth.

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in black ink and is positioned in the lower right quadrant of the page.

FOR IMMEDIATE RELEASE

OCTOBER 23, 1978

Office of the White House Press Secretary

THE WHITE HOUSE

EXECUTIVE ORDER

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NATIONAL PRODUCTIVITY COUNCIL

By the authority vested in me as President by the Constitution of the United States of America, and in order to provide for coordinated and effective Federal programs to improve productivity in the public and private sectors, it is hereby ordered as follows:

1-1. Establishment of the Council.

1-101. There is established the National Productivity Council.

1-102. The Council will be composed of the heads of the following agencies, or a designated representative, and such others as the President may designate:

- (a) Department of the Treasury.
- (b) Department of Commerce.
- (c) Department of Labor.
- (d) Office of the Special Representative for Trade Negotiations.
- (e) Council of Economic Advisers.
- (f) Office of Management and Budget.
- (g) Office of Science and Technology Policy.
- (h) Council on Environmental Quality.
- (i) Civil Service Commission, and
- (j) Council on Wage and Price Stability.

1-103. The Director of the Office of Management and Budget will serve as Chairman of the Council.

1-2. Functions of the Council.

1-201. The Council will work with Executive agencies to assure that activities designed to improve productivity in the private and public sectors are carried out in a manner that realizes maximum benefit from the resources invested. As part of this responsibility the Council will identify opportunities for cooperative or innovative projects to be undertaken by the agencies, as well as overlapping or duplicative programs which should be eliminated.

more

1-202. The Council will identify issues pertaining to private and public sector productivity and productivity improvement, and will make assignments to Council members or other Executive agencies for studying and resolving the issues.

1-203. The Council will identify major policy issues with productivity implications for consideration by the President, including the need for legislative initiatives.

1-204. The Council will serve as the focal point within the Executive Branch for liaison with elements of the private sector concerned with improving productivity, and will seek the advice and assistance of business, labor, and academic leaders, as well as representatives from State and local governments and others concerned with productivity.

1-205. The Council will serve as the focal point within the Executive Branch for liaison with organizations of foreign governments involved in efforts to improve productivity.

1-3. Administrative Provisions.

1-301. Executive agencies shall cooperate with and assist the Council in performing its functions.

1-302. The Chairman shall be responsible for providing the Council with such administrative services and support as may be necessary or appropriate.

1-303. The Chairman may establish working groups or subcommittees of the Council. The Chairman may invite representatives of nonmember agencies to participate from time to time in the functions of the Council.

1-304. The Chairman shall report to the President on the performance of the Council's functions.

JIMMY CARTER

THE WHITE HOUSE,
October 23, 1978.

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OBJECTIVES, SCOPE, AND METHODOLOGY OF REVIEW

Our review was conducted in accordance with Senator Jacob K. Javits' letter of June 7, 1979, and subsequent discussions with his staff. He asked us to determine the effectiveness of the Department of Labor's leadership efforts to improve productivity in the private sector work force. He also asked us to evaluate Labor's coordination with other Federal agencies.

Accordingly, for programs in each of these areas, we reviewed agency records and interviewed program managers to determine:

- The existence of a focal point within the Department of Labor for those areas.
- The extent of focus and coordination among programs both within Labor and between Labor and other agencies.
- The extent to which program results were documented, evaluated, and communicated to appropriate agency officials.

Since a leadership role involves significant policy questions, we also interviewed several assistant secretaries and the Under Secretary of Labor.

In addition, we reviewed documents and interviewed officials from private sector organizations including labor-management committees, State and local productivity and quality of working life centers, and a university research center.

A complete list of organizations we visited or contacted follows.

Federal Government:

Department of Labor
Under Secretary of Labor
Office of the Assistant Secretary for Policy, Evaluation,
and Research
Labor Management Services Administration
Bureau of Labor Statistics
Occupational Safety and Health Administration
Employment and Training Administration

Department of Commerce

Department of the Navy

Office of Management and Budget (National Productivity Council)

Federal Mediation and Conciliation Service

Federal Railroad Administration

National Institute of Mental Health

Appalachian Regional Commission

National Manpower Institute

Private Sector:

Area labor-management committees

Jamestown, N.Y.

Buffalo, N.Y.

Clinton County, Pa.

Cumberland, Md.

Boston, Mass.

Annual conference of State and local centers for productivity and quality of working life.

Work in America Institute

University of Michigan, Survey Research Center

FEDERAL INVOLVEMENT IN PROGRAMS ON
PRODUCTIVITY AND QUALITY OF
WORKING LIFE

The Federal Government has been involved in efforts specifically designed to improve private sector productivity for more than 10 years. We found programs in five departments and agencies as well as the National Productivity Council and its predecessors--The National Center for Productivity and Quality of Working Life and the National Commission on Productivity. Most of these efforts consist of projects designed to achieve individual agency objectives. Some of these are described below.

DEPARTMENT OF LABOR

The Department of Labor has recognized the need to improve productivity and the quality of working life. The Department's concerns have shifted slightly since the early 1970's: emphasis remains on improving the quality of working life, but the Secretary of Labor and other Labor officials have also recognized the need for concerted Federal action to stimulate productivity growth. Despite this policy-level concern, Labor has few programs which deal specifically with this problem.

During our review, we identified the following Department of Labor programs which we believe deal either with private sector productivity or the quality of working life.

Construction coordinating committees--Labor Management Services Administration efforts to improve productivity and reduce costs in the construction industry. These tripartite committees are composed of representatives from labor, management, and Government and seek to reduce seasonal unemployment and control inflationary pressures in local construction industries. This is the only Labor Department program we could identify which focused on productivity improvement.

Employee skills training programs--Employment and Training Administration programs which involve upgrading skills and retraining employed persons. These programs have been funded through the Comprehensive Employment and Training Act, as amended, and include the

- Skills Training Improvement Program,
- Private Sector Initiatives Program,
- Journeyman Outreach and Training Program, and

--National On-the-Job Training Program.

Because these programs were designed to achieve other objectives, improvements in productivity or the quality of working life are indirect rather than direct results of their operations.

Research and demonstration projects--a variety of projects, including evaluations of several in-plant labor-management committees and other quality of working life projects, funded by the Employment and Training Administration through its Office of Policy, Evaluation, and Research. Since 1975, this office has provided approximately \$1.3 million to private sector grantees engaged in research on the quality of working life. The Employment and Training Administration also provided about \$400,000 to fund three areawide labor-management committee demonstration projects.

Quality of employment surveys--quadrennial surveys to measure worker job satisfaction, funded by the Office of the Assistant Secretary for Policy, Evaluation, and Research. Three surveys have been performed, in 1969, 1973, and 1977. The 1977 survey was funded for \$428,000. The surveys were conducted for the Labor Department by the University of Michigan's Institute for Social Research and have exposed a number of important issues involving the quality of working life. However, Labor officials told us the surveys have not been used to provide new direction to Federal programs.

Other programs--these include eight contracts inherited from the National Center for Productivity and Quality of Working Life. The contracts, funded by the National Center for \$70,000, supported State and local centers engaged in labor-management cooperation projects.

THE DEPARTMENT OF COMMERCE

The Department of Commerce is responsible for assisting economically distressed areas and enhancing both productivity and the competitive position of the Nation. As part of its productivity efforts, Commerce supported efforts dealing with human resources, the quality of working life, and labor management cooperation from 1973 to 1977.

These efforts began in 1973 with funding of the Jamestown, N.Y., area labor-management committee. During the following 4 years, the Department funded academic research, labor-management committees, and State productivity centers. Following is a list of some of the larger efforts:

--Research, information dissemination, and training;

Center for Quality of Working Life at the University of California at Los Angeles (\$265,000).

- Demonstration projects and evaluation of efforts by labor and management to raise human productivity; Institute for Social Research of the University of Michigan (\$559,993).
- Establishment of a State productivity center and development of demonstration projects at four North Carolina corporations; MDC, Inc. (\$24,000).
- Development of joint labor-management decisionmaking at the work place and testing the effects on human and organizational productivity; National Quality of Working Life Center, Inc. (now the American Center for Quality of Working Life, Inc.) (\$300,000).

In 1977, the Economic Development Administration shifted its productivity emphasis to trade adjustment assistance and discontinued virtually all of its quality of working life and labor-management cooperation efforts.

The Economic Development Administration does, however, assist in the formation of employee stock ownership plans in private companies by providing direct grants to public entities, which in turn loan the money to the companies. Over the past 5 years, funding for employee stock ownership plans has totaled \$30.5 million. A Commerce official said the primary reason for the program was to prevent plant closures and the subsequent loss of jobs, but productivity, quality of working life, and labor-management relations have improved in the affected companies.

The Department of Commerce is currently reorganizing its Office of Science and Technology into the Office of Productivity, Technology, and Innovation. The new office will include, among other things,

- a Productivity Reference Service which will be a central access point for productivity related information and
- an Office of Productivity and Product Technology which will be concerned with programs designed to improve productivity and industrial development.

The Federal Mediation and Conciliation Service

The Federal Mediation and Conciliation Service (FMCS) represents the public interest by promoting sound, stable,

labor-management relations. FMCS has encouraged and helped form labor-management committees as a means of achieving this objective. The Labor-Management Cooperation Act of 1978, however, expanded FMCS's role to include funding of labor-management committees. FMCS plans also to set aside \$150,000 for evaluations of those committees.

We described FMCS's implementation of this act in our April 3, 1980, letter to Senator Javits (see app. V). At that time, FMCS had delayed preparing detailed written plans and drafting regulations or procedures and had not, as required by the act, established an office to run the program.

Since then, an FMCS official told us they have begun drafting procedures and regulations which they expect to complete by November 1980. We were told FMCS expected to receive funding for the act's implementation to begin in January 1981.

The Appalachian Regional Commission

The Appalachian Regional Commission is an economic development agency whose goal is retaining private sector employment in the region.

The Commission believes that improving labor-management relations can help to achieve this goal. Since 1976, therefore, it has provided \$535,437 to support five area labor-management committees. These five areas are

- Cumberland, Md. (1976 to 1980 for \$246,000);
- Chautauqua County, N.Y. (1976, 1977, and 1979 for \$141,037);
- Clinton County, Pa. (1977 for \$50,000);
- Newport, Tenn. (1979 for \$40,000); and
- Jamestown, N.Y. (1979 for \$40,000).

In addition, the Commission plans to allocate \$50,000 in fiscal 1980 to establish a Labor-Management Committee Institute in Cumberland, Md. The Institute's purpose will be to train professional staff for labor-management committees and to provide technical information to existing and newly formed committees.

The Federal Railroad Administration

One of the Federal Railroad Administration's concerns is to consolidate Government support of rail transportation

activities and research and development. It has encouraged rail terminal labor-management committees as a means of solving rail traffic movement problems.

In 1973, it provided \$50,000 in "seed money" to support a labor-management committee pilot project in St. Louis, Mo. Since then, the concept has been expanded. There are now labor-management committees at terminals in five cities and funding has grown in fiscal 1980 to \$1.68 million.

A task force study of the project noted that the speed and reliability of cars moving through a St. Louis terminal had been improved without any increase in cost but with a significant improvement in communication and cooperation between labor and management. Also, as a part of its efforts to meet the needs of the railroad industry's work force, the Railroad Administration became involved in two projects pertaining to alcoholism and employee training.

The National Productivity Council and its predecessors

Since 1970 the Federal Government has supported several organizations to centralize activities related to productivity and the quality of working life. The President established the National Productivity Council on October 23, 1978, by Executive Order 12089 and, in an implementing memorandum, assigned specific leadership responsibilities to 4 of its 10 member agencies. The Council was to coordinate Federal programs which support productivity improvement in the public and private sectors and assure that maximum benefit is realized from these programs.

Prior to October 1978, Federal leadership was assigned to the National Center for Productivity and Quality of Working Life (1975 to 1978) and before that to the National Commission on Productivity (1970 to 1975). Both organizations had human resources programs. For example, in fiscal 1976 and 1977 the National Center allocated almost one-third of its budget to a human resources program which focused on four major areas: (1) labor-management cooperation, (2) job security, (3) quality of working life, and (4) education and training. However, since neither the Center nor the Commission was adequately funded or supported, neither was successful in providing leadership for national efforts to improve productivity and quality

of working life. The history and effectiveness of the National Center and National Commission are discussed in our May 23, 1978, report on the National Center. 1/

1/"The Federal Role in Improving Productivity--Is the National Center for Productivity and Quality of Working Life the Proper Mechanism?" (FGMSD-78-26, May 23, 1978).



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

April 3, 1980

B-198285

The Honorable Jacob K. Javits
United States Senate

Dear Senator Javits:

Your March 3, 1980, letter asked us to comment on the capacity of the Federal Mediation and Conciliation Service (FMCS) to rapidly implement its authority under the Labor-Management Cooperation Act of 1978. You also asked us to recommend steps FMCS might take to effectively administer the Act.

Our analysis revealed that FMCS does not have the procedures or personnel necessary to implement the Act. It also has not formulated written plans to guide the implementation process. Our conclusions are based on a series of interviews conducted in response to your June 7, 1979, request for an evaluation of Federal efforts to stimulate private sector productivity.

The Labor-Management Cooperation Act of 1978 directed FMCS to support joint labor-management activities designed to improve labor-management relations. The authority to make grants to labor-management committees was the key provision of the Act.

In March 1979, FMCS submitted to OMB a supplemental budget request for \$3,001,000. This request was endorsed by the National Productivity Council at its September 1979 meeting. On January 28, 1980, OMB submitted to the Congress a revised supplemental appropriation request of \$2.3 million for fiscal year 1980 and \$2.4 million for fiscal year 1981. Two million of each year's total was specified for grants to labor-management committees. The appropriation requests are currently under consideration by the Senate and House Committees on Appropriations.

FMCS is faced with three major tasks before it can release grant funds. It must draft rules and procedures for the program; publish the rules in the Code of Federal Regulations; and solicit and award grants to eligible labor-management committees. Additionally, OMB may have to approve

forms to be used in the program. Although there are no exact steps or timeframes established for completing these tasks, we were told by agencies administering similar grant programs that the process can take 6 months or more.

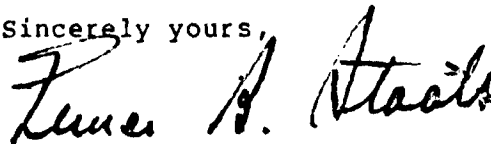
A committee to draft the appropriation request and oversee implementation of the program was formed last year at FMCS. However, it has not written detailed plans; established an office to run the program as required by the act; nor drafted regulations or procedures. We were told by FMCS officials that it will have to hire personnel to staff this office because FMCS does not have experience in establishing or running grant programs. To date, FMCS has been reluctant to hire staff because of the long and uncertain delay in funding the program.

It is doubtful whether FMCS will be able to implement the program in time to award grants this fiscal year. Consequently, FMCS may not need the \$2 million requested for grants in fiscal year 1980. However, funds will be needed to hire staff and begin drafting procedures and regulations to implement the Act. The regular appropriation available to FMCS could be used for this purpose, although specific congressional support may be necessary to overcome FMCS reluctance. Additionally, it needs to develop a detailed program plan to guide the implementation process.

We believe rapid implementation of the Labor Management Cooperation Act grant program is important and should not be delayed. Therefore, we suggest the Director of FMCS take immediate steps to implement the program by preparing a detailed program plan and by drafting procedures and regulations utilizing regularly appropriated funds. In order to expedite the process, the Director should seek assistance from other agencies with experience in running grant programs.

We trust this information will meet your needs.

Sincerely yours,



Comptroller General
of the United States

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

AUG 29 1980

Mr. D. L. Scantlebury
Director, Financial and General
Management Studies
U. S. General Accounting Office
Washington, DC 20548

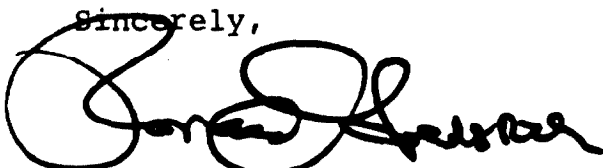
Dear Mr. Scantlebury:

This is in reply to your letter to Secretary Marshall requesting comments on the draft GAO report entitled, "DOL Should Strengthen Its Role In Promoting Productivity And Quality Of Working Life In The Private Sector."

The Department's response is enclosed.

The Department appreciates the opportunity to comment on this report.

Sincerely,



Ronald Goldstock
Acting Inspector General

Enclosure

DEPARTMENT OF LABOR'S COMMENTS AND GAO'S RESPONSESON THE DRAFT GAO REPORT ENTITLED--"DOL SHOULD STRENGTHEN ITS ROLE IN PROMOTING PRODUCTIVITYAND QUALITY OF WORKING LIFE IN THE PRIVATE SECTOR" 1/

GAO recommendation: "The following language should be added to DOL's authorizing legislation: 'The Secretary of Labor shall be responsible for encouraging, supporting, and initiating efforts to improve the productive efficiency and quality of working life of the Nation's work force.'"

Labor comment: "The Department does not concur. This recommendation is predicated on GAO's opinion that the Department has not fully exercised an appropriate leadership responsibility in the larger Federal effort to facilitate improvements in private sector productivity and quality of working life, and that it would be encouraged to do so if it were assigned an additional legislative mandate. In the Department's view, the GAO report errs in both the definition of the basic problem at issue and the prescription of a remedy for it. Consequently, the Department urges a reconsideration of the recommendation in the light of the following point:

- "1. If there exists a comprehensive and coherent Federal productivity improvement effort, the responsibilities and activities of each participating agency must be judged in this overall context and in relation to the necessarily interdependent role of other agencies. The primary question to be addressed is not what the Labor Department alone should be doing, but what the appropriate role of the Federal Government should be and how that role can be carried out in a way that is most beneficial to the public interest and consistent with public policy. This admittedly is a much more difficult question to answer, but it should be answered as a precondition for drawing conclusions about the satisfactoriness of individual agency performance."

GAO response: We disagree with this point. Although Labor is not alone in its responsibilities it has a clear mandate in the President's implementing memorandum to Executive Order 12089 to provide leadership in Federal efforts to improve productivity in the work force. This mandate is different from the

1/Later changed to "Department of Labor has Failed to Take the Lead in Promoting Private Sector Productivity."

mandates given other agencies and was the basis for Senator Javit's request (see app. I). He asked us to examine the programs Labor implemented to achieve the President's directive.

Labor comment:

"2. The report refers to the Department having both a 'clear responsibility' and a 'specific responsibility' to carry out, but does little more than intimate what these responsibilities might be. Nor does it suggest how DOL responsibilities are both distinguished from and integrated with those of other agencies. While the report might have offered guidance to the Department in more fully defining its role, the principal recommendation is that the Congress append a somewhat ambiguous statement to an unspecified legislative mandate. The rather broad responsibility it assigns already has been entrusted to the Department through prior legislation, and there can be no doubt as to the accountability it requires. If goals such as 'productive efficiency' and 'quality of working life' have meanings significantly different from those specified in laws such as the Comprehensive Employment and Training Act [CETA] and the Occupational Safety and Health Act [OSHA], it would be helpful if the report were to make them clear. In the absence of this clarification, the language amendment seems at best superfluous, even though well intentioned."

GAO response: We do not agree that Labor's existing programs comply with the President's directive to assume a leadership responsibility. However, we do agree that the recommendation should be more specific--and we have made it so. We asked Labor officials to identify those programs which were in response to the President's directive. They gave us two inventories, prepared for the Office of Management and Budget, of programs whose primary purpose was to improve productivity or otherwise have some direct impact on or relation to productivity improvement. The inventories included several CETA programs but no OSHA programs. Our review of the programs in the inventories showed that only a few had a direct focus or impact on productivity and that none of the programs responded to the President's directive. Managers of the various CETA programs told us that productivity considerations played no part in establishing or running the programs. We also found that Labor had no productivity plan, did not evaluate or coordinate productivity related efforts, and had no focal point to provide leadership. We believe this apparent confusion on Labor's part about its role in productivity further underscores the need for a clear legislative mandate. Labor said it believes our

recommended legislative language is too general. As a result, we revised the recommendation to require the Secretary to establish an organizational unit to serve as a productivity focal point in the Department. We also listed major responsibilities of the focal point. The original recommendation was that the following language be added to Labor's authorizing legislation: "The Secretary of Labor shall be responsible for encouraging, supporting, and initiating efforts to improve the productive efficiency and quality of working life of the Nation's work force."

Our intention was not to criticize Labor's efforts to improve the quality of working life (QWL). Labor is the Government's primary QWL agency and as such it has a large emphasis on QWL programs. We recognize the importance of these efforts; however, they are different than the efforts envisioned under the President's directive. To clarify this distinction we removed "QWL" references from the report in most instances because our primary emphasis was on Labor's productivity efforts.

Labor comment:

- "3. The report asserts that the Department has not fulfilled its responsibilities because of its preoccupation with 'other priorities.' This exceedingly important issue of action priorities seems to have been dismissed far too casually. The Department is legislatively obligated to allocate the resources made available to it in a manner which the Congress judges to be most attuned to the national needs of the day. It should be noted in this regard that the Department is currently making far more than a token contribution to 'human resource productivity' by administering, under CETA authority, a number of major programs devised to help transform unemployed and underemployed citizens into fully productive members of the labor force. The import of this contribution appears not to be acknowledged in the report. Similarly, it is difficult to understand how the Department can be seen as having assigned a 'low priority' to quality of working life, as the report alleges, when it is so heavily committed to the task of enforcing standards of employment devised for the explicit purpose of protecting and promoting the economic, physical, and social well-being of American workers. Without exaggeration, the Department exists as the Federal instrumentality of promoting the quality of working life as an objective of public policy."

GAO response: We recognize that the Department of Labor has numerous "priorities" and legislative mandates. However, we believe legislation is needed to give the Department's productivity role a higher priority. We also recognize that the

Department's job training programs for the unemployed and underemployed can help the work force become more productive and its worker health and safety programs can help improve the quality of working life. However, these programs are not responsive to the Department's responsibilities as directed by the President. In interviews with senior Labor officials we were consistently told that the Department's productivity leadership role has not been implemented because of its low priority in relation to the Department's other programs.

Since the Department has not implemented the program that was established pursuant to the President's direction, we believe the Congress should direct the Secretary of Labor to do so.

Labor comment: "The narrative text preceeding and accompanying the report's recommendations appears to contain a number of factual and interpretive inaccuracies which, although inadvertent, may serve to undermine the utility of the report as a reliable guide to legislative and administrative action."

GAO response: We discussed this comment with a Labor official and concluded there were no inaccuracies. We did, however, make several minor changes in the report to clarify or elaborate on specific points questioned by Labor.

GAO recommendation: "The Secretary of Labor should take immediate steps to implement the President's directive and provide leadership in human resources productivity and QWL. As a minimum, the Secretary should:

- Create a high level focal point to prepare specific program goals and objectives and to coordinate and monitor DOL's [Department of Labor's] programs and to coordinate programs in other departments and agencies.
- Assign specific leadership responsibilities to agencies within the Department.
- Establish an ad hoc group within DOL to assess program needs, define program goals and objectives, plan implementation, and recommend organizational changes for the Department."

Labor comment: "The Department concurs, but subject to the following qualifications:

- "1. In an August 30, 1977, memorandum for policy and administrative officials, the Under Secretary of Labor, with the delegated authority of the Secretary, assigned to specific agency heads the responsibility for developing QWL"

"(and productivity-related) projects within the context of their respective programs and, of course, consistent with their established legislative authority. (In the main, of course, specific responsibilities for most traditional QWL concerns are well established throughout the Department.) In addition, the memorandum assigned to the Assistant Secretary for Policy, Evaluation and Research (ASPER) the responsibility for coordinating activities in this broad area. It can be reasonably presumed that ASPER, as the principal advisory arm of the Secretary, already constitutes the 'high level focal point' called for by the GAO report and is carrying out the planning responsibility suggested in a manner consistent with its mission and functions. Given these assignments of responsibility, it is not clear, therefore, that the creation of an ad hoc planning group, as overlay on existing organizational arrangements for planning, would be beneficial to the Department. However, the Department concedes that continuous reexamination of its provisions for policy and program planning is always desirable, and is prepared to take this recommendation under further advisement."

GAO response: Labor agrees that it should take administrative action to implement the President's directive but states that productivity responsibilities are clearly understood and that the ASPER already constitutes the "high level focal point" we recommend. We disagree with these contentions. In various interviews at all levels in the Department we concluded the ASPER is not recognized as Labor's productivity focal point and further it was not carrying out the functions we believe are necessary to fulfill that role. We also found considerable confusion among employees in other Department of Labor agencies about productivity roles in those agencies.

Labor comment:

"2. The focal point recommended in the report would have, it is suggested, the responsibility to 'coordinate programs in other departments and agencies.' While the Department, as a matter of policy and practice makes every effort to insure that its own activities properly mesh with those of other Government units, it does not have, nor can it have, the authority to intrude into the internal activities of these organizations. Consequently, the coordination responsibility mentioned in the report is perfectly acceptable to the Department so long as it is construed as an obligation to engage in joint planning and action wherever such cooperation and collaboration seem indicated."

GAO response: We agree with this comment.

GAO recommendation: "In order for DOL to obtain the cooperation of the private sector--the Secretary should establish a private sector advisory group to advise the Secretary on appropriate actions for DOL to take to improve the quality of working life and to improve productivity through better utilization of employee skills and labor-management cooperation."

Labor comment: "The Department does not concur. In matters of quality of working life and employee skill utilization, the Department has had long-standing consultative relationships with concerned parties in the private sector, both on a continuing ad hoc basis and through entities such as the National Commission for Employment Policy. But it also should be noted that provision for securing advice in these matters has been incorporated into the functions of the National Productivity Council. Paragraph 1-204 of Executive Order 12089 specifies that 'the council will serve as the focal point within the Executive Branch for liaison with elements of the private sector concerned with improving productivity, and will seek the advice and assistance of business, labor, and academic leaders.' Unless and until it is established that these present arrangements are not satisfactory, the Department judges it unnecessary and inadvisable to create still another advisory group whose purpose would be as nonspecific as that described in the recommendation. Nor would the establishment of such a group seem consistent with the imperative recognized throughout the Government to streamline its operations and eliminate unessential administrative expenses."

GAO response: We have deleted this item as a separate recommendation. However, we feel it is important for the Department to obtain advice from the private sector. Consequently, we added a requirement that it consult with business, labor, and academic leaders concerning the needs of the private sector, just as it currently does in its efforts to improve the quality of working life. However, we leave it up to the Department to determine how to obtain that advice.

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