

January 2003

Major Management Challenges and Program Risks

Department of Labor



A Glance at the Agency Covered in This Report

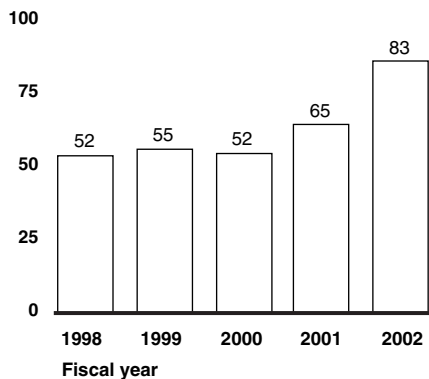
The Department of Labor's mission is to foster and promote the welfare of job seekers, wage earners, and retirees of the United States by

- improving their working conditions;
- advancing their opportunities for profitable employment;
- protecting their retirement and health care benefits;
- helping employers find workers;
- strengthening free collective bargaining; and
- tracking changes in employment, prices, and other national economic measurements.

The Department of Labor's Budgetary and Staff Resources

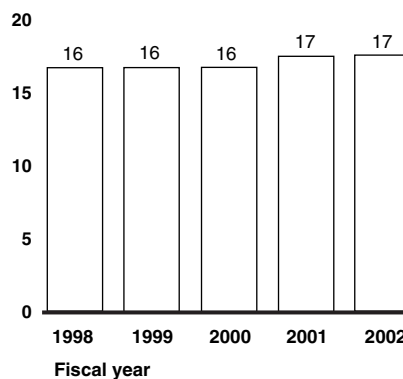
Budgetary Resources^{a, b}

Dollars in billions



Staff Resources^b

FTEs in thousands



Source: Budget of the United States Government.

^a Budgetary resources include new budget authority (BA) and unobligated balances of previous BA.

^b Budget and staff resources are actuals for FY 1998-2001. FY 2002 are estimates from the FY 2003 budget, which are the latest publicly available figures on a consistent basis as of January 2003. Actuals for FY 2002 will be contained in the President's FY 2004 budget to be released in February 2003.

This Series

This report is part of a special GAO series, first issued in 1999 and updated in 2001, entitled the *Performance and Accountability Series: Major Management Challenges and Program Risks*. The 2003 Performance and Accountability Series contains separate reports covering each cabinet department, most major independent agencies, and the U.S. Postal Service. The series also includes a governmentwide perspective on transforming the way the government does business in order to meet 21st century challenges and address long-term fiscal needs. The companion 2003 *High-Risk Series: An Update* identifies areas at high risk due to either their greater vulnerabilities to waste, fraud, abuse, and mismanagement or major challenges associated with their economy, efficiency, or effectiveness. A list of all of the reports in this series is included at the end of this report.

Department of Labor



Highlights of [GAO-03-106](#), a report to Congress included as part of GAO's Performance and Accountability Series

Why GAO Did This Report

In its 2001 performance and accountability report on the Department of Labor, GAO identified major management challenges in increasing the employment and earnings of America's workforce, protecting the benefits of workers, and fostering safe and healthy workplaces. The information GAO presents in this report is intended to help sustain congressional attention and a departmental focus on continuing to make progress in addressing these challenges and ultimately overcoming them. This report is part of a special series of reports on governmentwide and agency-specific issues.

What Remains to Be Done

GAO believes that Labor should

- foster strategic management in addressing workforce issues and targeting efforts to protect workers' pensions and benefits, and be more proactive in helping states and localities integrate workforce development programs;
- continue to better position itself to measure program impact in both training and worker safety programs; and
- continue taking steps to comprehensively address its human capital issues.

www.gao.gov/cgi-bin/getrpt?GAO-03-106.

To view the full report, click on the link above. For more information, contact Cynthia M. Fagnoni at (202) 512-7215 or fagnonic@gao.gov.

What GAO Found

The Department of Labor has made progress in implementing actions to address its management challenges, such as by improving some of its performance measurement systems. However, future improvements will increasingly demand more strategic management, more proactive support for state and local entities, additional improvements in performance measurement systems, and greater attention to human capital issues.

- **Manage employment and training programs to meet the demands for the workforce of the 21st century.** Labor has taken actions to resolve some of the performance measurement problems that constrain its ability to determine the success of employment and training programs—such as by establishing a new Office of Performance and Results. However, Labor must continue this progress in improving its performance measurement systems and also address other areas. To develop effective strategies for addressing the worker and skills shortages the nation is projected to face in coming decades, Labor must take a more strategic, cross-program perspective, and work more closely with other agencies. In addition, Labor needs to be more proactive in facilitating state and local implementation of employment and training programs under the nation's new workforce development system, such as by providing additional guidance and sharing information on promising practices.
- **Protect the pensions and benefits of workers.** The financial collapse of Enron and other companies has highlighted Labor's critical role in protecting pensions and other employee benefit plans estimated to have assets in excess of \$5 trillion. Labor agencies have begun to address human capital issues that could constrain their efforts to protect these assets as the agencies face a surge in expected retirements within their workforces. However, weaknesses in Labor's strategic targeting of its compliance efforts for protecting workers' benefits and wages limit Labor's ability to maximize the impact of its limited resources.
- **Foster safe and healthy workplaces.** Labor's enforcement agencies lack management information on the impacts of their various compliance activities that is essential for determining how to best allocate compliance resources in protecting vulnerable populations, such as children who work and day laborers. Furthermore, Labor has not always leveraged the impact of its limited resources by coordinating effectively with other agencies that also share responsibilities for protecting workers, such as in enforcing safety regulations at hazardous material facilities.

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United States General Accounting Office
Washington, D.C. 20548

January 2003

The President of the Senate
The Speaker of the House of Representatives

This report addresses the major management challenges and program risks facing the U.S. Department of Labor (Labor) as it works to promote the welfare and economic security of the nation's workforce and ensure that workplaces are safe and healthy. The report discusses the actions that Labor has taken and that are under way to address the challenges GAO identified in its Performance and Accountability Series 2 years ago, and major events that have occurred that significantly influence the environment in which the department carries out its mission. Also, GAO summarizes the challenges that remain and further actions that GAO believes are needed.

This analysis should help the new Congress and the administration carry out their responsibilities and improve government for the benefit of the American people. For additional information about this report, please contact Cynthia M. Fagnoni, Managing Director, Education, Workforce, and Income Security issues, at (202) 512-7215 or at fagnonic@gao.gov.

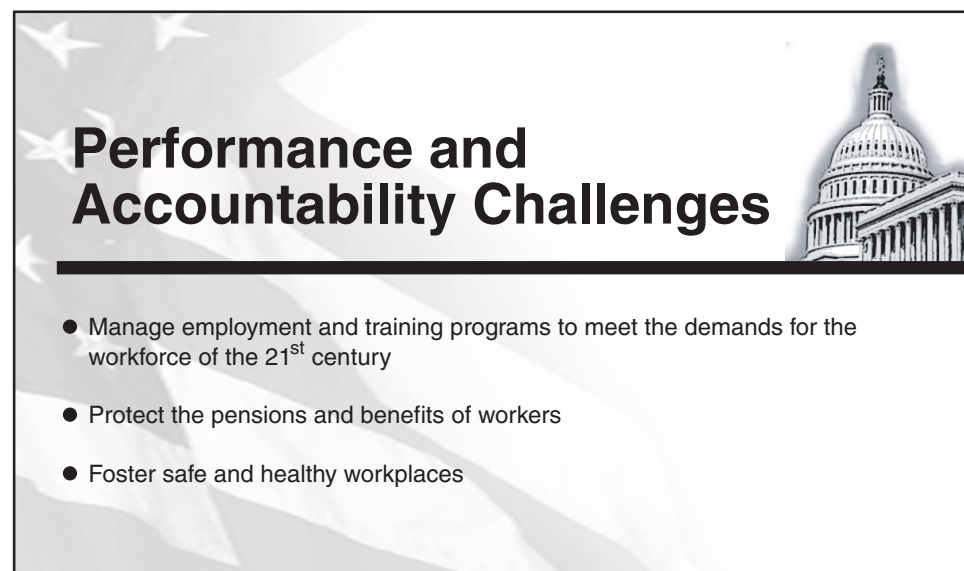
David M. Walker
Comptroller General
of the United States

Major Performance and Accountability Challenges

In our 2001 management challenges report, we identified the following specific performance and management challenges that the U.S. Department of Labor faced: (1) increase the employment and earnings of America's workforce, (2) protect the benefits of workers, and (3) foster safe and healthy workplaces. To meet these challenges, we reported that Labor needed to improve its performance measurement, strategic planning, and organizational alignment.

Since our January 2001 report, several events have altered the environment in which Labor carries out its missions. First, the September 11, 2001, attacks that claimed thousands of lives also helped exacerbate a recession that resulted in many workers being displaced from their jobs. While Americans responded swiftly and compassionately, the attacks showed the vulnerability of the economy to terrorist acts. Second, the financial collapse of Enron and other large corporations resulted in job displacement and the loss of retirement savings for workers in these corporations, which suggests certain vulnerabilities in private pension and savings plans that can affect the nation's workers.

Labor has taken steps to address some of the specific performance and management challenges that were identified in our January 2001 report, such as those related to improving performance measurement. For example, Labor is establishing a new unit within its Employment and Training Administration—the Office of Performance and Results—whose function will include coordinating efforts to identify and share promising approaches for resolving performance measurement issues. Labor's Veterans' Employment and Training Service implemented parts of its new performance management system in 2002, which includes new outcome measures to evaluate state performance. To improve customer service, Labor's Office of Workers' Compensation Programs opened a toll-free call center in June 2001 and arranged for a contractor to report extensive performance data on various service indicators. However, Labor continues to face important performance and accountability challenges in each of the three broad areas we identified in our 2001 report. We have revised the first challenge to more clearly highlight our focus on the challenges associated with managing employment and training programs to meet the demands for the workforce of the 21st century. Specifically, the major performance and accountability challenges that Labor continues to face are as follows.

A graphic with a background of a waving American flag and a silhouette of the U.S. Capitol building. The title "Performance and Accountability Challenges" is prominently displayed in a large, bold, black font. Below the title, a horizontal line separates it from a bulleted list of three key challenges.

**Performance and
Accountability Challenges**

- Manage employment and training programs to meet the demands for the workforce of the 21st century
- Protect the pensions and benefits of workers
- Foster safe and healthy workplaces

Manage Employment and Training Programs to Meet the Demands for the Workforce of the 21st Century

Labor faces the challenge of being the principal agency responsible for employment and training assistance to the nation's workers and helping to meet employers' demands for skilled workers. However, Labor has not strategically managed its own programs nor effectively integrated its assistance with efforts carried out by other agencies to help meet the demands for the workforce of the 21st century. Work by us and Labor's Inspector General has highlighted strategic management weaknesses, limited support for state and local implementation of worker training programs, performance measurement problems, and information security weaknesses. Addressing these problems is critical to responding effectively to the tremendous changes that are occurring in the U.S. economy and population, such as the continuing growth of the high-tech service economy that requires more high-skilled workers, the competitive pressures of global markets, and the aging workforce together with slower labor force growth. As the baby boomers age, the share of the population age 65 and older is projected to grow from 12 percent in 2000 to about 20 percent in 2030. With the impending retirements of individuals in the large baby boom generation, the growth of the labor force is expected to slow considerably, becoming negligible by 2050. Thus, the United States is projected to face growing shortages in both the overall number of available workers and the number of workers with certain high skills, which could threaten continued increases in our standard of living.

Addressing Emerging Workforce Issues More Strategically

To develop effective strategies for addressing the emerging issues related to potential labor and skills shortages, Labor needs to take a broader, cross-program perspective. In some cases this requires coordinating more closely with other federal agencies. Our work has highlighted two areas in which Labor could be more strategic in addressing emerging workforce issues—enhancing training programs for developing skilled workers and developing approaches to retain older workers in the workforce.

While several federal agencies—Labor, Commerce, the National Science Foundation, and others—have independent programs to address the need for high-skill workers, coordination across agencies is limited. Our September 2002 report on high-skill training recommended that Labor be proactive in building a comprehensive approach within the department and across federal agencies to address high-skill workforce needs across the country.¹ Labor agreed with this recommendation. In other cases, Labor needs to be more strategic in managing its own programs. Indicative of Labor’s narrow focus and need to act more strategically is how it has dealt with the apprenticeship program. Labor could help address emerging needs for skilled workers by working to enhance the potential of its registered apprenticeship program. While more than 360,000 apprentices are enrolled in the program, Labor’s efforts to identify new occupations for apprenticeship have been largely reactive, and, as a result, Labor has not influenced the expansion of apprenticeships to industries in need of skilled training.² In our September 2001 report, we recommended that to expand the apprenticeship program, particularly into occupations not traditionally apprenticed, Labor must take the lead in coordinating and promoting the development of such programs.³ Labor agreed with our recommendation and has taken some actions. For example, Labor conducted national forums with stakeholders and employers in new and emerging occupations to gain feedback on how to expand the apprenticeship program, enhance program quality, increase diversity, and develop stronger linkages. In July

¹ U.S. General Accounting Office, *High-Skill Training: Grants from H-1B Visa Fees Meet Specific Workforce Needs, but at Varying Skill Levels*, [GAO-02-881](#) (Washington, D.C.: Sept. 20, 2002).

² Apprenticeship combines supervised on-the-job training with formal instruction and has been used for decades in construction trades and some manufacturing occupations to ensure that workers have the skills employers need.

³ U.S. General Accounting Office, *Registered Apprenticeships: Labor Could Do More to Expand to Other Occupations*, [GAO-01-940](#) (Washington, D.C.: Sept. 7, 2001).

2002, Labor held a conference to publicly discuss the results from these forums and obtain feedback from participants.

Another example of where Labor needs to be more strategic in helping meet the demands for the workforce of the 21st century is developing approaches to retain older workers in the workforce. With the impending retirements of members of the large “baby boom” generation, the possible loss of many experienced workers could create shortages in skilled worker and managerial occupations, with adverse effects on productivity and economic growth. The challenge is to develop the policies, programs, and employment arrangements necessary to extend the work life of the growing number of older workers in a manner that balances the competitive imperative of business with the life realities of older workers. While Labor has a central role in this area, many of the attendant issues are beyond the range of Labor’s authority and therefore a collaborative approach is needed. In our November 2001 report, we recommended that the Secretary of Labor convene an interagency task force to develop legislative and regulatory proposals addressing the issues raised by the aging of the labor force.⁴ Labor is continuing to study the issues raised by our report and has not implemented our recommendation.

Proactively Facilitating Implementation of Worker Training Programs by State and Local Entities

To help establish a workforce development system better able to meet the needs of job seekers and employers, Labor needs to be more proactive in helping to implement employment and training programs under the Workforce Investment Act of 1998 (WIA). This can be accomplished by providing additional guidance and by sharing information on promising practices. WIA represents a major change in the nation’s workforce development system and state and local entities have encountered many obstacles in working to integrate their employment and training services. In the past, the job training system was fragmented, consisting of overlapping programs that did not serve job seekers or employers well. Congress passed WIA, in part, to create a system connecting employment, education, and training services to better match workers to labor market needs. Among other things, WIA requires state and local entities who carry out a number of specified federal programs to participate in local one-stop centers that offer job training and placement assistance for workers and opportunities for employers to find workers. While WIA gave state and

⁴ U.S. General Accounting Office, *Older Workers: Demographic Trends Pose Challenges for Employers and Workers*, GAO-02-85 (Washington, D.C.: Nov. 16, 2001).

local entities more flexibility in administering employment and training programs, Labor has struggled to define its new role under WIA.

To help this system better meet the workforce demands of the 21st century, Labor needs to be more proactive in disseminating information to help state and local agencies implement employment and training programs. For example, state and local one-stop partners have encountered various programmatic and financial concerns that have affected their level of participation, as well as their ability to better coordinate their services at the one-stops. These concerns included fears that participation in one-stop centers could lead them to serve individuals otherwise ineligible for their services, and resource constraints, such as having a lease on an existing facility that they could not break. Our October 2001 report recommended that Labor, along with other federal agencies, explore the concerns identified by state and local agencies and identify specific ways in which these concerns could be addressed.⁵ Our February 2002 report on WIA-funded services for dislocated workers found that guidance concerning basic program requirements had been limited, resulting in some confusion for state and local workforce officials responsible for implementing the program.⁶ We recommended that Labor provide additional guidance on implementation issues and information on best practices to facilitate implementation of the program and assist local officials in using the greater flexibility afforded by WIA to design programs and services. State and local agencies have also encountered problems coordinating WIA services for serving low-income families receiving Temporary Assistance for Needy

⁵ U.S. General Accounting Office, *Workforce Investment Act: Better Guidance Needed to Address Concerns Over New Requirements*, [GAO-02-72](#) (Washington, D.C.: Oct. 4, 2001).

⁶ U.S. General Accounting Office, *Workforce Investment Act: Better Guidance and Revised Funding Formula Would Enhance Dislocated Worker Program*, [GAO-02-274](#) (Washington, D.C.: Feb. 11, 2002).

Families (TANF). Program differences between TANF and WIA, and different information systems used by welfare and workforce agencies, have inhibited state and local coordination efforts. Our July 2002 report recommended that Labor and the Department of Health and Human Services (HHS) work together to jointly develop information on promising practices for coordinating services for TANF clients through one-stops to help states more effectively address some of these obstacles to coordination.⁷

While Labor did not respond directly to any of the recommendations made in our October 2001 report on the implementation of WIA, the department generally agreed with the recommendations we made in the reports on serving dislocated workers and TANF clients. Moreover, Labor has taken some actions to implement our recommendations. For example, Labor convened a one-stop readiness workgroup that included representatives from Education, HHS, and the Department of Housing and Urban Development. This group has developed a set of suggested strategies for addressing major WIA implementation issues and plans to disseminate a national issuance, signed by the heads of all the federal partner agencies, that would emphasize the commitment of these federal partners to the one-stop system. In addition, Labor has awarded a grant to the state of Illinois to create and maintain an on-line database of promising one-stop practices. Regarding the issues we raised about serving dislocated workers, Labor is currently finalizing guidance for state and local areas on services for dislocated workers.

⁷ U.S. General Accounting Office, *Workforce Investment Act: States and Localities Increasingly Coordinate Services for TANF Clients, but Better Information Needed on Effective Approaches*, GAO-02-696 (Washington, D.C.: July 3, 2002).

Our work has also highlighted the need for Labor to be more proactive in helping to implement the H-1B skill grant program that prepares workers for high-skill jobs.⁸ U.S. employers who use foreign workers that enter the United States with H-1B visas to work in specialty occupations must pay a fee for each worker they employ under the program.⁹ Fifty-five percent of the funds are provided to Labor for technical skill grants to increase the number of workers in occupations identified as needing more workers and Labor awards these grants to local workforce investment boards. While these skill grant programs have increased coordination, grantees have had limited opportunities for sharing information on best practices or how they overcame challenging problems. Our September 2002 report on the skill grant program recommended that Labor establish mechanisms to share successful strategies among grantees and encourage networking.¹⁰ Labor agreed with this recommendation and noted that it has provided grantees with two studies that include information about grantees' best practices.

⁸ To help U.S. employers in information technology and other industries meet their needs for high-skilled workers, the H-1B visa program allows employers to temporarily (for up to 6 years) fill needs in specialty occupations with foreign workers.

⁹ In 1998, the law set the fee at \$500 (later raised to \$1,000) for each foreign worker for whom they applied.

¹⁰ [GAO-02-881](#).

Improving Measurement of Program Performance

Our work has also highlighted performance measurement problems for Labor that affect its ability to determine the success of employment and training programs under the one-stop system established by WIA. These problems are relevant to one of the five areas for governmentwide reforms identified in the President's 2002 Management Agenda: integrating performance measures in the federal budget process so that resource allocation is linked to specific outcomes. The problems we identified affect programs overseen by Labor's Employment and Training Administration (ETA) and Veterans' Employment and Training Service (VETS). For example, we reported in February 2002 that ETA's performance measurement system may not provide a true picture of WIA-funded program performance because data are not comparable across states, data are not timely, and there are no measures to gauge the performance of the one-stop system as a whole.¹¹ VETS also faces performance measurement issues in managing its employment and training programs for veterans. For example, we reported in September 2001 that VETS lacks sufficient performance data on these programs, does not communicate a consistent message to states on expected performance, and often does not monitor states' performance in a consistent manner.¹² Because of these problems, ETA and VETS lack essential data for providing a true picture of how well employment and training programs are performing.

Our February 2002 report also highlighted the problem of counter-productive incentives created by WIA's performance measures and the potential negative impact on job seekers. Because states see the current WIA performance levels as too high for the current economy, states and localities sometimes choose not to serve those job seekers who may be helped by their services, but who may not help in achieving their negotiated performance levels. For example, officials in each of the five states we visited told us that local areas are not registering many WIA participants largely because of concerns by local staff about meeting performance

¹¹ U.S. General Accounting Office, *Workforce Investment Act: Improvements Needed in Performance Measures to Provide a More Accurate Picture of WIA's Effectiveness*, [GAO-02-275](#) (Washington, D.C.: Feb. 1, 2002).

¹² U.S. General Accounting Office, *Veterans' Employment and Training Service: Flexibility and Accountability Needed to Improve Service to Veterans*, [GAO-01-928](#) (Washington, D.C.: Sept. 12, 2001); and *Veterans' Employment and Training Service: Proposed Performance Measurement System Improved, But Further Changes Needed*, [GAO-01-580](#) (Washington, D.C.: May 15, 2001).

levels. Unless the performance levels can be adjusted to accurately reflect the differences in economic conditions and the populations served, local areas will continue to be discouraged from serving some job seekers that could be helped.

We have made recommendations to improve performance measurement by both ETA and VETS. Our February 2002 report made several recommendations to Labor, such as developing ways for states to share promising approaches in addressing the difficulties of using Unemployment Insurance data in measuring outcomes and developing optional performance measures for the one-stop system. To eliminate possible disincentives to serve some job seekers, we recommended that Labor expedite the release of guidance on revising negotiated performance levels and allow states to immediately begin the process of renegotiation. In September 2001 we recommended that the Secretary of Labor direct VETS to specify performance goals and expectations for serving veterans, implement a performance measurement system that holds states accountable and meets other objectives, and update oversight guidelines and improve staff training.

Labor generally agreed with our recommendations in these two reports and has taken some actions in line with these recommendations. For example, Labor is establishing a new unit within ETA—the Office of Performance and Results—whose function will be to coordinate efforts to identify and share promising approaches in such areas as the use of supplemental data sources to close gaps in Unemployment Insurance data. In addition, Labor implemented our recommendation to expedite the release of guidance on revising negotiated performance levels. VETS has developed performance measures to establish outcome goals for grant programs offering services to veterans¹³ and expects to implement these measures this fiscal year. In addition, VETS and ETA have created a new joint reporting system that they are working to implement.

¹³ These are the Disabled Veterans' Outreach Program and the Local Veterans' Employment Representative program.

Improving Information Security

Labor also faces problems pertaining to information security, which is an important aspect of effective performance management systems. In 2002, Labor operated 82 mission-critical applications and general support systems that were used to perform functions such as monitoring and analyzing the nation's labor market and economic activities, managing workforce services, and protecting and compensating American workers. In summarizing the results of its reviews of these information systems, Labor's Office of the Inspector General has acknowledged significant improvements in Labor's information security program. For example, the Inspector General notes that Labor has established an information security program that adopts recognized guidelines and complies with federal requirements and direction from the Office of Management and Budget, and if maintained, should lead to assurances that Labor's computer systems are reliable and adequately safeguarded. However, recent audits by the Inspector General have revealed some specific vulnerabilities in computer security and the protection of assets. For example, the Inspector General's assessment of Labor's core financial system identified significant system security vulnerabilities, including information that was inappropriately placed on the public Internet and password policy and settings with inadequate controls. Audits by the Inspector General have also identified repeated system security vulnerabilities and other weaknesses in several areas, such as entity-wide security program planning and management, access controls, and system software. Despite these vulnerabilities, the Inspector General has concluded that Labor is making progress toward developing a fully integrated and comprehensive security program.¹⁴

Protect the Pensions and Benefits of Workers

While Labor has key responsibilities for protecting workers' benefits and wages, our work has highlighted weaknesses in strategically targeting its compliance efforts, which limit Labor's ability to maximize the impact of its limited resources. In addition, we found that Labor agencies responsible for protecting pensions have not adequately addressed their human capital issues, which could constrain their efforts to protect pensions as these agencies face an expected surge in retirements within their workforces. It is critical that these weaknesses be addressed because of Labor's wide area of responsibilities. Labor works to safeguard the economic interests of more than 150 million people in an estimated 6 million employee benefit

¹⁴ U.S. Department of Labor, Office of the Inspector General, *Semiannual Report to the Congress: April 1, 2002-September 30, 2002*, Volume 48 (Washington, D.C.: 2002).

plans—pension, health, and other plans with assets in excess of \$5 trillion protected under the Employee Retirement Income Security Act of 1974 (ERISA)—and also enforces federal provisions pertaining to wage protections, such as ensuring that eligible workers receive at least the federal minimum hourly wage and overtime pay. The financial collapse of Enron and other corporations suggests certain vulnerabilities in private pension and savings plans that can affect the nation’s workers. Although such vulnerabilities may be cyclical in nature, these events nonetheless underscore the importance of maintaining a well-managed enforcement program.

Fostering Strategic
Management to Better
Target Compliance Efforts

Labor has not strategically managed its efforts to protect employees’ benefit plans and provide wage protections for certain vulnerable populations, such as workers with disabilities and day laborers. For example, we reported in March 2002 that Labor’s Pension and Welfare Benefits Administration (PWBA) has not systematically estimated the nature and extent of employee benefit plans’ noncompliance with ERISA provisions.¹⁵ Therefore, PWBA cannot ensure that it is accurately identifying the areas where it needs to focus to most efficiently and effectively allocate its limited resources. Moreover, although PWBA has taken steps to modernize its technology, most investigative staff still do not have sufficient and timely access to automated information for researching and selecting plans for investigation. Finally, PWBA’s performance measurement system provides limited assurance of the overall effectiveness of its ERISA enforcement program because the performance measures generally focuses on program outputs, such as the number of specific investigations conducted, rather than PWBA’s impact on improving the plans’ overall compliance with ERISA. We made several recommendations to PWBA to improve its management of the enforcement program, such as developing a cost-effective strategy for assessing the level and type of ERISA noncompliance among employee benefit plans and coordinating the sharing of best practices among regions relating to the optimum and most productive techniques for selecting and conducting investigations. In response, PWBA acknowledged the need for more effective oversight and quality controls, and the need to address the internal management issues we raised. PWBA has identified planned

¹⁵ U.S. General Accounting Office, *Pension and Welfare Benefits Administration: Opportunities Exist for Improving Management of the Enforcement Program*, GAO-02-232 (Washington, D.C.: Mar. 15, 2002).

actions to address several of our recommendations. For example, PWBA plans to establish parameters for identifying long-term projects to develop a cost-effective strategy for assessing the level and type of ERISA noncompliance among employee benefit plans.

Data gaps have affected Labor's ability to strategically manage wage protections for disabled workers. Labor's Wage and Hour Division (WHD) of the Employment Standards Administration carries out the oversight of section 14(c) provisions of the Fair Labor Standards Act that allow employers to pay individuals less than the minimum wage if they have a physical or mental disability that impairs their earning or productive capacity.¹⁶ However, we reported in September 2001 that Labor had not effectively managed the special minimum wage program to ensure that 14(c) workers receive the correct wages because Labor lacks the data necessary to manage the program and determine what resources are needed to ensure compliance by employers.¹⁷ We recommended several actions that Labor should take to obtain the data needed to properly manage the 14(c) program, such as improving the accuracy of its data on the number of 14(c) employers and workers, tracking the number of staff hours devoted to various program activities, and using these data to manage the program. Labor generally agreed with our recommendations to strengthen management of the 14(c) program for disabled workers and has taken actions to address all but one of the recommendations we made.

¹⁶ In 2001, more than 5,600 employers paid special minimum wages to about 424,000 workers.

¹⁷ U.S. General Accounting Office, *Special Minimum Wage Program: Centers Offer Employment and Support Services to Workers With Disabilities, But Labor Should Improve Oversight*, [GAO-01-886](#) (Washington, D.C.: Sept. 4, 2001).

WHD also faces difficulties in targeting its efforts to protect individuals working as “day laborers,”¹⁸ who may be eligible for wage protections provided under federal laws. Because WHD is unable to obtain complete information about where day laborers work and what violations they may face, it is hard to focus resources on them. Moreover, day laborers are generally reluctant or unaware of their right to complain to authorities about not being paid promised wages. While current efforts to collect additional data on day laborers have promise, such efforts can be expanded. To strengthen protections for day laborers, our September 2002 report recommended that WHD obtain better information concerning the presence of and potential for violations involving day laborers, through such actions as expanding contact with temporary staffing agencies or other agencies that work with day laborers.¹⁹ WHD agreed with our recommendations regarding its oversight of day laborers.

Ensuring Adequate Investment in Human Capital

The Pension Benefit Guaranty Corporation (PBGC) and PWBA must address human capital issues that could imperil their efforts to protect workers’ benefits. We identified human capital as a high-risk governmentwide management challenge in January 2001 and the President’s 2002 Management Agenda cited strategic management of human capital as one of its five areas for governmentwide reforms. Labor has estimated that over 27 percent of its entire workforce and 47 percent of its supervisors will be eligible to retire in the next 5 years.

¹⁸ Day laborers is a term that generally refers to individuals who work and get paid on a daily or short-term basis. Day laborers have an informal relationship with the labor market, often working for different employers each day, being paid in cash, and lacking key benefits such as health or unemployment insurance.

¹⁹U.S. General Accounting Office, *Workers Protection: Labor’s Efforts to Enforce Protections for Day Laborers Could Benefit from Better Data and Guidance*, [GAO-02-925](#) (Washington, D.C.: Sept. 26, 2002).

Faced with significant growth in the number of large pension plan failures beginning in the mid-1980s, PBGC began to contract for services rather than seek additional federal staff during a period of government downsizing. Because PBGC's focus was on obtaining necessary services quickly, it did not adequately link its contracting decisions to long-term strategic planning considerations and their human capital implications. As a result, PBGC could not be assured that it had a cost-beneficial mix of contractor and federal employees, as federal policy requires, and risked being unprepared for future workload changes. In addition, we identified underlying management weaknesses in PBGC's overall approach to selecting and managing contractors. Inadequate oversight of these human capital resources could result in contractor performance problems and deterioration of service to pension plan participants. In our September 2000 report, we recommended that PBGC's executive director conduct a comprehensive review of its future human capital needs and strengthen its contract oversight role by developing the capacity to centrally compile and monitor field office performance data.²⁰ PBGC agreed with our recommendations and has taken actions to implement them. For example, PBGC engaged the National Academy of Public Administration (NAPA) to examine human capital issues and conduct a strategic workforce planning study. PBGC has completed its review of NAPA's study and has begun to develop a six-step workforce planning model as recommended by NAPA. In addition, PBGC has begun to centrally compile field office performance data and develop an approach to comparing the performance of field offices.

More recently, our work has highlighted human capital issues at PWBA.²¹ PWBA has given limited attention to key human capital issues, which could undermine the continuity and effectiveness of its enforcement programs, because by fiscal year 2006, 21 percent of its employees and 55 percent of its senior managers will be eligible to retire. In addition, PWBA faces recruitment and retention issues. In fiscal year 2001, PWBA's rate of attrition was 9.7 percent compared with Labor's overall rate of 7.6 percent. In our March 2002 report, we recommended that PWBA improve its human capital functions by conducting a comprehensive review of its future human capital needs, including the size and shape of the workforce; the

²⁰ U.S. General Accounting Office, *Pension Benefit Guaranty Corporation: Contracting Management Needs Improvement*, [GAO/HEHS-00-130](#) (Washington, D.C.: Sept. 18, 2000).

²¹ [GAO-02-232](#).

knowledge, skills, and abilities needed; succession planning challenges; and staff deployment issues. In response to our recommendation, PWBA cited various current and planned activities related to human capital management and succession planning. However, the activities PWBA cited are primarily stand-alone efforts and are not linked to an agencywide assessment of potential changes in PWBA's future workload and workforce.

Foster Safe and Healthy Workplaces

Labor continues to face major management challenges in fostering safe and healthy workplaces. Labor's effectiveness in achieving this objective is fundamentally dependent on the effectiveness of the enforcement and compliance strategies that it employs. However, two of Labor's primary enforcement agencies—the Occupational Safety and Health Administration (OSHA) and WHD—lack performance measurement systems that provide program managers with sufficient information to gauge the impacts of their enforcement and compliance activities. Furthermore, Labor has not always leveraged the impact of its limited resources by coordinating effectively with other agencies that also share responsibilities for protecting workers.

Improving Measurement of Program Performance

OSHA and WHD lack management information on the impacts of their various compliance activities that is essential for determining how to best allocate their compliance resources. For example, OSHA has substantially increased funding in recent years for its Consultation Program, which is a free, confidential service that helps small employers in hazardous industries identify and eliminate hazards to employee safety. Yet OSHA made this commitment without establishing the performance measurement system needed to determine how well the Consultation Program promotes agency goals for workplace safety and health. As a result, OSHA does not know to what degree it can rely on consultation activities to achieve these goals or the extent to which it should use consultations in combination with its enforcement activities. To strengthen its ability to assess the Consultation Program's progress toward key agency goals, our October 2001 report recommended that OSHA take several actions, including requiring that state consultation programs collect and forward to OSHA data on injuries and illnesses from employers participating in the Consultation Program, for use in analyzing the outcomes of the program.²² OSHA generally agreed with our report recommendations and has taken actions to strengthen its performance measurement systems. For example, OSHA started collecting data on injuries and illnesses from sites that received consultation visits and has contracted with the National Council on Compensation Insurance, Incorporated, to analyze compensation data from 40 states to assess the impact of the consultation program on injury and illness rates.

²² U.S. General Accounting Office, *Workplace Safety and Health: OSHA Should Strengthen the Management of Its Consultation Program*, [GAO-02-60](#) (Washington, D.C.: Oct. 12, 2001).

WHD also faces performance measurement issues in its efforts to adequately enforce child labor laws. According to a recent report by Labor, over 200,000 children are injured on the job each year and about 70 die from their injuries. While WHD has taken some steps toward developing a sound performance measurement system, it continues to lack performance goals for industries in which children have high rates of injuries and fatalities. Moreover, its performance measurement system does not allow managers to fully assess the impact of its child labor compliance efforts. As a result, WHD lacks a sound basis for determining the extent to which it should devote resources to child labor investigations versus its education and outreach and other compliance assistance activities. Our September 2002 report recommended a number of actions that Labor should take to strengthen its ability to evaluate the effectiveness of its child labor compliance efforts.²³ These included establishing additional specific, measurable goals for its child labor compliance efforts for the industries in which most children work and in which they are most likely to be injured or killed, and developing methods of measuring the success of its child labor compliance efforts, including its education and outreach activities. Labor disagreed with both of these specific recommendations.

²³ U.S. General Accounting Office, *Child Labor: Labor Can Strengthen Its Efforts to Protect Children Who Work*, [GAO-02-880](#) (Washington, D.C.: Sept. 27, 2002).

In some cases, OSHA's performance measurement system can be enhanced to help the agency better respond to emerging issues in workplace safety. For example, OSHA's efforts to provide health and safety protections for day laborers have been hampered by a lack of information about where day laborers work and what violations they may face. Congressional representatives, researchers, and advocacy groups have raised concerns that day laborers may be used for the most hazardous work but not be provided safe working conditions. OSHA has sought to obtain better information in this area. For example, OSHA implemented a temporary pilot procedure in 2002 to collect additional national data that would provide a better understanding of the extent to which day laborers are involved in workplace fatalities. However, unless OSHA refines and permanently implements its pilot data collection procedure for fatality investigations, it may not get a complete picture of the number or characteristics of day laborers killed on the job. Our September 2002 report made several recommendations to OSHA to strengthen protections for day laborers, including enhancing the education and outreach procedures it uses to reach day laborers, finalizing its current effort to collect data on fatalities and catastrophes, and refining this data collection effort to explicitly identify day laborers involved.²⁴ OSHA agreed with our recommendation to enhance the education and outreach procedures it uses to reach day laborers, but did not express its views on the other report recommendations.

²⁴ [GAO-02-925](#).

Coordinating Enforcement Efforts with Other Agencies

Labor also faces difficulties in effectively coordinating its activities with other agencies involved in workplace safety. For example, OSHA and three other federal agencies²⁵ play distinct roles in federal efforts to protect the health of workers at hazardous materials work places and these agencies' functions overlap in a number of areas. We found that, in many cases, agencies either did not have or did not make use of existing mechanisms to properly coordinate their activities—especially in the areas of incident investigation, training, and emergency response procedures. Managers at hazardous material facilities told us that this situation not only leads to unnecessary burden and duplication for employers, but also potentially weakens the protections afforded to workers. Our October 2000 report recommended various actions that Labor should take to enhance worker protection and reduce the compliance burden associated with the hazardous material statutes and associated regulations, such as working with other relevant federal agencies to establish a general protocol that sets forth the framework under which multiagency incident investigations shall be conducted.²⁶ Although Labor agreed that it is important to coordinate with other agencies at such investigations and have clear lines of jurisdiction, Labor has not implemented this recommendation.

²⁵ These agencies are the Environmental Protection Agency; the Department of the Treasury's Bureau of Alcohol, Tobacco and Firearms; and the Chemical Safety and Hazard Investigation Board.

²⁶ U.S. General Accounting Office, *Worker Protection: Better Coordination Can Improve Safety at Hazardous Material Facilities*, [GAO-01-62](#) (Washington, D.C.: Oct. 26, 2000).

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