

**FY 2008**

**PERFORMANCE BUDGET**

**EMPLOYMENT STANDARDS ADMINISTRATION**

## PERFORMANCE CHAPTER

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# EMPLOYMENT STANDARDS ADMINISTRATION

## PERFORMANCE SUMMARY

### Introduction

The Employment Standards Administration (ESA) is a diverse organization that administers and enforces a variety of laws and an Executive Order. These laws protect wages and working conditions; ensure that workers are recruited, hired, promoted and compensated in a nondiscriminatory manner by Federal contractors; provide benefits to covered workers who suffer work-related injuries, disease, or death; and promote democracy, transparency and financial integrity within labor unions. ESA's more than 4,000 employees and 2,600 contract staff are distributed nationwide in more than 360 offices in one of four component programs: the Wage and Hour Division (WHD), the Office of Workers' Compensation Programs (OWCP), the Office of Labor-Management Standards (OLMS), and the Office of Federal Contract Compliance Programs (OFCCP). ESA Program Direction and Support (PDS) is carried out in the Office of the Assistant Secretary (OAS); an Equal Employment Opportunity (EEOU) enforcement unit, a Division of Legislative and Regulatory Analysis (DLRA) and the Office of Management, Administration and Planning (OMAP).

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*ESA's mission is to enhance the welfare and protect the rights of American workers.*

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ESA enhances the welfare and protects the rights of nearly every working American through one or more of its component programs. WHD promotes compliance with minimum wage, overtime, child labor and other employment protections. OWCP provides benefits, treatment and rehabilitation to certain workers with work-related injuries or occupational diseases. OLMS enforces democracy and fiscal responsibility in labor organizations. OFCCP promotes compliance with equal employment and non-discrimination among Federal contractors. PDS leads, directs and supports this multifaceted organization.

For FY 2008, ESA requests \$6,814,732,000 and 4,082 FTE. ESA's mission is essential to achieve two of the Department's Strategic Goals: **Safe and Secure Workplaces** – Promote workplaces that are safe, healthful and fair; guarantee workers receive the wages due them; foster equal opportunity in employment; and protect veterans' re-employment rights; and **Strengthened Economic Protections** – Protect and strengthen worker economic security through effective and efficient provision of unemployment insurance and workers' compensation; ensuring union transparency; and securing pension and health benefits.

ESA's primary challenge is to ensure that protections for workers keep pace with the changes occurring in the American workforce, such as virtual workplaces, demographic shifts, immigration, organized labor, the growth of small businesses, and the shift from manufacturing to services. ESA's Wage-Hour Division enforces laws establishing minimum standards for wages and working conditions. These include the minimum wage, overtime and youth employment provisions of the Fair Labor Standards Act; the Migrant and Seasonal Agricultural Worker Protection Act; and the Family and Medical Leave Act. WHD is also responsible for enforcing field sanitation standards in agriculture and administers wage determination provisions of the Davis-Bacon Act. The Office of Labor-Management Standards ensures union democracy,

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financial integrity and transparency under the Labor-Management Reporting and Disclosure Act are upheld as ESA strives to secure complete and accurate union financial reports for public disclosure. ESA protects Federal and certain other workers from the economic effects of work-related injuries and illnesses through four disability compensation programs that provide wage replacement and cash benefits, medical treatment, vocational rehabilitation and other benefits to covered workers, their dependents and survivors. ESA's Office of Federal Contract Compliance Programs administers and enforces three laws which prohibit Federal contractors from discriminating on the basis of race, color, religion, gender, national origin, disability and protected veterans' status.

Following, by ESA program, is an assessment of ESA's progress, performance challenges, PART issues and program efficiency measures.

**EMPLOYMENT STANDARDS ADMINISTRATION**

| <b>BUDGET AUTHORITY by STRATEGIC GOAL</b>   |   |  |   |  |                                       |
|---|---|--|---|--|---------------------------------------|
| <b>(Dollars in Thousands)</b>   |   |  |   |  |                                       |
| <b>Performance Goal</b>   | <b>Goal 1:<br/>Prepared<br/>Workforce</b> | <b>Goal 2:<br/>Competitive<br/>Workforce</b> | <b>Goal 3:<br/>Safe and Secure<br/>Workplaces</b> | <b>Goal 4:<br/>Strengthened<br/>Economic Protections</b> | <b>Total<br/>Budget<br/>Authority</b> |
| Budget Activity 1 (Wage and Hour Performance Goal 1)                                  |   |  |   |  |                                       |
| Performance Goal 2  |   |  |   |  |                                       |
| Performance Goal 3C   |   |  | 189,033   |  | 189,033                               |
| Other Program Mandates  |   |  |   |  |                                       |
| <b>Subtotal Budget Activity 1</b>   | <b>\$0</b>                                | <b>\$0</b>                                   | <b>\$189,033</b>                                  | <b>\$0</b>   | <b>\$189,033</b>                      |
| Budget Activity 2 (Office of Federal Contract Compliance Programs) Performance Goal 1 |   |  |   |  |                                       |
| Performance Goal 2  |   |  |   |  |                                       |
| Performance Goal 3D   |   |  | 87,260  |  | 87,260                                |
| Other Program Mandates  |   |  |   |  |                                       |
| <b>Subtotal Budget Activity 2</b>   | <b>\$0</b>                                | <b>\$0</b>                                   | <b>\$87,260</b>                                   | <b>\$0</b>   | <b>\$87,260</b>                       |
| Budget Activity 3 (Federal Workers' Compensation Programs) Performance Goal 1         |   |  |   |  |                                       |
| Performance Goal 2  |   |  |   |  |                                       |
| Performance Goal 3  |   |  |   |  |                                       |
| Performance Goal 4B   |   |  |   | 364,291  | 364,291                               |
| Other Program Mandates  |   |  |   | 4,433,237  | 4,433,237                             |
| <b>Subtotal Budget Activity 3</b>   | <b>\$0</b>                                | <b>\$0</b>                                   | <b>\$0</b> <sup>1</sup>                           | <b>\$4,797,528</b>                                       | <b>\$4,797,528</b>                    |
| Budget Activity 4 (Office of Labor-Management Standards) Performance Goal 1           |   |  |   |  |                                       |
| Performance Goal 2  |   |  |   |  |                                       |
| Performance Goal 3  |   |  |   |  |                                       |
| Performance Goal 4C   |   |  |   | 58,968   | 58,968                                |
| Other Program Mandates  |   |  |   |  |                                       |
| <b>Subtotal Budget Activity 4</b>   | <b>\$0</b>                                | <b>\$0</b>                                   | <b>\$0</b>  | <b>\$58,968</b>  | <b>\$58,968</b>                       |
| Budget Activity 5 (Program Direction and Support) <sup>2</sup>                        | <b>\$0</b>                                | <b>\$0</b>                                   | <b>\$0</b>  | <b>\$0</b>   | <b>\$0</b>                            |
| <b>Agency Total</b>   | <b>\$0</b>                                | <b>\$0</b>                                   | <b>\$276,293</b>                                  | <b>\$4,856,496</b>                                       | <b>\$5,132,789</b>                    |

<sup>1</sup> Includes \$358,086 (OWCP Admin.), \$6,205 (ESA-PDS)--PDS includes \$396 Black Lung IV; \$2,544,720 (FECA Special Benefits); \$150,080 (Longshore SW Benefits); \$270,763 (Black Lung Part C Benefits); 271,000 (Black Lung Part B Benefits); \$311,948 (EEOIC Part B Benefits); and \$884,726 (EEOIC Part E benefits).

<sup>2</sup> As an administrative activity, funding for these resources has been allocated to the agencies' performance goals within the agency program activities.

## EMPLOYMENT STANDARDS ADMINISTRATION

### EMPLOYMENT STANDARDS ADMINISTRATION TOTAL BUDGETARY RESOURCES BY ACTIVITY FY 2006 - 2008 (Dollars in Thousands)

|   | FY 2006 Enacted    |                 |                         |                    | FY 2007 C.R.       |                |                         |                    | FY 2008 Request    |                |                         |                    |
|---|--------------------|-----------------|-------------------------|--------------------|--------------------|----------------|-------------------------|--------------------|--------------------|----------------|-------------------------|--------------------|
|   | Activity           | Other           | Other                   | Total              | Activity           | Other          | Other                   | Total              | Activity           | Other          | Other                   | Total              |
|   | Approp.            | Approp.         | Resources <sup>2/</sup> |                    | Approp.            | Approp.        | Resources <sup>2/</sup> |                    | Approp.            | Approp.        | Resources <sup>2/</sup> |                    |
| <b>Salaries and Expenses</b>  | <b>\$444,114</b>   | <b>\$0</b>      | <b>\$2,800</b>          | <b>\$446,914</b>   | <b>\$444,642</b>   | <b>\$0</b>     | <b>\$2,800</b>          | <b>\$447,442</b>   | <b>\$480,420</b>   | <b>\$0</b>     | <b>\$2,800</b>          | <b>\$483,220</b>   |
| Enforcement of Wage and Hour Standards                                      | 165,685            | 6,367           | 2,800                   | 174,852            | 165,685            | 6,406          | 2,800                   | 174,891            | 182,365            | 6,668          | 2,800                   | 191,833            |
| Federal Contractor EEO Standards Enforcement                                | 81,285             | 3,124           | 0                       | 84,409             | 81,285             | 3,143          | 0                       | 84,428             | 84,182             | 3,078          | 0                       | 87,260             |
| Federal Programs for Workers' Compensation                                  | 133,815            | 6,343           | 0                       | 140,158            | 134,327            | 6,291          | 0                       | 140,618            | 138,954            | 6,205          | 0                       | 145,159            |
| Program Direction and Support <sup>1/</sup>                                 | 17,592             | -17,592         | 0                       | 0                  | 17,608             | -17,608        | 0                       | 0                  | 18,031             | -18,031        | 0                       | 0                  |
| Labor Management Standards  | 45,737             | 1,758           | 0                       | 47,495             | 45,737             | 1,768          | 0                       | 47,505             | 56,888             | 2,080          | 0                       | 58,968             |
| <b>Special Benefits-Total Estimated Obligations</b>                         | <b>\$240,000</b>   | <b>\$0</b>      | <b>\$2,205,259</b>      | <b>\$2,445,259</b> | <b>\$230,000</b>   | <b>\$0</b>     | <b>\$2,318,500</b>      | <b>\$2,548,500</b> | <b>\$206,000</b>   | <b>\$0</b>     | <b>\$2,394,442</b>      | <b>\$2,600,442</b> |
| Federal Employees' Compensation Act Benefits-New BA <sup>3/</sup>           | 237,000            | 0               | 2,402,000               | 2,639,000          | 227,000            | 0              | 2,430,000               | 2,657,000          | 203,000            | 0              | 2,501,300               | 2,704,300          |
| Carryover of Offsetting Collections   |                    |                 | 1,180,901               | 1,180,901          |                    |                | <b>1,377,642</b>        | 1,377,642          |                    |                | <b>1,489,142</b>        | 1,489,142          |
| (FECA Fair Share, Non-Add)  |                    |                 | (53,695)                | (53,695)           |                    |                | (51,034)                | (51,034)           |                    |                | (52,280)                | (52,280)           |
| Longshore and Harbor Workers' Compensation Benefits                         | 3,000              | 0               | 0                       | 3,000              | 3,000              | 0              | 0                       | 3,000              | 3,000              | 0              | 0                       | 3,000              |
| Carryout of Offsetting Collections  |                    |                 | -1,377,642              | -1,377,642         |                    |                | <b>-1,489,142</b>       | -1,489,142         |                    |                | <b>-1,596,000</b>       | -1,596,000         |
| <b>Black Lung Disability Trust Fund <sup>5/</sup></b>                       | <b>\$1,010,011</b> | <b>\$0</b>      | <b>\$0</b>              | <b>\$1,010,011</b> | <b>\$1,010,011</b> | <b>\$0</b>     | <b>\$0</b>              | <b>\$1,010,011</b> | <b>\$1,010,011</b> | <b>\$0</b>     | <b>\$0</b>              | <b>\$1,010,011</b> |
| <b>Black Lung Part B Total <sup>6/</sup></b>                                | <b>\$232,250</b>   | <b>\$0</b>      | <b>\$0</b>              | <b>\$232,250</b>   | <b>\$229,373</b>   | <b>\$0</b>     | <b>\$0</b>              | <b>\$229,373</b>   | <b>\$208,221</b>   | <b>\$0</b>     | <b>\$0</b>              | <b>\$208,221</b>   |
| Black Lung Part B Benefits  | 308,000            |                 |                         | 308,000            | 298,000            |                |                         | 298,000            | 271,000            |                |                         | 271,000            |
| Appropriation   | 227,000            |                 |                         | 227,000            | 224,000            |                |                         | 224,000            | 203,000            |                |                         | 203,000            |
| Advanced Appropriation  | 81,000             |                 |                         | 81,000             | 74,000             |                |                         | 74,000             | 68,000             |                |                         | 68,000             |
| Black Lung Part B Administration  | 5,250              |                 |                         | 5,250              | 5,373              |                |                         | 5,373              | 5,221              |                |                         | 5,221              |
| <b>Energy Employees' Occupational Illness Compensation Program</b>          |                    |                 |                         |                    |                    |                |                         |                    |                    |                |                         |                    |
| Administration <sup>4/</sup>  | <b>\$156,031</b>   |                 |                         | <b>\$156,031</b>   | <b>\$161,838</b>   |                |                         | <b>\$161,838</b>   | <b>\$161,630</b>   |                |                         | <b>\$161,630</b>   |
| Part B - ESA  | \$40,313           |                 |                         | \$40,313           | \$49,971           |                |                         | \$49,971           | \$49,387           |                |                         | \$49,387           |
| Part B - HHS  | \$55,768           |                 |                         | \$55,768           | \$52,336           |                |                         | \$52,336           | \$55,358           |                |                         | \$55,358           |
| Part E  | \$59,950           |                 |                         | \$59,950           | \$59,531           |                |                         | \$59,531           | \$56,885           |                |                         | \$56,885           |
| <b>Total Budget Authority Before Committee</b>                              | <b>\$2,082,406</b> | <b>\$0</b>      | <b>\$2,208,059</b>      | <b>\$4,290,465</b> | <b>\$2,075,864</b> | <b>\$0</b>     | <b>\$2,321,300</b>      | <b>\$4,397,164</b> | <b>\$2,066,282</b> | <b>\$0</b>     | <b>\$2,397,242</b>      | <b>\$4,463,524</b> |
| <b>H1-B</b>   |                    | <b>\$31,000</b> |                         | <b>\$31,000</b>    |                    | <b>\$4,700</b> |                         | <b>\$4,700</b>     |                    | <b>\$4,700</b> |                         | <b>\$4,700</b>     |
| <b>Panama Canal Commission Compensation Fund</b>                            | <b>\$6,400</b>     |                 |                         | <b>\$6,400</b>     | <b>\$6,300</b>     |                |                         | <b>\$6,300</b>     | <b>\$6,000</b>     |                |                         | <b>\$6,000</b>     |
| <b>Energy Employees' Occupational Illness Compensation Program Benefits</b> |                    |                 | \$1,560,000             | \$1,560,000        |                    |                | \$760,515               | \$760,515          |                    |                | \$1,197,000             | \$1,197,000        |
| Part B - Benefits   |                    |                 | \$469,000               | \$469,000          |                    |                | \$370,427               | \$370,427          |                    |                | \$312,000 <sup>8/</sup> | \$312,000          |
| Part E - Benefits   |                    |                 | \$1,091,000             | \$1,091,000        |                    |                | \$390,088               | \$390,088          |                    |                | \$885,000 <sup>9/</sup> | \$885,000          |
| <b>Longshore and Harbor Workers' Special Workers' Fund <sup>7/</sup></b>    | <b>\$147,920</b>   | <b>\$0</b>      | <b>\$0</b>              | <b>\$147,920</b>   | <b>\$150,000</b>   | <b>\$0</b>     | <b>\$0</b>              | <b>\$150,000</b>   | <b>\$150,000</b>   | <b>\$0</b>     | <b>\$0</b>              | <b>\$150,000</b>   |
| <b>Total Budgetary Resources</b>  | <b>\$2,236,726</b> | <b>\$31,000</b> | <b>\$3,768,059</b>      | <b>\$6,035,785</b> | <b>\$2,232,164</b> | <b>\$4,700</b> | <b>\$3,081,815</b>      | <b>\$5,318,679</b> | <b>\$2,222,282</b> | <b>\$4,700</b> | <b>\$3,594,242</b>      | <b>\$5,821,224</b> |

1/ As an administrative support activity, these resources have been allocated to ESA activities within the Salaries and Expenses appropriation for all three fiscal years.

2/ Reimbursements and fees; estimated amounts needed for Energy Employees Occupational Illness Compensation Program benefit costs.

3/ Other resources for FECA Special Benefits include offsetting collections.

4/ New BA only for both DOL and HHS activities.

5/ Benefit and interest amounts.

6/ Part B program transferred from Social Security Administration to ESA effective February 1, 2003.

7/ Special fund assessments only, excludes S&E administrative funding included in OWCP S&E total.

8/ Includes \$32,000,000 for RECA supplemental benefits.

9/ Includes \$64,000,000 for RECA section 5 benefits.



**EMPLOYMENT STANDARDS ADMINISTRATION**

| <b>SUMMARY OF PERFORMANCE AND RESOURCE LEVELS<br/>EMPLOYMENT STANDARDS ADMINISTRATION</b> |                                      |        |                        |        |                        |        |                        |        |             |             |
|---|--------------------------------------|--------|------------------------|--------|------------------------|--------|------------------------|--------|-------------|-------------|
| Budget Activities, Performance Goals and Indicators                                       | 2003                                 |        | 2004                   |        | 2005                   |        | 2006                   |        | 2007        | 2008        |
|   | Target                               | Result | Target                 | Result | Target                 | Result | Target                 | Result | Target      | Target      |
| <b>Wage and Hour Division</b>   | --                                   | --     | --                     | --     | --                     | --     | \$199,485              |        | \$173,185   | \$189,865   |
| <b>Performance Goal 3C: <i>Ensure workers receive the wages due them</i></b>              | This goal was substantially achieved |        | This goal was achieved |        | This goal was achieved |        | This goal was achieved |        |             |             |
| <b>Maximize the impact of complaint cases</b>   | \$                                   | \$     | \$                     | \$     | \$                     | \$     | \$132,159              |        | \$114,735   | \$118,153   |
| Workers assisted per 1,000 case hours   |                                      |        |                        |        |                        |        | baseline               | 293    | 296         | 299         |
| <b>Reduce FLSA Recidivism</b>   |                                      |        |                        |        |                        |        | \$22,442               |        | \$19,483    | \$25,613    |
| Percent of prior violators in compliance  | baseline                             | 73%    | 74%                    | 71%    | 72%                    | 72%    | 73%                    | 76%    | 77%         | 78%         |
| <b>Increase compliance in low-wage industries</b>   | --                                   | --     | --                     | --     | --                     | --     | \$30,421               |        | \$26,410    | \$35,258    |
| Percent of low-wage workers employed in compliance  |                                      |        |                        |        |                        |        | baseline               | 92%    | 1% increase | 2% increase |
| Low-wage workers assisted per 1,000 case hours  | --                                   | --     | --                     | --     | baseline               | 280    |                        | 301    | 304         | 307         |
| <b>Ensure timely and accurate wage determinations</b>                                     |                                      |        |                        |        |                        |        | \$14,463               |        | \$12,556    | \$10,814    |
| Wage determination forms processed per 1,000 hours  |                                      |        | baseline               | 1,491  | 1,506                  | 1,667  | 1,684                  | 1,834  | 1,852       | 1,870       |
| <b>Other Program Mandates</b>   |                                      |        |                        |        |                        |        |                        |        |             |             |
| <b>Total Wage-Hour Activity</b>   |                                      |        |                        |        |                        |        | \$199,485              |        | \$173,185   | \$189,865   |



**EMPLOYMENT STANDARDS ADMINISTRATION**

| <b>SUMMARY OF PERFORMANCE AND RESOURCE LEVELS<br/>EMPLOYMENT STANDARDS ADMINISTRATION</b>   |                                      |                |                                      |                |                                      |                |                        |                |               |               |
|---|--------------------------------------|----------------|--------------------------------------|----------------|--------------------------------------|----------------|------------------------|----------------|---------------|---------------|
| <b>Budget Activities, Performance Goals and Indicators</b>                                  | <b>2003</b>                          |                | <b>2004</b>                          |                | <b>2005</b>                          |                | <b>2006</b>            |                | <b>2007</b>   | <b>2008</b>   |
|   | <b>Target</b>                        | <b>Result</b>  | <b>Target</b>                        | <b>Result</b>  | <b>Target</b>                        | <b>Result</b>  | <b>Target</b>          | <b>Result</b>  | <b>Target</b> | <b>Target</b> |
| <b>Office of Federal Contract Compliance Programs</b>                                       | --                                   |                | --                                   |                | --                                   |                | \$81,285               |                | \$83,675      | \$84,182      |
| <b>Performance Goal 3D: <i>Federal contractors achieve equal opportunity workplaces</i></b> | This goal was achieved               |                | This goal was achieved               |                | This goal was achieved               |                | This goal was achieved |                |               |               |
| Reducing the rate of discrimination among audited Federal Contractors                       |                                      |                |                                      |                |                                      |                | \$56,900               |                | \$58,572      | \$58,927      |
|   | 9%                                   | 1.20%          | 9%                                   | 1%             | 7%                                   | 2%             | 6%                     | 2%             | 2%            | 2%            |
| Increasing the rate of compliance for all other EEO requirements                            |                                      |                |                                      |                |                                      |                | \$24,385               |                | \$25,103      | \$25,255      |
|   | 59%                                  | 72%            | 61%                                  | 91%            | 62%                                  | 86%            | 64%                    | 87%            | 86%           | 86%           |
| <b>Other Program Mandates</b>   |                                      |                |                                      |                |                                      |                |                        |                |               |               |
| <b>Total OFCCP Activity</b>   |                                      |                |                                      |                |                                      |                | \$81,285               |                | \$83,675      | \$84,182      |
| <b>Office of Workers' Compensation Programs</b>   |                                      |                |                                      |                |                                      |                | \$355,134              |                | \$358,863     | \$364,290     |
| <b>Performance Goal 4B: <i>Reduce the consequences of work-related injuries</i></b>         | This goal was substantially achieved |                | This goal was substantially achieved |                | This goal was substantially achieved |                | This goal was achieved |                |               |               |
| Reduce USPS LPD   | 130                                  | 143            | 146                                  | 147.2          | 148                                  | 134.4          | 146                    | 131.1          | 129.8         | 128.5         |
| Reduce all other Agencies' LPD a)   | 54.7                                 | 55             | 55.4                                 | 61.9           | 61                                   | 56.1           | 60                     | 49.5           | 49            | 48.5          |
| Periodic Roll Management b) (annual new savings)  | \$20 million                         | \$24.6 million | \$18 million                         | \$24.4 million | \$17 million                         | \$23.2 million | \$13 million a)        | \$16.1 million | \$8 million   | \$8 million   |

**EMPLOYMENT STANDARDS ADMINISTRATION**

| <b>SUMMARY OF PERFORMANCE AND RESOURCE LEVELS<br/>EMPLOYMENT STANDARDS ADMINISTRATION</b>  |  |               |               |               |               |               |               |               |               |                          |
|--|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------------------|
| <b>Budget Activities, Performance Goals<br/>and Indicators</b>   | <b>2003</b>  |               | <b>2004</b>   |               | <b>2005</b>   |               | <b>2006</b>   |               | <b>2007</b>   | <b>2008</b>              |
|  | <b>Target</b>  | <b>Result</b> | <b>Target</b> | <b>Result</b> | <b>Target</b> | <b>Result</b> | <b>Target</b> | <b>Result</b> | <b>Target</b> | <b>Target</b>            |
|  | Medical Treatment Cost Containment<br>(Indexed rate of change in average<br>medical treatment costs ) c) | 9.1%          | -2.8%         | 8.8%          | 2.4%          | 8.8%          | 2.8%          | 8.7%          | 6.3%          | Remain<br>below<br>index |
| DFEC Communications Service<br>1) Increase customer use of<br>electronic services<br>2) Increase access to the Claimant<br>Query System d)<br>3) Increase the proportion of claims<br>filed via EDI d)<br>4) Decrease average caller hold<br>times<br>5) Reduce average call-back<br>response times<br>6) Increase first-call resolutions<br>7) Maintain call handling quality | base   | 5             | 3             | 4             | 3             | 3             | 4             | 4             | 4             | 5                        |
| Longshore Dispute Resolutions  | 279 days   | 266<br>days   | 274<br>days   | 247<br>days   | 245<br>days   | 254<br>days   | 250<br>days   | 235<br>days   | 248 days      | 245 days                 |
| Percent of black lung claims with no<br>further action requests  | 70.5%  | 86.6%         | 74.5%         | 82.2%         | 76.5%         | 80.6%         | 79.5%         | 81.9%         | 80%           | 80%                      |
| Average number of days to render a<br>decision on black lung claim   |  |               | 320           | 323           | 315           | 251           | 250           | 247           | 247           | 244                      |
| Percent of initial claims for benefits in the<br>Part B Energy Program processed within<br>standard timeframes   | 75%  | 79%           | 77%           | 92%           | 80%           | 81.5%         | --            | --            | --            | --                       |

**EMPLOYMENT STANDARDS ADMINISTRATION**

| <b>SUMMARY OF PERFORMANCE AND RESOURCE LEVELS<br/>EMPLOYMENT STANDARDS ADMINISTRATION</b>       |   |               |               |               |               |               |               |                        |               |               |
|---|---|---------------|---------------|---------------|---------------|---------------|---------------|------------------------|---------------|---------------|
| <b>Budget Activities, Performance Goals<br/>and Indicators</b>                                  | <b>2003</b>   |               | <b>2004</b>   |               | <b>2005</b>   |               | <b>2006</b>   |                        | <b>2007</b>   | <b>2008</b>   |
|   | <b>Target</b>   | <b>Result</b> | <b>Target</b> | <b>Result</b> | <b>Target</b> | <b>Result</b> | <b>Target</b> | <b>Result</b>          | <b>Target</b> | <b>Target</b> |
|   | Percent of initial claims for benefits in the Part B and Part E Energy Program processed within standard timeframes | --            | --            | --            | --            | --            | --            | 50%                    | 72%           | --            |
| Energy Program <u>initial</u> claims average processing time                                    | --  | --            | --            | --            | --            | --            | --            | --                     | Baseline      | -5%           |
| Energy Program <u>final</u> decisions processed timely  | 75.6%   | 76.9%         | 77%           | 99%           | 80%           | 95%           | 80%           | 89%                    | 85%           | 87%           |
| Energy Program share of Part E claims backlog receiving initial decision                        | --  | --            | --            | --            | --            | --            | 75%           | 85%                    | 100%          | --            |
| <b>Other Program Mandates e)</b>  |   |               |               |               |               |               |               | \$4,217,809            | \$4,248,348   | \$4,433,237   |
| <b>Total OWCP Activity</b>  |   |               |               |               |               |               |               | \$4,572,943            | \$4,607,211   | \$4,797,527   |
| <b>Office of Labor-Management Standards</b>   |   |               |               |               |               |               |               | \$45,737               | \$45,737      | \$56,888      |
| <b>Performance Goal 4C: <i>Ensure union financial integrity, democracy and transparency</i></b> |   |               |               |               |               |               |               | This goal was achieved |               |               |
| <b>Increase Union Financial Integrity</b>   |   |               |               |               |               |               |               | \$23,899               | \$23,899      | \$30,719      |
| Percentage of unions with fraud   |   |               | baseline      | 9%            | NA            | NA            | 8%            | 8%                     | 7.5%          | 7%            |
| Criminal Investigations   | 53%   | 63%           | NA            | NA            | NA            | NA            | NA            | NA                     | NA            | NA            |
| <b>Increase Union transparency</b>  |   |               |               |               |               |               |               | \$11,441               | \$11,441      | \$14,222      |
| Percentage of union reports meeting standards of acceptability                                  | baseline  | 73%           | 75%           | 92%           | 95%           | 94%           | 96%           | 93%                    | 97%           | 97%           |
| <b>Ensure union democracy</b>   |   |               |               |               |               |               |               | \$8,982                | \$8,982       | \$10,240      |

**EMPLOYMENT STANDARDS ADMINISTRATION**

| <b>SUMMARY OF PERFORMANCE AND RESOURCE LEVELS<br/>EMPLOYMENT STANDARDS ADMINISTRATION</b>   |   |               |               |               |               |               |               |               |               |                 |
|---|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| <b>Budget Activities, Performance Goals and Indicators</b>  | <b>2003</b>   |               | <b>2004</b>   |               | <b>2005</b>   |               | <b>2006</b>   |               | <b>2007</b>   | <b>2008</b>     |
|   | <b>Target</b>   | <b>Result</b> | <b>Target</b> | <b>Result</b> | <b>Target</b> | <b>Result</b> | <b>Target</b> | <b>Result</b> | <b>Target</b> | <b>Target</b>   |
|   | Percentage of unions in compliance with LMRDA standards for union officer elections |               |               |               |               |               |               | baseline      | 92%           | 92.5%           |
| <b>Other Program Mandates: Employer Protections</b>   |   |               |               |               |               |               |               | \$1,415       | \$1,415       | \$1,707         |
| <b>Total OLMS Activity</b>  | --  | --            | --            | --            | --            | --            |               | \$45,737      | \$45,737      | \$56,888        |
| <b>Program Direction and Support f)</b>   |   |               |               |               |               |               |               | \$0           |               | <b>\$18,031</b> |
| a) Measurement rebaselined in FY 2007 to match SHARE initiative LPD goals.  |   |               |               |               |               |               |               |               |               |                 |
| b) Measurement redefined in FY 2006 to not score the savings resulting from death of beneficiary  |   |               |               |               |               |               |               |               |               |                 |
| c) DFEC's position relative to nationwide cost trends is predicated on multiple factors having some short-term, but mostly longer-term implications. While individual program activity levels are sensitive to short-term resource changes, outcomes will not be evidenced until the out-years.   |   |               |               |               |               |               |               |               |               |                 |
| d) As of FY 2007, two new indicators of use of electronic services will be substituted for the previous indicator, increasing the total number of communications indicators from 5 to 6.  |   |               |               |               |               |               |               |               |               |                 |
| e) Total benefit payments   |   |               |               |               |               |               |               |               |               |                 |
| f) As an administrative activity, funding for these resources has been allocated otherwise  |   |               |               |               |               |               |               |               |               |                 |
| <p>Baseline(s):</p> <p>OFCCP: In FY 2001, the incidence of serious violations indicating systemic and non-systemic discrimination among audited contractors reported in Case Management System (CMS) measured 12.5%; compliance for all other EEO requirements (performance under plan, EEO policies, recordkeeping and support data, failure to develop affirmative action plans) reported in CMS measured 57%. For FY 2002, OFCCP had three indicators each for the two performance goals based on FY 2001 compliance evaluation results. OFCCP streamlined the performance goal with two target indicators. Based on FY 2005 goal achievement and recommendations during the agency's FY 2004 PART review, OFCCP further revised its performance targets by setting a target goal of 2% for the rate of discrimination by evaluated Federal contractors and a target goal of 86% for the compliance rate among Federal contractors in all other aspects of equal opportunity workplace standards.</p> <p>OWCP:</p> <ol style="list-style-type: none"> <li>1) The number of days lost due to workplace injuries in FY 2003 per 100 workers employed by the USPS.</li> <li>2) The number of days lost due to workplace injuries in FY 2003 per 100 employed Federal civilian workers by All Other Government agencies</li> <li>3) The sum of (28-day cycle) payments, on a case-by-case basis, made prior to reduction in benefits due to terminations or adjustments by PRM action in the fiscal year.</li> </ol> |   |               |               |               |               |               |               |               |               |                 |

**EMPLOYMENT STANDARDS ADMINISTRATION**

| <b>SUMMARY OF PERFORMANCE AND RESOURCE LEVELS<br/>EMPLOYMENT STANDARDS ADMINISTRATION</b>   |               |               |               |               |               |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Budget Activities, Performance Goals<br/>and Indicators</b>  | <b>2003</b>   |               | <b>2004</b>   |               | <b>2005</b>   |               | <b>2006</b>   |               | <b>2007</b>   | <b>2008</b>   |
|   |               |               |               |               |               |               |               |               |               |               |
|   | <b>Target</b> | <b>Result</b> | <b>Target</b> | <b>Result</b> | <b>Target</b> | <b>Result</b> | <b>Target</b> | <b>Result</b> | <b>Target</b> | <b>Target</b> |
| <p>4) Rate of change in average per capita U.S. Health care costs as measured by the Milliman Health Cost Index.</p> <p>5) FY 2003 measurement of five communications performances areas: Use of FECA program electronic services - 1.7 million contacts; Average caller wait times - 3.3 minutes; Average time to return calls - 3.0 days; Calls resolved on the first try - 58%; Calls handled according to program quality standards - 88%.</p> <p>6) Revised in FY 2005. An average of 253 days elapsed nationwide between the dispute receipt date and the dispute resolution date. (Note: Additional limited review and cleanup work for a small cohort of cases will result in a minor baseline adjustment during FY 2003).</p> <p>7) FY 2001: 66.5% of black lung benefits claims, following an eligibility decision by the district director, had no requests for further action from any party pending one year after receipt of the claim, developed using data collected over the past decade from claims subject to the old regulations.</p> <p>8) FY 2006. 50% of initial claims for benefits are processed within standard timeframes.</p> <p>9) FY 2002. 75% of claims are processed to Final Decision within standard timeframes.</p> <p>10) New for FY 2006. 75% of total available Part E backlog claims receive Initial Decisions.</p>  |               |               |               |               |               |               |               |               |               |               |
| <p><b>Data Sources:</b></p> <p>WHD: WHISARD, Investigation-based compliance surveys, WDGS, ASDS</p> <p>OFCCP: Case Management System (CMS). OFCCP does not use data estimates. Agency results are based on actual accomplishments data (case completions) reported in CMS. OFCCP has safeguards in place to evaluate and validate data quality, including: quarterly reviews to monitor and address productivity deviations in regional offices; frequent spot checks on data and quality audits based on feedback from industry liaison groups and other constituencies; strengthened oversight of regional offices through use of directives system for all major changes; weekly conference calls with regional offices on issues of case resolution and program administration; and solicitor review of agreements for legal validity prior to approval.</p> <p>OWCP: Federal Employees' Compensation Act (FECA) data systems, Federal agency payroll offices and Office of Personnel Management employment statistics; Nurse/Rehabilitation Tracking System; Periodic Roll Management System and FECA Automated Compensation Payment system; FECA Medical Bill Pay System and Milliman USA Health Cost Index Report; Telecommunications system standard reports, FECA district office and national MIS reports, customer surveys, focus group records and other customer service performance data sources Longshore Case Management System; Black Lung Automated Support Package; Energy Program Case Management System.</p> <p>OLMS: FY 2007-2008 -- special audit study (union financial integrity; union democracy); OLMS Case Data System; OLMS e.LORS system; FY 2004-FY 2006 -- special audit study (union financial integrity; union democracy); OLMS Case Data System; OLMS e.LORS</p> |               |               |               |               |               |               |               |               |               |               |
| <p><b>Comments:</b></p> <p>OFCCP: continues to explore ways to improve the identification of non-compliant contractors with systemic discrimination employment practices for compliance evaluations. The improved selection and investigation process is expected to have a significant impact on compliance findings.</p> <p>OWCP: In FY 2004, OWCP changed the way it measures LPD. The FY 2003 result data for USPS and also for all other government agencies' LPDs reflect the results prior to the measurement changes. LPDs are now measured in real-time rather than with accumulated data.</p> <p>OLMS: Union Financial Integrity: DOL conducts audits to uncover embezzlements and other criminal and civil violations of the law. To ensure union financial integrity, DOL will use union data from randomly conducted audits to measure the fraud level in unions and will seek to reduce fraud levels through</p>  |               |               |               |               |               |               |               |               |               |               |

**EMPLOYMENT STANDARDS ADMINISTRATION**

| <b>SUMMARY OF PERFORMANCE AND RESOURCE LEVELS<br/>EMPLOYMENT STANDARDS ADMINISTRATION</b>  |        |        |        |        |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Budget Activities, Performance Goals<br/>and Indicators</b>   | 2003   |        | 2004   |        | 2005   |        | 2006   |        | 2007   | 2008   |
|  |        |        |        |        |        |        |        |        |        |        |
|  | Target | Result | Target | Result | Target | Result | Target | Result | Target | Target |
| a range of activities. Union Transparency: The timeliness, accuracy and completeness of statutorily required union financial reports are critical to the public disclosure purposes of LMRDA to support union democracy and financial integrity. Increasing: 1) use of electronic report formats by union filers; 2) liaison; and, 3) compliance assistance are strategies for improving reporting compliance. |        |        |        |        |        |        |        |        |        |        |

## **PERFORMANCE SUMMARY**

### **Introduction**

The WHD mission and its performance goals directly support the Department's strategic goal of **safe and secure workplaces** which is intended to *promote workplaces that are safe, healthful, and fair; guarantee workers receive the wages due them; foster equal opportunity in employment; and protect veterans' employment and reemployment rights*. All of WHD's performance goals promote the security of workplaces by increasing employer compliance with worker protection laws.

Specifically, WHD seeks to *ensure workers receive the wages due them*. The four targets listed below recognize that the key to guaranteeing workers' rights is to proactively increase compliance on behalf of low-wage workers in industries with the most persistent and serious violations; promote long-term sustaining compliance among employers that the agency investigates; maximize benefits for the greatest number of workers through efficient complaint resolution; and ensure that established wage rates, such as those required under Davis-Bacon and Service Contract Acts, are accurate and timely. Increases in the FY 2008 request supporting this outcome goal include: \$5,000,000 and 36 FTE to increase employer compliance with worker protection laws.

Performance Goal 3C will be measured using the following indicators:

- Maximizing benefits to workers by increasing the number of workers for whom there is an agreement to pay or an agreement to remedy in a complaint case

For the last several years, WHD has focused on ensuring customer satisfaction by reducing or maintaining the average number of days in which to conclude a complaint investigation. In FY 2006, WHD resolved complaints, on average, in 93 days. This represents a 33% decrease in the average number of days in which to conclude a complaint from the end of FY 2001. To avoid sacrificing investigation quality (and long-term compliance) for faster case resolution, WHD established a FY 2005 target to reduce the number of days to resolve a violation complaint. WHD was successful in decreasing the average number of days to resolve a violation complaint from 213 days in FY 2003 to 202 days in FY 2006. However, the average number of days increased in FY 2006 over the FY 2004 and 2005 measures. In FY 2007, WHD transitioned to a performance indicator that measures the agency's efficiency. Recent strategies for maximizing the impact of complaint investigations are intended to ensure that WHD addresses compliance for all workers in an establishment who may be the subject of a violation rather than just provide service to the complainant. In FY 2006, WHD established a baseline of 293 workers assisted for every 1,000 enforcement hours expended in a compliant investigation. This evolution of WHD complaint priorities – from a customer satisfaction focus to an efficiency focus – demonstrates a continued refinement of the agency indicators as earlier targets are reached and new ones established.

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## **ENFORCEMENT OF WAGE AND HOUR STANDARDS**

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- Reducing employer recidivism by increasing the percent of prior violators who achieved and maintained FLSA compliance following a full FLSA investigation

In FY 2006, WHD conducted its fourth investigation-based compliance survey of prior FLSA violators. That survey found that 76% of prior violators were in compliance with the FLSA. The results were an improvement over the FY 2003 baseline of 73%. These compliance surveys measure strategies employed over the past five years. WHD is seeing the impact of recently employed strategies like the implementation of accountability standards, strategic use of penalties, and effective publicity.

- Increasing compliance in low-wage industries by increasing the percent of low-wage workers across various identified low-wage industries paid and employed in compliance with the FLSA

WHD's efforts to improve compliance on behalf of workers in low-wage industries has been a balance of directed enforcement, compliance assistance to employers and employees, and partnerships and collaborations with associations, community and faith-based organizations, and various consulates from Mexico and Central America. In the past, WHD measured its progress in compliance in low-wage industries by tracking and reporting on compliance levels in three nationally targeted industries: garment manufacturing, health care and agriculture, and with respect to child labor compliance, in restaurants and grocery stores. In FY 2006, WHD completed its first investigation-based compliance survey of low-wage industries. The result of the survey provides the baseline from which WHD's efforts to increase the percent of low-wage workers paid and employed in compliance can be measured over time and will enable WHD to better target low-wage industries in the future.

- Ensuring the accuracy and timeliness of prevailing wage determinations by increasing the number of wage determination data submission forms (WD-10s) processed per 1,000 hours

Over the last several years, the DBA wage determination program implemented various new technologies designed to improve the accuracy and timeliness of prevailing wage determinations for the construction industry. Following a PART review of the DBA wage determination program, WHD added two performance targets for this program area. In FY 2006, WHD approved or rejected 1,834 wage determination data submission forms per 1,000 hours expended. The FY 2006 result represents a 23% improvement in efficiency over the 1,491 forms processed in FY 2004.

### **Cost Model**

WHD requests \$189,865,000 and 1,336 FTE. This includes a program increase of \$5,000,000 and 36 FTE. Other appropriated resources requested, include \$4,700,000 for the Protection and Detection Account fees to be used by the Secretary of Labor until expended for enforcement programs and activities described in Section 212(n) of the Immigration and Nationality Act (INA). In addition, the request includes \$2,800,000 for reimbursables (civil monetary penalties),



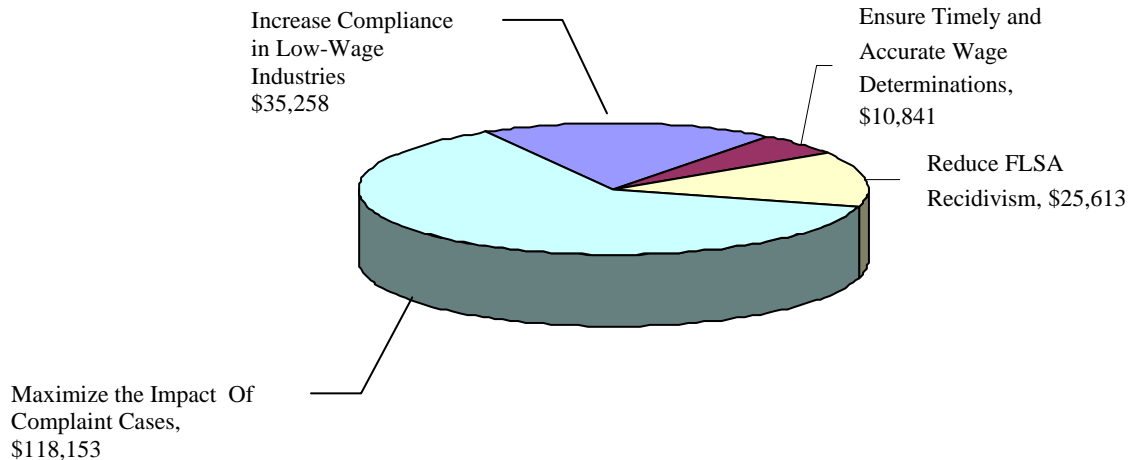
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## **ENFORCEMENT OF WAGE AND HOUR STANDARDS**

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bringing total requested resources to \$189,865,000. This level of funding will enable WHD to support the Department's strategic goal of safe and secure workplaces.

### **FY 2008 Budget Request by Enforcement of Wage and Hour Standards Total WHD Budget Request \$189,865 (Dollars in Thousands)**



### **Performance Challenges**

Two key factors influence WHD's ability to meet and exceed its performance objectives – the increased reliance on foreign-born labor and the growth in the number of immigrant laborers in the workforce. The increasing demand for low-wage service sector workers constantly challenges WHD's ability to target low-wage industries and maintain its effectiveness in resolving complaints. Other economic factors, such as employment level and growth in industries, affect WHD's ability to influence compliance. These factors vary from industry to industry and over time. It is often difficult to measure the impact of the known factors, much less anticipate new issues that may arise, such as the compliance situation that emerged in the aftermath of Hurricanes Katrina and Rita.

These socio-economic conditions are projected to continue and as they do, their effects will compound. According to the Bureau of Labor Statistics, the Hispanic work force is expected to reach 25,800,000 by 2014 – about 16% of the labor force and a 33.7% increase from 2004 largely due to higher immigration levels, population growth and increased fertility. The U.S. Census Bureau projects that immigration from Mexico and Central America will not peak until

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## *ENFORCEMENT OF WAGE AND HOUR STANDARDS*

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approximately 2010. The Asian work force will continue as the fastest growing race group increasing to 5.1% of the labor force (8,000,000) by 2014.

There is a high correlation between workers' immigrant status and the probability they will be underpaid, housed in unhealthy conditions, or transported in unsafe vehicles. For example, 37% of the landscaping workforce is Hispanic. Of the investigations concluded in FY 2006 in this industry, 90% of employers were found in violation. Twenty-three percent of construction workers are of Hispanic origin, while WHD cited 78% of construction companies investigated for violations of worker protection laws. Asian workers represent nearly 15% of garment workers. Over two-thirds (67%) of garment contractors were found in violation by WHD. In agriculture, 19% of the workforce is Hispanic. WHD found violations in 63% of agricultural investigations concluded in FY 2006.

The growth among immigrant workers and immigrant-owned businesses means that WHD will have to attract and retain bilingual investigators in key states; translate and develop new compliance assistance materials; establish new community-based partnerships; increase its enforcement presence in low-wage industries that employ immigrant workers; enhance its participation with foreign consulates and utilize its expertise to identify potential human trafficking cases.

Retirements will also have a significant impact on WHD operations over the next five years. About 15% of WHD's most experienced senior investigative staff is eligible to retire and approximately one-third of the agency's managers will retire in the next five years. WHD investigator productivity reached peak levels in FY 2004. Productivity may decline for several more years as more senior level investigators are replaced by new staff. WHD's workforce planning and restructuring efforts will not be successful without adequate employee training and development.

These human resource and economic characteristics magnify the difficulties WHD faces in proactively promoting long-term compliance in low-wage industries and among prior violators. Understanding these challenges and determining the limits to which WHD can overcome them is crucial to the program's ability to establish realistic performance objectives and implement effective strategies.

### **PART issues**

In the spring of 2003, WHD's Davis-Bacon Act wage determination program was the subject of a Program Assessment Rating Tool (PART) review. Overall, the program was rated "Results Not Demonstrated." There were four key recommendations: (1) launch an external review; (2) convene a work group to develop quantitative and qualitative indicators and targets; (3) modify the wage survey or outreach strategies; and (4) work with stakeholders to identify appropriate regulatory, administrative, or statutory reforms. WHD has developed measures to promote efficiency in the determination and issuance of prevailing wage rates under the DBA wage determination programs. WHD also contracted with an outside contractor to evaluate the Davis Bacon wage determination process. WHD is continuing work on the final two recommendations. WHD is evaluating the impact of outreach strategies on survey response rates, and WHD has met with the three major stakeholder groups (contracting agencies, employer associations, and unions representing construction workers) to solicit their input into a range of wage survey improvements.

WHD's enforcement program was the subject of a PART review in 2006. The program was rated moderately effective, the highest rating achieved by a Department of Labor enforcement agency. One of the recommendations was that current long-term and annual performance targets be more ambitious and that the process for soliciting and selecting partners to work towards the goals of the program be improved. In response, WHD is evaluating performance targets and, where appropriate, implementing more ambitious quantitative targets to measure success in achieving goals. In addition, WHD is standardizing its organizational process for developing and monitoring strategic partnerships.

### **Program efficiency measures**

As part of the strategy for achieving total budget and performance integration, WHD has developed efficiency measures for its key priorities: complaint resolution, low-wage workers and the Davis-Bacon wage determination program. These measures help balance overall program effectiveness and efficient use of taxpayer dollars and provide constant metrics by which WHD can track improved long-term efficiencies even as resource allocations may vary. By measuring the number of workers for which WHD received an agreement to pay or an agreement to remedy in a *complaint* case (excluding conciliations) per 1,000 enforcement hours, WHD balances improved timeliness and efficiency in the resolution of complaint cases with the benefits provided to the greatest number of workers. In FY 2005, WHD established a baseline efficiency measure of 270 workers for whom WHD received an agreement to pay or an agreement to remedy per 1,000 enforcement hours. In FY 2006, the agency improved those results to 293 workers per 1,000 hours. In FY 2007, WHD's performance goal will be stated in terms of its efficiency in increasing the number of workers helped through the resolution of complaints.

In measuring the number of *low-wage* workers for which WHD obtained an agreement to pay or an agreement to remedy per 1,000 enforcement hours, WHD can demonstrate how an analytical approach to targeting enforcement resources benefits the greatest number of low-wage workers. The measure supports WHD's efforts to increase compliance in low-wage industries that employ

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## ***ENFORCEMENT OF WAGE AND HOUR STANDARDS***

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the most vulnerable workers. In FY 2005, WHD established a preliminary baseline efficiency measure of 280 workers in low-wage industries for whom WHD received an agreement to pay or an agreement to remedy per 1,000 enforcement hours. In FY 2006, WHD increased the number of low-wage workers assisted per 1,000 hours to 301. WHD is working with outside consultants to analyze the effect of the measure to ensure that it is the most appropriate method for tracking how efficient the program is in securing compliance on behalf of low-wage workers.

By measuring the number of wage determination data submission forms processed per 1,000 staff hours, WHD can demonstrate how improved handling of Davis Bacon survey forms promotes timely completion of wage surveys and the resulting prevailing wage determinations. In FY 2004, WHD established a baseline of 1,491 data submission forms processed per 1,000 hours. In FY 2006, WHD processed 1,834 forms per 1,000 hours. WHD's future out-year targets are 1,852 forms per 1,000 hours in FY 2007 and a 1% increase over the FY 2007 results in FY 2008.

### **Conclusion**

While achieving success in meeting its performance targets, WHD also recovered more than \$171,500,000 in back wages in fiscal year 2006. Back wage collections have increased steadily since fiscal year 2001, with record breaking amounts collected in fiscal year 2003. The number of workers receiving back wages has increased by over 13% since fiscal year 2001. The agency concluded some 31,987 compliance actions in fiscal year 2006.

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**ENFORCEMENT OF WAGE AND HOUR STANDARDS**

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**PART RECOMMENDATION AND STATUS**

| <b>Agency/Program: ESA/Wage-Hour Division</b>  |                                |                      |                          |   |
|--|--------------------------------|----------------------|--------------------------|---|
| <b>PART Recommendation</b>   | <b>Milestone(s)</b>            | <b>Target (FY/Q)</b> | <b>Completion (FY/Q)</b> | <b>Comments on Status; Reference/Documentation</b>  |
| Conducting an external review of the program and related processes to identify weaknesses and inform improvements.                     | N/A                            |                      | FY 2004/Q2               | In September 2003, WHD issued a task order to an independent contractor to conduct a comprehensive review of the Davis-Bacon wage determination/survey process and make recommendations for process improvements. In July 2004, the contractor recommended several process changes; however, the report did not address many of the fundamental principles underlying the current survey approach. WHD executive staff has met with the contractor to discuss the report's findings and to discuss some of the more basic and fundamental issues the report did not address. WHD has implemented most of the management improvements and process changes that were recommended in the report. |
| Developing quantitative and qualitative performance indicators and targets to hold program managers accountable for their performance. | N/A                            |                      | FY 2004/Q1               | In May 2003, a work group developed performance measures and goals for both the DB and SCA wage determination programs. In October 2003, the WHD Executive Leadership Team adopted the goals and measures, and they have been incorporated into WHD's GPRA goals, performance plan and managers' standards.   |
| Modifying wage survey and outreach strategies to improve data collection   | Evaluation of outreach efforts | FY 2006/Q2           |                          | Standard outreach procedures including holding pre-survey briefings and survey announcement letters are being held prior to any new surveys conducted by  |

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**ENFORCEMENT OF WAGE AND HOUR STANDARDS**

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**PART RECOMMENDATION AND STATUS**

| <b>Agency/Program: ESA/Wage-Hour Division</b>  |   |                      |                          |  |
|--|---|----------------------|--------------------------|--|
| <b>PART Recommendation</b>   | <b>Milestone(s)</b>                             | <b>Target (FY/Q)</b> | <b>Completion (FY/Q)</b> | <b>Comments on Status; Reference/Documentation</b>   |
| processes.   |   |                      |                          | WHD. These procedures were implemented beginning with the Statewide survey of Michigan in FY 2004 and continued for surveys in Delaware, DC, Florida and Virginia. To facilitate data submission, the web page also contained an electronic form for submission of wage data. WHD is updating its manual of operations, which will be posted to the agency's web site to encourage greater participation. Pre-survey briefing materials have been updated, and in 2007, Wage and Hour will assess the impact of the outreach strategies.   |
| Work with stakeholders to identify, recommend and implement appropriate regulatory, administrative or statutory reforms. | Implementation and integration of ASDS and WDGS | FY 2006/Q3           |                          | As part of the DB wage survey improvement process, WH met with the three major stakeholder groups (contracting agencies, employers/associations, and unions representing construction workers) to solicit their input into a range of wage survey improvements. A key component of those improvements, the redesigned Automated Survey Data System (ASDS), is still under development. Implementation was scheduled for the fourth quarter of FY 2004; however, technical issues have delayed full deployment. One component of the redesigned ASDS has been completed and now allows more craft-by-craft wage determinations on a local county basis. Additional stakeholder meetings have been |

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**ENFORCEMENT OF WAGE AND HOUR STANDARDS**

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**PART RECOMMENDATION AND STATUS**

| <b>Agency/Program: ESA/Wage-Hour Division</b>   |   |                      |                          |  |
|---|---|----------------------|--------------------------|--|
| <b>PART Recommendation</b>  | <b>Milestone(s)</b>   | <b>Target (FY/Q)</b> | <b>Completion (FY/Q)</b> | <b>Comments on Status; Reference/Documentation</b>   |
|   |   |                      |                          | held to coincide with these first surveys published using the new ASDS. A second key improvement -- the integration of ASDS with the Wage Determination Generation System (WDGS) was completed in November 2006. As these improvements are being implemented, WH staff continues to conduct regular outreach and compliance assistance with a variety of government contract stakeholder groups. |
| The current long-term and annual performance targets may not be sufficiently ambitious.   | Completion of external evaluations on recidivism and low-wage | FY 2007/Q4           |                          | WHD is evaluating performance targets and, where appropriate, implementing more ambitious quantitative targets to measure success in achieving goals.  |
| The process for soliciting and selecting partners to work towards the goals of the program could be improved by implementing formal criteria. | Development of WHD internal criteria                          | FY 2007/Q3           |                          | WHD plans to standardize the organizational process for developing and monitoring strategic partnerships.  |

**ENFORCEMENT OF WAGE AND HOUR STANDARDS**

| <b>EFFICIENCY MEASURES</b>                 |  |   |       |       |                    |
|--|--|---|-------|-------|--------------------|
| <b>Program/Budget Activity</b>             | ESA Wage-Hour Division   |   |       |       |                    |
| <b>FY Program PARTed</b>                   | 2003   |   |       |       |                    |
| <b>Status of Approval</b>                  | Approved   |   |       |       |                    |
| <b>Efficiency Measure</b>                  | Number of wage determination data submission forms processed per 1,000 hours   |   |       |       |                    |
| <b>Numerator Description</b>               | Number of wage determination data submission forms processed   |   |       |       |                    |
| <b>Denominator Description</b>             | 1,000 hours of regional office Davis-Bacon staff time  |   |       |       |                    |
| <b>Baseline data</b>                       | FY/PY  | Numerator: 41,899 data submission forms processed |       |       | Ratio: 1,491 forms |
|  | FY 2004  | Denominator: 28,101 hours                         |       |       |                    |
| <b>FY</b>                                  | 2005   | 2006  | 2007  | 2008  |                    |
| <b>Target Ratios</b>                       | 1,506  | 1,684   | 1,852 | 1,870 | TBD                |
| <b>Result Ratios</b>                       | 1,667  | 1,834   |       |       |                    |
| <b>Comment/Data Source</b>                 | By measuring the number of wage determination data submission forms processed per 1,000 staff hours, WHD will show how improved handling of Davis Bacon survey forms promotes timely completion of wage surveys and prevailing wage determinations. Resulting wage determinations will then more accurately reflect current wage rates in the locality. Data for this measure will be obtained from the Automated Survey Data System (ASDS) and the Wage and hour Investigator Support and Reporting Database (WHISARD). |   |       |       |                    |
| <b>Strategy(ies) to achieve efficiency</b> | Improved IT systems and technologies are the primary strategy for improving efficiencies in processing wage determination survey forms. For example, WHD placed the software application for its Automated Survey Data System onto a terminal server, which significantly increased access speed and communication between regional data entry points and the database.  |   |       |       |                    |



**ENFORCEMENT OF WAGE AND HOUR STANDARDS**

| <b>EFFICIENCY MEASURES</b>              |  |                         |      |      |                             |
|---|--|-------------------------|------|------|-----------------------------|
| <b>Program/Budget Activity</b>          | ESA/Wage-Hour Division   |                         |      |      |                             |
| <b>FY Program PARTed</b>                | FY 2008  |                         |      |      |                             |
| <b>Status of Approval</b>               | Approved   |                         |      |      |                             |
| <b>Efficiency Measure</b>               | Compliance impact on workers per 1,000 enforcement hours in a complaint case   |                         |      |      |                             |
| <b>Numerator Description</b>            | Number of workers for which WHD received an agreement to pay or agreement to remedy in a complaint case (excluding conciliation cases)   |                         |      |      |                             |
| <b>Denominator Description</b>          | 1,000 hours of field office investigator enforcement time  |                         |      |      |                             |
| <b>Baseline data</b>                    | FY/PY  | Numerator: 159,144      |      |      | Ratio:                      |
|   | FY 2005  | Denominator: 588,987.25 |      |      | 270 workers per 1,000 hours |
|   |  |                         |      |      |                             |
| <b>FY</b>                               | 2005   | 2006                    | 2007 | 2008 |                             |
| <b>Target Ratios</b>                    | NA   | NA                      | 296  | 299  | TBD                         |
| <b>Result Ratios</b>                    | 270  | 293                     |      |      |                             |
| <b>Comment/Data Source</b>              | This efficiency measure enables WHD to balance its performance target for compliance cases, i.e., timeliness in the resolution of complaint cases, with the agency's objective of securing compliance on behalf of the greatest number of workers. Data for this measure will be obtained from the Wage and Hour Investigator Support and Reporting Database (WHISARD).  |                         |      |      |                             |
| <b>Strategies to achieve efficiency</b> | WHD is also analyzing incoming complaints to ensure that resources are effectively distributed. WHD has correlated industries with high complaint rates with measures of non-compliance to ensure that appropriate tools are used to balance resources between the agency's targeted enforcement program and its complaint resolution responsibilities. WHD is also examining complaint data to determine which characteristics of complaints may signal underlying compliance conditions. To ensure an effective complaint investigation program, WHD will maintain an active compliance assistance program to inform workers of their rights and remedies under the law, including new non-traditional partnership agreements and consultation programs with non-traditional (community and faith-based) partners. WHD will also utilize information from violations found in complaint investigations to determine in which industries and for which employers targeted compliance assistance is the most effective strategy for increasing compliance. |                         |      |      |                             |

**ENFORCEMENT OF WAGE AND HOUR STANDARDS**

| <b>EFFICIENCY MEASURES</b>              |   |                        |      |      |   |
|---|---|------------------------|------|------|---|
| <b>Program/Budget Activity</b>          | ESA/Wage-Hour Division  |                        |      |      |   |
| <b>FY Program PARTed</b>                | 2008  |                        |      |      |   |
| <b>Status of Approval</b>               | Approved  |                        |      |      |   |
| <b>Efficiency Measure</b>               | Compliance impact on low-wage workers per 1,000 enforcement hours   |                        |      |      |   |
| <b>Numerator Description</b>            | Number of low-wage workers for which WHD obtained an agreement to pay or an agreement to remedy.  |                        |      |      |   |
| <b>Denominator Description</b>          | 1,000 hours of field office investigator enforcement time   |                        |      |      |   |
| <b>Baseline Data</b>                    | FY/PY<br>FY 2005  | Numerator: 132,583     |      |      | Ratio: 280<br>workers<br>per 1,000<br>hours |
|   |   | Denominator: 473,997.5 |      |      |   |
| <b>FY</b>                               | 2005  | 2006                   | 2007 | 2008 |   |
| <b>Target Ratios</b>                    | NA  | NA                     | 304  | 307  | TBD   |
| <b>Result Ratios</b>                    | 280   | 301                    |      |      |   |
| <b>Comment/Data Source</b>              | In measuring the number of <i>low-wage</i> workers for which WHD obtained an agreement to pay or an agreement to remedy per 1,000 enforcement hours, WHD can demonstrate how an analytical approach to targeting enforcement resources benefits the greatest number of low-wage workers. The measure supports WHD's efforts to increase compliance in low-wage industries that employ the most vulnerable workers. WHD is reviewing the effect of the measure to ensure that it is the most appropriate method for tracking how efficient the agency is in securing compliance on behalf of low-wage workers. Data for this measure will be obtained from the Wage and Hour Investigator Support and Reporting Database (WHISARD).                |                        |      |      |   |
| <b>Strategies to achieve efficiency</b> | Utilizing an outside economic team, WHD is examining patterns of non-compliance in low-wage industries as a means of refining its targeting procedures. WHD and its contractor have analyzed BLS data from the Current Population Survey to identify low-wage industries in which employees are most likely to have minimum wage or overtime violations. By integrating BLS data with WHD complaint information, WHD can better target those industries in which WHD is less likely to receive a complaint. WHD will then compare that information to contractor analyses of WHD efficacy. As WHD builds experience in the low-wage industries, it will employ the most efficient targeting strategies to protect the greatest number of workers. |                        |      |      |   |

**PERFORMANCE SUMMARY**

**Introduction**

The Office of Federal Contract Compliance Programs (OFCCP) directly supports the Department of Labor's (DOL) strategic goal of **Safe and Secure Workplaces** which *promote workplaces that are safe, healthful, and fair; guarantee workers receive the wages due them; foster equal opportunity in employment and protect veterans' employment and re-employment rights*. OFCCP is requesting \$84,182,000 and 625 FTE to support performance goal 3D: *Federal Contractors Achieve Equal Employment Opportunity Workplaces*. This performance goal is measured by two performance indicators: Reducing the rate of discrimination for audited Federal contractors to 2%; and increasing the rate of compliance for all other EEO requirements to 86%.

OFCCP's mission of monitoring Federal contractors is essential to ensure equal opportunity in the workplace. The program enforces its mandate by detecting and preventing systemic discrimination and by providing relevant and effective compliance assistance programs. Emphasis is placed on a balanced approach of compliance evaluations, complaint investigations, compliance assistance and, when necessary, strong enforcement.

OFCCP achieved its goal of achieving equal opportunity workplace. During FY 2006, in all compliance evaluations conducted only 2% identified incidents of discrimination and 87% identified contractors in compliance. For the second consecutive year, OFCCP set a record with \$51,525,235 in financial remedies for 15,273 American workers. Much of those results can be attributed to Active Case Management, a program that utilizes centralized scheduling, oversight, and statistical techniques to screen contractor facilities more quickly.

Through the continued use of Active Case Management (ACM), OFCCP was able to more quickly and accurately screen contractor establishments for indicators of potential discrimination. Under ACM, which was first used in FY 2005, the program opened more reviews than it did in past years and utilized automated statistical tools to rank and prioritize establishments for further review based on the probability that discrimination would be uncovered. OFCCP used ACM to identify and resolve cases of systemic discrimination with greater frequency. ACM proved to be an effective mechanism for targeting systemic discrimination; in FY 2006 OFCCP closed 11.7% of its evaluations with a conciliation agreement, compared with 6.7% in FY 2004.

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**FEDERAL CONTRACTOR AND EEO STANDARDS ENFORCEMENT**

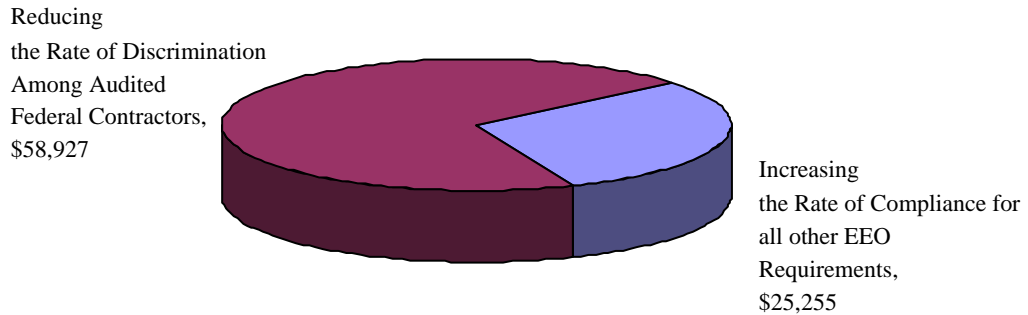
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**Cost Model**

The FY 2008 OFCCP budget supports the goal of achieving equal employment opportunity in Federal contractor workplaces. All monetary resources are allocated proportionately between the two performance indicators.

For FY 2008, OFCCP is requesting \$84,182,000; 70%, \$58,927,000, would be allocated to reducing the rate of discrimination among audited Federal contractors, and 30%, \$25,255,000 would be allocated to increasing the rate of compliance for all other EEO requirements.

**FY 2008 Budget Request by Federal Contractor and EEO Standards Enforcement**  
**Total OFCCP Budget Request \$84,182**  
**(Dollars in Thousands)**



### **Performance Challenges**

OFCCP's performance strategic funding is based on five elements: Strong enforcement to focus on worst offenders and increase the consequences of violations; a better selection system to obtain maximum leverage from the program's resources so that protection to the greatest number of employees can be achieved with the least burden on Federal contractors who are in compliance; assisting and encouraging contractors' self audits; increasing the monitoring and enforcement of hiring, compensation, promotion and termination issues in the face of increasing specialization and complexity in the workforce; and enhancing voluntary compliance through excellent compliance assistance. These five strategic elements are realized by program stakeholders through Active Case Management (ACM), the Functional Affirmative Action Program (FAAP), Contracts First (C1), and OFCCP's statistical initiative.

To reduce problems establishing jurisdiction, OFCCP implemented the C1 initiative to produce a contractor selection list that is based on evidence of contracts rather than voluntary self-identification provided by EEO-1 summary data. Under C1, jurisdictional status is established by a dedicated team based in OFCCP's National Office, thereby allowing compliance officers in the field to focus their time on conducting compliance evaluations. C1 is an instrumental part of the program's effort to decrease the number of cases closed administratively from 35% to 15%. In FY 2006, approximately 1,300 of the 11,000 establishments on OFCCP's selection lists were identified through C1. To successfully meet its goal of decreasing the administrative closure rate, OFCCP must increase the number of establishments identified using C1 in FY 2008.

Recently, OFCCP reached two milestones: The release of a new Internet applicant recordkeeping rule; and the publication of formal standards for interpreting the nondiscrimination requirements of Executive Order 11246 with respect to systemic compensation, which serves as the program's first compensation discrimination standards. Currently, OFCCP is incorporating new Internet applicant recordkeeping requirements and compensation guidelines into the compliance evaluation process nationwide. At the same time, OFCCP is expanding its compliance assistance and outreach efforts to educate Federal contractors about the new requirements and assist them in becoming compliant.

OFCCP must determine how to effectively enforce both the new Internet applicant recordkeeping requirements and compensation guidelines. Uniform standards for evaluating compliance will be developed and added to the existing compliance evaluation process. The resulting complexity added by these changes will require OFCCP to expend more resources on each compliance evaluation conducted. Furthermore, the new compensation guidelines necessitate the creation of effective statistical analysis tools for evaluating contractors' compensation data. Once implemented, all OFCCP compliance officers will require comprehensive training on developing compensation cases using these new statistical analysis techniques.

### **PART Issues**

Based upon the FY 2002 Program Assessment Rating Tool (PART) recommendations, OFCCP commissioned an independent contractor, Westat, to conduct an independent comprehensive

evaluation to measure the effectiveness of the OFCCP program activities that target establishments for review. This evaluation attempts to further improve the predictive accuracy of the statistical model used to select contractors for review. OFCCP will use this improved model to determine the rate of discrimination among Federal Contractors. OFCCP will also use the improved model to determine which establishments to select for evaluations in FY 2007 and FY 2008.

Also as a result of the PART recommendations, OFCCP commissioned an independent external contractor, Abt Associates, to conduct an empirical evaluation of the Equal Opportunity (EO) Survey effectiveness. The study showed that the EO Survey did not provide sufficiently useful data for enforcement targeting purposes. In light of these findings, together with a review of both the costs associated with the EO Survey and its utility in accomplishing any of its stated objectives, OFCCP removed the current requirement for non-construction Federal contractors to file the EO Survey under Section 60-2.18

### **Program Efficiency Measures**

OFCCP will measure its efficiency by the number of FTE compliance officers per systemic case resolved. OFCCP will use the number of cases where a settlement resolving systemic discrimination has been reached, or in limited circumstances, the Solicitor of Labor (SOL) agrees that OFCCP has met SOL's high standard of proof that systemic discrimination exists and the number of FTE hours devoted to all compliance-related activities (all types of compliance reviews, checks, any hours related to a case) divided by 2,087.

OFCCP strives to utilize its limited resources most efficiently for the benefit of American workers and to follow the direction of the President's Management Agenda by: (1) eliminating inefficient processes and (2) reducing burden on the contractor community by using an improved selection methodology for scheduling compliance evaluations to target contractors most likely to have systemic discrimination problems. Compliance officer enforcement data and hours for this measure will be obtained from OFIS.

### **Conclusion**

As previously mentioned, during FY 2006, OFCCP set a record with \$51,525,235 in financial remedies for 15,273 American workers, much of which can be attributed to ACM. As a result, compliance officers were able to spend more time on compliance-related activities and less time conducting jurisdictional research. OFCCP will continue to increase compliance with the equal opportunity laws it enforces and provide comprehensive compliance assistance to the contractor community. In FY 2008, OFCCP will begin enforcement of its new Internet applicant recordkeeping requirements and compensation guidelines.

**FEDERAL CONTRACTOR AND EEO STANDARDS ENFORCEMENT**

**PART RECOMMENDATION AND STATUS**

| <b>Agency/Program: ESA/Office of Federal Contract Compliance</b>   |  |                          |                              |  |
|--|--|--------------------------|------------------------------|--|
| <b>PART Recommendation</b>   | <b>Milestone(s)</b>  | <b>Target<br/>(FY/Q)</b> | <b>Completion<br/>(FY/Q)</b> | <b>Comments on Status;<br/>Reference/Documentation</b>   |
| Establish challenging targets for each of OFCCP's outcome measures.  | Complete FY 2008 annual GPRA results review  | FY 2006/Q4               | Completed                    | Due to concerns that the program could not measure the impact of its activities, OFCCP re-established its outcome goal and provided two clear performance targets: 1) Reducing the rate of discrimination among audited Federal contractors and 2) Increasing the rate of compliance for all other EEO requirements. In FY 2006, discrimination among evaluated contractors was 2% – well below the 7% -- and the compliance rate was 87%. |
| Conduct a more comprehensive review of program regulations and requirements to identify areas for improvement or reform. | Results of the independent study will be considered as a part of the comprehensive review process in updating and simplifying OFCCP program regulations. | FY 2006/Q3               | FY 2008/Q2                   | In mid-year 2006, OFCCP initiated a test to validate the findings presented in independent studies conducted by Westat and ERG. OFCCP first selected contractors for review based on the Westat model's systemic discrimination indicator. For comparison, OFCCP used a random selection methodology to evaluate a second set of contractor establishments. By the close of FY   |

**FEDERAL CONTRACTOR AND EEO STANDARDS ENFORCEMENT**

**PART RECOMMENDATION AND STATUS**

| <b>Agency/Program: ESA/Office of Federal Contract Compliance</b>  |   |                          |                              |  |
|---|---|--------------------------|------------------------------|--|
| <b>PART Recommendation</b>  | <b>Milestone(s)</b>   | <b>Target<br/>(FY/Q)</b> | <b>Completion<br/>(FY/Q)</b> | <b>Comments on Status;<br/>Reference/Documentation</b>   |
|   |   |                          |                              | <p>2007, OFCCP will have completed most of these case reviews to gauge the benefits of the modeling procedures.</p> <p>Additionally, with the assistance of an independent consulting firm, OFCCP is examining its data collection and reporting process to further improve the efficiency and effectiveness of the agency's compliance review process targeting system and internal reporting mechanisms.</p> |
| Continue to evaluate data collection processes and modernize agency data collection systems and methods | An interim report on the EO Survey was presented second quarter FY 2006 | FY 2006/Q2               | Completed                    | OFCCP commissioned an independent external contractor, Abt Associates, to conduct an empirical study to evaluate the effectiveness of the EO Survey. OFCCP submitted various data, including contractors' submissions on all prior EO Surveys, to Abt. Abt also required the results of selected OFCCP compliance evaluations. The study failed to find a correlation between the predictive variables         |



**FEDERAL CONTRACTOR AND EEO STANDARDS ENFORCEMENT**

**PART RECOMMENDATION AND STATUS**

| <b>Agency/Program: ESA/Office of Federal Contract Compliance</b>                 |   |                          |                              |  |
|--|---|--------------------------|------------------------------|--|
| <b>PART Recommendation</b>   | <b>Milestone(s)</b>   | <b>Target<br/>(FY/Q)</b> | <b>Completion<br/>(FY/Q)</b> | <b>Comments on Status;<br/>Reference/Documentation</b>   |
|  |   |                          |                              | generated from the EO Survey and determinations of noncompliance. It showed the EO Survey did not provide sufficiently useful data for enforcement targeting purposes. In light of these findings, together with a review of both the costs associated with the EO Survey and its utility in accomplishing any of its stated objectives, OFCCP has proposed removing the current requirement for non-construction Federal contractors to file the EO Survey under Section 60-2.18. |
| Consider a more comprehensive review to update and simplify program regulations. | Results of the external study will be considered as a part of the comprehensive review process. | FY 2006/Q2               | Completed                    | OFCCP eliminated the regulatory requirement for the EO Survey which will allow OFCCP to better direct its resources for the benefit of victims of discrimination, the government, contractors, and taxpayers. OFCCP continues to review its other program regulations and requirements. For example, in FY 2006, OFCCP published in the Federal Register new   |

**FEDERAL CONTRACTOR AND EEO STANDARDS ENFORCEMENT**

**PART RECOMMENDATION AND STATUS**

| <b>Agency/Program: ESA/Office of Federal Contract Compliance</b> |                     |                          |                              |  |
|--|---------------------|--------------------------|------------------------------|--|
| <b>PART Recommendation</b>                                       | <b>Milestone(s)</b> | <b>Target<br/>(FY/Q)</b> | <b>Completion<br/>(FY/Q)</b> | <b>Comments on Status;<br/>Reference/Documentation</b>   |
|  |                     |                          |                              | interpretive standards for evaluating compensation practices, providing contractors with the first definitive guidance on the subject ever. The standards will provide the agency a stronger basis for pursuing investigations of possible systemic compensation discrimination because of their transparency and because of their consistency with court rulings on pay discrimination law. At the same time, OFCCP published voluntary guidelines that contractors can use to evaluate their compensation practices. The revisions to the EEO-1 report made by the Equal Employment Opportunity Commission (EEOC) in 2006 will necessitate changes in the regulations implementing Executive Order 11246, which also requires contractors to collect, maintain, and report information about the gender, race, and ethnicity of their employees. Proposed changes will be published in |

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**FEDERAL CONTRACTOR AND EEO STANDARDS ENFORCEMENT**

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**PART RECOMMENDATION AND STATUS**

| <b>Agency/Program: ESA/Office of Federal Contract Compliance</b> |                     |                          |                              |  |
|--|---------------------|--------------------------|------------------------------|--|
| <b>PART Recommendation</b>                                       | <b>Milestone(s)</b> | <b>Target<br/>(FY/Q)</b> | <b>Completion<br/>(FY/Q)</b> | <b>Comments on Status;<br/>Reference/Documentation</b>   |
|  |                     |                          |                              | the Federal Register for public comment in FY 2007. In 2006, OFCCP published in the Federal Register a proposed regulation that would conform the requirements of the Vietnam Era Veteran's Readjustment Assistance Act of 1974 (VEVRAA) to the amendments in the Jobs for Veterans Act (JVA). A final rule is anticipated in FY 2007. |

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**FEDERAL CONTRACTOR AND EEO STANDARDS ENFORCEMENT**

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**PART RECOMMENDATION AND STATUS**

| <b>Agency/Program: ESA/Office of Federal Contract Compliance</b>                |  |                          |                              |   |
|---|--|--------------------------|------------------------------|---|
| <b>PART Recommendation</b>  | <b>Milestone(s)</b>  | <b>Target<br/>(FY/Q)</b> | <b>Completion<br/>(FY/Q)</b> | <b>Comments on Status;<br/>Reference/Documentation</b>  |
| Track and report on performance with respect to OFCCP's new efficiency measure. | Efficiency measure results for FY 2006 annual performance. | FY 2007/Q1               | Completed                    | In FY 2004, OFCCP established the efficiency measure: FTE per systemic case resolved. OFCCP tracks compliance officer FTE utilization and enforcement hours associated with each closed case via its Case Management System (CMS). OFCCP manually tracks management and non-management staff hours associated with closed cases in a managerial cost accounting format. |

**FEDERAL CONTRACTOR AND EEO STANDARDS ENFORCEMENT**

**EFFICIENCY MEASURES**

|  |   |                   |                   |      |            |
|--|---|-------------------|-------------------|------|------------|
| <b>Program/Budget Activity</b>           | ESA/OFCCP   |                   |                   |      |            |
| <b>FY Program PARTed</b>                 | 2007  |                   |                   |      |            |
| <b>Status of Approval</b>                | Approved  |                   |                   |      |            |
| <b>Efficiency Measure</b>                | FTE Compliance Officers per systemic case resolved  |                   |                   |      |            |
| <b>Numerator Description</b>             | FTE devoted to all compliance-related activities (all types of compliance reviews, checks; any hours related to a case divided by 2,087).   |                   |                   |      |            |
| <b>Denominator Description</b>           | Cases where a settlement resolving systemic discrimination has been reached, or in limited circumstances, the Solicitor of Labor (SOL) agrees that OFCCP has met SOL's high standard of proof that systemic discrimination exists   |                   |                   |      |            |
| <b>Baseline Data</b>                     | FY/PY   |                   | Numerator: 4382.7 |      | Ratio: 2.1 |
|  |   | Denominator: 2087 |                   |      |            |
|  | 2005  | 2006              | 2007              | 2008 | 2009       |
| <b>Target Ratios</b>                     | 2.3   | 2.0               | 1.9               | 1.8  | 1.7        |
| <b>Result Ratios</b>                     | 2.1   | 2.0               |                   |      |            |
| <b>Comment/Data Source</b>               | This measure is important because OFCCP strives to use its limited resources most efficiently for the benefits of American workers and to follow the direction of the President's Management Agenda   |                   |                   |      |            |
| <b>Strategy(s) to Achieve Efficiency</b> | 1) Eliminating inefficient processes and 2) reducing burden on the contractor community by using an improved selection methodology for scheduling compliance evaluations to target contractors most likely to have systemic discrimination problems. Compliance Officer enforcement data and hours for this measure will be obtained from OFCCP's OFIS (case management system) |                   |                   |      |            |

## **PERFORMANCE SUMMARY**

### **Introduction**

The Office of Workers' Compensation Programs supports the Department of Labor's Goal 4, **Strengthened Economic Protections** and Outcome Goal 4B, ***Reduce the consequences of work-related injuries*** by protecting covered workers, their dependents and survivors by providing wage replacement, medical treatment, vocational rehabilitation and other benefits. Performance for this goal is measured using ten indicators.

The first two indicators measure reductions in average Federal sector Lost Production Days rates expressed as days of disability paid per 100 employees. A major OWCP strategy supporting the LPD goals continues to be Quality Case Management. In FY 2006, disability day reductions produced by QCM activities saved approximately \$42,000,000 in Federal Employees' Compensation Act (FECA) compensation costs. Reduction of LPD rates is also included as one of four goals of the Administration's Safety, Health and Return-to-Employment (SHARE) initiative and OWCP shares the lead for this initiative with the Occupational Safety and Health Administration. Besides LPD, SHARE also includes goals to improve Federal agency safety rates and speed filing of new injury reports. Begun in 2003, SHARE has been extended to FY 2009.

Workers' compensation outcomes can also be measured in financial terms, as these outcomes reflect the efficiency and quality of our benefit payment activities, the impact of case management and benefit services, and the utilization of administrative resources to produce those outcomes. Periodic Roll Management (PRM) generates benefit cost savings, a third performance indicator, through careful review of FECA cases to determine if continued disability status is warranted, and to determine the reemployment potential of those currently receiving compensation. Through PRM, OWCP has saved over \$2,000,000,000 since FY 1992.

OWCP also continues to keep the rate of inflation in average FECA medical costs below the national rate of health care inflation as measured by the Milliman USA, Health Cost Index. This success results from several administrative steps OWCP has taken in recent years (strengthened review of treatment authorization requests, fee schedules; and stronger automated edits and other controls). Comparing itself to the national index, OWCP estimates that its successes have avoided approximately \$35,000,000 on average over the past five fiscal years.

Improving customer service performance and customer satisfaction with services continue to be important strategic objectives, and several performance indicators are designed to measure results in this area. The FECA program reports the level of customer access to information services and the program's responsiveness to customer assistance requests. Measured for this indicator are the level of customer use of electronic services, average caller wait times, call resolutions, and call handling quality. To more sharply focus on service areas having greater potential for additional gains, OWCP has replaced the general electronic services usage indicator with two others: one to extend the availability of the FECA's Claimant Query System to an ever

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## **FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

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larger share of Federal employees; and the other, to increase Federal agency filing of claims electronically.

Timely, effective and accurate resolution of claims is an important customer service objective. The Longshore Program tracks the average time to resolve disputed issues, which in FY 2006 was 235 days. This was achieved largely as a result of the excellent work of the district offices, which resolved 61% of the disputes without referral to the Office of Administrative Law Judges (OALJ).

Revised regulations for Black Lung benefit claims were designed to produce faster and fairer final benefit determinations without changing eligibility requirements. The result has been an increase in the number of stakeholders who accept the district office's initial decision and decide not to pursue the claim further. This has been demonstrated in OWCP's indicator that measured the share of claims with no further pending issues after one year. The initial surge of re-filed claims brought forth by new regulations have passed through the system, and the remaining smaller volume of claims are more complex and pose more difficult issues for resolution. As a better measure of results in these claims, OWCP created a new indicator to measure the average number of days to render a decision on a Black Lung claim.

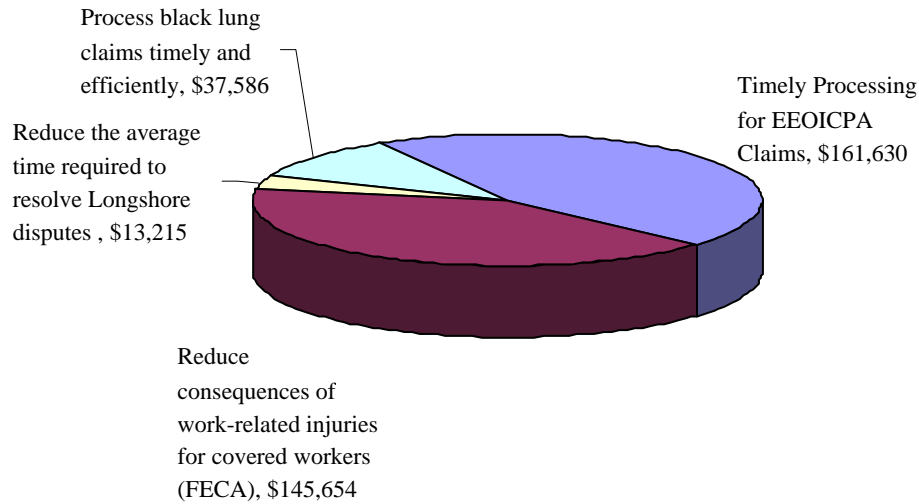
The EEOICPA program emphasizes claims processing timeliness and backlog reduction in its Part B and Part E programs. Indicators measure percentage of initial claims processed and percentage of Final Decisions issued within standard timeframes. EEOICPA has also begun to measure average processing times for Initial Claims.

### **Cost Model**

Achievement of OWCP's performance goals is dependent upon efficient delivery of benefits to claimants and effective administration of workloads among the primary activities of the four OWCP programs. These activities include claims adjudication; dispute mediation; benefit payment and cost control; injury recovery and return-to-work assistance; technical assistance; and customer services. At the FY 2008 Agency Request level, total OWCP performance activity costs will be \$4,797,527,000, including \$358,085,000 for program administration, \$6,205,000 for ESA PDS indirect support, and \$4,433,237,000 for benefits.

The administrative funding request includes funding in the amount of \$3,022,000 for HHS/NIOSH under the EEOICPA program. With the requested increase, HHS/NIOSH will be able to complete dose reconstructions at the projected rate of 3,000 for FY 2008 and address 40 new Special Exposure Cohort petitions.

**FY 2008 Budget Request by the Office of Workers' Compensation Programs**  
**Total OWCP Budget Request \$358,085**  
**(Dollars in Thousands)**



**Performance Challenges**

OWCP performance challenges reside in circumstances and trends found within today's workplace, government priorities, the nation's economy, and even national and homeland security threats. Other challenges stem from the nature and level of participation of program stakeholders in ensuring positive injury case outcomes and program effectiveness.

In the FECA program, total days lost due to workplace injury exceed 2,000,000 annually nationwide. Contributing significantly to this is the experience of the new Department of Homeland Security (DHS). The physical nature of the work, particularly with the Transportation Security Administration and the changes in staffing levels in that Department, have resulted in a rapid increase in reported job injuries and lost production days and a large increase in claims for FECA wage-loss compensation. The Department of Labor is working closely with DHS to reverse this trend.

Economic trends and workplace modernization and restructuring are changing the types of new injuries incurred and reducing the number of Federal jobs available to recovering injured workers. The United States Postal Service (USPS), which alone accounts for 40% of new



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## *FEDERAL PROGRAMS FOR WORKERS' COMPENSATION*

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Federal injuries and 36% of cases receiving FECA compensation, has been making adjustments to its workforce to coincide with advances in automation and declines in mail volume. Further, the new workplace is demanding that workers retrain and upgrade skills, and the average age of Federal workers is rising. These factors all make return-to-work and time loss reduction more challenging for the FECA program.

Significant challenges remain in achieving additional disability management outcomes. For example, by statute, providing monetary assistance to claimants in the initial 45-day continuation-of-pay (COP) period following an injury is assigned to the employer agencies. During this period FECA receives limited information to support early determination of which claims have the potential to be long-term and/or difficult return-to-work situations, and the program is limited in its knowledge of workplace conditions and specific job duties available in the agencies. Extending FECA's influence back to the injury date and into the COP period might be possible by strengthening FECA's partnership activities with Federal employers to ensure that sound disability management procedures are followed from the start of the claim. Continuation-of-pay costs to Federal employers for injured workers are estimated at \$73,000,000 in FY 2006; stronger disability management has significant potential for cost savings. The proposed FECA legislative reforms include a provision that would allow DOL to attempt to recover COP costs on agencies' behalf from responsible third parties, as it now does for FECA benefits it pays from the Special Benefits fund. This provision would result in a ten-year savings for the agencies of \$24,000,000.

While OWCP has been successful in controlling the growth of medical benefit costs below national health care trends, expanding medical technology and pharmacology and increased utilization of treatment services continue to push medical costs higher.

Business practices have become increasingly automated, so customer demands for information and assistance have also become more sophisticated and accelerated, but capabilities remain limited and communications are costly. As OWCP workloads are very labor and time-intensive, the program must continually seek out more efficient technological and resource use solutions.

Business process changes have brought demands for new skills in the OWCP workforce at the same time the workforce is aging. Employee retraining, succession planning to replace greater numbers of retiring Federal staff, and rotational assignments to maximize distribution of managerial and specialist talent will be needed to meet these human capital challenges.

The international security climate is presenting OWCP with unique circumstances. The Oklahoma City and East Africa embassy bombings, terrorist attacks on the World Trade Center and Pentagon, the anthrax events, and most recently, civilian employees injured or killed in Iraq and Afghanistan, or their survivors, illustrate the potential new threats to the welfare of the Federal workforce. These events can quickly produce large numbers of new claims and challenge FECA to respond rapidly to provide claims assistance and speed benefits delivery. The potential for greater security threats on American facilities will continue to require significant planning and investment of resources to prepare OWCP to respond rapidly to emergencies and maintain continuity of OWCP program operations.

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## *FEDERAL PROGRAMS FOR WORKERS' COMPENSATION*

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OWCP must also process and pay an increasing volume of War Hazard Act claims filed on behalf of contract workers killed or injured by hostile forces in the Middle East. The Longshore district offices provide compensation and medical compliance case monitoring, technical assistance and dispute resolution services for Defense Base Act (DBA) cases. The number of DBA claims resulting from injuries sustained by civilian contractors in Iraq and Afghanistan is increasing and current projections indicate this trend will continue. There is also potentially a large pool of Iraqi civilians employed by American contractors who may not be reporting injuries or may not be aware that they are entitled to coverage.

In the Longshore Program, one of the most significant impediments to improving dispute resolution outcomes remains customer/stakeholder expectations. A fair resolution is the right of all parties involved in a contested case, but ultimately any party not receiving the desired outcome will probably not be satisfied. While the Longshore program seeks to provide recommendations that are clear, balanced and in accordance with existing law, the acceptance or rejection of that recommendation is outside of the Division's control. In addition, case law resulting from litigation potentially affects the way claims and mediations are handled.

Also in the Longshore Program, the vocational rehabilitation system is under review. Reforms resulting from the review could affect service delivery by contract rehabilitation counselors who prefer the existing system. Additional challenges to the program could involve implementing mandated e-Government and technology initiatives and funding extended outreach and educational services for stakeholders. Finally, a recent Longshore and Harbor Workers' Compensation Act regulation requires insurance companies to pay security deposits for business in certain states regardless of their financial security rating. This may impact the cooperativeness of insurers who are required to deposit relatively large securities under the proposed rule.

A major challenge for OWCP continues to be the growing debt of the Black Lung Disability Trust Fund (BLDTF). Although current BLDTF revenues are more than enough to pay for benefits and administration of the program, they are not enough to pay all interest charges on the existing BLDTF debt. Consequently, the program is in a vicious cycle of having to borrow more and more on its ever-increasing debt. Under current conditions indebtedness will continue to grow even when benefit outlays have declined to near zero. To solve this problem, legislation to restructure the BLDTF debt has been proposed. For the past several years, DOL's portion of the President's Budget has included this proposed legislation, which was recommended by the Office of Inspector General. Proposed legislation was transmitted to the Congress in 2000, 2002, 2004 and 2005. The legislation, H.R. 3915, was introduced in the House in September 2005 and will be re-proposed in FY 2008.

A second challenge in the Black Lung Program involves the imbalance of workload and resources resulting from a district office system developed twenty-seven years ago to accommodate industry concentrations at that time. In the interim, mining operations in Pennsylvania and the Midwest have declined for various reasons, among them the shift from high-sulfur coal production, but claims filings have increased in the southern Appalachian region and West Virginia. The result has been changes in workload concentration that are not

compatible with existing district office structure and resource distribution. To address this problem, the program has moved workload and FTE from office to office.

With the amendment of the Energy Employees Occupation Illness Compensation Program Act (EEOICPA) to include the new Part E program, OWCP's DEEOIC Program remains challenged to eliminate and adjudicate the backlog of 25,000 Part D cases that were transferred to DEEOIC with the enactment of the amendment creating Part E, as well as processing new incoming Part E claims. By FY 2008, DEEOIC will have a number of complex and difficult cases to adjudicate, which will require decisions on multiple exposures, and multiple decisions per case. DEEOIC will have to continually train staff on legislation, rules and procedures essential to processing the claims. Staff will be faced with the challenge of new precedents, and by the need to re-evaluate open claims under Part E that originated under the Part D program, for newly claimed illnesses, increased impairment and wage loss, and ongoing medical care.

### **PART issues**

The Performance Assessment Rating Tool (PART) review for the FY 2004 Budget rated DFEC as "Moderately Effective." FECA was noted for having clear, ambitious, outcome-oriented goals, properly aimed at assisting injury recovery and return to work, promptly delivering benefits, and containing Federal costs. Its non-adversarial design further constrains administrative overhead. The PART favorably noted the program's numerous outcome and timeliness measures, and called for the addition of efficiency measures.

DFEC has moved aggressively to implement PART recommendations, made several program changes, and is noting improvements. Progress is occurring in coordination with partners and within the confines of available budget resources. Along with OSHA, OWCP has moved the Safety, Health and Return-to-Employment initiative, directed at improving Federal agency performance, into its second three-year phase, after achieving government-wide success on all four SHARE metrics through the end of the first phase. Benefit liability estimates generated by the FECA model are being delivered timely to Federal agencies. Using DOL's Cost Analysis Model (CAM) and Logic Model, cost analysis principles are being introduced as a basis for discovering and applying best practices to increase efficiency and as a management tool for allocating resources and formulating budgets.

The Black Lung program underwent PART review in FY 2003 for the FY 2005 budget cycle. While the program was judged "Moderately Effective," the assessment noted the growing Black Lung Disability Trust Fund debt, and a need to establish cost-effectiveness goals and monitor and adjust performance targets to ensure that they remain challenging and meaningful. Black Lung has chosen three workload outputs per FTE as its productivity and efficiency measures and is tracking and reporting on them. Performance indicators are being used by DCMWC managers to monitor workload and other performance; to determine how well the program is meeting its overall mission requirements; and to identify potential problems and design strategies to mitigate them. Also pursuant to PART requirements, DCMWC is undergoing an independent evaluation to analyze program effectiveness. Finally, the PART recommended that the Office of Administrative Law Judges (OALJ), the Benefits Review Board (BRB) and Solicitor, which play

a critical role in resolving Black Lung claims, develop performance measures that support their Black Lung activities.

The Longshore Program underwent its PART review in FY 2005. The program was rated "Adequate." The PART found consistent progress in achieving its performance goals, but a lack of comprehensive data to gauge the program's effectiveness and efficiency. The PART recommended that the program 1) identify needed reforms to strengthen the Longshore and Harbor Workers' Compensation Act; 2) evaluate its claims system to identify better alternatives for tracking the benefit delivery services of employers and carriers, and allow comparisons with similar programs; and 3) eliminate shortcomings identified in a 2004 audit by strengthening the processes and controls in the program's disbursement system. The program is addressing the second PART recommendation through a formal evaluation in FY 2006-2007 that will study Longshore program efficiency and develop distinct program performance measures that will enable Longshore to benchmark against similar workers' compensation systems. Longshore is also evaluating the processes and controls in the program's disbursement system that was strengthened in response to shortcomings identified in a 2004 audit that made up the third PART recommendation.

### **Program Efficiency Measures**

The first of FECA's two Efficiency Measures is "Claims managed per FTE." Case management includes adjudicating claims, paying benefits, long-term beneficiary roll maintenance, communications and customer services, and disability management (DM). The goal of this measure is to arrive at an optimum ratio of work to staff that ensures efficient and quality management of claims as measured by processing timeliness and accuracy, and effective service delivery. While the FECA program's average managed claims load had increased against declining FTE, the program is currently projecting a leveling off of that ratio. This projection reflects FECA's longer range plan to take advantage of work processing improvements produced by its upgraded iFECS automated system and through pursuit of potential business process changes to improve efficiency.

While work process modernization in recent years has increased efficiency and supported continued handling of large caseloads, it has been the establishment of special Quality Case Management claims units with smaller caseloads that has enabled DFEC to drastically reduce average lost production days in QCM cases. FECA claims work is the most intense in the first two years of disability when QCM examiners are engaged with the injured workers and employing agency personnel to speed recovery from injury and return to work.

The second efficiency measure is the "Containment of FECA average medical benefit costs relative to nationwide medical cost inflation." In the past year, the rate of increase in average FECA medical treatment payments rose by 6.3%, below the nationwide medical cost trend of 8.7% measured by the Milliman USA Health Cost Index. DFEC's development of its medical fee schedule, prior authorization of medical examinations, medical bill coding and utilization reviews, and centralization of the bill processing operation, as well as investments in QCM have enabled the FECA program to meet the goals of this efficiency measure.

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## **FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

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More stringent bill reviews under the centralized system are expected to further reduce average FECA medical costs. These include maintenance of multiple systems to monitor medical costs, including automated front-end operations that check for: provider and claimant eligibility, diagnosis to accepted condition, treatment type and duration that are appropriate to diagnosis, billing form and content, and duplication. Fee schedules that set standard payment levels for specific medical services are also applied at the front end of processing. The system has additional checks for improper billing practices in bills submitted for professional medical and outpatient hospital services.

As part of its strategy for achieving budget and performance integration, the Longshore Program has developed an efficiency measure to gauge overall program effectiveness and efficient use of taxpayer dollars. This measure, claims managed per FTE, captures the productivity and efficiency of the claims process. Data for this measure will be taken from the Longshore Case Management System.

In the Black Lung Program, three workload outputs per FTE have been identified as productivity and efficiency measures: Proposed Decisions and Orders, Claims Inventory Management Activities (beneficiary status reviews, Certificates of Medical Necessity and other case-related activity), and Schedules for the Submission of Additional Evidence. Workloads under both Part B and Part C are decreasing. A downward trend in efficiency measure outputs has resulted as the number of claims has declined. Improved staff capabilities in making quality initial determinations has resulted in a reduction of the number of cases referred to the OALJ, BRB, and Solicitor's office. This reduction will provide cost savings by limiting the high costs associated with the hearings and appeals process. Black Lung Program FTE was reduced in FY 2006 due to declining workloads and will be reduced further in FY 2007 and 2008. The program continues to maintain efficiency in claims processing per FTE and cost savings. Out-year projections are also being reviewed in the PART follow-up program evaluation which will assist in establishing incoming workload estimates for the next 10 years.

In an effort to measure its effectiveness and productivity in processing claims and benefit delivery, the Energy Program has developed the efficiency measure of measuring average number of decisions managed per FTE. This efficiency measure demonstrates the outcomes of claims development and program management. The data will be taken from the Energy Case Management System (ECMS).

### **Conclusion**

As the Federal Government increasingly emphasized results-oriented management, OWCP has been able to advance from traditional claims processing and benefit payment activities to expand its strategic vision. This vision includes working proactively to achieve better injury case outcomes, adoption of better business practices, advocacy of new roles and levels of participation for employers in injury claims, and expansion of customer services. OWCP will continue to emphasize effective management of its production workloads, integration of financial performance data into management decision-making, more efficient investment of resources, and better use of technology and other business solutions to advance program results.

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

**PART RECOMMENDATION AND STATUS**

| <b>Agency/Program: ESA/OWCP/Federal Employees' Compensation Act (FECA)</b>   |  |                      |                          |  |
|--|--|----------------------|--------------------------|--|
| <b>PART Recommendation</b>   | <b>Milestone(s)</b>  | <b>Target (FY/Q)</b> | <b>Completion (FY/Q)</b> | <b>Comments on Status; Reference/Documentation</b>   |
| Assessing approaches for implementing recommendations made in an evaluation of the program's design, strategic goals, and strategies and of State industry best practices. | Continue to assess the value of recommendations and explore approaches for implementation                      | Ongoing              | Ongoing                  | The evaluation of FECA program effectiveness, completed in March 2004, focused on disability management (DM) and wage-loss payment and included a review of industry comparators. DFEC seeks to improve DM strategies in the COP period and is conducting a study to plan that effort. |
| Working with Congress to reform the FECA to update the benefit structure and convert benefits for retirement-age individuals to a typical retirement leave.                | Include FECA reform proposal in the FY 2008 Congressional Budget.  | FY 2007/Q2           | FY 2007/Q4               | Pending Congressional passage of the FY 2008 Budget.   |
| Develop a cost-effectiveness performance goal (e.g., cost per rehabilitation) to assess efficiency and year-to-year trends   | Continue to test the CAM model for FECA program use; refine measurement of costs and activities; and introduce | Ongoing              | Ongoing                  | As a user of DOL's Cost Analysis Manager (CAM) system, OWCP/FECA participates in ongoing efforts with the OCFO to refine the uses of the system and incorporate its use into management operations.  |

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

**PART RECOMMENDATION AND STATUS**

| <b>Agency/Program: ESA/OWCP/Federal Employees' Compensation Act (FECA)</b>  |   |                      |  |  |
|---|---|----------------------|--|--|
| <b>PART Recommendation</b>  | <b>Milestone(s)</b>   | <b>Target (FY/Q)</b> | <b>Completion (FY/Q)</b>                       | <b>Comments on Status; Reference/Documentation</b>   |
|   | managerial cost accounting into program analysis and decision-making  |                      |  |  |
| Tracking and improving customer satisfaction.   | Continue measurement of results under new customer service goal. Continue to assess work processes and solutions to improve services to customers | Ongoing              | Ongoing  | A customer service performance goal focused on communications improvements is in place and performance is being measured.  |
| Establish government-wide goals for reducing injuries and lost production days and improving timeliness of injury reporting, and report on agencies' performance against goals. | Publish agency goals on the DOL website.  | Ongoing              | SHARE is a three-year initiative, FY 2003-2006 | The Safety, Health and Return-to Employment (SHARE) initiative has been extended to FY 2009. The initiative is jointly partnered by OWCP and the Occupational Safety and Health Administration, and has established government-wide goals to reduce injuries |

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

**PART RECOMMENDATION AND STATUS**

| <b>Agency/Program: ESA/OWCP/Federal Employees' Compensation Act (FECA)</b>   |                     |                      |                          |   |
|--|---------------------|----------------------|--------------------------|---|
| <b>PART Recommendation</b>   | <b>Milestone(s)</b> | <b>Target (FY/Q)</b> | <b>Completion (FY/Q)</b> | <b>Comments on Status; Reference/Documentation</b>  |
|  |                     |                      |                          | and lost production days.   |
| Continue its emphasis on timely estimates of Federal agencies' FECA liability to support accelerated preparation of government-wide financial statements | Completed           | NA                   | FY 2000                  | Using the model that was completed in Sept. 2000, the liability estimates for 2006 were submitted as required by the OIG audit schedule to the OCFO |



**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

**PART RECOMMENDATION AND STATUS**

| <b>Agency/Program: ESA/OWCP/Division of Coal Mine Workers' Compensation</b>  |   |                      |                                |  |
|--|---|----------------------|--------------------------------|--|
| <b>PART Recommendation</b>   | <b>Milestone(s)</b>   | <b>Target (FY/Q)</b> | <b>Completion (FY/Q)</b>       | <b>Comments on Status; Reference/Documentation</b>   |
| Periodically review actual performance vis-à-vis targets and modify targets to ensure they remain challenging  | Review performance data from the first quarter, FY 2006   | Ongoing              | Ongoing                        | Performance data is being tracked monthly and reviewed quarterly to ensure targets remain challenging. Performance timeliness targets for FY 2006 were raised during the first quarter FY 2006 as part of an operational plan review. In FY 2007, the program will begin reporting average number of days to render decisions on a Black Lung claim. |
| Conducting independent evaluations of the Black Lung program that include a comparison of program outcomes and efficiency to other similar programs. | Review preliminary report and approve study design and timeline for second phase of evaluation. | FY 2006              | Action taken but not completed | The evaluation is underway and is expected to be completed in FY 2007.   |
| Determine what comparable medical cost trend should be used to evaluate medical cost containment performance.  | Complete model and begin performance tracking   | FY 2006              | Action taken but not completed | The program has determined a model for measuring Black Lung medical benefits cost containment and identified other government agencies with medical benefits to use as comparable benchmarks. The program will begin reporting performance results in FY 2007.   |
| Establishing performance goals that  |   |                      |                                | The BRB and Solicitor have established performance measures and targets. DOL is working with the OALJ to   |

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

**PART RECOMMENDATION AND STATUS**

| <b>Agency/Program: ESA/OWCP/Division of Coal Mine Workers' Compensation</b>  |                     |                      |                          |  |
|--|---------------------|----------------------|--------------------------|--|
| <b>PART Recommendation</b>   | <b>Milestone(s)</b> | <b>Target (FY/Q)</b> | <b>Completion (FY/Q)</b> | <b>Comments on Status; Reference/Documentation</b>   |
| are ambitious and contribute to efficient adjudication of Black Lung claims.   |                     |                      |                          | establish measures and targets for Black Lung claims.  |
| Tracking and reporting on productivity (output per full-time-equivalent employee) in order to gauge efficiency and year-to-year changes. | NA                  | Completed            | Completed                | The program has chosen three workload outputs/FTE as its productivity and efficiency measures and is already tracking and reporting on them: schedules for the submission of additional evidence; proposed decision and orders; and inventory management activities (beneficiary status reviews, certificates of medical necessity and other claims-related activities). |

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

**PART RECOMMENDATION AND STATUS**

| <b>Agency/Program: ESA/OWCP/Longshore and Harbor Workers' Compensation Act</b>  |  |                      |                                   |  |
|---|--|----------------------|-----------------------------------|--|
| <b>PART Recommendation</b>  | <b>Milestone(s)</b>  | <b>Target (FY/Q)</b> | <b>Completion (FY/Q)</b>          | <b>Comments on Status; Reference/Documentation</b>   |
| Identifying needed reforms to strengthen the Longshore and Harbor Workers' Compensation Act   |  |                      |                                   | GAO has been asked to study Senate Longshore reform options. OWCP will work with the GAO study team. |
| Evaluating the automated claims system to identify more effective alternatives for tracking the benefit delivery services of employers and carriers and to allow comparisons with similar programs. | Longshore is currently undergoing an evaluation to be completed in FY 2007 to study program efficiency and effectiveness and develop performance measures. | Ongoing              |                                   | Longshore is pursuing strategies to implement the recommendations of the study.                      |
| Eliminating shortcomings identified in a 2004 audit by strengthening the processes and controls in the program's disbursement system.   | Documentation was provided in FY 2006 to resolve the shortcomings identified in the program's disbursement system.   |                      | Completed pending OIG concurrence |  |

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

| <b>EFFICIENCY MEASURE</b>               |  |                    |      |      |            |
|---|--|--------------------|------|------|------------|
| <b>Program/Budget Activity</b>          | ESA/OWCP/Federal Employees' Compensation Program   |                    |      |      |            |
| <b>FY Program PARTed</b>                | FY 2004  |                    |      |      |            |
| <b>Status of Approval</b>               | Approved   |                    |      |      |            |
| <b>Efficiency Measure</b>               | Average number of claims managed per FTE   |                    |      |      |            |
| <b>Numerator Description</b>            | Total cases in Open status at the end of the fiscal year   |                    |      |      |            |
| <b>Denominator Description</b>          | Number of actual FTE from ESA Employment Report – Report of End-of-Year Status – FTE used for fiscal year  |                    |      |      |            |
| <b>Baseline Data</b>                    | FY/PY  | Numerator: 263,480 |      |      | Ratio: 288 |
|   | FY 2000  | Denominator: 915   |      |      |            |
| <b>FY</b>                               | 2005   | 2006               | 2007 | 2008 | 2009       |
| <b>Target Ratios</b>                    | 332  | 332                | 332  | TBD  | TBD        |
| <b>Results Ratios</b>                   | 370  | 440                |      |      |            |
| <b>Comment/Data Source</b>              | <p>Caseload size, combined with performance results information, provides an indicator of the efficiency of staff resource use. FECA case information is derived from the Integrated Federal Employees' Compensation System (IFECS).</p> <p>Due to iFECS implementation setbacks, OWCP staff will need time to become proficient with the new system. This impacts the efficiency with which staff can manage claims. As that occurs, OWCP intends to review and will consider revising this efficiency measure.</p>   |                    |      |      |            |
| <b>Strategies to achieve efficiency</b> | <p>The objective of this measure is to arrive at an optimum ratio that ensures efficient and quality management of Federal injury claims, as measured by processing timeliness and accuracy and effective service delivery and improvements in program outcomes. Part of the workload increase since FY 2000 has been offset by efficiency improvements which include data system modernization and automation and reengineering of workload processes. However, higher ratios continue to challenge FECA in providing sufficient resources for meeting its labor-intensive disability management goals to reduce lost production days in Federal injury cases and increase returns-to-work.</p> |                    |      |      |            |

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

| <b>EFFICIENCY MEASURE</b>               |   |                                 |                  |                  |                  |
|---|---|---------------------------------|------------------|------------------|------------------|
| <b>Program/Budget Activity</b>          | ESA/OWCP/Federal Employees' Compensation Program  |                                 |                  |                  |                  |
| <b>FY Program PARTed</b>                | 2004  |                                 |                  |                  |                  |
| <b>Status of Approval</b>               | Approved  |                                 |                  |                  |                  |
| <b>Efficiency Measure</b>               | Rate of change in average FECA medical service costs compared to the annual rate of change in national costs as measured by the Milliman, USA Health Cost Index   |                                 |                  |                  |                  |
| <b>Numerator Description</b>            | See notation below  |                                 |                  |                  |                  |
| <b>Denominator Description</b>          | See notation below  |                                 |                  |                  |                  |
|   | FY/PY   | Numerator: see notation below   |                  |                  | Ratio:           |
| <b>Baseline Data</b>                    | January 2004  | Denominator: see notation below |                  |                  |                  |
|   | FY  | 2005                            | 2006             | 2007             | 2008             |
| <b>Target Ratios</b>                    | vs Milliman, USA  | vs Milliman, USA                | vs Milliman, USA | vs Milliman, USA | vs Milliman, USA |
| <b>Result Ratios</b>                    | +2.8% (FECA) to 8.1% Milliman   | +6.3% (FECA) to 8.7% Milliman   |                  |                  |                  |
| <b>Comment/Data Source</b>              | <p>This is a measure of the effectiveness of OWCP strategies to control medical costs compared to a benchmark representing per capita cost changes in the nation's medical services. The objective is to remain below the nation's inflationary rate of change.</p> <p>The comparators for this measure are the indexed values of the rates of change in the rolling 12-month average costs per capita for individuals receiving medical services in the FECA program and for the nation as measured by Milliman, USA. For this measure, the expression of the two annual percentage rates is more appropriate than calculation of a more abstract numerator to denominator ration from the indices.</p> <p>FECA medical cost data is extracted from Integrated Federal Employees' Compensation System, after that data is transmitted to IF ECS from the Central Bill Processing contract system. National medical data is obtained through Milliman, USA.</p> |                                 |                  |                  |                  |
| <b>Strategies to achieve efficiency</b> | FECA has taken a series of administrative steps including centralization of bill processing, strengthened review of requests for treatment authorization, application of fee schedules to set payment levels on medical procedures, and a stronger system of automated edits and other controls to ensure accuracy and proper and appropriate payment.  |                                 |                  |                  |                  |

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

| <b>EFFICIENCY MEASURE</b>               |   |                   |      |      |            |
|---|---|-------------------|------|------|------------|
| <b>Program/Budget Activity</b>          | ESA/OWCP/Longshore and Harbor Workers' Compensation   |                   |      |      |            |
| <b>FY Program PARTed</b>                | FY 2005   |                   |      |      |            |
| <b>Status of Approval</b>               | Approved  |                   |      |      |            |
| <b>Efficiency Measure</b>               | Claims managed per FTE  |                   |      |      |            |
| <b>Numerator Description</b>            | Claims managed  |                   |      |      |            |
| <b>Denominator Description</b>          | Number of actual FTE from ESA Employment Report – Report of End-of-Year Status – FTE used for fiscal year   |                   |      |      |            |
|   | FY/PY   | Numerator: 35,964 |      |      | Ratio: 353 |
| <b>Baseline Data</b>                    | FY 2004   | Denominator: 102  |      |      |            |
| <b>FY</b>                               | 2005  | 2006              | 2007 | 2008 | 2009       |
| <b>Target Ratios</b>                    | 359   | 366               | 373  | 377  | 381        |
| <b>Result Ratios</b>                    | 385   | 428               |      |      |            |
| <b>Comment/Data Source</b>              | This measure is important because it captures the productivity and efficiency of the number of claims managed per FTE. It demonstrates the volume and program management required for the claims. Data will be extracted from the Longshore Case Management System (LCMS).  |                   |      |      |            |
| <b>Strategies to achieve efficiency</b> | Several key strategies will promote increased efficiency for this measure. Longshore will seek input from stakeholders on improving dispute resolution and case management; improve, streamline and better manage district office dispute resolution processes and tracking; use outreach to develop a relationship with the customer community based on confidence and trust; use outreach and technical assistance to institutionalize accelerated submissions of injury reports, required filings from employers/carriers in compliance with statutory requirements and evidence that will reduce the time it takes to resolve disputes; and use seminars, claims manager roundtable meetings, and personal meetings with contracting agency officers to discuss any issues or suggestions on Defense Base Act Claims. |                   |      |      |            |

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

| <b>EFFICIENCY MEASURE</b>               |   |                  |       |       |              |
|---|---|------------------|-------|-------|--------------|
| <b>Program/Budget Activity</b>          | ESA/OWCP/Division of Coal Mine Workers' Compensation  |                  |       |       |              |
| <b>FY Program PARTed</b>                | 2003  |                  |       |       |              |
| <b>Status of Approval</b>               | Approved  |                  |       |       |              |
| <b>Efficiency Measure</b>               | Claims adjudicated per FTE for Part C   |                  |       |       |              |
| <b>Numerator Description</b>            | Number of initial findings (proposed decision and order) for Part C   |                  |       |       |              |
| <b>Denominator Description</b>          | Number of actual FTE from ESA Employment Report – Report of End-of-Year Status – FTE used for fiscal year   |                  |       |       |              |
|   | FY/PY   | Numerator: 4,769 |       |       | Ratio: 21.58 |
| <b>Baseline Data</b>                    | 1998  | Denominator: 238 |       |       |              |
| <b>FY</b>                               | 2005  | 2006             | 2007  | 2008  | 2009 1/      |
| <b>Target Ratios</b>                    | 25.23   | 21.36            | 23.15 | 23.64 |              |
| <b>Result Ratios</b>                    | 23.65   | 25.12            |       |       |              |
| <b>Comment/Data Source</b>              | The Black Lung Automated Support Package (ASP) is the system used to house the Black Lung benefit claims database and program applications. Networks reside on the ESA platform. The ASP system supports and provides the raw data for the program's outcome performance indicator, which was designed to quantitatively demonstrate that benefit determinations are fairer and faster.   |                  |       |       |              |
| <b>Strategies to achieve efficiency</b> | <ul style="list-style-type: none"> <li>• Quality decisions, issued in a timely manner, are a fundamental consideration when determining performance targets that support the program's strategic indicator. Management has set timeliness targets for its adjudication track and expects to continue to meet its annual targets for increasing the percentage of claims for which no request for further action is pending from any party one year after date of filing as quality and timeliness continue to improve.</li> <li>• Program management will continue to regularly review both its strategic plan performance indicators and its management performance goals to ensure they remain challenging and encourage performance improvement.</li> <li>• The program will continue to explore and implement as feasible and appropriate automated solutions that improve service delivery, performance and program results, and financial reporting.</li> </ul> |                  |       |       |              |

1/ Out-year projections are being reviewed in the PART follow-up evaluation which will assist in establishing incoming workloads for the next ten years.

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

| <b>EFFICIENCY MEASURE</b>                  |   |                    |        |        |                  |
|--|---|--------------------|--------|--------|------------------|
| <b>Program/Budget Activity</b>             | ESA/OWCP/Division of Coal Mine Workers' Compensation  |                    |        |        |                  |
| <b>FY Program PARTed</b>                   | 2003  |                    |        |        |                  |
| <b>Status of Approval</b>                  | Approved  |                    |        |        |                  |
| <b>Efficiency Measure</b>                  | Claims managed per FTE  |                    |        |        |                  |
| <b>Numerator Description</b>               | Number of claims managed for Part B and Part C  |                    |        |        |                  |
| <b>Denominator Description</b>             | Number of actual FTE from ESA Employment Report – Report of End-of-Year Status – FTE used for fiscal year   |                    |        |        |                  |
|  | FY/PY   | Numerator: 179,015 |        |        | Ratio:<br>752.16 |
| <b>Baseline Data</b>                       | 1998  | Denominator: 238   |        |        |                  |
| <b>FY</b>                                  | 2005  | 2006               | 2007   | 2008   | 2009 1/          |
| <b>Target Ratios</b>                       | 378.79  | 376.28             | 374.62 | 377.83 |                  |
| <b>Result Ratios</b>                       | 440.98  | 448.89             |        |        |                  |
| <b>Comment/Data Source</b>                 | The Black Lung Automated Support Package (ASP) is the system used to house the Black Lung benefit claims database and program applications. Networks reside on the ESA platform. The ASP system supports and provides the raw data for the program's outcome performance indicator, which was designed to quantitatively demonstrate that benefit determinations are fairer and faster  |                    |        |        |                  |
| <b>Strategy(ies) to achieve efficiency</b> | <ul style="list-style-type: none"> <li>• Quality decisions, issued in a timely manner, are a fundamental consideration when determining performance targets that support the program's strategic indicator. Management has set timeliness targets for its adjudication track and expects to continue to meet its annual targets for increasing the percentage of claims for which no request for further action is pending from any party one year after date of filing as quality and timeliness continue to improve.</li> <li>• Program management will continue to regularly review both its strategic plan performance indicators and its management performance goals to ensure they remain challenging and encourage performance improvement.</li> <li>• The program will continue to explore and implement as feasible and appropriate automated solutions that improve service delivery, performance and program results, and financial reporting.</li> </ul> |                    |        |        |                  |

<sup>1/</sup> Out-year projections are being reviewed in the PART follow-up evaluation which will assist in establishing incoming workloads for the next ten years.



**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

| <b>EFFICIENCY MEASURE</b>               |  |                  |       |       |                 |
|---|--|------------------|-------|-------|-----------------|
| <b>Program/Budget Activity</b>          | ESA/OWCP/Division of Coal Mine Workers' Compensation   |                  |       |       |                 |
| <b>FY Program PARTed</b>                | 2003   |                  |       |       |                 |
| <b>Status of Approval</b>               | Approved   |                  |       |       |                 |
| <b>Efficiency Measure</b>               | Issuance of Schedules for the Submission of Additional Evidence per FTE  |                  |       |       |                 |
| <b>Numerator Description</b>            | Number of schedules for the submission of additional evidence issued per fiscal year   |                  |       |       |                 |
| <b>Denominator Description</b>          | Number of actual FTE from ESA Employment Report – Report of End-of-Year Status – FTE used for fiscal year  |                  |       |       |                 |
|   | FY/PY  | Numerator: 7,707 |       |       | Ratio:<br>37.41 |
| <b>Baseline Data</b>                    | FY 2002  | Denominator: 223 |       |       |                 |
|   | <b>FY</b>  | 2005             | 2006  | 2007  | 2008            |
| <b>Target Ratios</b>                    |  | 2009 1/          |       |       |                 |
| <b>Result Ratios</b>                    |  | 23.83            | 21.36 | 23.56 | 23.64           |
| <b>Comment/Data Source</b>              |  | 23.35            | 23.77 |       |                 |
| <b>Strategies to achieve efficiency</b> | <p>The Black Lung Automated Support Package (ASP) is the system used to house the Black Lung benefit claims database and program applications. Networks reside on the ESA platform. The ASP system supports and provides the raw data for the program's outcome performance indicator, which was designed to quantitatively demonstrate that benefit determinations are fairer and faster.</p> <ul style="list-style-type: none"> <li>• Quality decisions, issued in a timely manner, are a fundamental consideration when determining performance targets that support the program's strategic indicator. Management has set timeliness targets for its adjudication track and expects to continue to meet its annual targets for increasing the percentage of claims for which no request for further action is pending from any party one year after date of filing as quality and timeliness continue to improve.</li> <li>• Program management will continue to regularly review both its strategic plan performance indicators and its management performance goals to ensure they remain challenging and encourage performance improvement.</li> <li>• The program will continue to explore and implement as feasible and appropriate automated solutions that improve service delivery, performance and program results, and financial reporting.</li> </ul> |                  |       |       |                 |

1/ Out-year projections are being reviewed in the PART follow-up evaluation which will assist in establishing incoming workloads for the next ten years.

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

| <b>EFFICIENCY MEASURE</b>               |              |   |                                      |                     |                     |                     |
|---|--------------|---|--------------------------------------|---------------------|---------------------|---------------------|
| <b>Program/Budget Activity:</b>         |              | Energy Employees Occupational Illness Compensation Program – Parts B and E  |                                      |                     |                     |                     |
| <b>Status of OMB Approval:</b>          |              | Pending OMB Approval  |                                      |                     |                     |                     |
| <b>Efficiency Measure:</b>              |              | Average number of decisions per FTE   |                                      |                     |                     |                     |
| <b>Numerator Description:</b>           |              | Number of decisions   |                                      |                     |                     |                     |
| <b>Denominator Description:</b>         |              | Number of actual FTE from ESA Employment Report – Report of End of Year Status – FTE Used for Fiscal Year   |                                      |                     |                     |                     |
| <b>Baseline Data:</b>                   |              | FY 2005<br><i>–Part E was added in 2005.</i>  | Numerator: 38433<br>Denominator: 329 |                     | Ratio:<br>116.8     |                     |
| <b>Targets</b>                          | <b>Year</b>  | FY 2005   | FY 2006                              | FY 2007             | FY 2008             | FY 2009             |
|   | <b>Ratio</b> | 116.8<br>(38,433/329)   | 190.7<br>(88,488/464)                | 151<br>(70,000/464) | 142<br>(65,784/464) | 120<br>(55,640/464) |
| <b>Comment/Data Source</b>              |              | Decisions per FTE captures the productivity and efficiency of the program. It demonstrates the outcomes of claims development and program management. The data will be extracted from the Energy Case Management System (ECMS).   |                                      |                     |                     |                     |
| <b>Strategies to Achieve Efficiency</b> |              | <p>Efficiency will be increased by enhancement of policies and procedures, better use of automated data processing tools, and improvements to benefit delivery, to case management and to information provided to partner agencies and the public. In addition, the program will continue its development of a unified case management system for Parts B and E.</p> <p>Intensification of outreach efforts to reach potential beneficiaries will also affect productivity. Through these outreach efforts, DEEOIC expects to receive a constant new claim level. As the program matures, additional challenges to maintaining efficiency levels will arise from litigation, changes in dose reconstruction parameters, and additions to the Special Exposure Cohort.</p> |                                      |                     |                     |                     |

## **PERFORMANCE SUMMARY**

### **Introduction**

OLMS contributes to the Department of Labor's goal for **Strengthened Economic Protections** by increasing *compliance with worker protection laws*. Specifically, OLMS works to achieve compliance with and enforce standards for union financial integrity, democracy, and transparency under the Labor-Management Reporting and Disclosure Act (LMRDA) and related laws.

Under Performance Goal 4, OLMS seeks to *ensure union financial integrity, democracy, and transparency*. In FY 2008 performance for this goal will be measured using the following indicators and targets:

- **Increase Union Financial Integrity:** Decrease the percentage of unions with indicators of fraud to 7%.
- **Ensure Union Democracy:** Increase the rate of compliance with LMRDA standards for union officer elections to 93%, from the 92% baseline established in FY 2006.
- **Increase Union Transparency:** Increase to 97% the percentage of union reports that meet standards of acceptability.

*Increase Union Financial Integrity:* The proper and legal use of union members' dues and assets is paramount in helping ensure strengthened economic protections. By identifying fraud and initiating criminal enforcement actions, OLMS contributes to the strategic goals of the Department. OLMS makes use of targeted and random union audits to identify fraud and act as a deterrent. In carrying out this mission, OLMS established a baseline for the incidence of fraud of 9% of randomly audited unions in FY 2004. Results of random audits in FY 2006 indicate that the incidence of fraud has decreased to 8%, meeting OLMS' goal. OLMS has established goals of 7.5% in FY 2007 and 7% in FY 2008.

OLMS recognizes that deterrent activities take more than one form, and that the use of random audits as a deterrent is only one measure that can be used. Increased criminal investigations and enforcement of LMRDA reporting are also emphasized as means to increase financial integrity. OLMS uses its program of union audits and criminal investigations to identify financial irregularities and, where warranted, refer criminal cases to the Department of Justice for indictment and conviction. In FY 2006, OLMS referrals resulted in 118 indictments and 130 convictions, up from 115 and 97 respectively in FY 2005.

*Ensure Union Democracy:* As with financial integrity, the right of union members to freely elect union officials is an important means of strengthening economic protections for workers. Ensuring democratic elections and the full participation of union members in those elections is important in ensuring that members have the ability to freely elect union officers.

As a means of advancing this goal, in 2006, OLMS established a baseline measure of union democracy, based on a series of random audits of union officer elections. This study found that of the procedures and unions audited, unions were in compliance with 92% of the established standards. Given the already high rate of compliance with the union democracy standards, OLMS established goals for FY 2007 and FY 2008 of 92.5% and 93% of standards met, respectively.

OLMS has emphasized two programs designed to increase the levels of union democracy. A special compliance assistance program targets unions with upcoming elections that have had problems with elections in the past, offering pre-election guidance and assistance. A newly instituted program of union advisory services is tasked with reviewing union constitutions to ensure that the formal processes for carrying out a union election are not in conflict with the LMRDA. Both compliance assistance programs are designed to help unions avoid non-compliance and promote democratically-held elections.

*Increase Union Financial Transparency:* OLMS believes that its ability to increase union financial integrity and democracy would be hampered if union members are not cognizant of the financial operations of their unions. Unions are required to annually file a financial report with the Department of Labor, and these reports contain valuable information on union finances. The completeness and accuracy of these reports is essential to meaningful public disclosure.

In 2003, OLMS conducted a study of the percentage of unions whose reports met a minimum level of acceptability, finding that only 73% of the unions met the standards established. Since then, OLMS has increased the acceptability rate, largely by emphasizing compliance assistance and increasing the use of electronic reporting formats by unions. In FY 2006, the level of acceptability reached 96%. OLMS expects that 97% of union reports will meet the minimum levels of acceptability in FY 2008.

As part of its program to get the information to union members and other interested parties, LMRDA public disclosure reports are available through the OLMS website. Electronic filings are promptly posted to the website, enabling faster public access to the data. OLMS understands that not all unions will have the means to file electronically. For those reports filed via paper, the submissions are scanned and made available on the website in a timely manner.

OLMS will continue to promote the use of its electronic filing system and also provide assistance to unions wishing to file electronically. OLMS continues to promote the use of its website as a means for union members and others to access the records and has contracted with outside researchers to identify means by which OLMS can make its website more user-friendly. OLMS feels that through these efforts, the acceptability of reports will continue to increase and that this effort will underpin the goals of greater financial integrity and democracy, further leading to strengthened economic protections.

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**OFFICE OF LABOR MANAGEMENT STANDARDS**

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**Cost Model**

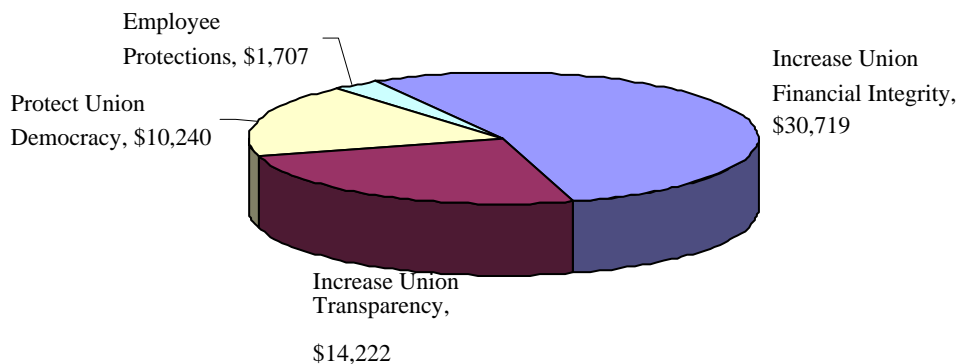
OLMS is requesting \$56,888,000 and 369 FTE for FY 2008.

The chart below shows how the resources at the FY 2008 Congressional Request level would be distributed to achieve performance goals.

| <b>Goals</b>                                 | <b>Funding (\$ in thousands)</b> |
|--|----------------------------------|
| 2.1B1: Increase financial integrity          | \$30,719                         |
| 2.1B2: Increase union transparency           | \$14,222                         |
| 2.1B3: Protect union democracy               | \$10,240                         |
| Other program mandates: employee protections | \$1,707                          |

The following chart shows the distribution of costs by program activity:

**FY 2008 Budget Request by the Office of Labor-Management Standards**  
**Total OLMS Budget Request \$56,888**  
**(Dollars in Thousands)**



### **Performance Challenges**

Technological changes that would require OLMS to modify or replace the existing electronic reporting system could pose a performance challenge in the future. A major modification or total replacement of existing systems would require a period of implementation and process adjustment, possibly reducing the ability of unions to electronically file and affecting the acceptability levels of the filed reports.

### **PART Issues**

The OLMS PART review was conducted in the spring of 2005. OLMS was assigned a rating of "Adequate." Three issues were noted: OLMS lacks legislative authority to impose civil monetary penalties on organizations and individuals who fail to comply with the reporting requirements of the LMRDA; OLMS does not measure progress towards ensuring union democracy, which is one of the major OLMS goals; and OLMS has not conducted an independent review of its programs and processes.

OLMS has taken the following actions to address the issues raised: 1) OLMS developed specific performance indicators to measure agency progress towards ensuring union democracy; and, 2) OLMS is undertaking an external review of agency processes to identify possible areas for improvement. As noted above, a study of union election procedures in FY 2006 indicated that unions were compliant in 92% of the election standards measured. OLMS established this measure as its performance baseline and has the goal of increasing compliance to 92.5% of measured standards in FY 2007 and 93% in FY 2008.

OLMS has also contracted for an independent review and appraisal of its agency processes, especially of its Internet website, which is an integral part of its compliance and assistance programs. This review is presently underway and OLMS is working closely with the contractor to ensure that the review properly assesses the programs and the results are received in a timely and useful manner. Upon receipt of the review, OLMS will endeavor to incorporate the suggestions in its day-to-day operations.

The PART also noted that OLMS lacked the authority to impose civil fines and suggested that OLMS work with Congress to obtain the authority to impose civil monetary penalties on organizations and individuals who fail to comply with the reporting requirements of the Act. The FY 2008 budget includes a legislative proposal by OLMS that will provide it with the authority to impose monetary penalties on individuals and organizations failing to comply with the requirements of the LMRDA.

### **Program Efficiency Measures**

OLMS continues efforts to make efficient use of appropriated resources. OLMS will continue to seek increasing levels of union dollars protected per staff day dedicated to audit. The "union dollars protected" measure is determined by totaling the receipt levels of unions that have undergone an audit and had the audit case closed during the fiscal year and dividing the sum by the total number of staff days expended on these cases. Data for this efficiency measure is

obtained from the OLMS Case Data System and provides a metric that tracks improved long term efficiencies even as resource allocations dedicated to union audits may vary.

In FYs 2004-2005, a baseline measure was established at approximately \$136,000 union dollars saved per staff day. A later analysis of the underlying data indicated that this figure was greatly inflated by the inclusion of an outlier in the sample, and a reanalysis was performed. Removal of the outlier from the sample, as is standard statistical process, results in a new estimate of the baseline at approximately \$60,000 per staff day. As such, OLMS has restated its immediate efficiency goal to be \$80,000 in 2006, \$84,000 in FY 2007 and \$88,000 in FY 2008.

### **Conclusion**

In recent years, OLMS has made significant gains in advancing the objectives of the LMRDA. With respect to the LMRDA reporting and public disclosure program, OLMS has: initiated a revised LM-2 that provides for better public disclosure; expanded electronic filing of union reports; and implemented an Internet public disclosure service that provides public access to information contained on LMRDA reports. Continuing improvement will be sought in this important program area, which should translate into improved acceptability of union reports. In addition, in FY 2007, OLMS completed work on a revised form T-1 and the related regulations, which will require labor organizations with total annual receipts of \$250,000 or more to file a Form T-1 annually for each trust to which they contribute money or otherwise hold an interest. Going forward, OLMS has contracted with an independent entity to conduct an evaluation to assist with reporting program and public service improvements. OLMS also has made good progress in rebuilding an effective union audit program to ensure union financial integrity and overall LMRDA compliance. OLMS will continue to strengthen this program. Included in this effort will be the use of criminal enforcement efforts, as appropriate.

In conjunction with its audit and enforcement program, OLMS has targeted its Form LM-10 and Form LM-30 filing program as an area for further emphasis. Form LM-30 Special Reports must be filed by union officers or employees if they or a family member have certain financial dealings with an employer. Form LM-10 is, speaking generally, the counterpart form filed by the employer to this transaction. The reports show actual or potential conflicts between the personal financial interests of union officials and the interests of the unions they serve. By strengthening its program in this area, OLMS hopes to further extend financial transparency and integrity. Continuing efforts will be made to strengthen outreach and compliance assistance programs, including a program of union advisory services. These efforts, in tandem with OLMS' enforcement efforts, will support union democracy, improve acceptability of union reports and strengthen financial transparency and compliance, all leading to strengthened economic protections.

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**OFFICE OF LABOR MANAGEMENT STANDARDS**

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**PART RECOMMENDATIONS AND STATUS**

| <b>Agency/Program: ESA/OLMS</b>  |   |                      |                          |  |
|--|---|----------------------|--------------------------|--|
| <b>PART Recommendation</b>   | <b>Milestone(s)</b>   | <b>Target (FY/Q)</b> | <b>Completion (FY/Q)</b> | <b>Comments on Status; Reference/Documentation</b>   |
| Developing and implementing specific performance indicators to measure agency progress toward ensuring union democracy   | In 2006, OLMS conducted a baseline study that established a measure of union democracy. The goal was established as 92% compliance with the standards of democracy as set out in the LMRDA. | 06/4                 | 06/4                     | Completed. OLMS established its baseline and goals for future years in 2006.   |
| Conducting an external review of program processes to identify areas for improvement.  | OLMS developed a proposal for independent review of key aspects of the reporting and disclosure process. OLMS identified an independent reviewer and contracted with this reviewer.         | 06/4                 |                          | The independent review was initiated in June 2006 and is expected to be completed by the fourth quarter, 2007.   |
| Working with Congress to obtain the authority to impose monetary penalties on organizations and individuals who fail to comply with the reporting requirements of the LMRDA. |   |                      |                          | In the past, Congress has introduced bills that would impose monetary penalties on individuals and organizations failing to comply with the requirements of the LMRDA. OLMS will continue to support efforts to pass similar bills in the 2008 Congress. |



**OFFICE OF LABOR MANAGEMENT STANDARDS**

| <b>EFFICIENCY MEASURES</b>               |   |   |          |          |                    |
|--|---|---|----------|----------|--------------------|
| <b>Program/Budget Activity</b>           | ESA, Office of Labor-Management Standards   |   |          |          |                    |
| <b>FY Program PARTed</b>                 | FY 2007   |   |          |          |                    |
| <b>Status of Approval</b>                | Approved  |   |          |          |                    |
| <b>Efficiency Measure</b>                | Union Financial Integrity: Union dollars protected per staff day dedicated to union audit   |   |          |          |                    |
| <b>Numerator Description</b>             | Total annual receipts of unions audited and closed during a fiscal year   |   |          |          |                    |
| <b>Denominator Description</b>           | Total staff days expended on audits closed  |   |          |          |                    |
| <b>Baseline Data</b>                     | FY/PY 2004-2005   | Numerator: \$485,544,355 1/<br>Denominator: 8,910.46 staff days |          |          | Ratio:<br>\$54,492 |
|  | <b>FY</b>   | 2005  | 2006     | 2007     | 2008               |
| <b>Target Ratios</b>                     | \$54,492  | \$80,000  | \$84,000 | \$88,000 | \$92,500           |
| <b>Result Ratios</b>                     | \$54,492  | \$76,040  | TBD      | TBD      | TBD                |
| <b>Comment/Data Source</b>               | Data for this efficiency measure is obtained from the OLMS Case Data System (CDS). OLMS recognizes that the renewed emphasis on union audits as well as the re-establishment of the International Union audit program will result in audits of unions with greater receipt levels and as a result, has increased future efficiency targets accordingly. |   |          |          |                    |
| <b>Strategy(s) to Achieve Efficiency</b> | Strategies to achieve efficiency in protecting union funds include effective union audit case selection to enhance program impact, and monitoring (and adjusting as necessary) union audit procedures to ensure effective and efficient use of staff days in conducting audits.   |   |          |          |                    |

1/ A reanalysis of the original baseline data revealed that an outlier was inadvertently included in the analysis, skewing the results. The union in question reported receipts of a subsidiary on its LM filing, greatly inflating receipt levels. Subsequent to the audit, the union returned to not including the subsidiary's receipts. OLMS determined that the receipt levels for this union could not be accurately calculated for the time period analyzed and, as a result, removed the data from the analysis and recalculated the baseline.

**PERFORMANCE SUMMARY**

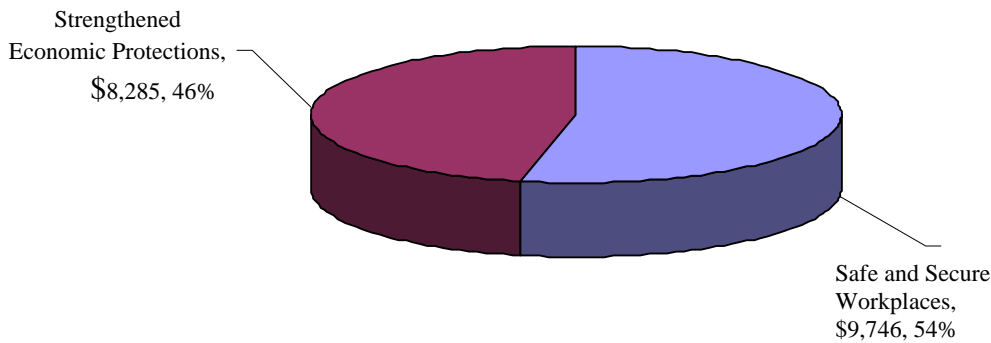
**Introduction**

The Program Direction and Support (PDS) Office is responsible for providing leadership, policy and coordination for budget and performance integration; strategic management of human resources; expanded information technology; improved financial management and competitive sourcing for the four component program offices within the Employment Standards Administration. PDS is also responsible for ESA’s security and emergency management planning; strategic planning, performance reporting; legislative and regulatory analysis; employee safety and health; labor relations, equal employment opportunity enforcement; and general support services to all ESA program components. In support of these services, PDS is requesting \$18,031,000 and 93 FTE (includes \$396,000 and 3 FTE for BL IV).

**Cost Model**

**DOL Strategic Goals 3 and 4** – PDS resources can be identified and allocated in support of the Department’s goals of *Safe and Secure Workplaces and Strengthened Economic Protections* as represented in the following chart.<sup>1</sup>

**FY 2008 Request by Program Direction and Support  
Total PDS Budget Request \$18,031  
(Dollars In Thousands)**



<sup>1</sup> Allocations are based on ESA programs FY 2008 Agency Request.

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**PROGRAM DIRECTION AND SUPPORT**

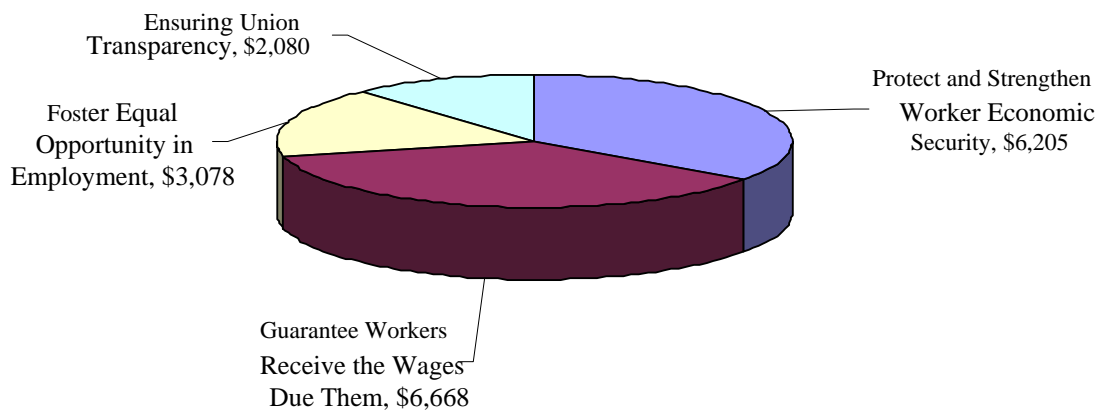
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**ESA Performance Goals** – PDS resources are used to provide guidance, leadership, and services to all ESA program components as they strive to achieve their individual performance goals. Because ESA-PDS represents an administrative activity as opposed to a programmatic activity, its resources have been allocated to the ESA performance goals as illustrated in the following chart<sup>2</sup>.

**FY 2008 Request by Program Direction and Support**

**Total Budget Request \$18,031**

**(Dollars in Thousands)**



<sup>2</sup> Allocations based on ESA programs FY 2008 Agency Request.

**Performance Challenges**

PDS activity challenges are far ranging and include: improve ESA’s information technology infrastructure; meet storage and preservation requirements of growing quantities of records; expand the CAM project; ensure that the security requirements in HSPD-12 are implemented; enhance and maintain the security of ESA IT systems; streamline the budget process; improve ESA Agency-wide financial management and expand opportunities for web-based access to ESA information.

PDS’ greatest ongoing challenge is making the most effective use of shrinking resources, as it responds to the competing priorities of a large and complex nationwide organization as well as increased Departmental initiatives. With responsibility for managing ESA’s financial performance, information technology and human resources, PDS must respond to the increased program and administrative demands, while seamlessly providing superior service. These demands include increased financial, managerial and performance reporting and validation

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## ***PROGRAM DIRECTION AND SUPPORT***

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requirements, systems development and IT infrastructure preservation, and managerial cost accounting, while continuing to meet ESA's basic program and administrative needs.

### **PART Issues**

PDS is instrumental in providing guidance and support to the ESA programs in implementing the President's Management Agenda (PMA). As the lead agency in ESA for PMA activities, PDS provides oversight of the Program Assessment Rating Tool (PART) evaluations in ESA. The PART has become an important management tool for ESA, and is used for program planning and internal evaluation purposes. PDS is providing support and leadership to the ESA agencies in improving program effectiveness and the efficient usage of taxpayer dollars through performance measurement tools such as the PART.

### **Program efficiency measures**

While PDS provides support and leadership to ESA agencies in improving program effectiveness and efficiency, it does not have an efficiency measure of its own.

### **Conclusion**

PDS activities provide effective program direction and support services of the highest quality to the agency's operating programs, and PDS resources directly support ESA programs in the accomplishment of each of their programmatic and Departmental performance goals. The functions of PDS enable the programs to provide credible and cost efficient delivery of effective labor standards education, enforcement, and benefit delivery services to U.S. workers. The 21<sup>st</sup> century workforce is changing rapidly; ESA programs are implementing performance and cost efficiency measures to keep pace with the workforce of the new millennium, and PDS is supplying the infrastructure to make it happen through cutting-edge technology enhancements, improved financial systems, and greater personnel security measures.