

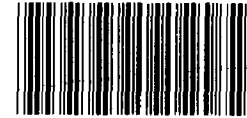
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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20546

JANUARY 8, 1980

B-196817



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The Honorable John Glenn  
Chairman, Subcommittee on Energy, Nuclear  
Proliferation, and Federal Services  
Committee on Governmental Affairs  
United States Senate

6608

Dear Mr. Chairman:

Subject: [Funding of Grievance/Arbitration Costs at  
GOCO Facilities] (FPCD-80-32)

Your letter of July 26, 1979, requested that we examine the manner in which Federal agencies reimburse/fund Government-owned, contractor-operated (GOCO) facilities for costs associated with the grievance and arbitration process. You were particularly concerned about an allegation made by the Oil, Chemical, and Atomic Workers union at a Department of Energy (DOE) facility in Portsmouth, Ohio, that the arrangement under which the operator of the facility--Goodyear Atomic Corporation--passed on the costs of resolving grievances to the Federal Government was having an adverse impact on labor-management relations. You wanted us to determine whether the method used for reimbursing cost associated with the grievance procedures was contributing to a breakdown in labor-management relations at Portsmouth and whether this problem was occurring at other GOCO facilities.

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AGC 00912

DLG35-70

In addition to DOE, the <sup>20</sup>Army, <sup>35</sup>Navy, and Air Force own GOCO facilities; and the National Aeronautics and Space Administration has a facility which, although not considered a GOCO operation, has the characteristics of one. All of these agencies fully reimburse the contractor for its share of grievance/arbitration costs that may arise at the facility while under contract with the Federal Government. These costs, which we found to be small in relation to the operating costs of the facility, are allowable under Federal procurement regulations and the agencies consider them a normal cost of doing business.

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GOCO contracts and costs are reviewed by Government agencies and organizations. The Defense Contract Audit

AGC00473

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Agency (DCAA) is primarily responsible for auditing contractor costs, including grievance/arbitration costs, for GOCO facilities owned by the Department of Defense and the National Aeronautics and Space Administration. DOE is responsible for auditing its GOCO facilities. A DCAA official and officials from the DOE Office of Inspector General and from the Office of Program Evaluation at the Oak Ridge Operations Office in Tennessee told us that they do little auditing of grievance/arbitration costs since these costs are small in comparison to the total contract costs. The auditing which has been done has not surfaced any major problems or concerns.

We collected statistical and cost data for 15 randomly selected GOCO facilities throughout the United States and the Portsmouth facility. The Portsmouth facility and, to a lesser extent, an Air Force facility in Georgia appear to be the only GOCO facilities which have labor-management relations problems in terms of grievances filed, grievances going to arbitration, arbitration costs, and strikes. As a result, the Government's grievance/arbitration funding arrangement for GOCO facilities does not generally appear to have an adverse impact on labor-management relations. The reimbursement of arbitration costs may be only one of several factors contributing to the labor problems at the Portsmouth and Air Force facility. The President of the local union at Portsmouth told us that until the operator--Goodyear Atomic Corporation--is replaced, labor-management relations problems will probably continue.

None of the Government agencies we contacted monitored or reviewed statistical and cost data related to grievances and arbitration at GOCO facilities they own. Government officials told us that labor-management relations at GOCO facilities are generally considered a matter within the purview of operators and the unions, and the Government takes a "hands off" approach.

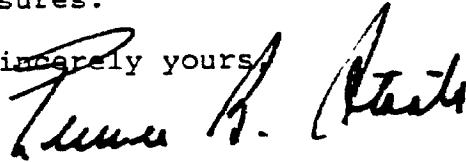
Although the Portsmouth and Air Force GOCO facilities were the only ones where we identified labor-management relations problems--which at Portsmouth recently resulted in a strike which lasted for more than 6 months--this situation could occur at other facilities. Accordingly, it might be useful for agencies which own GOCO facilities to become more knowledgeable and aware of labor-management relations at their facilities and begin to monitor and review, on at least an annual basis, statistics and costs related to grievances and arbitration at their facilities. By becoming more actively involved in the relations between the operators and

the unions, the Government would be in a better position to take prompt, appropriate action, where necessary, to maintain good labor-management relations.

At your request, we did not take the additional time needed to obtain agency comments on the matters discussed in this report. Also, at your request, we are sending copies of this report to DOE, the Department of Defense, and the National Aeronautics and Space Administration. Copies will also be made available to other interested parties who request them.

A more detailed discussion of the matters in this report is included in the enclosures.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James H. Starks". The signature is written in a cursive style with a large, prominent initial "J".

Comptroller General  
of the United States

Enclosures - 2

SUMMARY OF THE FUNDING OF GRIEVANCE/  
ARBITRATION COSTS AT GOCO FACILITIES

We were requested by Senator Glenn in a July 26, 1979, letter to examine the manner in which Federal agencies reimburse/fund Government-owned, contractor-operated (GOCO) facilities for costs associated with the grievance and arbitration process. An allegation had been made by the Oil, Chemical, and Atomic Workers (OCAW) union at a Department of Energy (DOE) GOCO facility in Portsmouth, Ohio, that the arrangement under which the operator of the facility--Goodyear Atomic Corporation--passed on the costs of resolving grievances to the Federal Government was having an adverse impact on labor-management relations at the facility. Specifically, it was alleged that Goodyear's share of grievance related costs were being totally funded by the Federal Government while the union had to bear its own share of the costs. This resulted in Goodyear taking an unresponsive attitude toward attempting to resolve grievances at a low level which has led to

- an unusually large number of grievances being filed,
- an unusually large number of grievances being "forced" to arbitration by management, and
- large arbitration costs being passed on to the Government.

At a GOCO facility, the plant and equipment are generally owned by the Government while the plant is operated by a private contractor. The employees at the facility are contractor employees, not Government employees, and all or practically all of the facility's output is for the Government.

The grievance/arbitration system, established through collective bargaining, is a key element in labor relations because it provides a mechanism for the peaceful resolution of disagreements between management and unions over wages, work hours, and employment conditions. A grievance is generally filed for each grievant who has been adversely affected, although occasionally more than one grievant may be combined under a single grievance if their complaints are similar (e.g., an overtime grievance). The system is generally considered to work well when most grievances are resolved at the lowest possible level of the grievance process and in a prompt, fair, and equitable manner. It is only when a grievance cannot be resolved between the parties

during the grievance process that a third-party arbitrator is employed to settle the grievance.

After meeting with Senator Glenn's staff we agreed to examine the following issues:

- Determine whether all costs associated with the grievance and arbitration process are passed onto the Federal Government.
- Determine the effect, if any, the reimbursement/funding of such costs has on labor-management relations.

We contacted DOE, Department of Defense (DOD), and National Aeronautics and Space Administration (NASA) officials responsible for administering GOCO facility contracts; contractor and labor union officials; and officials of the National Mediation and Conciliation Service and the American Arbitration Association. We made site visits to DOE and Army contract administration offices, and to GOCO facilities under these offices. We also collected statistics and costs related to grievances and arbitration on 16 GOCO facilities under contract with DOE, DOD, and NASA.

Issue 1: Whether all costs associated with the grievance and arbitration process at GOCO facilities are passed onto the Federal Government.

The tangible costs associated with grievance resolutions which are not resolved between the parties and go to arbitration are arbitrator cost, a court stenographer (if a verbatim transcript of the hearing is required), attorneys, and awards (when the union wins and the company must make a monetary settlement). All of these costs are currently allowable under Federal procurement regulations, and, in practice, all Government branches having GOCO facilities consider them a normal cost of doing business and allow them to be passed onto the Government.

We collected statistical and cost data related to grievances and arbitration cases for the 4-year period, 1976-79, for 15 randomly selected GOCO facilities throughout the United States, and the Portsmouth facility. With the exception of the Air Force facility in Georgia and the Portsmouth facility, most grievances were being resolved at a low level, few were going to arbitration, and the costs of arbitration never exceeded \$8,000 for a single facility in any one year. Even at the Air Force and Portsmouth facilities, the costs

were not high when compared to total contract cost or sales. The \$117,140 in arbitration and award costs passed onto the Government by the Air Force facility in 1977 was the highest for any one year during the 4-year period observed and amounted to less than 1 percent of the annual contract sales at the facility. The highest single cost passed on by Portsmouth in any one year during the period was \$39,000 which amounted to about 0.01 percent of the annual cost of the contract. In contrast, the arbitration cost as a percentage of the Portsmouth OCAW union's annual operating budget is higher. For example, the union's highest arbitration cost was \$4,000 in 1978 which amounted to about 5.8 percent of its budget.

As a result, based on our review of 16 GOCO facilities, it does not appear that the costs associated with resolved grievances at these facilities are exceptionally high or unreasonable.

Issue 2: What effect does the reimbursement/funding of such costs have on labor-management relations at the GOCO facilities?

OCAW union officials at the local and international levels and local International Association of Machinists officials believe that the Government funding of grievance costs causes management to take an uncooperative stance toward labor which leads to an inordinate number of grievances being filed and eventually taken to arbitration, resulting in higher costs associated with the arbitration process. However, the President of the local OCAW union at the Portsmouth facility told us that many of the problems were caused by the operator of the facility and that replacement of the operator could be a solution.

Government and contractor officials we spoke with generally disagreed with the union's view toward the funding arrangement, saying that it is management's policy to maintain the best possible labor-management relations. Contractor officials told us that they do not want to have grievances go to arbitration because

- the arbitrator's decision may go against the contractor,
- such a decision may set a precedent, and
- such a decision may have an unwanted impact beyond the issue being arbitrated.

The Goodyear plant manager at the Portsmouth facility told us that he believed the main factors causing the labor-management relations problems at the facility was the local OCAW union's militancy and the fact that Goodyear, at the direction of DOE, has had to take certain actions which have irritated the union (e.g., subcontracting of certain plant improvement work to non-Goodyear workers).

Based on statistical and cost data related to grievances and arbitration cases which we collected for 16 GOCO facilities, the Portsmouth facility and the Air Force facility in Georgia have the worst labor-management relation records. For the 4-year period, 1976-79, Portsmouth had the largest percentage of grievances going to or pending arbitration (28.8 percent). Data for calculating this percentage for the Air Force facility was unavailable. In contrast, only 5.1 percent of the grievances combined at the other facilities had gone to or were pending arbitration.

As of the end of October 1979, the Portsmouth facility had the most time lost to strikes, walkouts, and sickouts. While most of the facilities have not experienced strikes or similar actions, 2 strikes at Portsmouth have consumed 180 days, 7,328 hours have been lost to sickouts, and an 84-hour walkout occurred. During the same period a 74-day strike occurred at the Air Force facility.

The Air Force facility had the largest number of grievances filed and arbitrated during the period. While at practically all the facilities less than 1,000 grievances were filed and less than 20 were arbitrated, 7,695 grievances were filed and 497 were arbitrated at the Air Force facility. At Portsmouth 2,190 grievances were filed and 132 were arbitrated. Because a few of the facilities, including the Air Force facility, had larger bargaining units (which had generated a larger number of grievances) than Portsmouth, we compared grievance rates (number of grievances filed divided by the number of workers in the bargaining unit) at the various facilities. With a few exceptions, the facilities surveyed had grievance rates of about 10 percent or less. In contrast, Portsmouth had grievance rates of 60.5, 46.7, 24.8, and 10.4 percent for the 1976-79 period, and the Air Force facility had rates of 35.6, 52.4, 25.1, and 28.3 percent. The rate at Portsmouth for 1979 would probably have been higher except that a moratorium on filing grievances was in effect during the strike that just ended.

Finally, Portsmouth was the only facility where the union had won over half of the grievances arbitrated

(57.6 percent). In contrast, 16.3 percent of the grievances arbitrated at the other facilities had gone in favor of the unions (17.1 percent at the Air Force facility in Georgia).

In conclusion, the Portsmouth facility and, to a lesser extent, the Air Force facility in Georgia clearly have labor-management relations problems. The arrangement under which the contractor is funded for its share of the costs of arbitration may at best be only one of many factors causing the problems. The statistics and costs we derived from the other GOCO facilities indicate that the problems at Portsmouth and at the Air Force facility do not generally exist elsewhere. As a result, we do not believe that the funding arrangement for cases going to arbitration at GOCO facilities is, in itself, a cause of labor-management relations problems.



STATISTICAL AND COST DATA FOR 16 GOOC FACILITIES  
FOR THE 1976-79 PERIOD (note a)

Plant	No. of grievances filed	No. of grievances pending arbitration	No. of grievances arbitrated (note b)	In whose favor the grievances were arbitrated						Costs of arbitration to the company
				The company		The union		Split decision		
				(No.)	(%)	(No.)	(%)	(No.)	(%)	
<b>DOE:</b>										
Portsmouth										
Company data	2,190	538	132 (39)	53	40.1	76	57.6	3	2.3	\$ 61,871
Union data	2,696	782	c/156 (32)	45	29.0	107	69.0	3	2.0	63,384
Tennessee										
Company data	1,059	165	d/ 10 (5)	6	66.7	3	33.3	0	0.0	5,916
Union data	1,060	222	d/ 10 (5)	6	66.7	3	33.3	0	0.0	5,916
Kentucky	319	2	2	1	50.0	1	50.0	0	0.0	1,294
Ohio	101	7	6	4	66.7	2	33.3	0	0.0	3,044
<b>Army:</b>										
Indiana	919	92	6	5	83.3	0	0.0	1	16.7	\$ 9,528
Virginia	397	24	6 (2)	3	50.0	3	50.0	0	0.0	5,399
Texas	140	4	d/ 18 (4)	12	85.7	2	14.3	0	0.0	16,737
Louisiana	51	4	5	1	20.0	2	40.0	2	40.0	3,650
Iowa	33	0	2	2	100.0	0	0.0	0	0.0	2,728
<b>Navy:</b>										
Texas	2,128	6	4	3	75.0	1	25.0	0	0.0	\$ 7,278
Minnesota	697	7	1	1	100.0	0	0.0	0	0.0	641
California	451	0	3	2	66.7	1	33.0	0	0.0	7,707
<b>Air Force:</b>										
Georgia (note e)										
Company data	7,695	Unavailable	497 (50)	409	82.3	85	17.1	3	0.6	\$256,766
Union data	7,584	Unavailable	d/499 (50)	409	82.3	85	17.1	3	0.6	Unavailable
Texas (note f)										
Company data	2,881	0	d/151	116	77.3	15	10.0	19	12.7	Unavailable
Union data	2,771	Unavailable	126				Unavailable			Unavailable
Massachusetts	100	0	d/ 2	0	0.0	0	0.0	0	0.0	0
<b>NASA:</b>										
Louisiana										
Company data	792	0	1	1	100.0	0	0.0	0	0.0	\$ 435
Union data	767	0	1	1	100.0	0	0.0	0	0.0	435

a/Data was obtained from the companies and in six instances was checked against union records. Union data is shown where differences existed.

b/Numbers in parentheses indicate the number of grievances arbitrated during the period but which were filed before 1976.

c/No decision was reached on one grievance so it was not considered in determining the percentages of grievances won by the company and union.

d/Decisions are pending on some grievances so they were not considered in determining the percentages won by the company and union.

e/During the period the bargaining unit ranged from three to four times larger than the unit at Portsmouth, which partially explains the higher figures.

f/During the period the bargaining unit ranged from one and a third to three times larger than the unit at Portsmouth, which partially explains the higher figures.

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