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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D C 20548

MANPOWER AND WELFARE
DIVISION

NOV 3 1972

Dear Mr. Zarb.

In late 1971 we completed a survey of the Department of Labor's upgrading training activities for the underemployed. Our principal finding was set forth in a report to the House Select Subcommittee on Labor (B-163922, May 31, 1972). We reported that the Department has not determined whether upgrading activities have been effective and, unless it gives them greater management attention, will not be able to judge the desirable magnitude, makeup, and direction of future activities.

This letter contains our observations on other, more technical matters that directly relate to the economy and effectiveness of upgrading training. In summary, we believe the Department should.

- More effectively use upgrading as a means of meeting skill shortages.
- Improve controls over the length of on-the-job training.
- Improve controls over contractors' "maintenance of effort".

These observations are based in part on survey work, performed in connection with the report to the subcommittee, at the Manpower Administration, Washington, D. C., and the Department's regional office in Chicago, Illinois. They also stem from supplementary survey work on upgrading projects active in fiscal year 1971 in metropolitan Detroit, Michigan.

We identified a total of 26 upgrading projects in the metropolitan Detroit area. They provided 1,797 training positions and involved about \$1.2 million of Federal funds. We surveyed the activities primarily to familiarize ourselves with the general nature of upgrading operations at the "grass roots" level. For that reason, we confined our work to a review of upgrading contract documents and discussions with contractors.

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NEED TO MORE EFFECTIVELY
USE UPGRADING AS A MEANS
OF MEETING SKILL SHORTAGES

One objective of training the underemployed, as envisioned under the Manpower Development and Training Act (MDTA), is to help alleviate skill shortages. Based on our survey in Detroit, we believe upgrading activities might be more effectively used to meet that objective. The evidence indicates a need to better target upgrading promotion efforts at skill shortage occupations.

We did not make a complete analysis of the extent to which the 1,797 upgrading slots in Detroit involved training for skill shortage occupations. We did note that the 184 slots in the five MDTA institutional projects provided training for such occupations, and we also noted that the 610 slots in one on-the-job training project probably could be considered as involving skill shortage training. In this case enrollees had been working in departments that were being phased out by their employer and were being trained for jobs in other departments. Thus, at least 794 (44 percent) of the 1,797 slots and six of the 26 projects involved training either to meet specific skill shortages or for jobs that were available.

We obtained information on the availability of job openings in occupations for which training was provided in five of the remaining 20 projects. The five projects involved 362 of the remaining 1,003 training slots. We found that

- Job openings evidently were available for all enrollees in three projects, involving 67 training slots, but
- Job openings were not available for all enrollees in two projects, involving a total of 295 training slots.

The latter two projects were MA-6 JOBS '70 projects operated by one employer. Because of a lack of job openings, the total training slots authorized under the two projects had been reduced from an original 600 slots to 295 slots. At the time of our survey, the reduced 295 slots still exceeded the number of available job openings.

- In one of the projects, enrollees were to receive about five weeks of primarily job-related education, followed by about 20 weeks of on-the-job training in their new occupation. At the time of our survey, 190 persons had been enrolled. Of these, 76 who had completed their job-related education were back in their old jobs because of a shortage of openings in the new occupation.
- In the other project, 18 of the 20 enrollees were training only part-time, because only two openings existed in the new occupation.

The existence of projects in which training slots exceeded available job openings suggests, we think, that greater efforts are needed to better relate upgrading to the needs of the labor market, through increased training in skill shortage occupations. We recognize that alleviating skill shortages is not the only objective of the Department's upgrading efforts, and that the requirement that some upgrading be directed at skill shortages exists only for MDTA part-time training.

Recognizing these factors, we believe procedures for promoting upgrading should be strengthened in those programs where training for skill shortages is permitted but not required. Specifically, these include the Job Opportunities in the Business Sector (JOBS) program, the JOBS Optional Program (JOP), and the Public Service Careers (PSC) program. To maximize the effectiveness of these programs, promotion efforts should give first priority to projects intended to train enrollees for skill shortage jobs.

Such a systematic effort to alleviate skill shortages via upgrading has not always been made, and evidently faces certain impediments. Officials of the Michigan Employment Security Commission, which has promotional responsibilities in upgrading, advised us, in substance, that they have no procedure for aiming upgrading specifically at skill shortage occupations. They stated that extensive surveys would be required to identify the specific employers having skill shortage occupations, and then to identify those of the employers willing and able to establish upgrading projects.

Recommendation

To improve the overall effectiveness of upgrading activities, we recommend the Department take appropriate action to ensure that promotion efforts are aimed first at establishing projects that will train enrollees for skill shortage occupations.

NEED FOR IMPROVED CONTROLS OVER THE LENGTH OF ON-THE-JOB TRAINING

During our survey in Detroit, we noted weaknesses in controls over the length of on-the-job training (OJT) in upgrading projects under the JOBS and JOP programs. Specifically, there was a lack of procedures for determining the appropriate period of OJT to be authorized for specific projects. Consequently, the Government was not, in our view, afforded sufficient protection against unnecessary training costs.

In JOBS and JOP upgrading projects, the cost the Government incurs for OJT is affected by the length of the training. Briefly put, the longer the training, the greater the cost. To avoid unnecessary costs, therefore, the Department should, in principle, authorize periods of OJT that match the actual needs of project enrollees. Since contractors

under the programs are authorized a fixed number of OJT hours in advance of actual training, it is important that contracting personnel be able to soundly judge the length of training that will be appropriate.

At the time of our survey, program guidelines gave contracting personnel only limited help in deciding the appropriate training period. Guidelines specified maximum allowable OJT hours--but they did not explain how to assess whether the maximum hours were warranted in a specific case. The matter seemed especially significant because, according to personnel of the Chicago regional office, prospective contractors usually proposed the maximum allowable hours of OJT.

Regional office personnel told us that, lacking better guidance, they sought to reduce maximum OJT hours by an arbitrary percentage, on the assumption the proposals contained "water". We noted, however, that reductions were not always achieved--each of the four MA-6 JOBS '70 upgrading contracts in Detroit authorized the maximum allowable periods of OJT. In at least one of the contracts, the authorized OJT was substantially longer than the training provided in the contractor's regular program for the same occupation (22 weeks versus about two weeks). The contract proposal did not explain this difference, nor was an explanation required by program guidelines.

Under the JOBS program, the Department has taken action to remedy the problem. Recently issued revised guidelines for JOBS upgrading list several specific factors that contracting personnel should consider in assessing the fixed period of OJT to be authorized. The factors include. (1) the duties of the new and the old job, (2) the training plan, (3) the preparation time required to learn the new and the old job, (4) the skill code of the new occupation, and (5) the on-going training provided for regular employees when they are first brought into the upgraded job.

The assessment techniques in the revised JOBS program guidelines presumably will improve the ability of contracting personnel to evaluate proposed OJT. However, we think the Department could further ensure the reasonableness of training costs by authorizing adjustable rather than fixed periods of OJT. Using adjustable periods would enable the length of training to be matched with the real needs of trainees, as evidenced by their actual performance during the course of a project. It would thereby recognize that individuals being prepared for a new occupation can qualify within different lengths of time, depending for example on aptitude and prior work experience.

An MDTA-OJT program upgrading subcontract we reviewed exemplified the type of adjustable OJT discussed above. The subcontract authorized a specified maximum number of hours of OJT, but did not require project enrollees to be given the maximum hours. On the contrary, it explicitly provided that enrollees were to be encouraged to complete OJT as rapidly as their abilities permitted.

We recognize that effective control over adjustable OJT entails measurement of trainees' progress. But in at least some cases, measurement tools are available. We were advised that, in the above subcontract, contractor production standards were used for measurement. We found, too, that company-union agreements sometimes provide for formal assessment of trainees' progress. One agreement we reviewed specified that company trainees would be allowed a three-month trial period to qualify for designated new jobs, and that periodic progress reports would be prepared. It further specified that a joint management-union committee would decide their qualification for the new job.

Recommendations

We recommend that the recently established techniques for assessing the maximum OJT to be authorized in JOBS projects also be made applicable to JOP upgrading projects. In addition, we recommend that, in both programs, the Department consider authorizing contractors to conduct OJT up to a designated maximum number of hours, with provision for fewer hours for enrollees who qualify in their new occupation within a shorter time.

NEED FOR IMPROVED CONTROLS OVER CONTRACTORS' "MAINTENANCE OF EFFORT"

An underlying objective of upgrading assistance in Federal manpower programs is to expand employers' training efforts. That is, Federal upgrading projects are not to serve in lieu of contractors' own training activities. Accordingly, adequate controls to ensure that contractors maintain their normal training efforts are of fundamental importance to the efficiency of upgrading activities. Our survey, however, indicated the Department's controls are incomplete.

We found the Department had not established procedures whereby contracting personnel can verify that contractors adhere to the maintenance of effort requirement. The absence of such procedures, in our opinion, is a serious weakness in management control over upgrading activities. Contracting personnel at the Chicago regional office told us they did not attempt to verify the matter--they relied on the contractor's word that he would maintain his normal level of training.

We recognize that totally effective standard procedures, which will disclose each instance of contractor nonmaintenance of effort, may be impossible to devise. Assessing adherence by small contractors would seem to be particularly difficult, since their normal training efforts are likely to be informal, unstructured, and therefore difficult to define. But we think the Department can and should develop procedures that will significantly improve its control over maintenance of effort.

At the time of our survey, officials of the JOBS program were considering a relatively simple control procedure. It has now been included in revised program guidelines contained in the JOBS Upgrading handbook issued in July 1972. In brief, it requires prospective contractors to describe both their proposed JOBS training and their normal training efforts for the occupation involved. It requires contracting personnel to analyze the information to determine whether the proposed training involves a substantive increase in effort.

We think the above requirement will meet a basic need of contracting personnel--namely, comparative information by which they can judge whether a proposed Federal project will augment a contractor's own training effort.

One further point. The Department may find reviewing union agreements helpful in assessing maintenance of effort. We found that union agreements sometimes impose specific training requirements on employers. One agreement, for example, required the employer to fill all job openings in designated occupations by upgrading present employees, and specified the training program to be provided. By reviewing such agreements, contracting personnel might identify training that contractors are required to give, even though for various reasons they are not exactly conducting the training.

Recommendations

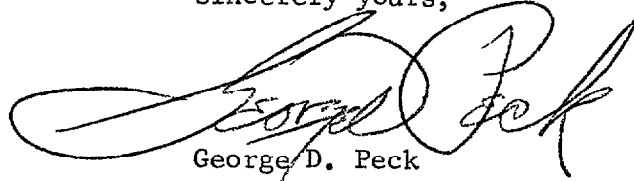
We recommend that the Department seek to develop improved techniques for verifying contractor maintenance of effort. As one means of improved control, we recommend the Department require prospective upgrading contractors under all programs to provide comparative information on the proposed federally assisted training and their normal training activities. We also recommend that contracting personnel be instructed to consider the training that contractors may be required to provide under terms of union agreements.

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We would appreciate your views on the matters presented, as well as any action taken or contemplated as a result of this report. We wish also to acknowledge the cooperation given to our representatives during this survey.

Copies of this letter are being sent to the Secretary of Labor,
the Assistant Secretary for Manpower, and to other Department officials.

Sincerely yours,

A handwritten signature in black ink, appearing to read "George D. Peck". The signature is fluid and cursive, with a large loop at the end.

George D. Peck
Assistant Director

The Honorable Frank G. Zarb
Assistant Secretary for Administration
and Management
Department of Labor

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