

Secretary's Message

Elaine L. Chao, Secretary of Labor

As Americans joined together during 2002 to rebuild from tragedy and conquer terrorism in the aftermath of September 11, 2001, the Nation's economy and our confidence in its financial institutions faced new tests. With the collapse of noted corporate giants and the caution of investors in the wake of these scandals, unemployment rose to 6 percent by December 2002. Heading into the New Year, however, there is cause for optimism. Inflation is low, home and auto sales remain strong, interest rates are at the lowest levels in decades, and we have had four straight quarters of positive economic growth. The productivity gains that have continued through our economic slowdown confirm that our Nation's most important resource — American workers and the spirit they embody — is stronger than ever.

No event during the past year symbolized the indomitable spirit of the American worker more than the rescue of nine heroic miners trapped by flooding waters in a Pennsylvania coal mine. I am proud of the leading role our tireless team from the Department of Labor (DOL) played, in partnership with many other organizations, in returning the mine workers safely to their families. And I salute the courage of the miners who so inspired the Nation last summer.

At this time last year, I challenged all of my colleagues at DOL with the observation that "the new century requires new partnerships and a different way of thinking." As our FY 2002 Annual Report illustrates, the response to that call has been overwhelming. We have reached out to all sectors — government, business, academia, labor, and non-profit — to improve the lives of today's workers and to plan ahead to meet the challenges they will face in the new Century. Under the leadership of the Department's Office of the 21st Century Workforce, for example, we have brought together economic and social policy leaders to examine the issues that will challenge our economy and workforce in the coming decades, including the impact of productivity improvements, the

role of technology, and challenges for female entrepreneurs, and to develop solutions to meet these challenges. Through the President's Council on the 21st Century Workforce and its three related secretarial committees, we have gathered a distinguished cross-section of business, labor, civic, and academic leaders to focus on these issues.



New partnerships have also enriched the Department's job training and employment services in 2002. Faith-based and community organizations, with their numerous volunteers, bring new energy and individualized assistance to participants in our training programs. Employers are also partnering with the Department and the States in a variety of non-traditional arrangements to meet specific skill needs or to fill the skills gap created by retiring workers.

To protect the American worker, we are significantly increasing the assistance and outreach — from expanded Web site information to formal partnerships — that DOL offers to employers seeking to comply with our labor and employment laws. Working with employers who share our goals, we can prevent the loss of life, health, or economic security before it occurs — something that cannot be achieved with only fines and penalties. Our willingness to partner with responsible employers and labor organizations is matched by our commitment to exercise the full measure of the Department's enforcement authorities against employers who place America's workers, retirees, or their families at physical or financial risk.

Achieving the Department's Goals

Together with our partners, we made significant progress in FY 2002 toward reaching the Department's three strategic goals — *A Prepared Workforce*, *A Secure Workforce*, and *Quality Workplaces*. Here are a few highlights:

Despite the economic challenges, the Department's employment and training programs achieved a majority of their goals. For example, the Job Corps program, serving some of the Nation's most disadvantaged youth, successfully placed 90 percent of its graduates into jobs with average hourly entry wages of \$7.96. This exceeds its goal of an 85 percent placement rate in jobs paying an average hourly wage of \$7.25.

The Office of Disability Employment Policy initiated 38 demonstration programs to test innovative approaches for assisting adults and youth with severe disabilities in realizing their dreams of fulfilling careers and economic self-sufficiency. As the Office shares the most effective approaches with partners nationwide, we look forward to the day when the employment rate for persons with severe disabilities nears the employment rate for all Americans.

As news of financial wrong-doing at major U.S. corporations unfolded, we have moved aggressively to protect the retirement security of the 150 million American workers and retirees who participate in pension plans. In FY 2002, the Department's investigative efforts restored a record approximately \$690 million in assets to pension plans that might otherwise have been lost.

Voluntary, cooperative relationships between the Department and employers convincingly demonstrated their value in improving safety and health for the American worker. Worksites active in two of the Occupational Safety and Health Administration's cooperative programs in FY 2001 had an estimated 47 percent decline in Lost Injury and Illness rates compared to their baseline rates. This greatly exceeds our target of a 15 percent reduction. In view of this success, we will expand these programs to many more employers and workers in the coming year.

In FY 2002, DOL continued its record of responsible stewardship, as reflected by the sixth consecutive "unqualified" or "clean" audit opinion on the Department's financial statements.

Implementing the President's Agenda

The Department is fully committed to the President's vision of a results-driven Government with greater accountability to its citizens. We are pleased to report that the Department achieved a higher percentage of our performance goals in FY 2002 than in the previous year. Many challenges, however, remain to fully realize the promise of the Government Performance and Results Act. We look forward to sharpening our focus on core outcomes and increasing our proficiency in performance-based management.

The performance and financial data presented in this report comports with guidance from the Office of Management and Budget with respect to completeness and reliability because the Department's managers routinely use the performance information and financial data summarized in this report to improve the quality of DOL services and to formally account for the accomplishments of their

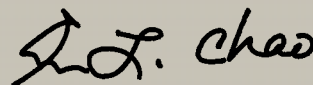
programs. The only exception we note is the information on the results of the Public Labor Exchange. Delays in completing a new system prevented the State Workforce Agencies from collecting data on the numbers of job seekers they assisted who remained employed six months after securing a job. The results achieved for all other FY 2002 goals are discussed in this report or will be included in a future annual report.

This report outlines our continuing effort to strengthen the quality and timeliness of the Department's performance information to increase its value to both DOL managers and constituents and to address data

quality issues identified by the Office of Inspector General and General Accounting Office.

Looking to the Future

In the year ahead, we will take two crucial steps to better position the Department to help America's workers and employers face the challenges of the 21st Century. First, we will work with the Congress to reauthorize the Workforce Investment Act and, through this process, to revitalize our job training and employment programs. Our primary objective is to more closely link the One-Stop Career Centers with employers. We want to equip participants in our training programs with real skills so they can succeed in the 21st Century labor market. Second, we will complete our Strategic Plan for FYs 2003 through 2008, and add a new strategic goal: A Competitive Workforce. This goal will lay the foundation for new initiatives in every DOL program to help ensure that America's workers and employers thrive in the new economy of the 21st Century. It will also help us adapt our practices to support promising workplace innovations, and to ensure that all Americans have the opportunity to achieve rewarding careers and enjoy a financially secure retirement.



Elaine L. Chao
Secretary of Labor



PRESIDENT GEORGE W. BUSH LOOKS ON AS SECRETARY ELAINE L. CHAO ADDRESSES ATTENDEES AT THE MARCH, 2002 CONFERENCE ON WOMEN ENTREPRENEURSHIP IN THE 21ST CENTURY.