

Fiscal Year 2017 Budget Estimates

I. Executive Summary

New technologies and business models are fundamentally changing nearly every sector of the U.S. economy. Driven largely by the ongoing evolution from a manufacturing based economy to one that is more service and knowledge based, this transformation presents enormous challenges and opportunities. Just as in earlier periods of economic transition, however, the current evolution also increases the likelihood of workplace conflict. Thus, while policy makers debate the “future of work” and the very definition of “the workplace,” workers and businesses are increasingly concerned about securing their own futures *now*.

Many disputes are taking place in traditional labor-management settings and in conventional industries and sectors of the economy, such as cargo shipping, oil refining, and automobile and steel manufacturing. Others are playing out among low-wage workers and those participating in the “gig” economy and who are increasingly taking their demands for better wages and working conditions to the streets and to state legislatures and local governments. Whatever the setting, these labor disputes are presenting the business community with complex decisions relating to costs, hiring and retaining skilled workers, managing technology, and competing globally.

Nearly 70 years ago, Congress had the wisdom and foresight to recognize that although workplace conflict is inevitable, disruptive work stoppages need not be. Managing conflict or preventing it altogether was seen as the best way to avert adverse economic impacts. Congress created the Federal Mediation and Conciliation Service (FMCS) in 1947 with the explicit objective of “assist[ing] parties to labor disputes in industries affecting commerce to settle such disputes through conciliation and mediation.”

In subsequent years, Congress recognized the additional economic benefits of a more proactive approach to workplace stability. Good labor-management relationships, collaboration, and pragmatic problem solving between companies and their workers not only prevents disputes, but also significantly contributes to increased competitiveness, job growth, and enhanced economic well-being. Through the Labor-Management Cooperation Act of 1978, Congress provided FMCS with robust grant-making authority to encourage the establishment of local, regional or industry-wide labor management committees to improve labor management relationships, involve workers in decisions affecting their jobs, and to promote job security, organizational effectiveness, and economic development.

In 1990, Congress further tasked FMCS to use its conflict management expertise to help sister Federal agencies reduce the excessive time and costs spent on litigating disputes arising under their statutory jurisdictions. FMCS was named as a “go-to” resource for resolving individual employment disputes, as well as conflict resolution training and systems design. Congress also encouraged agencies to use FMCS facilitation services to achieve stakeholder consensus on new regulations and to conduct more effective multi-stakeholder public policy dialogues.

FMCS has a proud record of success in helping parties resolve disputes, learn joint problem-solving skills, and create successful, collaborative problem-solving relationships. Every day, the Agency’s small corps of skilled, professional mediators applies cutting-edge conflict resolution strategies to enhance organizational effectiveness, improve competitiveness, job security, and organizational efficiency. As the nature, complexity, and range of the issues confronting business and labor have evolved, so too has FMCS, constantly seeking new and innovative methods to prevent disruptions to the U.S. economy, to reduce costs to U.S. taxpayers, and, most importantly, to help business

and labor succeed in the changing economy.

The 2017 Budget requests \$50.7 million for FMCS, a \$1.9 million increase over the 2016 enacted level. This reflects the elimination of the one-time relocation costs provided in the 2016 enacted level, inflationary increases to cover pay and rent, as well as a proposed expansion in the agency's labor-management grants to support area- and industry-wide labor-management partnerships.

A. Rising to the Challenge of the 21st Century Workplace

FMCS was born during the economic turmoil following the Second World War. Then, the U.S. was in the final stages of the disruptive transition from an agricultural to an industrial economy. In this second decade of the 21st century, the U.S. is at a similar point, this time in the transition from a manufacturing economy to one driven by advanced technology, knowledge, and services.

Although labor and management have resolved many recent conflicts in legacy industries within the framework of traditional collective bargaining, new forms of bargaining have emerged in new segments of the economy, such as multi-party dialogues and local legislative initiatives, including high profile social media campaigns and community-based rallies to achieve increased minimum wages and paid sick leave. At the same time, there has been a surge of traditional organizing and demands for collective bargaining among "new economy" and previously unorganized workers, such as digital media professionals, adjunct college and university professors, campus resident advisors, "tech" transportation workers at companies like Uber, Bikeshare, Megabus, Compass and Loop, retail industry workers, and physicians serving as hospitalists.

Regardless of the forum or framework, the issues now and in 2017 are fundamentally the same: workers seeking to improve their terms and conditions of employment and businesses seeking to

ensure their competitiveness and profitability. In all cases, FMCS's highly skilled, professional mediators are uniquely positioned to help parties find durable solutions in a transitioning economy.

FMCS understands that just as business and labor must innovate and embrace new workplace models during times of change, so too must FMCS. Accordingly, the agency recently engaged in an in-depth review of its operations and updated its structure and services to ensure the operational excellence, employee engagement, and culture of innovation needed to meet the evolving needs of its labor, management and government customers.

FMCS is proud of its accomplishments to date and looks forward, in 2017, to intensifying its efforts to educate and inform business and labor of the value and benefits of the Agency's training, facilitation, and dispute resolution services. In 2017, FMCS will increase its efforts to:

- Inform workers and companies about the value of good labor-management relationships, developed through on-going joint problem-solving, open communications, respect, trust and transparency, specifically through the use of web-based technologies, social media, and the return of the highly acclaimed FMCS National Labor-Management Conference.

- Help labor and management leaders embrace the massive generational shift underway in their workplaces so that together they can address issues of recruitment, retention, and job satisfaction among young workers.

- Launch a Young Labor-Management Leaders Academy to prepare the next generation of labor and management leaders in inclusive leadership and problem-solving skills.

- Incorporate cutting edge theory, such as conflict neuroscience, into training, relationship, and bargaining

processes.

Offer its expertise in varied models of bargaining from traditional, to modified traditional, expedited, interest-based, and what FMCS calls the affinity model of economic bargaining.

Help sister government agencies manage their disputes and resolve stakeholder conflict through alternative dispute resolution processes, including the facilitation of public policy discussions, and negotiated rulemaking.

Leverage FMCS mediators' unparalleled conflict resolution experience and skills, both nationally and internationally, across all sectors, industries, and dispute arenas, at the workplace and the bargaining table, in the public policy arena, and in skills development forums, to improve relationships and create the trust, respect and problem-solving skills essential for continued economic growth, increased job security, and greater efficiency in the provision of government services.

B. External Operations: Mediation and Conflict Management

With its history of nearly 70 years of providing mediation, training, and facilitation services, FMCS has more aggregate experience in dispute resolution than any other government agency. For the U.S. economy, the FMCS's statutory mandate to "prevent" or "minimize" labor disputes remains as vital today as it was when the agency was created.

Managing Bargaining Challenges: Recent Major Contract Negotiations

Even the best labor-management relationships can be challenged when negotiations involve the kinds of multiple and complex issues currently facing most bargaining partners. This reality was

powerfully demonstrated throughout 2015 by a number of high profile disputes, some of which are listed below, in which the parties jointly requested FMCS mediation services to bring their negotiations to a successful conclusion.

Atlanta Symphony Orchestra Players' Association (ASOPA), the Atlanta Symphony management and the Woodruff Arts Center. Following the second lockout of musicians in two years, the agreement reached by the parties helped ensure the continuing viability of one of the South's premier cultural institutions.

International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA). Following nearly six weeks of intensive negotiations with the FMCS top dispute mediator, and the 11th hour assistance of Secretary of Labor Thomas Perez, Secretary of Commerce Penny Pritzker, and Los Angeles Mayor Eric Garcetti, a complete shutdown of West Coast shipping operations was avoided. Analysts had predicted that a 10-day shutdown of the West Coast ports would have cost the U.S. economy \$2.1 billion a day.

Major League Soccer (MLS) and the Major League Soccer Players Union. With assistance from FMCS, a new 5-season collective bargaining agreement "will provide a platform for our players, ownership, and management to work together to help build Major League Soccer into one of the great soccer leagues in the world," stated MLS Commissioner Don Garber.

FairPoint Communications, Inc., the International Brotherhood of Electrical Workers (IBEW) and the Communications Workers of America (CWA). An 18-week work stoppage impacting telecommunications services and delivery in the northeastern United States was

successfully concluded when the parties resumed bargaining at FMCS Headquarters in Washington, DC with FMCS leadership.

National Nurses United (NNU) and the University of Chicago Medical Center (UCMC). With FMCS assistance, issues surrounding the use of ratios versus an acuity-based system for staffing, team leads, charge nurses, elimination of rotation positions, and other staffing concerns, along with Ebola treatment, union access, and many economic issues were ultimately resolved in a final, full day of bargaining that lasted until early the next morning.

Kaiser Permanente and the Coalition of Kaiser Permanent Unions. A team of FMCS mediators helped the parties reach agreement in the largest private- sector contract talks in the United States in 2015. The three-year, national contract covering 105,000 Kaiser Permanente health care workers used an interest based bargaining model to develop new quality, safety, and affordability standards.

United Steelworkers (USW) and U.S. Oil Facilities. For the first time in 35 years, negotiations broke down between these parties and oil workers from coast to coast went on strike in February 2015. After agreement on national issues was reached, local negotiations faltered and work stoppages continued at a number of locations. FMCS mediators assisted in the settlement of all these disputes over several months.

NY State Nurses Association (NYSNA) and NYC Hospital Alliance. A team of senior FMCS mediators helped the parties avoid what would have been the largest nurses' strike in New York City history.

Consolidated Nuclear Security (CNS) / Pantex and

the Amarillo Metal Trades Council. Pantex is the nation's primary facility responsible for production and maintenance of the U.S. nuclear warhead arsenal. Senior FMCS mediators helped the parties through lengthy and difficult talks until they reached agreement. **Managing Bargaining Challenges: Anticipating Major Contract Negotiations.** In 2017, FMCS expects to receive approximately 21,000 notices of expiring collective bargaining agreements. Some 250 of the known expiring contracts involve bargaining units of 1,000 members or more and represent a total of more than 1.1 million members. Many of these expiring agreements are in key private sector industries, such as food service, manufacturing, construction, health care, sports, and entertainment.

In March, 2016 contracts covering more than 40,000 supermarket workers in Southern California will expire. In October, 15,000 workers at Fry's food stores in Arizona will likewise have their contract expire. On the East Coast, contracts for more than 20,000 workers at Giant and Safeway in the greater Baltimore, MD area will also expire at the end of that month. In the greater Atlanta, GA region, more than 11,000 Kroger workers will be renegotiating their contracts in March, 2017.

On December 1, 2016 contracts covering the thirty clubs of Major League Baseball (MLB) will expire. Although these contracts include only 1,200 players, the national impact of these negotiations includes tens of thousands of restaurant, hotel, and other service and professional employees who earn their livings from the sport.

Midwestern meatpacking facilities, including Cargill, Tyson, and National Beef will have contracts covering at least 7,000 expire in late December and early January, 2017.

Major equipment manufacturers will also be

renegotiating contracts in the spring. These include more than 4,500 Sikorsky workers in Florida and 9,600 Caterpillar workers in Peoria, IL. By the end of July, more than 8,000 Goodyear Tire employees will also be looking for a new contract.

Defense industries also face a number of large contract renegotiations in 2017. In July, more than 11,000 workers at Newport News Shipbuilding will be renegotiating a new contract. In September, 1,500 workers at Lockheed Martin in New Jersey and 2,300 at Raytheon in Massachusetts will likewise be in negotiations.

Health care facilities will also feature prominently in the years' negotiations. Approximately 15,000 Dignity Health employees in California will be seeking a new contract in April and more than 30,000 Kaiser Permanente employees at facilities in California will be renegotiating contracts in August and September, 2017.

Finally, 165,000 members of the Screen Actors Guild-American Federation of Television and Radio Artists (SAG-AFTRA) will be renegotiating their contracts in June, 2017.

Appendix A contains a complete listing of these other large negotiations anticipated in 2017. **Promoting Collaborative Solutions: Labor-Management Training** While the Agency's first priority must always be to prevent or to promptly resolve labor disputes that could have an immediate adverse impact the U.S. economy, FMCS experience demonstrates the enormous value of training parties in the tools and techniques of collaboration and joint problem-solving well in advance of any contract dispute. In the private, public, and federal sectors, FMCS offers a wide range of programs designed to prevent workplace disputes and improve labor-management relationships by helping the parties develop collaborative, problem-solving approaches for managing conflict.

Developed through decades of hands-on dispute resolution experience, the FMCS labor relations model encourages an ongoing, joint problem-solving approach characterized by open communications, respect, trust, and transparency. In the private sector, this approach was best demonstrated recently by a specialized program FMCS delivered for the United Auto Workers (UAW) and the Ford Motor Company (Ford) national negotiating committee. The UAW and Ford had previously changed their approach to labor relations and bargaining as a result of the devastating impact of foreign competition on Ford products in the early part of this century. As a result, the company not only survived but even prospered following the Great Recession in large part because of the problem-solving, collaborative relationship the parties had spent years cultivating.

In anticipation of major contract negotiations in the summer of 2015 and high internal expectations resulting from the Company's recovery, the UAW and Ford jointly approached FMCS to train their combined company-wide negotiations committee at a pre-bargaining conference, nine months before contract expiration. Both sides recognized that the 2015 round of bargaining could be especially contentious if their leadership throughout the country—not just at the national/corporate level—did not have additional training conducted by well-respected neutral experts in the collective bargaining process.

A team of FMCS mediators worked closely with the UAW and Ford to design a full day training program for 150 negotiation committee members. Twelve FMCS mediators, divided into two-person teams, delivered five training modules. For each of the following modules, the concept was presented then followed by interactive exercises: (1) building trust and respect; (2) collaborative behavior and basic problem-solving approaches; (3) listening skills; (4) how to jointly collect facts and data; and (5)

managing stakeholder expectations and social media. The program was so well received that FMCS now offers a training program for bargaining committees modeled on the UAW-Ford training.

In the federal sector, FMCS will continue to build upon its important partnership with the Federal Labor Relations Authority (FLRA) to deliver training across the country on federal sector bargaining “Rights, Responsibilities, and Relationship-Building.” A recent and well-received workshop involved the General Services Administration (GSA) and focused on the thorny recurrent issue of office relocations. FMCS is continuing to work with the FLRA to offer additional programs to reduce the conflict created by relocations and office space moves and to demonstrate how collaborative problem-solving techniques can enhance decision-making.

FMCS will also continue its important work promoting and supporting labor- management collaboration throughout the federal government through the labor management forums mandated by Executive Order 13522 to “promote satisfactory labor relations and improve the productivity and effectiveness of the Federal Government.” In addition, the National Council on Federal Labor-Management Relations continues to call upon FMCS instructional design experts to develop and deliver interactive web-based training tools to improve forum performance. Since the President issued EO 13522 in late 2009, FMCS has provided over 270 Relationship, Development, and Training programs in support of labor-management cooperative efforts.

FMCS collaboration and training programs are highly sought in the public sector as well. For example, the City of Cuyahoga Falls, Ohio recently approached FMCS about taking a more collaborative approach to bargaining and improving their overall labor management relationship. FMCS mediators met with the parties, explained various collaborative bargaining models and trained the parties, at their request, in the Interest Based Bargaining (IBB)

model. FMCS mediators provided additional training for committee members and have facilitated all committee meetings to date. Notably, these parties successfully addressed the often contentious issue of health care coverage, including, funding mechanisms, trends, wellness programs, and statutory requirements.

Promoting Collaborative Solutions: Labor-Management Grants

The Labor-Management Cooperation Act of 1978 created the FMCS grants program and authorized appropriations of up to \$10 million annually to finance this grant-making authority. The act directs FMCS to encourage and support joint labor-management activities conducted by plant, area, and industry-wide committees that are designed to improve labor-management relationships, competitiveness, economic development, and innovative joint approaches to achieving organizational effectiveness. Congress' intent was for FMCS to use its grants program to support and expand upon the success of locally created area labor-management committees.

Through its grants program FMCS provides support for plant, area, and industry-wide labor-management committees confronting a specific, definable problem for which they have developed a specific solution. FMCS intends that the funding it provides will seed innovative solutions through detailed, measurable, and benchmarked strategies identified in the grant application. The integrity of the grant funds are monitored through regular reviews, which include a local FMCS mediator assigned to the project, as well as monthly reporting to the grants manager. FMCS grantees are not permitted to use grant funds for training or other services available through FMCS's appropriated programs.

Successful examples of past grants include:

In 2002, FMCS funded a labor-management coalition in the Upper Midwest, working to address rising health care

benefit costs in Wisconsin, Minnesota, and Iowa. The grant led to the formation of the Labor/Management Health Care Coalition of the Upper Midwest, a fund that today includes 24 Taft-Hartley health and welfare funds with more than 290,000 covered lives—many of them individuals who otherwise might not have health insurance.

In 2005, FMCS funded GrowJobsCT, a state-wide labor management program created to retain and expand manufacturing jobs in Connecticut. The labor- management partnership created with grant funding advanced educational and communications programs on manufacturing sector job creation for manufacturers, workers, media, and policy makers.

In 2006, FMCS funded a project to increase the number of women and minorities in the skilled construction trades, as proposed by the Skilled Trades Diversity Council in Ithaca, New York. FMCS grant money helped to establish a pre-apprentice program with a focus on helping under-represented groups find skilled construction jobs. One female graduate founded and now runs her own home repair business. As a result of the training, half of the graduates in the program's second year found skilled jobs. The financial support provided by FMCS enabled the council to secure other funding and to organize as a permanent program—ensuring that its good work on behalf of diversity would continue.

In 2007 and again in 2015, an FMCS grant supported the regional expansion of the Chicago Manufacturing Renaissance Council (CMRC.) The effort by the Chicago Federation of Labor, the central AFL-CIO labor council in Cook County, and an alliance of businesses, workers, trade, and industry associations developed collaborative efforts that improved and strengthened regional businesses.

For 2017, the President's Budget seeks \$5 million for the FMCS grants program, an increase of \$4.6 million from 2016. This funding level marks a significant expansion of the program and is designed to use successful models to enable business and labor to jointly address the dramatic shifts in labor market trends to a more mobile workforce, a new generation of workers, and rapid advancement in technology-based work structures.

With additional funding, FMCS believes that it will be able to better respond to and appropriately provide support for initiatives designed to improve labor-management relationships at a moment when they are most needed. Enhanced funding will permit the wider use of time-tested, collaborative and cost-effective approaches for dealing with definable problems caused by the transitioning economy. Successful grantees, for example, will be able to create structures and mechanisms on an area- and/or industry- wide basis to address structural or systemic problems.

The ongoing shift in labor market trends, coupled with the fact that significant labor- management reform activity is taking place across industries and at the city, state, and regional level, requires greater efforts to coordinate activities and successfully prevent and manage the conflict that historically accompanies economic and technological change. Collaborative solutions, achieved through multi-stakeholder consensus and more permanent mechanisms for responding to workplace challenges as they arise are arguably more durable and cost effective than piecemeal approaches. With increased funding, FMCS believes that its grantees will have a greater capacity to meet their stated objectives and thus have a greater positive impact on labor-management relationships and the economic well-being of their communities. This change in focus to address community-wide and industry-wide challenges associated with the transitioning economy returns FMCS grant-making to a role originally contemplated by Congress in 1978.

Promoting Collaborative Solutions: Innovative Education and

Outreach

FMCS recognizes that just as technology has changed the workplace; it has also changed the delivery systems for workforce education and training. For this reason, FMCS will continue to make broad use of innovative web-based technologies, not only to deliver training, but also to share labor-management success stories with its customers. In early 2015, FMCS presented its second series of Conflict Resolution Week training programs with FMCS mediators delivering five webinars focused on “Maximizing Mediation.” These webinars provided over 400 widely dispersed participants from the private, public, and federal sectors with an opportunity to engage with FMCS mediators in real time and to learn about the mediation process, the role of the mediator, and best practices for improving outcomes. Post session evaluations confirmed the success of these webinars.

In 2017 FMCS will continue to build upon the success of the first two conflict resolution weeks, seeking to expand its audience and provide fresh and relevant programming. FMCS now offers periodic web-based “success stories” webinars highlighting the positive outcomes associated with FMCS conflict resolution services. In a cost-effective, web-based format, FMCS labor-management customers tell the story of their improved relationships and interact with the audience. These programs have become so popular that they are filling to capacity minutes after being announced. Indeed, the most recent event added a voice-only option to accommodate many more participants than expected and integrated an innovative “Live-Tweet Your Questions” option. Samplings of recent web-based outreach programming provided by FMCS mediators include:

From Adversaries to Allies: An Interest-Based Bargaining Success Story. Described the journey of the Nevada Health District and SEIU 1107 from an adversarial relationship to one of mutual understanding and trust with the

assistance of FMCS.

Clearing the Deck: A Grievance Mediation Success Story. Described how NHS Human Services and AFSCME DC 88 in Philadelphia improved their labor-management relationship and learned to quickly resolve workplace conflict and potential collective bargaining disputes by utilizing grievance mediation as a tool for achieving voluntary settlement.

FMCS Grievance Mediation: Solving Disputes & Improving Relationships. Described the process of grievance mediation and how parties might use this tool as a best practice for improved success in establishing better methods of communication and conflict management and to improve labor-management relations.

Mediación Federal: Más que Solo Mediación. Developed for the Spanish- speaking labor-management community, this webinar, conducted entirely in Spanish by bilingual FMCS mediators, explained the role of the Agency, the process and benefits of mediation, FMCS services, and information on how to access them. In addition to these remote, collaborative innovations, in 2016 FMCS will relaunch it's highly acclaimed, National Labor-Management Conference (NLMC). The NLMC, held bi-annually from 1982 until 2008, successfully educated existing and prospective agency customers on cutting edge labor-management relationship building and dispute resolution techniques as well as collaborative solutions to complex bargaining issues. In its first few years, the conference attracted hundreds of attendees from the labor relations community, eventually expanding into a 2 1/2-day conference drawing more than 1,500 participants. FMCS NLMCs are known for providing high-quality, nationally known speakers and workshop presenters, and providing outstanding learning

and networking opportunities for labor relations practitioners.

In response to significant expressions of interest from the labor relations community about reviving this event, FMCS will hold the 2016 NLMC in Chicago. The conference program will reflect the full range of issues and topics arising from the evolving workplace, while emphasizing FMCS messages on the value and benefits of labor- management collaboration and cooperation. Multiple workshops will highlight individual partnership success stories, with presentations by the parties describing their experiences and lessons learned. Others will address current trends and issues the parties are confronting such as multi-generational workplaces, social media and implications for labor dispute resolution, alternative bargaining models, and recruitment and retention challenges. The conference strengthens agency ties with existing customers, who often are presenters, and creates new customers for FMCS services among attendees.

Finally, FMCS continues to innovate with the production of on-line interactive instructional tools designed to help FMCS customers more effectively utilize its services. Recent topics covered the on-line filing of statutorily required §8(d) notices of contract expiration, how to properly apply for a labor-management grant, and effectively using FMCS negotiated rulemaking support services.

Alternative Dispute Resolution Services to Government

In addition to providing labor-management dispute resolution services, the Administrative Dispute Resolution (ADR) and Negotiated Rulemakings Acts of 1996 call upon FMCS to assist federal, state, and government entities in resolving disputes arising under their jurisdictions. On a cost-reimbursable basis, FMCS provides a wide variety of professional services to more than 130 federal agencies and bureaus. These services include: mediating employment disputes and disputes involving administrative

programs; training in the skills and procedures of alternative dispute resolution; consulting, evaluating, designing, and building capacity in conflict management systems; facilitating public policy and intra/inter-agency discussions; and developing tools for interagency and public-private cooperation and collaboration.

During 2015, FMCS provided negotiated rulemaking services to the U.S. Department of Energy (DOE), which had a goal of defining energy efficiency standards for manufactured housing. FMCS mediators helped a working group successfully develop the draft standards. Those involved praised the facilitators for having played a critical role in convening industry, efficiency advocates, and consumer interest groups to negotiate an all-encompassing new efficiency standard. The parties successfully concluded the draft rule in less than four months—a particularly impressive feat given that industry consensus on the rule had been elusive for several years.

Also during 2015, in what has been hailed as the biggest energy-saving standards rulemaking in DOE history, FMCS assisted industry, government, and advocacy groups in achieving major new consensus energy standards for commercial heating and air conditioning equipment. The new standards have the potential to save nearly 15 quadrillion BTUs (quads) of energy over 30 years and reduce energy consumption and costs by billions of dollars over the lifespan of the equipment. DOE has asked FMCS to facilitate three additional rulemakings in 2016.

In 2015, FMCS also provided training to more than 20 agencies in the skills and procedures of alternative dispute resolution. These trainings included an agency-wide effort to assist the Social Security Administration's ADR program by training 6,000 supervisors and managers in the effective utilization of ADR. Additionally, in conjunction with the Office of Personnel Management (OPM), the Federal Executive Boards in Philadelphia, Detroit, Atlanta, Dallas, Washington, and Baltimore,

and other federal agencies, FMCS provided basic, advanced, and refresher mediation Skills training to more than 320 neutrals for the Federal Neutral Shared Services and other federal agency ADR programs. The training included more than 120 IRS agents from the IRS Office of Appeals.

Based upon its proven record of past successes and a growing interest from other federal agencies, FMCS also expects to increase its work with federal regulatory negotiations in 2017.

C. Internal Operations: Securing the Future of FMCS Together

In the past year, FMCS began the serious work of ensuring that it was a model of government efficiency, integrity, employee engagement, and customer service. Since the last in-depth examination of agency structure, management, and services occurred nearly 20 years ago, FMCS began the year with a new initiative called “Securing the Future of FMCS Together.” The purpose of the initiative was to engage all FMCS employees in mapping a path forward.

This initiative was particularly timely because, like many federal agencies, FMCS was experiencing many challenges related to employee recruitment, training, and retention. Two areas in particular raised concerns that FMCS was not fully prepared and positioned for the future.

Relating to personnel issues, FMCS had experienced three consecutive years of significant mediator retirements. In 2015 alone, FMCS lost 18 mediators to retirement with more than 379 years of combined mediation experience. In response, FMCS had recruited, on-boarded, and began training 18 new mediators, or slightly more than 10 percent of its mediator workforce. Training new mediators is a labor-intensive process, involving five weeks of formal classroom training and between six and 24 months of on-

the-job training and job shadowing. Bringing a large number of new employees without previous federal experience into any organization presents challenges but it also provides an opportunity to create a consistent operating culture.

In its physical operations, FMCS is facing its most significant challenge of the past 40 years. In early FY 2017, the FMCS national office will be relocating from its long-standing address at 2100K Street, NW in Washington, D.C. due to the planned demolition of the building it currently occupies. FMCS is taking the opportunity that the move presents by expanding its training and mediation space, shrinking the footprint that its support operations requires, and rethinking how employees can work together more effectively.

Embracing these challenges, the Securing the Future initiative centers around five themes: creating structural integrity and operational consistency; increasing compliance and strengthening internal controls; reforming hiring practices and managing performance; promoting employee engagement; and modernizing communications with customers.

FMCS is using the results of the annual Federal Employee Viewpoint Survey (FEVS) to help guide this initiative. The FEVS results have consistently recognized FMCS as one of the best places to work in the federal government, including a second place finish in calendar year 2014 and a first place finish in 2015 among small agencies. The survey also designated FMCS as one of the “most innovative” federal agencies, rating highly among 371 federal agencies and subcomponents for fostering innovation and motivating employees to develop new ideas on the job. Nevertheless, FMCS is focusing on areas of lower scoring to inform improvements across all areas of its internal operations.

Creating Structural Integrity and Operational Consistency

With the goal of ensuring structural integrity and creating

operational consistency, FMCS reorganized the agency management structure to ensure better integration between field and national office operations. It is currently reviewing and revising standard operating procedures across the agency, has tasked a working group with developing succession planning guidelines, and is reviewing field office utilization for efficiency and cost-effectiveness.

FMCS continues to employ a well-developed system for evaluating the distribution and effectiveness of its field office staff and offices. This evaluation occurs on an annual basis and as retirements and attrition present opportunities for non-disruptive realignment of its personnel. With the majority of its employees involved in direct program delivery—175 employees (75 percent of its workforce) distributed across 67 field stations—FMCS makes sure to place employees in areas where they can provide the greatest benefit at the least cost. FMCS will continue to use a workload evaluation model to determine trends in specific field stations. The results help ensure that decisions to fill vacant mediator positions reflect the current and potential demand for FMCS services.

Increasing Compliance and Strengthening Internal Controls

In 2015, FMCS created a new position, Manager of National Office Operations, to oversee all administrative functions of FMCS. A critical part of the effort to improve compliance is the learning management system (LMS) that FMCS procured in 2015. The LMS tracks and records each employee's completion of mandatory training, receipt of internal memos, and other professional development activities. This system will provide critical support to insure that FMCS employees are continuing the culture of innovation and creativity necessary for the success of the FMCS mission.

For its financial operations, FMCS hired a new finance director to

update FMCS policies, strengthen and document its internal controls, and update staff skills. Strengthened financial policies and procedures, uniformly applied, will improve FMCS's ability to transparently demonstrate effective and efficient use of public resources. Also in 2015, FMCS contracted with the National Archives and Records Administration (NARA) to review its records keeping policies and systems and in 2016 will complete staff training on the new policies and procedures recommended by NARA. Finally, FMCS is currently reviewing and updating, as necessary, all internal policy statements (FMCS Directives). By 2017, FMCS expects to have reaped the benefit of these initiatives and strengthened its performance in all of these areas.

Reforming Hiring Practices and Managing Performance

Small agencies often face a challenge in attracting talented job applicants. By 2017, and in the ensuing years, FMCS seeks to position itself as one of the most desirable places to work in government in order to attract the widest, most diverse, and best qualified applicants and to retain the best and most effective workforce. To this end, in 2015, FMCS hired a new human resources director with years of high-level experience at Department of Navy and specialized OPM staffing experience. The new director is in the process of completely revamping and modernizing the FMCS HR office. Improvements to date include: OPM granting FMCS delegated hiring authority; FMCS being the first agency to beta test and use the new USA Staffing system; developing and implementing consistent on-boarding and mentoring practices across its operations; and reviewing and revising employee position descriptions and performance standards.

As previously mentioned, FMCS has experienced a significant number of retirements and, consequently, new mediator hiring. This turnover places greater emphasis on training and institutional knowledge transfer. Training this geographically dispersed

workforce in new mediation techniques has in the past proven both expensive and time- consuming. In 2017, FMCS will expand upon the initial success of a new internal training platform for employees that it calls its Virtual Academy. This “academy” leverages new internet-based technologies to provide FMCS employees with on-demand programs and live webinars that sharpen their skills, develop expertise in new and complex areas, and help share institutional knowledge and best practices through mediator “success stories” and experiences with colleagues.

FMCS employees find that the Virtual Academy fits easily into their busy and ever- changing schedules and is also extremely cost effective, reducing or limiting the need for FMCS mediators to travel to regional training sites. Recent offerings have focused on timely topics such as health care bargaining and the Affordable Care Act. This format also allows for mediator-to-mediator peer sharing of institutional knowledge critical for diffusion of information and innovation. Appendix B contains a full list of the 2015 academy offerings.

Promoting Employee Engagement

Employee engagement is a process designed to ensure that employees are committed to their organization’s goals and values, motivated to contribute to organizational success, and are simultaneously able to enhance their own sense of well-being. To meet its employee engagement goals for 2017, FMCS is currently pursuing the following objectives: encouraging diverse viewpoints, feedback, and innovation; practicing open communications; and increasing transparency.

FMCS is using a number of strategies to achieve its objectives including, among other things: regular communications from the Director; daily internal and external news roundups; quarterly Virtual Town Hall Meetings; regular newsletters featuring up-to-date information about significant cases and training programs;

regular meetings between the Agency Director, managers, and staff, including a series of first ever Virtual Mediator Roundtables between the Director and all agency mediators; instituting monthly meetings with national office managers to discuss upcoming needs, goals, action plans and deliverables; providing field directors with opportunities for regular information exchange and collaboration; and a reinvigorated labor-management forum to constructively engage the FMCS unionized workforce on a regular basis.

Modernizing Communications with Customers

FMCS strives to provide high-quality high-value services to its customers in order to meet and fulfill its statutory mission. Equally important is FMCS's commitment to using allocated resources as efficiently as possible in order to ensure that customers and taxpayers receive the most value for the services it provides. In 2015, FMCS created a new position, Manager for National Programs and Initiatives, to lead a new center of creativity and innovation for all areas of service delivery.

In 2015, FMCS also revamped and updated agency technology to better serve current and future customers, including: launching a new public website; using social media (Facebook, Twitter, and YouTube) to communicate with customers and employees; and using a new email service delivery system designed to reach larger audiences with information about upcoming live and web-based conflict resolution presentations and training events. By the end of 2017, FMCS expects to have an effective and modern communications strategy in place that clearly communicates the positive benefits of FMCS services.

D. Conclusion

The U.S. economy is in a period of transition from a manufacturing based economy to one that is more service and knowledge based. While this transformation presents great opportunities, it also presents the challenge of increased workplace

conflict as workers and businesses grapple with issues of technology, automation, competition, skills, and cost-cutting. Workplace disputes are arising in both traditional labor-management collective bargaining settings, as well as in high profile social media and community based campaigns for improved wages and working conditions.

Over nearly seven decades, the FMCS has compiled a proud record of success in helping parties resolve disputes, learn joint problem-solving skills, and create successful, collaborative problem-solving relationships. As the nature, complexity, and range of the issues confronting managers and employees in business and government have evolved, so too has FMCS, constantly seeking new and innovative methods to prevent disruptions to the U.S. economy, to reduce costs to U.S. taxpayers, and, most importantly, to help managers and workers together overcome the challenges of the changing economy in business and government workplaces.

Given the anticipated size and number of collective bargaining agreements expiring in FY 2017, the increased demands for collective bargaining among workers in new and previously unorganized sectors of the economy, the new forms of bargaining that are emerging in communities and across industries, and the increased need for labor and management to work collaboratively to achieve competitiveness, economic development and job security, we urge you to favorably consider this request for \$50,738,000. This reflects the elimination of the one-time relocation costs provided in the 2016 appropriation, inflationary increases to cover pay, rent, and a proposed expansion in the agency's labor-management grants to support area- and industry-wide labor-management partnerships.