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September 2001

SECURITIES AND EXCHANGE COMMISSION

Human Capital Challenges Require Management Attention

G A O

Accountability ★ Integrity ★ Reliability

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Contents

Letter

1
Results in Brief 2
Background 3
Compensation Was the Primary Factor in Employee Turnover, but Other Issues Were Also Important 6
SEC Has Placed Greater Emphasis on Compensation-Based Programs Than on Noncompensation Flexibilities 16
SEC Has Taken Steps to Address Strategic Human Capital Management but Faces Challenges 22
Conclusions 27
Recommendations 28
Agency Comments and Our Evaluation 29

Appendixes

Appendix I: Scope and Methodology 32

Appendix II: GAO Survey of Currect SEC Attorneys, Accountants, and Examiners 35

Appendix III: GAO Survey of Former SEC Attorneys, Accountants, and Examiners 50

Appendix IV: Additional Details From GAO Survey of Current and Former SEC Attorneys, Accountants, and Examiners 64

Appendix V: Key Human Capital Management Principles From Nine Private Sector Organizations 69

Appendix VI: Comments From the Securities and Exchange Commission 71
GAO Comments 74

Appendix VII: GAO Contacts and Staff Acknowledgments 76
GAO Contacts 76
Acknowledgments 76

Figures

Figure 1: Staff That Were Generally or Very Dissatisfied With Issues Relating to Compensation 7
Figure 2: Current Attorneys, Accountants, and Examiners Dissatisfied With Issues Relating to Compensation 8
Figure 3: Staff Indicating Certain Aspects of Their Job Were a Somewhat or Very Important Reason to Leave SEC 9

Figure 4: Current Attorneys, Accountants, and Examiners Indicating Issues Related to Administrative Support Services Were a Source of Dissatisfaction 12
Figure 5: Top 5 Aspects of Their Job With Which Current Staff Were Generally or Very Satisfied 14
Figure 6: Job Satisfaction: SEC and Employees Governmentwide 15
Figure 7: SEC and Governmentwide Employees That Received Awards, Bonuses, and Allowances in Fiscal Year 2000 (Usage rate per 100 employees) 16
Figure 8: Staff Indicating Improvements in Certain Areas Would Increase Employee Satisfaction to a Great or Very Great Extent 26
Figure 9: Aspects of Their Job With Which the Highest Percentage of Current Staff Were Generally or Very Dissatisfied 64
Figure 10: Percentage of Staff Indicating Certain Aspect of Their Job Had a Generally or Very Negative Effect on Morale 65
Figure 11: Staff Indicating Certain Aspects of Their Job Were a Somewhat or Very Important Reason to Stay at SEC 66
Figure 12: Staff Indicating Certain Aspects of Their Job Had a Generally or Very Positive Influence on Morale 67
Figure 13: Staff Indicating a Certain Factor Was a Positive Influence on Their Decision to Work at SEC to a Great or Very Great Extent 68

Abbreviations

GLBA	Gramm-Leach-Bliley Act of 1999
MSPB	U.S. Merit Systems Protection Board
NCUA	National Credit Union Association
NTEU	National Treasury Employees Union
OAPM	Office of Administration and Personnel Management
OMB	Office of Management and Budget
OPM	Office of Personnel Management
POPPS	Personnel Operating Policies and Procedures
SEC	U.S. Securities and Exchange Commission

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United States General Accounting Office
Washington, D.C. 20548

September 17, 2001

The Honorable Robert F. Bennett
Ranking Minority Member
Subcommittee on Financial Institutions
Committee on Banking, Housing, and Urban Affairs
U.S. Senate

Dear Senator Bennett:

Over 1,000 employees, or about one-third of the staff, left the U.S Securities and Exchange Commission (SEC) from 1998 to 2000.[1] Of these, more than 500 were attorneys. Overall, SEC's turnover rates for attorneys, accountants, and examiners averaged 15 percent in 2000, more than twice the rates for comparable positions governmentwide. Furthermore, 280 available positions remained unfilled in 2001. According to the former acting SEC Chairman, SEC has been experiencing a staffing crisis that is adversely affecting its ability to protect investors and promote the integrity and efficiency of U.S. securities markets.

SEC officials attributed this staffing crisis largely to SEC's compensation levels, which are lower than those in the private sector and at other federal financial regulators. However, pay may not be the only factor affecting staff decisions to leave SEC; SEC's organizational culture and human capital policies and practices may also have influenced employee retention. As you requested, we focused our study on SEC's management of its human capital. Specifically, our objectives were to (1) determine the factors that influence employee turnover and morale; (2) assess the extent of SEC's use of human capital policies and practices to recruit, motivate, and retain staff; and (3) assess SEC's strategic management of its human capital.

To determine the factors that influenced turnover, satisfaction, and morale among SEC staff, we conducted a survey of current and former SEC attorneys, accountants, and examiners. We received a total of 1, 380 responses from current staff, for a response rate of 72 percent, and 336 from former staff, for a response rate of 69 percent. Our survey results can be generalized to all current and former SEC staff populations. We also reviewed SEC's policies, interviewed relevant SEC officials in various divisions and offices, and compared SEC's practices with those of other

[1] Years are fiscal year throughout the report.

federal financial regulators. In addition, we met with officials from the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM). Finally, we reviewed SEC's strategic human capital management initiatives and compared them with strategies at other high-performing organizations.[2] For more information on our scope and methodology, see appendix I.

Results in Brief

The former and current SEC attorneys, accountants, and examiners we surveyed overwhelmingly cited low compensation as the primary reason they left or might leave SEC. SEC officials, who are aware of the significance of this issue, told us that SEC staff often make 50 percent less than employees in comparable positions in the private sector and 18 to 39 percent less than comparable staff at other federal financial regulators. In addition to compensation, staff raised other issues that warrant SEC management's attention. Specifically, they cited opportunities for advancement, the amount of uncompensated overtime, and the quality of administrative support services as important reasons to leave or consider leaving SEC. At the same time, a high percentage of staff indicated that they were satisfied with their overall job and their ability to balance their work and personal lives.

In response to the high turnover rates, SEC has placed greater emphasis on compensation-based human capital programs, including most compensation-based flexibilities and performance awards, than it does on other human capital programs. Although SEC uses compensation-based flexibilities to a greater extent than other government agencies, OPM believes it could do more. SEC's compensation-based flexibilities include recruitment bonuses, retention allowances, superior qualifications appointments, and special pay rates. Similarly, SEC has in place many of the performance award programs, such as cash awards and quality step increases, that exist in other government agencies. However, our survey results revealed that SEC employees were dissatisfied with the ability of the agency's performance incentive system to motivate them to perform well. In addition to compensation-based programs, SEC offers work-life

[2] High-performing organizations are organizations that have been recognized in the current literature or by GAO as being innovative or effective in strategically managing their human capital. See *Human Capital: Key Principles From Nine Private Sector Organizations* (GAO/GGD-00-28, Jan. 2000).

programs such as compressed work schedules[3] and telecommuting that are similar to those offered by other federal financial regulators. However, SEC has been slower to embrace these programs. For example, SEC only recently allowed compressed work schedules agencywide. Moreover, compared with other federal financial regulators, SEC allows only limited telecommuting, and while the agency allows part-time work, it has no formal part-time policy. Finally, we found that several of SEC's human capital policies could have an adverse effect on working conditions at the agency.

SEC has taken several steps to focus more attention on strategic human capital management but faces continuing challenges. In April 2001, the agency integrated its human capital strategies with the agency's core business practices by adding a human capital goal to its 2002 Annual Performance Plan. SEC has also developed an extensive recruiting program to centralize its efforts to recruit attorneys. However, the agency faces two significant challenges in improving its human capital management: changing the organizational culture to give higher priority to human capital issues and establishing a constructive relationship with the new union.

This report contains recommendations to the SEC Chairman to use formal approaches to measure the effectiveness of the agency's human capital management initiatives, to expand the agency's human capital strategies presented in the annual performance plan into a comprehensive, coordinated workforce planning effort, and to more actively involve SEC's human capital leaders in making decisions regarding the agency's human capital strategies. We requested comments on a draft of this report from the SEC Chairman. SEC's written comments are reprinted in appendix VI and discussed both near the end of this letter and in the appendix.

Background

SEC's primary mission is to protect investors and maintain the integrity of the securities markets. To meet its goals, SEC requires public companies to disclose meaningful financial and other information to the public. SEC is also responsible for conducting investigations of potential securities law

[3] For the purpose of this report, we refer to compressed work schedule as the 5-4-9 model as described in appendix C of OPM's *Handbook on Alternative Work Schedules* (December 1996). Under this model, a full-time employee must work 80 hours in a biweekly pay period and must be scheduled to work 9 out of 10 days.

violations and overseeing self-regulatory organizations such as securities exchanges, as well as broker-dealers, mutual funds, investment advisors, and public utility holding companies. SEC's mission has become increasingly important as retail investors have become more directly involved in the securities markets—through on-line trading, for example—and as the markets themselves have begun to change, because of the increased use of alternative trading systems and the potential privatization of securities exchanges. According to SEC officials, such changes and innovations have resulted in an increasingly heavy and complex workload for SEC staff.

To carry out its mission, as of December 31, 2000, SEC had 3,235 staff working in 4 divisions and 18 offices in Washington, D.C. and in 11 regional and district offices. Of these, approximately 39 percent were attorneys, 17 percent were accountants or financial analysts, and 6 percent were compliance examiners or investigators.

High turnover among attorneys, accountants, and compliance examiners is a concern because these employees carry out tasks that are essential to accomplishing SEC's mission. Attorneys at SEC perform a variety of duties in most of the divisions and offices, ranging from litigation to rule writing, and deal with securities laws as well as international and administrative issues. For example, attorneys in SEC's regulatory divisions provide guidance to self-regulatory organizations and the mutual fund industry, while attorneys in SEC's enforcement and oversight divisions identify and prosecute violations of securities laws. Accountants at SEC work primarily in the Division of Corporation Finance, the Division of Enforcement, and the Office of the Chief Accountant, reviewing and commenting on financial statements, providing guidance on accounting standards and practices, and participating in investigations. Compliance examiners at SEC work in the Office of Compliance Inspections and Examinations as well as in regional and district offices, reviewing the financial records and activities of entities such as broker-dealers and mutual fund operators to determine compliance with securities laws and other requirements.

SEC officials believe that the high turnover rate is due largely to salary restrictions that have resulted in increasing pay disparity between SEC and other federal financial regulators and the private sector. Currently, SEC employees are paid according to the civil service pay scale used at most other government agencies, known as general schedule (GS) pay scales. SEC officials said that while SEC cannot hope to approach private sector salaries, the disparity in pay between SEC and other federal financial

regulators that are exempted from federal pay restrictions is significant. SEC studies indicate that certain staff positions at SEC pay significantly less than similar positions at other federal financial regulators.[4] SEC officials said that this disparity will become increasingly problematic as the Gramm-Leach-Bliley Act of 1999 (GLBA)[5] brings SEC staff together with staff from other financial regulators in the coordinated regulatory activities GBLA mandates. SEC therefore believes that pay parity with other financial regulators is critically needed to respond to its current staffing crisis and has sought legislation that would allow it to narrow the pay gap between it and other federal financial regulators.

In March 2001, the U.S. Senate approved S. 143, the Competitive Market Supervision Act of 2001, and in June 2001, the U.S. House of Representatives approved H.R. 1088, the Investor and Capital Markets Fee Relief Act. Along with reducing the fees SEC collects, these bills would exempt SEC from federal pay restrictions and provide it with the authority necessary to bring salaries in line with those of other federal financial regulators. As of September 10, 2001, no further action had been taken on this legislation.

In July 2000, SEC employees voted to join the National Treasury Employees Union (NTEU). NTEU officials said that the primary grievances were unpaid overtime, low pay, and lack of flexible work arrangements. Although NTEU currently cannot negotiate pay with SEC, it can negotiate virtually all other human capital policies, including benefits, work arrangements, awards, and promotions. As of September 10, 2001, SEC and NTEU were negotiating their collective bargaining agreement. According to SEC officials, until this agreement is negotiated and agreed to by both parties, SEC management cannot implement any new human capital programs without NTEU's agreement and approval. Once the collective bargaining agreement is approved, SEC will have to negotiate any subsequent additions or changes.

[4]The crisis in the thrift industry in the 1980s led Congress to pass the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). Among other things, FIRREA authorized certain financial regulators, such as Federal Deposit Insurance Corporation, National Credit Union Association, Office of the Comptroller of the Currency, and Office of Thrift Supervision to determine their own compensation and benefits so that they could more effectively compete in the marketplace for qualified applicants. P. L. No. 101-73 §1206, 12 U.S.C. §1833b. The Federal Reserve Board of Governors also has independent authority to set the compensation of its employees. 12 U.S.C. §248l.

[5] P. L. No. 106-102, 113 stat. 1338 (1999).

Compensation Was the Primary Factor in Employee Turnover, but Other Issues Were Also Important

By an overwhelming majority, the current and former SEC attorneys, accountants, and examiners we surveyed cited compensation as their primary reason for leaving SEC. Respondents also identified other issues, such as opportunities for advancement, the amount of uncompensated overtime, and the quality of administrative support services,[6] that had or would affect their decision to leave.[7] Certain groups and offices were also more dissatisfied with some aspects of SEC than others. Although the survey revealed a number of areas that had a negative impact on staff morale, a high percentage of staff indicated that they were satisfied with their overall job, the extent to which they were treated with respect, and their ability to balance their work and personal lives.

Compensation Was the Primary Reason Staff Had Left or Were Considering Leaving SEC

Current and former staff indicated that compensation was the most important reason to leave or consider leaving SEC, followed by opportunities for advancement, the amount of uncompensated overtime, and the quality of administrative support, that are discussed later in this report. Some 70 percent of current staff and 78 percent of former staff indicated that their level of compensation was a somewhat or very important[8] reason to leave SEC. Current staff were also more dissatisfied with compensation than with any other aspect of their job.[9] As shown in figure 1, some 64 percent of current and 56 percent of former staff were dissatisfied with total pay, and an even higher percentage of current staff were dissatisfied with their pay relative to pay at other federal financial regulators and in the private sector.

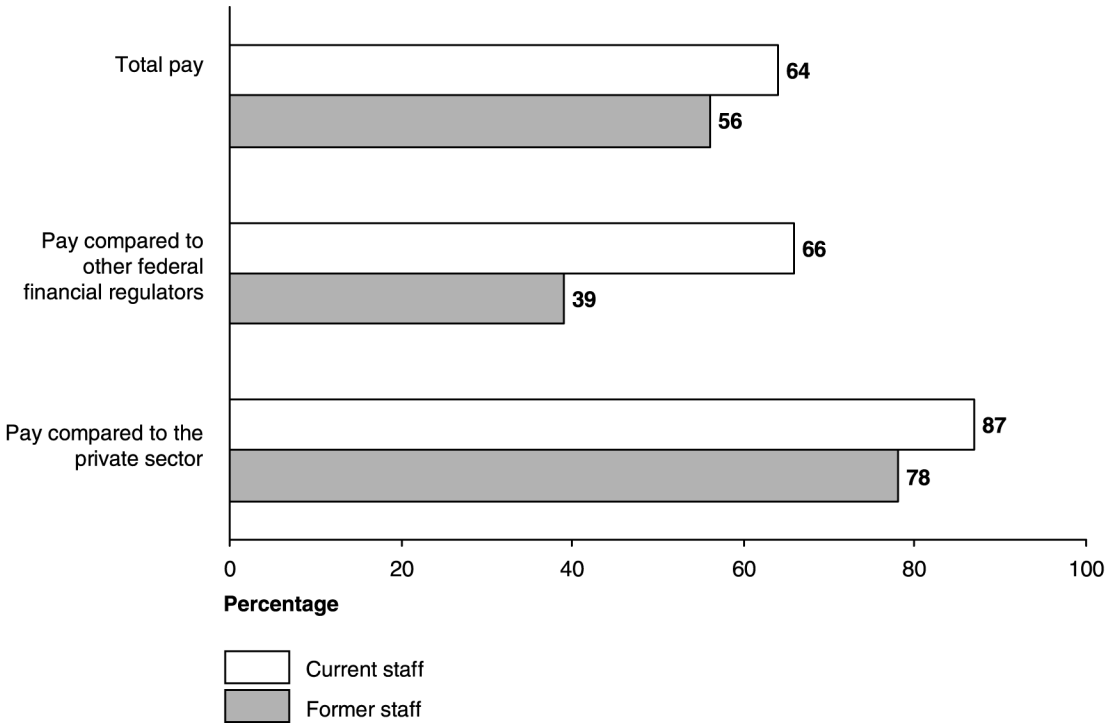
[6] The term "support services" as used in the survey, refers to administrative support services, including paralegals and secretarial activities.

[7] See appendixes II and III for the detailed results of our survey of current and former employees.

[8] See appendixes II and III for language used in the surveys.

[9] See appendix IV for additional details.

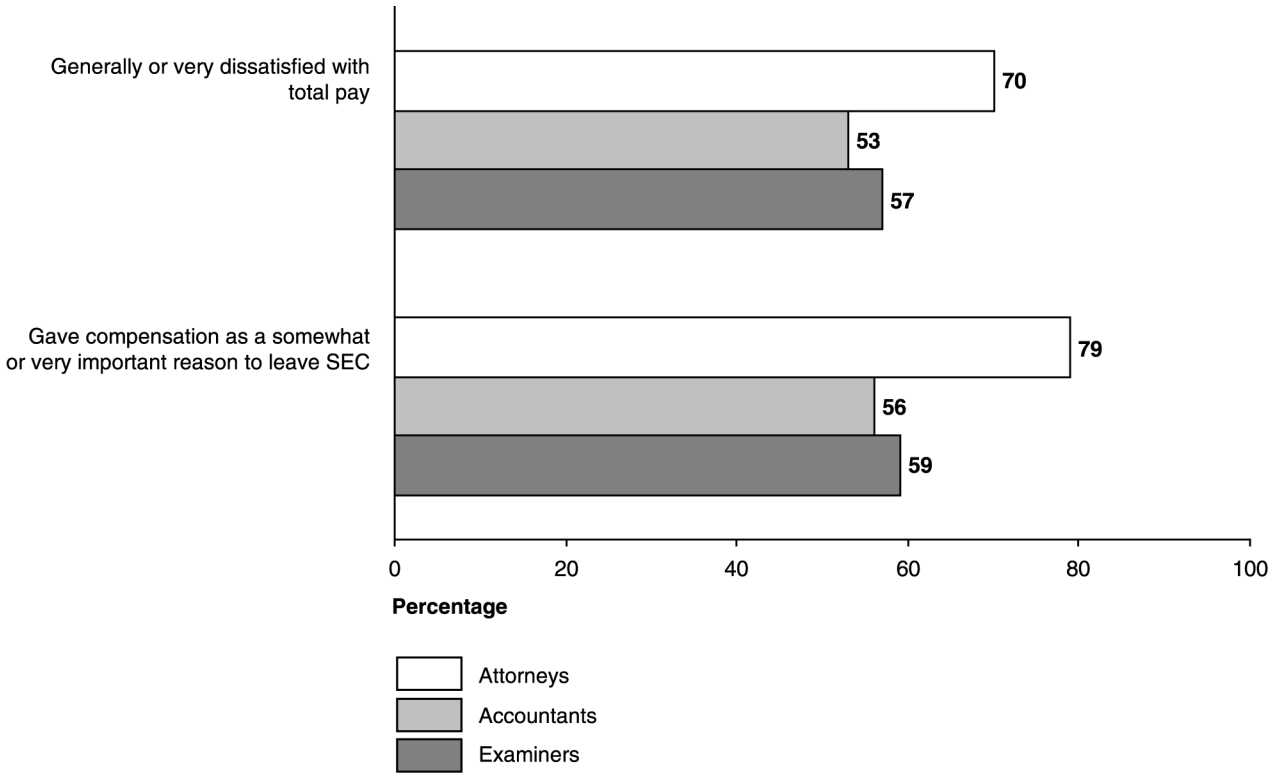
Figure 1: Staff That Were Generally or Very Dissatisfied With Issues Relating to Compensation



Source: GAO survey of current and former SEC attorneys, accountants, and examiners.

Survey results further revealed that dissatisfaction with compensation varied among attorneys, accountants, and examiners. Specifically, among current employees, compensation levels appeared to influence attorneys more negatively than it did accountants and examiners. As shown in figure 2, some 70 percent of current attorneys said that they were dissatisfied with their total pay, compared with 53 percent of accountants and 57 percent of examiners. Similarly, some 79 percent of attorneys said that compensation was an important reason to leave SEC, compared with 56 percent of accountants and 59 percent of examiners.

Figure 2: Current Attorneys, Accountants, and Examiners Dissatisfied With Issues Relating to Compensation



Source: GAO survey of current and former SEC attorneys, accountants, and examiners.

Comments by current and former staff show both the dissatisfaction with compensation and the influence compensation levels have on decisions to stay at or leave SEC. One current staff member wrote, "I love my job here. The only reason I am going to have to leave one day is because I can only forbear on my law school student loans for so long. Once I have to begin repayment, I will need more money. If salaries are increased at SEC, I would probably stay." A former staff member wrote, "The SEC simply does not pay enough to allow a professional with a family to make ends meet in New York. I had no choice but to leave the SEC." Another former staff member wrote, "The SEC needs to pay its attorneys no less than the highest paid government attorneys."

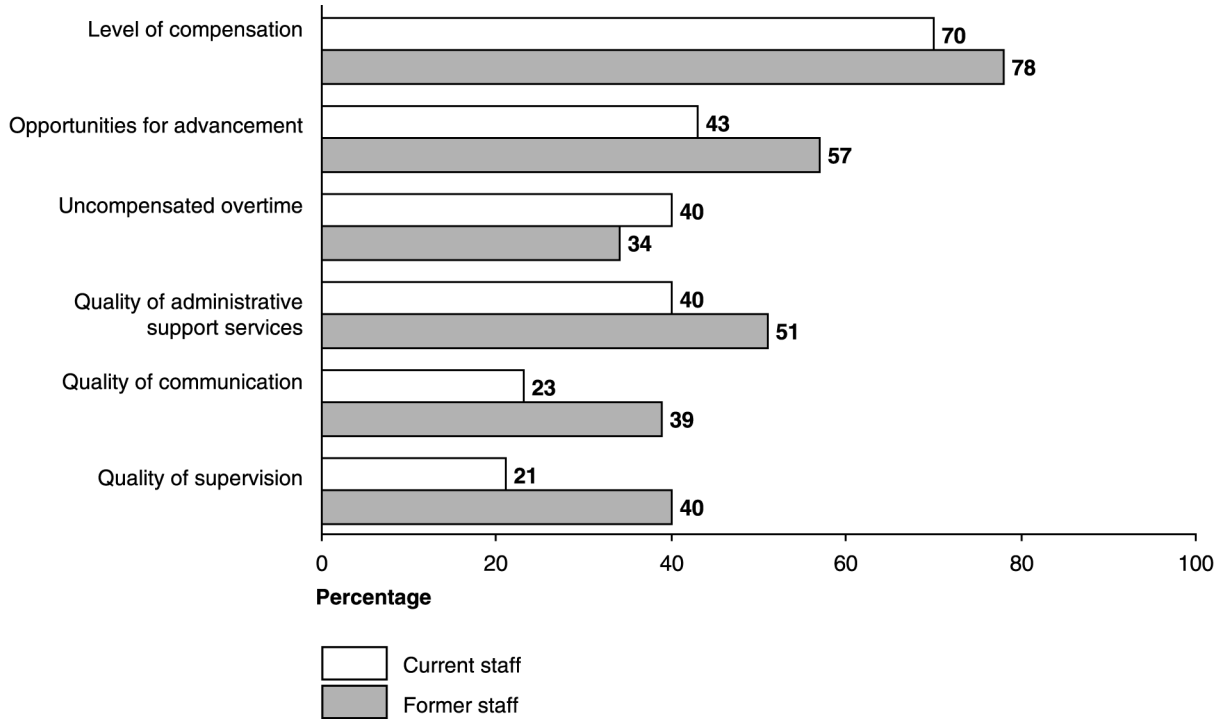
According to the former acting SEC chairperson, the agency's comparatively low compensation levels have made it difficult to recruit and retain attorneys and accountants. She said that first-year associates at top

law firms can make twice the salary of staff attorneys in comparable positions at SEC and that accountants with the experience SEC requires are highly prized in the private sector and thus difficult to recruit. She added that pay disparity is particularly troubling because GLBA requires SEC staff to work closely with staff at other federal financial regulators who are paid significantly more.

Staff Also Cited Nonpay Factors as Important Reasons for Leaving SEC

Current and former staff also cited several nonpay factors as reasons to leave or consider leaving SEC. As shown in figure 3, these factors include opportunities for advancement, uncompensated overtime, quality of administrative support services, quality of communication, and quality of supervision. Additional factors are included in appendixes II and III.

Figure 3: Staff Indicating Certain Aspects of Their Job Were a Somewhat or Very Important Reason to Leave SEC



Source: GAO survey of current and former SEC attorneys, accountants, and examiners.

Opportunities for Advancement

Current and former staff cited opportunities for advancement within SEC as the second most important reason for leaving SEC. As shown in figure 3, some 43 percent of current staff and 57 percent of former staff indicated that opportunities for advancement were somewhat or very important reasons for leaving SEC. In addition, a high percentage of staff also cited opportunities for advancement as an area with which they were dissatisfied, that had a negative effect on their morale, and in which improvement would increase satisfaction to a great extent.

Almost 31 percent of permanent positions at SEC are at the GS-14 level; only 12 percent are GS-15 positions. Therefore, once a staff member has been promoted to a GS-14, opportunities for advancement to the GS-15 level are limited, which restricts pay. This situation makes it difficult for staff to separate opportunities for advancement from pay, as illustrated by the following survey comments. A current staff member wrote, "Many of the raises and promotions are given automatically within the first few years of employment and after that, longer term employees have few if any opportunities." A former staff member wrote, "A flatter management structure with more non-supervisory GS-15 slots would help a lot."

SEC officials acknowledge that the need for greater opportunities for advancement is an issue. For example, officials in the Division of Enforcement said that they would like to promote more attorneys who do investigations to the GS-15 level but they cannot because GS-15 positions are reserved primarily for trial and supervisory attorneys. Similarly, officials in the Office of General Counsel commented that they have an insufficient number of nonsupervisory GS-15 positions for attorneys and that they did not expect to receive any more in the near future. SEC officials also view this problem as a compensation issue that they could better address if they had more flexibility in setting pay scales—that is, if they could provide higher compensation without having to promote staff.

Uncompensated Overtime

After compensation and opportunities for advancement, the amount of uncompensated overtime SEC requires was most often cited as an important reason for leaving SEC. [10] As shown in figure 3, some 40 percent

[10] SEC policy states that "employees occupying professional or supervisory positions are expected to have a sufficient interest in completing their work assignments on a timely basis or in keeping their workload reasonably current by performing voluntary work outside of regular work hours, on their own initiative, whenever it is necessary." (POPPS, 6-630.B, Jan. 17, 1992) Staff commonly refer to this practice as "donating" time.

of current staff and 34 percent of former staff indicated that it was an important reason to leave SEC, and 57 percent of current staff and 51 percent of former staff indicated that it had a negative effect on morale.

The following comments by current and former staff illustrate the level of dissatisfaction with the amount of uncompensated overtime. One current staff member wrote, "Management has communicated that uncompensated overtime is not expected and should not be necessary. Yet the current workload is such that uncompensated overtime is necessary to get the work done within a reasonable time period . . . ." A former staff member wrote, "The SEC . . . should properly compensate for overtime, not have us 'donate' it to the government."

Quality of Administrative Support Services

Both current and former staff cited the quality of administrative support services as the fourth most important reason for leaving SEC (fig. 3). Forty percent of current staff and 51 percent of former staff indicated that the quality of administrative support services within divisions and offices was a somewhat or very important reason to leave SEC. Like opportunities for advancement, the quality of administrative support services was frequently cited as a source of dissatisfaction. Respondents also indicated that it had a negative effect on their morale and that improvements in this area would increase satisfaction to a great extent.

The following comments by current and former staff illustrate the dissatisfaction with the administrative support services at SEC. One current staff member noted, "The government is paying attorneys high salaries to spend half their days xeroxing, typing, putting toner in the printer, and chasing around for supplies. These are duties that I would not even be allowed to do in private practice because it would be a waste of my billable hours to do menial tasks at $200/hour." A former staff member wrote, "The administrative support was abysmal. The staffing was approximately 1 secretary to every 7 attorneys during most of my time at the SEC, and I spent several months with no secretarial support. . . This makes no sense for the Division of Enforcement, which has the job of doing complex investigations and litigation that require the typing and filing of extensive amounts of paperwork."

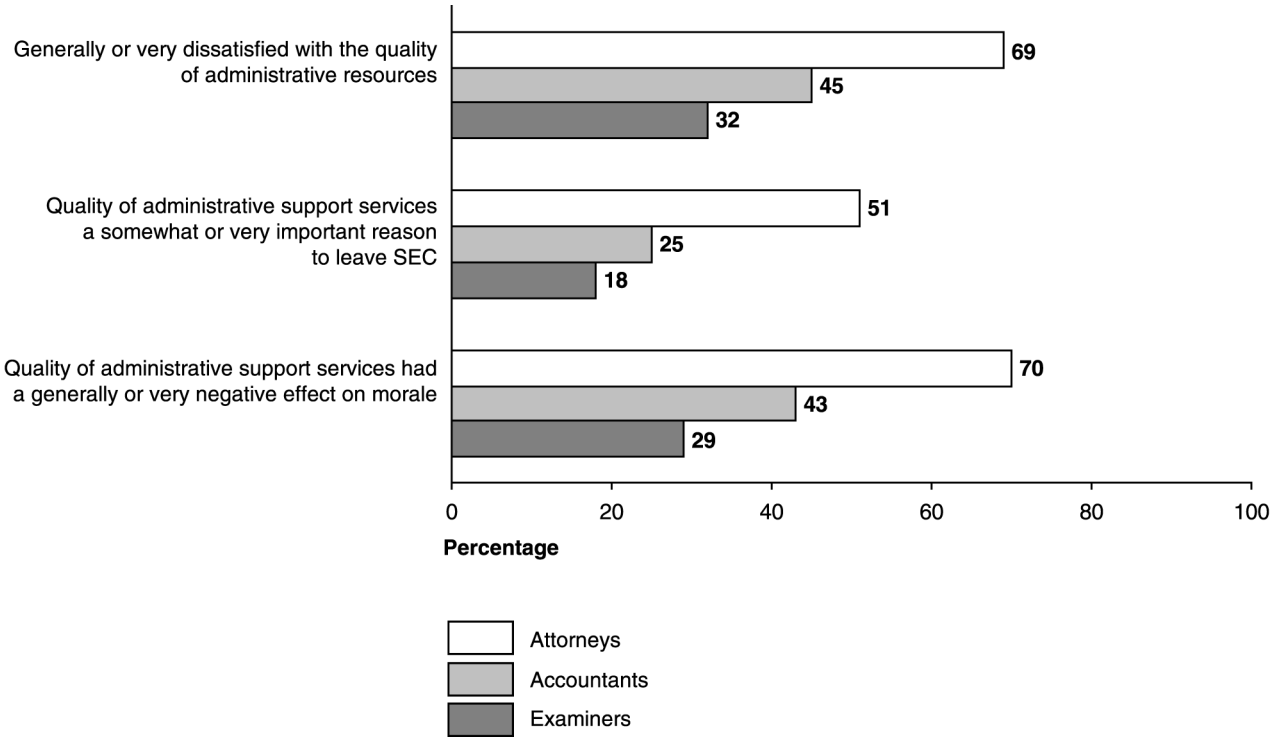
SEC officials acknowledged that staff have previously brought this issue to their attention. The officials said that each division has a set number of total staff positions, and division managers decide whether to fill positions with administrative or professional staff. Faced with limited budgets,

division managers tend to fill vacancies with professional staff rather than with administrative support staff.

Some Groups of Staff Expressed Higher Rates of Dissatisfaction than Others

Dissatisfaction with administrative support services varied among attorneys, accountants, and examiners. As shown in figure 4, among current employees, more attorneys than accountants and examiners indicated that they were dissatisfied with the quality of administrative support services, that it was an important reason to leave SEC, and that it had a negative effect on morale. More accountants than examiners expressed similar dissatisfaction (fig. 4).

Figure 4: Current Attorneys, Accountants, and Examiners Indicating Issues Related to Administrative Support Services Were a Source of Dissatisfaction



Source: GAO survey of current and former SEC attorneys, accountants, and examiners.

Supervision and intra-agency communication were also areas of dissatisfaction, but more so for former than for current staff. As figure 3 shows, 40 percent of former staff said that the quality of supervision was an important reason to leave SEC, compared with 21 percent of current staff. Among former staff, 39 percent said that the quality of communication was an important reason to leave SEC, compared with 23 percent of current staff. Similarly, higher percentages of former staff indicated that the quality of supervision and communication had a negative effect on morale.[11]

Former staff members explained some of their dissatisfaction with these aspects of their jobs. Regarding supervision, one former staff member said, "The major reason I left the SEC was the inadequate management and lack of skilled professional supervisors. Some of the supervisors were openly hostile to employees and mean-spirited." With regard to communication, another former staff member said, "The Chairman and division heads are generally remote. Moving to the private sector, I was amazed at the efforts that senior management go to in order to communicate their message to all levels of the company."

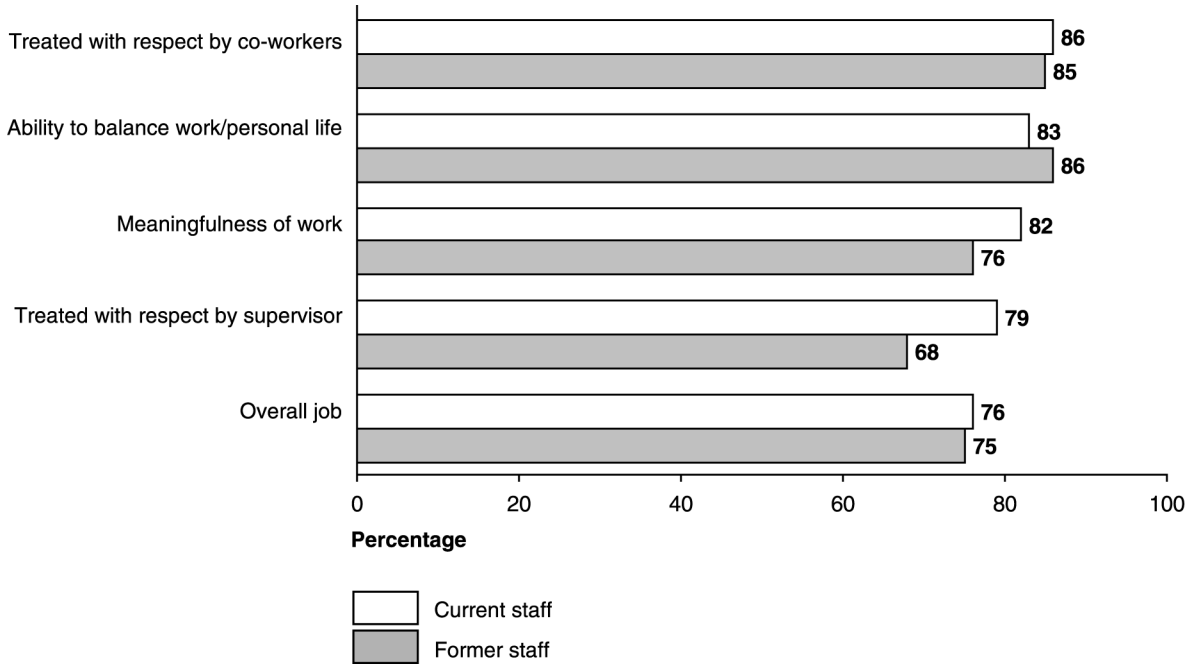
A few groups of current employees were more dissatisfied than others, regarding their ability to balance their work and personal lives. Although only 8 percent of the current employees we surveyed indicated that they were generally or very dissatisfied with their ability to balance their work and personal lives, approximately 20 percent of respondents from two regional offices indicated that they were generally or very dissatisfied. While only 7 percent of the current employees indicated that their ability to balance their work and personal lives had a generally or very negative effect on morale, almost 30 percent of the respondents from the same two regional offices felt that it had such an effect. In addition, 25 percent of the respondents from one of these two offices, compared with only 8 percent of the total respondents, indicated that the ability to achieve balance was a somewhat or very important reason to leave SEC.

[11] See appendix IV for additional details.

Most Staff Were Satisfied With Their Overall Jobs

When it came to job satisfaction, most respondents were satisfied with their overall jobs. As shown in figure 5, three out of four current and former staff were satisfied with the extent to which they were treated with respect by their coworkers, their ability to balance their work and personal lives, the meaningfulness of their work, the extent to which they were treated with respect by their supervisors, and the overall job. These issues were also the most frequently cited as important reasons to stay or consider staying at SEC and as having a positive effect on morale.[12] However, as discussed later in this report, a high percentage of current staff indicated that improvements in these areas would increase their satisfaction to a great extent.

Figure 5: Top 5 Aspects of Their Job With Which Current Staff Were Generally or Very Satisfied

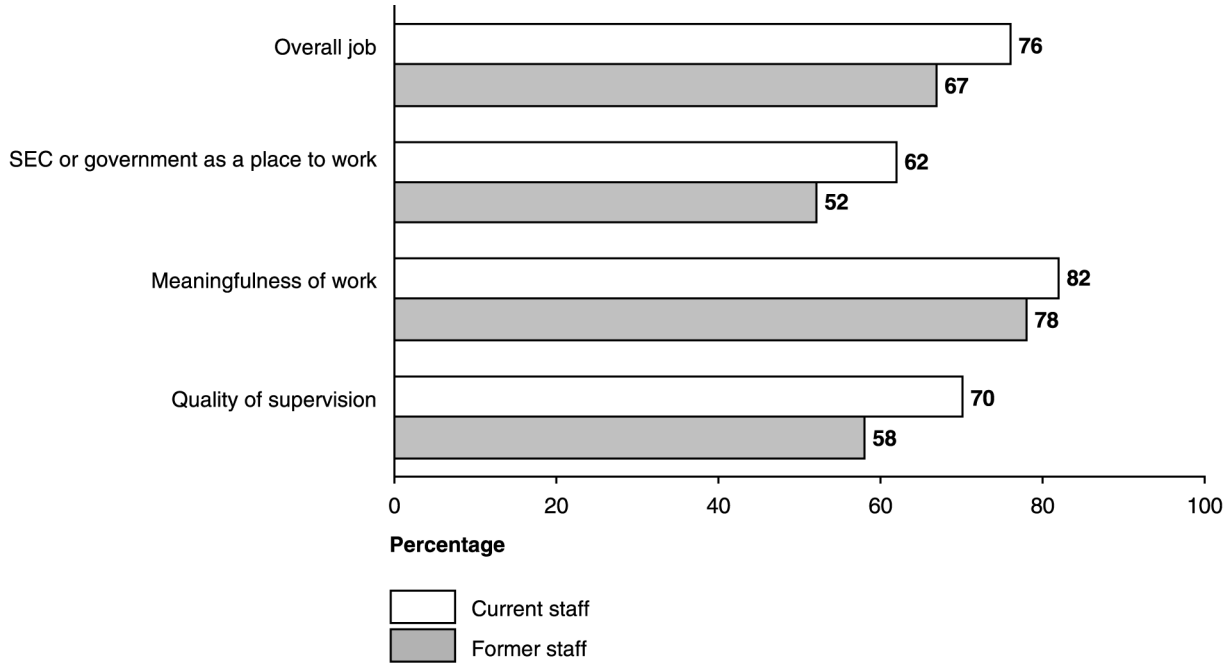


Source: GAO survey of current and former SEC attorneys, accountants, and examiners.

[12] See appendix IV for additional details.

In several areas, SEC employee satisfaction rates among current staff compare favorably with those of employees governmentwide.[13] As shown in figure 6, current SEC staff were more satisfied than employees governmentwide with their overall job, with SEC as a place to work, with the extent to which their work was meaningful, and with the supervision that they received.

Figure 6: Job Satisfaction: SEC and Employees Governmentwide



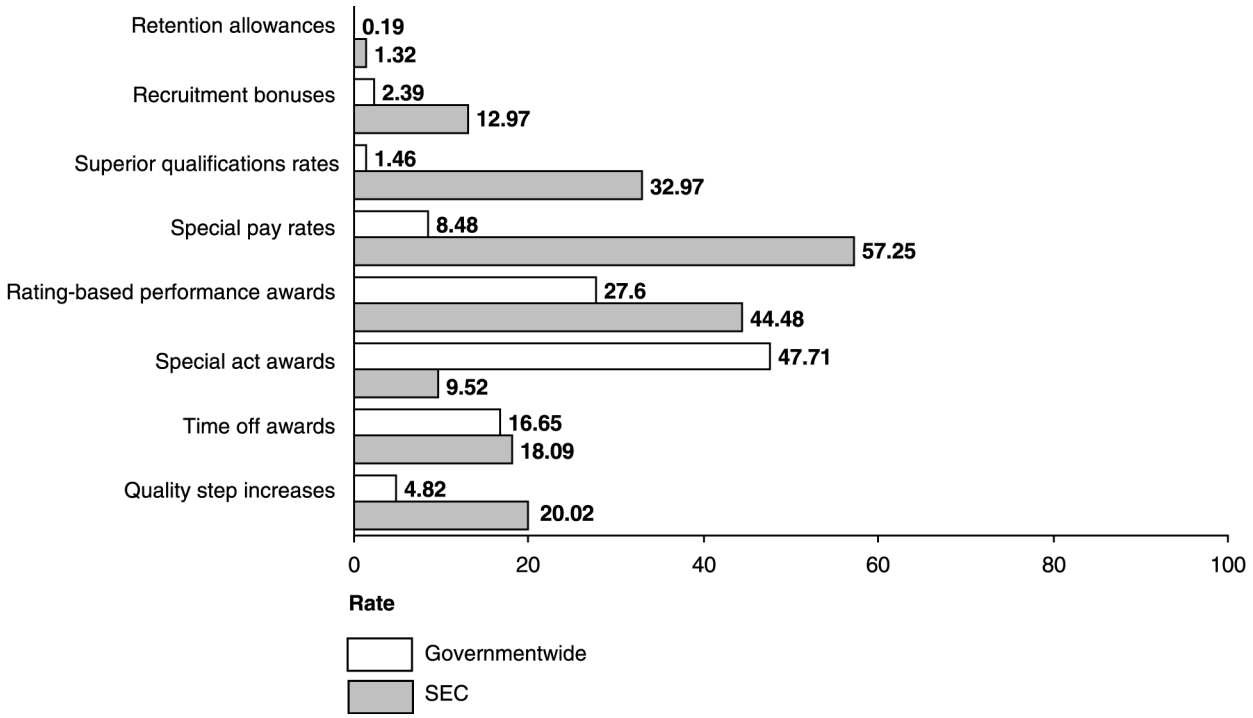
Source: GAO survey of current and former SEC attorneys, accountants, and examiners, and U.S. MSPB Merit Principles Survey 2000.

[13] Based on the U.S. Merit Systems Protection Board (MSPB) Merit Principles 2000 Survey. The survey is in the format of statements with which respondents may agree strongly, agree, neither agree nor disagree, disagree, or disagree strongly. We compared the percentage of SEC respondents who were generally or very satisfied with items on our survey with the percentage of governmentwide respondents who agreed or strongly agreed with statements in the MSPB survey.

SEC Has Placed Greater Emphasis on Compensation-Based Programs Than on Noncompensation Flexibilities

In response to the high turnover rates among attorneys, accountants, and examiners, SEC has focused largely on compensation-based programs to recruit, retain, and motivate staff. Compared with other government agencies, SEC has more actively used compensation-based flexibilities such as recruitment bonuses, retention allowances, superior qualification appointments, and special pay rates (see fig. 7). SEC also actively uses performance awards such as cash, quality step increases, and time off. In addition to these compensation-based programs, SEC offers a number of human capital programs aimed at improving the quality of work life. However, SEC management has only recently increased its focus on providing greater flexibilities through other human capital programs such compressed work schedules and telecommuting.

Figure 7: SEC and Governmentwide Employees That Received Awards, Bonuses, and Allowances in Fiscal Year 2000 (Usage rate per 100 employees)



Source: OPM.

SEC Actively Uses Most Compensation-Based Flexibilities and Performance Awards

Under federal statutes, SEC has the authority to implement a variety of compensation-based flexibilities, including recruitment bonuses, retention allowances, superior qualification appointments, and special pay rates. Specifically, SEC can provide up to a 25-percent increase in basic pay[14] to employees who would otherwise be likely to leave SEC. Since 1993, SEC employees have received retention allowances that range from 5 to 21 percent of their basic pay. SEC uses retention allowances at a rate of 1.32 per 100 employees, or almost 7 times the governmentwide rate.

SEC also uses recruitment bonuses more frequently than other government agencies. These bonuses can help agencies compete for top-quality candidates who are in demand, attract candidates with special qualifications quickly, and replace staff when turnover is high. Since 1992, SEC has provided recruitment bonuses ranging from 3.5 to 21 percent of basic pay, with an average of 10 percent of basic pay. SEC uses recruitment bonuses at a rate of 12.97 per 100 employees, or about 5 times the governmentwide rate.

Superior qualification appointments allow SEC to set pay for new appointments or reappointments of individuals to GS positions above step 1 of the grade based on superior qualifications of the candidate. In the last few years, SEC has used superior qualifications appointments to hire examiners who meet specific scholastic achievement and grade-point average requirements. SEC uses superior qualification appointments at a rate of 32.97 per 100 employees, or more than 20 times the governmentwide rate. Finally, SEC uses special pay rates to address staffing problems among attorneys, accountants, and examiners. These special rates are not based on a set percentage of basic pay but on the equivalent of several steps on the basic pay scale. In March 2001, SEC received OPM approval to update the special rates for attorneys and accountants and added examiners to the special rate category. However, since OPM regulations do not allow staff who receive special pay to receive locality pay, special pay

[14] Basic pay is the rate of pay fixed by law or administrative action. For the purposes of pay retention, basic pay is calculated before deductions and exclusive of additional pay of any kind, such as locality pay, interim geographic adjustments, or other special pay adjustments. (POPPS 6-575.B, July 20, 1993)

becomes less valuable over time.[15] In addition, under SEC's program, only employees who are GS-13 to 15 attorneys, GS-12 to 15 accountants, or GS-11 to 15 examiners with at least 2 years of securities-related experience are eligible. SEC uses special pay rates at a rate of 57.25 per 100 employees, or more than 6 times the governmentwide rate.

Along with the compensation-based flexibilities, SEC uses performance awards to motivate employees and reward them for high performance. SEC uses rating-based awards to reward employees for performance exceeding expectations, as defined by their formal performance appraisal. SEC has the authority to grant performance awards of up to 10 percent of an employee's basic pay and cash awards of up to $10,000 without external approval.[16] The average award in 1999 was $1,642. SEC uses rating-based performance awards at a rate of 44 per 100 employees—almost twice the governmentwide rate. However, only 17 percent of current staff and 18 percent of former staff surveyed indicated that they were generally or very satisfied with the ability of SEC's performance incentive system to motivate them to perform well. Moreover, 47 percent of current staff and 53 percent of former staff indicated that they were generally or very dissatisfied with the performance incentive system.

SEC also uses special act awards, which are one-time lump-sum monetary awards for specific accomplishments that exceed performance expectations during the course of a year. Special act awards are the only performance-based awards SEC uses less frequently than the other government agencies—9.52 per 100 employees, compared with 47.71. An SEC official said that SEC managers generally prefer to use their incentive award funds for year-end performance-based awards, rather than for special act awards throughout the year. Moreover, SEC employees have come to expect annual performance awards as an entitlement similar to the year-end bonuses offered at law firms. SEC also uses time-off awards, which grant employees additional leave with pay and do not affect annual

[15] For special pay to remain effective, an agency must request special pay annual adjustments. Without annual adjustments, the locality pay adjustment would eventually erode the special pay adjustment because employees cannot receive both adjustments.

[16] SEC can grant additional amounts up to $25,000 with OPM approval. Awards over $25,000 must be approved by the President.

leave.[17] SEC's time-off award rate of 18.09 per 100 staff was comparable to the governmentwide rate.

Finally, SEC uses quality step increases to motivate and retain staff. A quality step increase allows employees to progress through the GS pay scales faster than usual and, unlike bonuses, represents a permanent increase in basic pay. Although OPM rules allow a quality step increase every 52 weeks, SEC officials said that SEC awards quality step increases only every 2 years because quality step increases have long term budgetary implications. But the rate at which SEC uses quality step increases—20.02 per 100 hundred employees—was still more than 4 times the governmentwide rate.

Although on average SEC uses compensation-related programs at a higher rate than other government agencies, OPM officials said that SEC could do more to address its retention problems. For example, SEC could offer higher rating-based performance awards. As mentioned earlier, in 1999 the average cash award was $1,642, but according to OPM regulations, agencies can grant awards of up to $10,000, without external approval. While OPM officials believe that there is room for SEC to offer higher amounts, SEC officials said that such action would require additional budgetary resources.

SEC Has Only Recently Increased Its Focus on Noncompensation Flexibilities and Work-Life Programs

Only recently has SEC begun to increase its focus on work-life programs to recruit, motivate, and retain staff. In general, these programs help employees balance their work and family lives and include compressed work schedules, alternate work schedules, telecommuting, and part-time work arrangements. SEC officials said that they had not placed enough emphasis on work-life programs in the past and plan to place greater attention on them in the future.

On February 26, 2001, SEC authorized an agencywide compressed work schedule program, although this flexibility had been available throughout most of the federal government for years.[18] According to SEC officials, SEC

[17] Although time-off awards are not cash awards for employees and cannot be converted to cash, we have characterized these awards as monetary incentives.

[18] On February 26, 2001, SEC and NTEU initiated a pilot program for compressed work schedules using the 5-4-9 model. The pilot is to be effective until a collective bargaining agreement between SEC and NTEU is executed.

had previously piloted compressed work schedules only on a limited basis in certain divisions because of concerns that a compressed schedule could adversely affect the agency's mission. Our survey, which was conducted prior to the agencywide implementation of this program, revealed that only 27 percent of the current staff and 13 percent of the former staff were generally or very satisfied with their ability to use flexible work schedules. Although some SEC officials said the program would serve only to boost employee morale and participation would be low, as of May 30, 2001, about 37 percent of SEC's attorneys, accountants, and examiners had opted to work a compressed work schedule. This figure represents the lowest particpation rate among comparable groups at other financial regulators, where participants ranged from 44 to 93 percent. Overall, SEC officials said that their experience with compressed work schedules had been positive.

SEC also allows employees to work alternate work schedules. This type of schedule permits employees to establish daily start times within a flexible band of up to 2 hours before SEC's official business hours.[19] As with the other flexibities, SEC officials said that they make every attempt to accommodate employees' requests for alternate work schedules. The only requirements are that the work schedules still allow for adequate office coverage and that the employee's ability to carry out SEC's mission is not affected.

SEC also allows temporary, short-term work-at-home arrangements such as telecommuting, but only within certain parameters.[20] For example, SEC allows "ad hoc" or occasional telecommuting in connection with a particular project for up to 2 days if a supervisor believes the alternate worksite will allow the employee to complete the assignment with fewer distractions. SEC also allows limited telecommuting to accommodate temporary medical conditions or to allow employees to care for family members. However, SEC has begun to explore the possibility of allowing more employees to telecommute by using secured remote workstation

[19] Official business hours at SEC headquarters are 9:00 a.m. to 5:30 p.m., and the minimum core business hours all full-time employees are required to work are 10:30 a.m. to 3:30 p.m. Flexible hours are from 7:00 a.m. to 10:30 and from 3:30 p.m. to 7:00 p.m. Regional and district offices have designated business hours that may vary from those at headquarters.

[20] Ad hoc arrangements are generally limited to 2 days and can be used only for certain types of assignments. Temporary arrangements are generally limited to 160 hours and are used to accommodate temporary medical conditions such as those that qualify under the Family and Medical Leave Act.

access. A more liberal use of telecommuting would be consistent with the approach taken by other financial regulators that are also faced with high turnover levels among examiners, who often leave because of the extensive travel requirements. Thus, for example, regulators such as Office of Thrift Supervision (OTS) and the National Credit Union Association (NCUA) use telecommuting more broadly than SEC and view it as an inducement to retain examiners that helps offset extensive travel requirements. These regulators generally allow their examiners to work from home when not conducting examinations as a concession for extensive travel. In contrast, SEC officials generally expect examiners who are not conducting examinations to come into the office. Financial regulatory officials said that because they could not compete on the basis of pay, they must fully use these other flexibilities.

Although SEC has several part-time employees, it does not have a formal part-time policy. As of May 30, 2001, some 4 percent of SEC's attorneys, accountants, and examiners worked part time. SEC officials said that they try to accommodate every staff request for part-time work and have generally been able to do so. However, some divisions and offices are more receptive to part-time work arrangements than others. For example, SEC has allowed temporary part-time work for new parents and ill and recuperating employees. SEC also has disabled employees that work part-time schedules. SEC's use of part-time work was generally comparable to that of other financial regulators.

Although SEC has begun to focus on these work-life programs, our survey suggests that there are other flexibilities that warrant management attention, including expanded flexibility in earning credit hours, reductions in "donated" overtime, and increased use of overtime pay and compensatory time off. First, SEC's current policy on earning credit hours allows employees to earn and use only 6 hours per pay period, with no carryover allowed. That is, if an employee earns 6 credit hours in pay period one, he or she must also use those hours in pay period 1. In contrast, OPM regulations allow employees to accrue up to a total of 24 hours that can be carried over and used in subsequent pay periods.

Second, SEC expects staff to "donate" a certain amount of overtime without receiving pay or time off in order to complete tasks and keep up with their workload. SEC policy states that "employees occupying professional or supervisory positions are expected to have a sufficient interest in completing their work assignments on a timely basis or in keeping their workload reasonably current by performing voluntary work

outside of regular work hours, on their own initiative, whenever it is necessary." An SEC official said that this policy is unique to SEC and that senior management embraces the sentiment of "donated" time. Our survey revealed that 57 percent of current staff and 51 percent of former staff felt that this policy had a negative effect on morale, and many complained specifically about the requirement. Moreover, as a general rule, SEC does not allow overtime pay[21] for most of its professional staff, nor does it provide compensatory time off to employees. According to OPM, SEC could make greater use of overtime pay and compensatory time. SEC officials indicated that their budget was an important factor in limiting the use of these flexibilities.

SEC Has Taken Steps to Address Strategic Human Capital Management but Faces Challenges

The high turnover rate among attorneys, accountants, and examiners has forced SEC management to focus greater attention on strategic human capital management issues. SEC has taken several positive steps to strategically align its core mission with its ability to recruit and retain qualified employees, including improving its recruitment program and adding a new human capital goal to its performance plan. However, because of the high turnover rate and the recent unionization, SEC faces a number of challenges in its efforts to meet employees' needs, including creating an organizational culture that gives priority to human capital issues and establishing a constructive working relationship with the union.

SEC Has Begun to Focus on Strategic Human Capital Management, but Some Gaps Remain

High turnover rates among attorneys, accountants, and examiners at SEC have been a growing problem for the past several years and have prompted SEC to begin addressing its staffing challenges from a strategic perspective. For example, SEC officials said that in late 1999 they finalized several human capital programs designed to offer employees more flexibilities, including a comprehensive compressed work schedule program, student loan repayment program,[22] and formal part-time policy. However, SEC officials said that these programs could not be implemented

[21] SEC employees can be compensated for overtime if their supervisors require them to put in extra hours.

[22] OPM approved the final regulations for student loan repayment program on July 31, 2001.

at that time because of the impending vote on joining NTEU.[23] After the vote to unionize, these programs had to be deferred so that they could be negotiated as part of the collective bargaining process. Although SEC and NTEU reached an interim agreement on the compressed work schedule program, the other programs are part of the ongoing negotiation process.

As part of its new focus on strategic human capital management, SEC has taken two other steps. First, it has improved its recruiting efforts. SEC officials said that to improve the recruiting process, they developed a formal centralized recruiting program to coordinate the agency's recruiting effort for attorneys, accountants, and examiners—which traditionally had been carried out within divisions and regional offices. In 1999, SEC hired a chief recruiter, formed a hiring committee that is chaired by the General Counsel, created a systematic program that makes use of recruiting strategies such as campus visits and internships, and developed updated recruiting materials and brochures directed at law students and attorneys. Further, SEC sends attorneys, usually branch chiefs or office managers who have attended SEC's internal recruiter briefing, to conduct on-campus interviews and attend recruiting events. In addition, SEC's enhanced recruiting program included gathering suggestions for improvement from hiring officials, recent recruits, and summer legal interns, and studying recruitment programs in law and public accounting firms to identify best practices. Second, and more significantly, in April 2001 SEC added a new goal, "sustain and improve organizational excellence," to its 2002 annual performance plan. Under this goal, the plan lists specific objectives, strategies, and performance goals for human capital management and links the importance of recruiting and retaining employees to SEC's ability to accomplish its mission.

Despite these positive developments, SEC has not addressed several important human capital management issues. In general, the objectives and strategies in the annual performance plan address many of the aspects of a comprehensive strategic human capital plan. However, they do not specifically address succession planning. An earlier GAO report noted that high-performing organizations consider continuity of leadership through succession planning and executive development a critical success factor in effective human capital management and ultimately, in achieving an

[23] SEC was advised that any changes to SEC's current policies prior to the vote to unionize could be viewed as "union busting."

organization's missions and goals.[24] Although our survey results revealed that only 2 percent of former employees and 4 percent of current employees cited their eligibility to retire as a somewhat or very important reason to leave SEC, SEC's turnover rate makes succession planning critical.

SEC officials said that the agency has always had relatively high turnover but recent high turnover in mid- and entry-level staff could result in a shortage of experienced staff to assume management roles. For example, the average tenure of attorneys leaving SEC declined from 3.4 years in 1992 to 2.5 years in 1999. Among examiners, the average tenure also declined from 2.9 years to 1.9 years over the same period. In addition, 47 percent of current employees that responded to our survey indicated that when they first began working at SEC, they planned to work at the agency for 5 years or less. SEC statistics showed that many are not even staying that long. As of February 2001, 76 percent of SEC examiners had worked at SEC for fewer than 3 years. In the Division of Enforcement, 11 of 35 branch chiefs had been in their positions fewer than 10 months. Although SEC has provided general strategies in its annual performance plan to address recruiting and retaining staff, SEC officials have not articulated the details of how the agency plans to carry out these strategies and address this aspect of their staffing crisis.

Further, while SEC's plan mentions broad strategies for evaluating the effectiveness of its recruitment efforts and regularly reviewing employee complaints, SEC currently has no formal mechanism to gauge the impact of these initiatives. Most high-performing organizations that we have studied evaluate the effects of their human capital policies and make fact-based decisions on their effectiveness, often through employee satisfaction surveys and focus groups.[25] SEC has used neither of these strategies, and while the 2002 plan recognizes the importance of exit interviews as a strategy to gauge overall employee satisfaction, SEC has yet to implement a formal process to collect and analyze data from exit interviews. Similarly, SEC has not taken a formal approach to analyzing quantifiable data such as the number, size, and costs of bonuses, awards, and other incentives, and their distribution among segments of the workforce—measures that would

[24] *Human Capital: A Self-Assessment Checklist for Agency Leaders* (GAO/OCG-00-14G, September 2000).

[25] See appendix V.

help show whether the agency's incentive programs are effectively motivating its employees. These types of evaluations would do more than simply measure the effectiveness of the agency's human capital strategies; they would also help identify staffing issues before they become major problems. Although SEC receives an OPM oversight review every 4 years that could provide some insight into issues of use to management, periodic employee satisfaction surveys could supplement the information gathered from OPM oversight reviews.

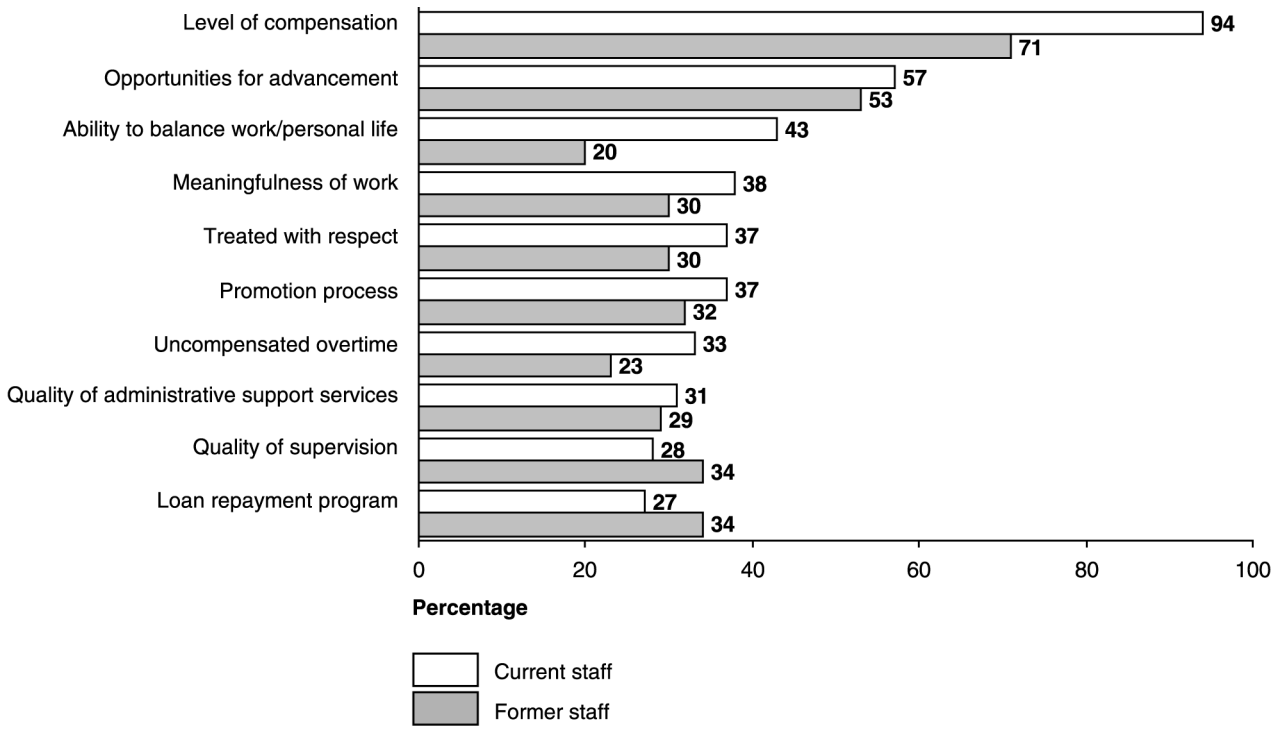
Finally, SEC officials said that the Office of Administrative and Personnel Management (OAPM) would be reorganized to increase its focus on recruiting and strategic goals for the workplace. Currently, OAPM staff provide traditional personnel administration services, such as administering the payroll, processing and maintaining employee records, overseeing contract and lease administration, as well as enhancing overall human resources customer service within SEC. The strategic role of human capital staff is vital if SEC is to increase the effectiveness of its current human capital management practices. However, nothing in the agency's performance plan suggests that the human capital function would be elevated in stature within SEC and hold "a place at the table" among senior management in decisionmaking. In the high-performing organizations that we studied, human capital staff participated as full members of management teams and ensured that those teams proactively addressed human capital issues. For example, several organizations we studied told us that they involved their human capital staff as decisionmakers and internal consultants by having leaders or members of their human capital staff serve on senior executive planning committees, consult directly with line managers regarding specific human capital strategies, and offer expert advice via centralized human capital offices or Intranet sites. Although SEC currently has no plans to implement most of these steps, it has addressed at least one issue. SEC plans to revise its Intranet home page to provide employees information on the various benefits and programs SEC offers. In addition, the revised home page will allow employees to ask questions and make suggestions via E-mail.

SEC Faces Challenges as It Enhances Its Human Capital Management

SEC has begun to recognize the importance of human capital management in accomplishing its mission and has taken steps to make it a priority within the organization and a part of its key planning efforts. But the agency still faces a number of human capital challenges that will require the sustained attention and commitment of its leaders. These challenges might have contributed to the employees' concerns identified in our survey.

First, SEC has not created an organizational culture that ensures ongoing attention to human capital issues. Our survey revealed that while current employees are satisfied with many aspects of their jobs, many areas for improvement remain (fig. 8).

Figure 8: Staff Indicating Improvements in Certain Areas Would Increase Employee Satisfaction to a Great or Very Great Extent



Source: GAO survey of current and former SEC attorneys, accountants, and examiners.

The high-performing organizations that we studied focus on valuing and investing in their employees and on aligning their "people policies" to support organizational performance goals. In contrast, SEC has not made these principles an important part of its human capital management strategies. As discussed earlier, some of the agency's policies concerning overtime, telecommuting, compressed work schedules, and the use of credit hours could be improved in order to raise employee morale. In addition, our survey results collectively indicate that SEC staff believed SEC's organizational culture did not sufficiently value and motivate employees. For example, 38 percent of current employees were dissatisfied with the extent to which upper-level management was committed to

making SEC the "best place it can" be within the constraints of pay and benefit plans and the extent to which upper management demonstrated through daily actions and decisions that employees' well-being and morale were important. In high-performing organizations, management views people as a strategic asset. Further, these organizations demonstrate that effective strategic human capital management requires the sustained commitment and attention of senior leaders and managers at all levels. Strategic human capital management practices require that management continually monitor and refine SEC's human capital approaches to ensure their ongoing effectiveness in addressing employees' needs.

A second challenge is for SEC management to successfully negotiate a collective bargaining agreement with the union. Such an agreement will create the policies that will guide management's interaction with the union and set the tone for the future. Ultimately it will affect SEC's ability to implement human capital policies. Negotiating this contract is a major challenge for SEC because its management is unfamiliar with the collective bargaining process and union practices and there are dozens of issues to be negotiated, including the use of compensatory time and compensatory pay, credit hours and "donated" time policies, the promotion process, and the student loan repayment program. Other agencies we spoke with said that developing a cooperative relationship with a union is vital if the union is to benefit the employees. Better communication and coordination between SEC management and the union could reduce potential conflict and enhance resolutions. In addition, training SEC managers and supervisors to work in a unionized environment would be beneficial. SEC has recognized the need for greater expertise in labor relations and has set aside funding in its 2002 budget for two staff positions to develop and operate a newly created labor relations unit.

Conclusions

SEC's human capital management practices have been shaped largely by the need to confront a growing staffing crisis that threatens to impair the agency's ability to carry out its mission. Our survey results showed that inadequate compensation is the primary reason that employees leave the agency. SEC has sought legislation that would allow it to offer salaries commensurate with those of other financial regulators. While the legislation is pending, SEC actively uses compensation flexibilities to retain and recruit staff. SEC's efforts appear to be appropriate, but increasing compensation by itself cannot solve SEC's retention challenge and enhance employee satisfaction and commitment to the agency, because SEC employees can still opt for higher private sector pay. Other financial

regulators face similar private sector competition and have accepted that they will never be able to compete on the basis of pay alone. Therefore, even as SEC is moving toward pay parity, efforts to enhance its human capital programs as a means to recruit and retain employees will remain important.

Our survey results provide useful information that can help SEC management identify key opportunities to improve employee job satisfaction and morale. The survey results identified various nonpay issues that are important to employees, in particular opportunities for advancement and the quality of administrative support services. Other areas that management should evaluate to address employees' concerns include the effectiveness of the performance incentive system, the quality of supervision, the appraisal process, and the work review process. These survey results provide a baseline for future employee surveys that measure job satisfaction and morale and help identify employee concerns and issues that SEC needs to address.

Strategic human capital management is a pervasive challenge in the federal government; SEC is no exception. GAO has identified focusing on people as a strategic asset as the first step for improving federal agencies' human capital management.[26] By including a goal on human capital in its annual performance plan, SEC has taken a useful first step toward aligning human capital management with its core mission. Although SEC has addressed many aspects of strategic human capital planning, more remains to be done—for example, in the areas of succession planning and evaluation of human capital programs. Without a clear vision on how to recruit, develop, and retain employees, SEC may not be able to fill positions that are vital to accomplishing the agency's mission.

Recommendations

Although SEC has taken steps toward strengthening its strategic human capital management plans, it has not yet devised a method of measuring the success of its initiatives. We recommend that the Chairman, SEC, use formal approaches such as periodically surveying its employees to evaluate employees' job satisfaction and morale, identify employee concerns, and analyze the effectiveness of the agency's use of flexibilities and work-life programs to retain employees.

[26] See *Human Capital: Meeting the Governmentwide High-Risk Challenge* (GAO-01-357T, Feb. 1, 2001).

Strategic human capital management, a component vital to addressing SEC's current staffing crisis, has received little attention from the Commission until recently. Although SEC has added a human capital goal to its annual performance plan, its strategies do not detail the steps necessary to meeting this goal. Therefore, we recommend that the Chairman, SEC, enhance its annual performance plan by including a strategy for succession planning and expanding the human capital strategies presented in the annual performance plan into a comprehensive, coordinated workforce planning effort, that includes all of SEC's divisions and offices.

Finally, to help create an organizational culture that ensures ongoing attention to human capital issues, we recommend that the Chairman, SEC, identify ways to involve human capital leaders in decisionmaking and establish a practice that requires management to continually monitor and refine SEC's human capital approaches to ensure their ongoing effectiveness in addressing employees' needs, including working with the union to expeditiously address the areas of dissatisfaction identified in our survey.

Agency Comments and Our Evaluation

SEC officials provided written comments on a draft of this report that are reprinted in appendix VI. In general, SEC concurred with the report's finding that inadequate compensation was the reason for the high turnover at the agency. Appendix VI provides additional information on SEC comments except for those discussed below. We also received written technical comments and suggestions from SEC that we have incorporated where appropriate.

In response to our recommendation that it periodically survey its employees to measure the effectiveness of human capital program initiatives, SEC commented that they would review the results of our survey and the one conducted by OPM in 2001 and that as needed, will continue to survey employees. We agree with SEC that reviewing these results is a useful first step in evaluating the success of its human capital initiatives. However, SEC has no systematic process for independently surveying its employees. The intention of our recommendation on developing formal methods to measure the success of its initiatives is for SEC to develop fact-based measures by which to judge the success of specific human capital initiatives, as well as identify concerns and gauge employee satisfaction and morale on an ongoing basis.

As agreed with your offices, unless you publicly release its contents earlier, we plan no further distribution of this report until 30 days from its issuance date. At that time, we will send copies of this report to the Chairman and Ranking Minority Members of the House Committee on Financial Services; the Chairman and Ranking Minority Members of the Senate Committee on Banking, Housing and Urban Affairs and other Congressional committees. We will also send copies to the Chairman of SEC and will make copies available to others upon request.

If you or your staff have any questions regarding this report, please contact me or Orice Williams at (202) 512-8678. Key contibutors to this report are acknowledged in appendix VII.

Sincerely yours,

Richard J. Hillman
Director, Financial Markets
and Community Investment

Scope and Methodology

To determine the factors that influence staff turnover, job satisfaction, and employee morale within SEC, we conducted a survey of all SEC attorneys, accountants, and examiners employed as of February 7, 2001, as well as those who had left SEC between June 1, 1999, and October 23, 2000. The surveys were conducted shortly after SEC employees voted to join the union. The impact that unionization had on our survey results is unknown.

The survey of current SEC staff was conducted using a self-administered electronic questionnaire posted on the World Wide Web. Both SEC officials and GAO sent E-mail notifications to 1,915 SEC staff beginning on February 8, 2001. We then sent each employee who was surveyed a unique password by E-mail to ensure that only members of the target population could participate in our survey.[1] We closed the survey on March 23, 2001, having received a total of 1,380 responses, for an overall response rate of 72 percent. The survey of 487 former SEC staff was conducted by mail. We sent one follow-up mailing containing the full survey instrument to nonrespondents approximately 4 weeks after the initial mailing and a second follow-up containing an abbreviated survey to all remaining nonrespondents approximately 4 weeks later. We received 336 completed surveys from former SEC employees, for a response rate of 69 percent.

While our survey results are generalizable to the current and former SEC staff populations as described above, the practical difficulties of conducting any survey may introduce errors into estimates made from surveys. Although we administered our surveys to all known members of the populations of current and former employees, and thus our results are not subject to sampling error, nonresponse to the entire survey or individual questions can introduce a similar type of variability or bias into our results—to the extent that those not responding differ from those who do respond in how they would have answered our survey questions. We took steps in the design, data collection, and analysis phases of our survey to minimize sampling, population coverage, measurement, and data-processing errors,[2] such as checking our population lists against known

[1]During survey field work, we discovered an additional 8 employees and removed 17 employees found to be ineligible for the survey because they had left the agency or were not in any of the 3 job categories, resulting in an actual survey population of 1,906.

[2]Population coverage errors can occur if some members of the population are excluded from the survey. Measurement errors can also arise from how questions are interpreted by respondents and from mistakes made by respondents. Data-processing errors can arise during data entry or analysis.

totals of employees, pretesting and expert review of questionnaire questions, followup with those not reachable at original addresses or otherwise not immediately responding.

To assess SEC's use of human capital policies and practices to recruit, motivate, and retain staff, we reviewed SEC's Personnel Operating Policies and Procedures (POPPS), which include guidance on all SEC human capital policies. We also interviewed officials and staff from several SEC divisions and offices, including Corporation Finance, Enforcement, Investment Management, and Market Regulation, as well as the Offices of the Chief Accountant, General Counsel, and Compliance Inspections and Examinations to obtain information on the use of various SEC human capital programs and the application of policies across the agency. In addition, we compared SEC's human capital policies and practices to those of other federal financial regulators by reviewing their personnel policies and interviewing officials from the Commodity Futures Trading Commission, the Federal Reserve Board of Governors, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision (OTS), and the National Credit Union Association (NCUA). Moreover, we interviewed National Association of Securities Dealers Regulation, Inc., and New York Stock Exchange officials about their turnover rates and human capital practices. We also interviewed officials from NTEU, the Office of Personnel Management (OPM), and the Office of Management and Budget (OMB) to obtain their views on SEC's human capital policies and practices. Finally, we reviewed various OPM's reports on human capital issues.[3]

To assess SEC's management of its human capital, we applied some of the concepts from our prior work on human capital management, most notably *Human Capital: A Self-Assessment Checklist for Agency Leaders* (GAO/OCG-00-14G, Sept. 2000). In addition, we interviewed relevant officials from SEC's Office of the Executive Director and the Office of Administrative and Personnel Management. We also conducted structured interviews with a random sample of first-level managers, known as branch chiefs, to gain better insights into SEC's organizational culture. Finally, we reviewed SEC's 1997 GPRA strategic plan and 2002 Annual Performance

[3] *HR Flexibilities and Authorities in the Federal Government Handbook*; *HRM Policies and Practices in Title 5-Exempt Organizations*, (OPM, Aug. 1988); *The 3Rs: Lessons Learned from Recruitment, Relocation, and Retention Incentives* (OPM, Dec. 1999); and OPM's 1997 oversight review of SEC.

Plan to determine how the agency had integrated human capital management into its organizational structure.

We did our work in Washington, D.C.; Chicago, IL; and; New York, NY between September 2000 and August 2001 in accordance with generally accepted government auditing standards.

GAO Survey of Currect SEC Attorneys, Accountants, and Examiners

Among currect SEC staff, 1,380 staff responded to our survey. No more than 23 staff failed to respond to any particular question, with the exception of question 8, to which 329 staff failed to respond. Note: Totals do not always sum to 100 percent because of rounding.

United States General Accounting Office GAOID: ##XX##

Securities and Exchange Commission Employee Survey

Introduction

The U.S. General Accounting Office, an independent agency of Congress, has been asked to study employee turnover at the SEC in order to determine the factors that may influence the relatively high rate of employee turnover currently being experienced by the SEC. As a part of our study, we are sending a questionnaire to attorneys, accountants, and examiners at the SEC to obtain their opinions about various aspects of working at the SEC. We are also surveying former SEC employees to ask them a series of similar questions. We realize that SEC employees recently received a survey from the Office of Personnel Management (OPM). Our survey focuses on different issues.

Most of the questions in this questionnaire can be answered by checking boxes or filling in blanks. Space has been provided at the end of the questionnaire for any additional comments. The questionnaire should take about 20 to 30 minutes to complete.

GAO will take steps to ensure the privacy of your responses. The identification number is included only to aid us in our follow-up efforts. Responses will not be reported in any way that would allow an individual respondent to be identified.

Please return this in the enclosed postage-paid envelope within 10 business days of receipt to avoid costly follow-up efforts.

If you have any questions, please call either Karen Tremba at (202) 512-3113 or Patrick Ward at (312) 220-7675.

We urge you to complete this questionnaire. We cannot develop meaningful information without your frank and honest answers. Thank you very much for your time.

A. Your Initial Decision to Work at the SEC

1. To what extent, if at all, did each of the following positively influence your decision to begin working at the SEC?
(*Check one box in each row*)

	To a very great extent (1)	To a great extent (2)	To a moderate extent (3)	To some extent (4)	To little or no extent (5)	Not applicable/ No basis to judge (6)
Level of compensation (i.e., pay and benefits) available	4%	10%	22%	25%	38%	1%
Opportunities for advancement	8	26	32	20	13	1
Personal satisfaction from type of work	36	43	16	4	1	1
Desire to balance work and personal life	28	32	19	9	10	2
Preparation for work outside of the SEC	16	23	25	16	18	3
Desire to contribute to the SEC's mission	23	38	25	9	5	1
Desire to work on important issues in your field	33	39	17	8	3	1
Desire to work in a specific city or location	16	23	20	13	24	4
Other - *please specify*: _____ _____						

2. When you began working at the SEC, how long did you plan on working here? *(Check one.)*

1. ☐ Less than 1 year..... 1%
2. ☐ 1 to less than 2 years.....2
3. ☐ 2 to less than 3 years.....12
4. ☐ 3 to 5 years 32
5. ☐ More than 5 years but not for my entire career.....16
6. ☐ For my entire career 9
7. ☐ Unsure 27

B. Your Satisfaction or Dissatisfaction with Various Aspects of Your Job

3. Currently, how satisfied or dissatisfied are you with each of the following aspects of your job with the SEC? (*Check one box in each row*)

	Very satisfied	Generally Satisfied	Neither satisfied nor dissatisfied	Generally dissatisfied	Very dissatisfied	Not applicable/ No basis to judge
a. Your Compensation						
Your total pay (excluding benefits)	1%	16%	19%	35%	28%	0%
Your total pay (excluding benefits) compared to pay for similar jobs within the federal government	2	12	14	31	34	6
Your total pay (excluding benefits) compared to pay for similar jobs outside of the federal government	1	4	7	23	64	1
Your federal employee benefits program in general	3	35	28	23	10	0
b. Your Job						
Your overall job	19%	57%	14%	7%	2%	0%
The meaningfulness of your work	33	49	9	7	2	0
The extent to which your work is made use of by the SEC	23	50	16	8	3	0
The extent to which your job makes use of your skills and abilities	21	51	12	11	5	0
c. The Balance Between Your Work and Personal Life						
Your ability to balance your work and personal life	26%	57%	9%	5%	3%	0%
Your ability to work on a part-time basis	3	4	8	6	7	72
Your ability to work using a "flexitime" schedule (i.e., either starting early or staying late or a compressed schedule of fewer than 10 workdays per pay period)	9	18	12	13	19	29
Your ability to work using a "flexiplace" arrangement (i.e., working a portion of the time at home or at another location)	1	2	8	12	27	50
The extent to which you can take advantage of family/personal leave (e.g., maternity/ paternity leave) opportunities without it being detrimental to your career	13	37	14	5	4	27
The extent to which leave and flexible	11	30	18	12	14	16

work policies are consistently applied within your division or office						
Amount of annual leave you are eligible for	15	50	15	13	7	0
Amount of sick leave you are eligible for	18	55	17	7	3	1

3. *(Continued)* Currently, how satisfied or dissatisfied are you with each of the following aspects of your job with the SEC? (*Check one box in each row*)

	Very Satisfied	Generally satisfied	Neither satisfied nor dissatisfied	Generally dissatisfied	Very dissatisfied	Not applicable / No basis to judge
d. Your Working Environment						
Your physical working conditions (e.g., noise level, temperature, lighting, cleanliness)	12%	52%	16%	15%	5%	0%
The extent to which you are treated with respect by your co-workers	32	54	9	4	2	0
The extent to which you are treated with respect by your supervisor	38	41	9	7	5	0
The extent to which you are treated with respect by upper management	24	41	14	11	10	1
e. Supervision and Management						
The quality of supervision provided by your immediate supervisor	9%	41%	15%	8%	6%	1%
The extent to which your immediate supervisor encourages your career development	6	29	24	9	10	3
The extent to which upper level management is committed to making the SEC the best place it can be within the constraints of pay and benefit plans	1	28	21	19	19	2
The extent to which upper level management demonstrates through daily actions and decisions that your well-being and morale are important	9	27	21	19	23	2
f. Your Division/Office's Performance Appraisal and Incentive System						
The extent to which the person who completes your performance appraisal has knowledge of your skills and abilities	29%	41%	12%	7%	5%	6%
The extent to which your performance appraisal is a fair and accurate reflection of your performance	28	39	12	7	5	8
The ability of your division's or office's	9	27	30	15	12	8

performance appraisal system to motivate you to perform well						
The consistency with which the performance appraisal system is applied within your working unit	9	25	19	10	12	25
The ability of the performance incentive system (awards and other recognition) to motivate you to perform well	3	14	23	22	25	13
The consistency with which the performance incentive system is applied within your working unit	4	17	20	12	17	30

3. *(Continued)* Currently, how satisfied or dissatisfied are you with each of the following aspects of your job with the SEC? (*Check one box in each row*)

	Very Satisfied	Generally satisfied	Neither satisfied nor dissatisfied	Generally dissatisfied	Very dissatisfied	Not Applicable/ No basis to judge
g. Your Opportunities for Advancement						
Your opportunities for promotion within your division or office	6%	28%	23%	21%	17%	6%
The fairness of promotion decisions with respect to the extent they are based on performance	7	27	17	15	17	17
The fairness of promotion decisions with respect to the extent they are non-discriminatory	17	27	17	8	12	19
h. Your Division/Office's Organizational Structure and Support						
The extent to which the current organizational structure of your division or office provides you with a clear chain of command	22%	53%	14%	6%	4%	1%
The current distribution of roles and responsibilities within your division or office	12	46	21	13	8	1
The process for recommending action to the commission	5	31	25	17	10	12
The amount of rework required as a result of the current process for review of your work	7	37	26	16	10	4
The extent to which "red tape" or unnecessary rules interfere with the completion of your work in a timely manner	4	23	34	22	15	3
The extent to which your workload is reasonable, allowing you to do high	10	56	17	11	6	0

quality work						
The extent to which the SEC provides you with the administrative resources (e.g., support staff) you need to do your job well	3	20	18	29	28	1
The extent to which the SEC provides you with the physical resources (e.g., fax machines, computers, copiers, etc.) you need to do your job well	9	44	18	18	11	0

3. *(Continued)* Currently, how satisfied or dissatisfied are you with each of the following aspects of your job with the SEC? (*Check one box in each row*)

	Very Satisfied	Generally satisfied	Neither satisfied nor dissatisfied	Generally dissatisfied	Very dissatisfied	Not Applicable/ No basis to judge
i. Communication Within Your Division/ Office						
The extent to which management communicates to you, in a timely manner, information that affects your work	10%	46%	20%	16%	8%	0%
The extent to which information on shifting priorities is communicated to you in a timely manner	8	42	23	16	9	2
The guidance you receive from management on what your work priorities should be (i.e., what you should focus on or pursue)	11	48	20	14	6	1
The effort made by your division's or office's management to get the opinions and thinking of the people who work there	9	31	25	18	15	2
The level of communication between different divisions or offices within the SEC	2	27	28	22	13	8
j. Training						
The extent to which you receive the training you need to perform your job	9%	46%	21%	16%	7%	1%
The extent to which the training you receive meets your professional development needs	9	43	21	17	8	2

4. Overall, based on the issues raised in question 3, how satisfied or dissatisfied are you with the SEC as a place to work? (*Check one.)*

1. ☐ Very satisfied 9%
2. ☐ Generally satisfied.....53
3. ☐ Neither satisfied nor dissatisfied.....19
4. ☐ Generally dissatisfied 15
5. ☐ Very dissatisfied 4
6. ☐ No basis to judge 0

C. Morale In Your Division or Office

5. Overall, how would you rate the current level of morale in your division or office? *(Check one.)*

1. ☐ Very high 1%
2. ☐ Generally high 20
3. ☐ Neither high nor low 34
4. ☐ Generally low.....31
5. ☐ Very low.....13
6. ☐ No basis to judge 1

6. How positive or negative an effect do you believe each of the following factors, as they currently exist, have on the level of morale in your division or office? (*Check one box in each row.*)

	Very positive effect	Generally Positive effect	Neither positive nor negative effect	Generally negative effect	Very negative effect	Not applicable / No basis to judge
The level of compensation (i.e., pay and benefits)	4%	5%	9%	37%	44%	0%
The opportunities for advancement	3	22	29	31	14	2
The fairness of the promotion process	4	23	29	20	15	9
The meaningfulness of the work	27	53	12	6	2	0
The extent to which you are treated with respect	17	48	16	13	7	1
The extent to which the job allows people to balance work and personal life	28	53	12	4	3	1
The amount of travel required for the job	6	29	43	8	2	12
The consistency with which leave policies (e.g. sick leave, family-friendly leave) are implemented in different divisions or offices	7	30	26	13	7	18
The amount of uncompensated overtime	1	5	25	31	26	12
Your physical working conditions	6	34	34	20	6	0
The quality of supervision	9	42	25	14	9	1
The performance appraisal process	4	25	38	16	9	9
The organizational structure of the division or office (e.g., division of responsibilities, levels of management, etc.)	3	27	44	17	6	2
The process for review of work	4	30	32	24	8	2

The quality of communication within the division or office	5	31	30	23	10	1
The quality of support services	2	17	24	32	24	1
The quality of training	4	37	32	18	7	1
Other - *Please specify*: _____						
Other - *Please specify*: _____						

D. Your Future Plans

7. How important, if at all, are each of the following, as they currently exist, in your plans to stay with or leave the SEC? (*Check one box in each row*)

	Very important reason to stay	Somewhat important reason to stay	Neither a reason to stay nor leave	Somewhat important reason to leave	Very important reason to leave	Not applicable / No basis to judge
a. Your eligibility to retire	13%	18%	52%	2%	2%	13%
b. Your level of compensation (i.e., pay and benefits)	10	11	8	22	48	0
c. Your opportunities for advancement	8	20	28	26	18	2
d. The fairness of the promotion process	7	16	43	14	12	7
e. The meaningfulness of your work	40	40	10	6	4	0
f. The extent to which you are treated with respect	24	40	18	10	8	0
g. The ability to balance your work and personal life	42	39	11	5	3	1
h. The amount of travel required for your job	8	20	53	8	2	9
i. The implementation of leave policies within your division or office (e.g. sick leave, family-friendly leave)	8	27	50	6	3	6
j. The amount of uncompensated overtime	3	5	42	26	14	11
k. Your physical working conditions	4	19	57	16	3	1
l. The quality of supervision	11	33	35	13	8	0
m. The performance appraisal process	5	15	58	11	6	5

n. The organizational structure of your division or office (e.g., division of responsibilities, levels of management)	4	13	64	12	6	1
o. The process for review of your work	4	18	57	14	6	2
p. The quality of communication within your division or office	6	20	51	16	7	1
q. The quality of support services	2	10	48	26	13	1
r. The quality of training	5	24	51	13	6	1
s. Other - *Please specify*: _____						
t. Other - *Please specify*: _____						

8. Looking at the list of reasons in question 7, what would you say is the primary reason you might leave the SEC in the near future? *(Enter the letter a- t of the primary reason from question 7.)*

The primary reason is …. _____ or ☐ Not applicable

Your eligibility to retire 0%
Your level of compensation (i.e., pay and benefits) 68
Your opportunities for advancement 7
The fairness of the promotion process 3
The meaningfulness of your work 1
The extent to which you are treated with respect 3
The ability to balance your work and personal life 2
The amount of travel required for your job 1
The implementation of leave policies within your division or office (e.g. sick leave, family-friendly leave) 0
The amount of uncompensated overtime 3
Your physical working conditions 1
The quality of supervision 2
The performance appraisal process 1
The organizational structure of your division or office (e.g., division of responsibilities, levels of management) 0
The process for review of your work 1
The quality of communication within your division or office 2
The quality of support services 3
The quality of training 1

9. If any of the following changes were made in your division or office, to what extent, if at all, would these changes increase your level of job satisfaction at the SEC? (*Check one box in each row*)

	Very great extent	Great extent	Moderate extent	Some extent	Little or no extent	Not applicable / No basis to judge
Increase your level of compensation (i.e., pay and benefits)	77%	17%	4%	1%	1%	0%
Implement a program by which the SEC would assist in paying off student loans	21	6	5	2	33	33
Improve opportunities for advancement	28	29	23	10	7	2
Improve the fairness of the promotion process	19	18	20	12	18	12
Increase the meaningfulness of your work	18	20	24	13	20	5
Increase the extent to which you are treated with respect	19	18	23	14	20	6
Improve your ability to balance your work and personal life	24	19	21	14	19	3
Decrease the amount of travel required for your job	6	7	15	10	45	17
Improve the implementation of leave policies within your division or office (e.g. sick leave, family-friendly leave)	11	12	19	17	32	9
Reduce uncompensated overtime	18	15	20	15	18	13
Improve your physical working conditions	10	13	26	20	28	3
Improve the quality of supervision	13	15	22	19	27	4
Improve the performance appraisal process	11	12	19	19	31	9
Improve the organizational structure of your division or office (e.g., division of responsibilities, levels of management)	8	11	22	19	36	4
Improve the process for review of your work	9	12	24	20	31	4
Improve the quality of communication within your division or office	10	14	22	23	27	3
Improve the quality of support services	13	18	27	20	20	2
Improve the quality of training	9	13	28	20	26	3
Other - *Please specify*: _____						
Other - *Please specify*: _____						

E. Demographic/Background Information

10. In which SEC unit do you currently work? *(Check one.)*
Note: The number of respondents is presented in brackets following the percentage. This was done to assure staff responding from units which comprised 0 percent of the total responses that their responses were counted.

1. ☐ Division of Corporate Finance ..... 11% [154]
2. ☐ Division of Enforcement ..... 38 ... [520]
3. ☐ Division of Investment Management ..... 12 ... [172]
4. ☐ Division of Market Regulation ..... 6 ..... [88]
5. ☐ Office of Administrative Law Judges ..... 0 ..... [1]
6. ☐ Office Administrative and Personnel Management ..... 0 ..... [1]
7. ☐ Office of the Chief Accountant ..... 1 ..... [18]
8. ☐ Office of Compliance Inspections and Examinations ..... 22 ... [300]
9. ☐ Office of the Comptroller ..... 0 ..... [2]
10. ☐ Office of Economic Analysis ..... 0 ..... [0]
11. ☐ Office of Equal Employment Opportunity ..... 0 ..... [5]
12. ☐ Office of the Executive Director ..... 0 ..... [0]
13. ☐ Office of Filings and Information Services ..... 0 ..... [2]
14. ☐ Office of the General Counsel ..... 5 ..... [70]
15. ☐ Office of Information Technology ..... 0 ..... [1]
16. ☐ Office of the Inspector General ..... 0 ..... [5]
17. ☐ Office of International Affairs ..... 1 ..... [7]
18. ☐ Office of Investor Education and Assistance ..... 1 ..... [8]
19. ☐ Office of Legislative Affairs ..... 0 ..... [3]
20. ☐ Office of Municipal Securities ..... 0 ..... [1]
21. ☐ Office of Public Affairs, Policy Evaluation, and Research ..... 0 ..... [0]
22. ☐ Office of the Secretary ..... 0 ..... [0]

11. In which location do you work? *(Check one.)*

1. ☐ Washington, D.C. Metropolitan Area Offices 48%
2. ☐ Northeast Regional Office 12
3. ☐ Boston District Office 4
4. ☐ Philadelphia District Office 4
5. ☐ Southeast Regional Office 3
6. ☐ Atlanta District Office 3
7. ☐ Midwest Regional Office 8
8. ☐ Central Regional Office 4
9. ☐ Fort Worth District Office 3

10. ☐ Salt Lake District Office 1
11. ☐ Pacific Regional Office 5
12. ☐ San Francisco District Office 3

12. Which of the following describes your position? *(Check one.)*

1. ☐ Attorney 59%
2. ☐ Accountant 25
3. ☐ Examiner 16

13. What is your grade or level? *(Check one.)*

1. ☐ GS-7 ..... 3%
2. ☐ GS-8 0
3. ☐ GS-9 4
4. ☐ GS-10 0
5. ☐ GS-11 3
6. ☐ GS-12 7
7. ☐ GS-13 18
8. ☐ GS-14 43
9. ☐ GS-15 17
10. ☐ SES 3

14. Are you a manager or supervisor? (Check one.)

1. ☐ Yes 25%
2. ☐ No 74

15. How long have you worked for the SEC? *(Check one.)*

1. ☐ Less than 1 year 14%
2. ☐ 1 to less than 2 years 14
3. ☐ 2 to less than 3 years 10
4. ☐ 3 to less than 5 years 14
5. ☐ 5 to less than 10 years 18
6. ☐ 10 to less than 15 years 15
7. ☐ 15 to less than 20 years 5
8. ☐ 20 or more years 8

16. Do you plan to leave the SEC, through retirement or resignation, within one of the following time periods? (*Check one)*

1. ☐ Less than 1 year 9%
2. ☐ 1 to less than 2 years 13
3. ☐ 2 to less than 3 years 7
4. ☐ 3 to less than 5 years 11
5. ☐ I have no plans to leave the SEC within the next 5 years 13
6. ☐ Unsure at this time 45

17. What is your sex? *(Check one.)*

1. ☐ Male 60%
2. ☐ Female 38

18. What is your race? *(Check one.)*

1. ☐ White 82%
2. ☐ African-American 7
3. ☐ Native American 0
4. ☐ Asian or Pacific Islander .. 7
5. ☐ Other - Please specify: 4

19. Are you of Hispanic origin? *(Check one.)*

1. ☐ Yes 5%
2. ☐ No 89

20. What is your age? *(Check one.)*

1. ☐ Under 25 ..... 5%
2. ☐ 25 to less than 30 12
3. ☐ 30 to less than 35 20

21. What is your current work schedule? *(Check one.)*

1. ☐ Full-time work schedule.....96%
2. ☐ Part-time work schedule.....4
3. ☐ Other - Please specify: _____

22. Where did you come from prior to being hired at the SEC? *(Check one.)*

1. ☐ Private sector.....56%
2. ☐ Federal government.....12
3. ☐ Local/State government.....6
4. ☐ Full-time student 22
5. ☐ Academia (as faculty or administrator) 0
6. ☐ Other - Please specify: 3

23. Prior to being hired by the SEC, about how many years were you in the workforce as a full-time employee? *(Check one.)*

1. ☐ Not applicable, I came to the SEC directly after graduating from school.....15%
2. ☐ Less than 2 years 8
3. ☐ 2 to less than 5 years 21
4. ☐ 5 to less than 10 years 28
5. ☐ 10 to less than 15 years 15
6. ☐ 15 or more years.....12

24. If you have any comments regarding any previous question or comments concerning any aspect of your work at the SEC, please use the space provided below.

Thank you for your assistance.

14

GAO Survey of Former SEC Attorneys, Accountants, and Examiners

Among former staff, 336 staff responded to our survey. No more than 52 staff failed to respond to any particular question, with the exception of question 8, to which 73 staff failed to respond.

United States General Accounting Office GAOID: ##XX##

Securities and Exchange Commission Employee Survey

Introduction

The U.S. General Accounting Office, an independent agency of Congress, has been asked to study employee turnover at the SEC in order to determine the factors that may influence the relatively high rate of employee turnover currently being experienced by the SEC. As a part of our study, we are sending a questionnaire to former SEC attorneys, accountants, and examiners at the SEC to obtain their opinions about why they left the SEC as well as various aspects of working at the SEC. We are also surveying current SEC employees, asking them a series of similar questions.

Most of the questions in this questionnaire can be answered by checking boxes or filling in blanks. Space has been provided at the end of the questionnaire for any additional comments. The questionnaire should take about 20 to 30 minutes to complete.

GAO will take steps to ensure the privacy of your responses. The identification number is included only to aid us in our follow-up efforts. Responses will not be reported in any way that would allow an individual respondent to be identified.

Please return your completed questionnaire in the enclosed pre-addressed, postage-paid envelope within 10 working days of receipt. In the event the envelope is misplaced, the return address is:

U.S. General Accounting Office
Ms. Karen Tremba
441G Street, NW, Room 2A28
Washington, DC 20548

If you have any questions, please call either Karen Tremba at (202) 512-3113 or Patrick Ward at (312) 220-7675.

We urge you to complete this questionnaire. We cannot develop meaningful information without your frank and honest answers. Thank you very much for your time.

1

A. Your Initial Decision to Work at the SEC

1. To what extent, if at all, did each of the following positively influence your decision to begin working at the SEC?
(*Check one box in each row*)

	To a very great extent (1)	To a great extent (2)	To a moderate extent (3)	To some extent (4)	To little or no extent (5)	Not applicable/ No basis to judge (6)
Level of compensation (i.e., pay and benefits) available	1%	6%	15%	20%	56%	1%
Opportunities for advancement	7	24	30	23	15	2
Personal satisfaction from type of work	36	40	15	7	1	1
Desire to balance work and personal life	27	28	22	10	12	1
Preparation for work outside of the SEC	28	25	22	11	13	1
Desire to contribute to the SEC's mission	26	34	26	8	6	0
Desire to work on important issues in your field	43	37	13	3	3	1
Desire to work in a specific city or location	11	24	17	14	31	3
Other - *please specify*: _____ _____						

2. When you began working at the SEC, how long did you plan on working here? *(Check one.)*

1. ☐ Less than 1 year..... 0%
2. ☐ 1 to less than 2 years.....4
3. ☐ 2 to less than 3 years.....20
4. ☐ 3 to 5 years 38
5. ☐ More than 5 years but not for my entire career.....13
6. ☐ For my entire career 9
7. ☐ Unsure 17

2

B. Your Satisfaction or Dissatisfaction with Various Aspects of Your Job

3. How satisfied or dissatisfied were you with each of the following aspects of your job with the SEC? (*Check one box in each row*)

	Very satisfied	Generally Satisfied	Neither satisfied nor dissatisfied	Generally dissatisfied	Very dissatisfied	Not applicable/ No basis to judge
a. Your Compensation						
Your total pay (excluding benefits)	1%	26%	17%	35%	21%	0%
Your total pay (excluding benefits) compared to pay for similar jobs within the federal government	4	22	23	24	15	12
Your total pay (excluding benefits) compared to pay for similar jobs outside of the federal government	1	8	12	28	50	1
Your federal employee benefits program in general	6	53	24	13	4	0
b. Your Job						
Your overall job	26%	49%	7%	14%	4%	0%
The meaningfulness of your work	36	41	11	7	6	0
The extent to which your work was made use of by the SEC	31	37	12	13	7	0
The extent to which your job made use of your skills and abilities	29	38	8	17	8	0
c. The Balance Between Your Work and Personal Life						
Your ability to balance your work and personal life	39%	47%	9%	3%	3%	0%
Your ability to work on a part-time basis	2	3	4	5	9	77
Your ability to work using a "flexitime" schedule (i.e., either starting early or staying late or a compressed schedule of fewer than 10 workdays per pay period)	4	8	5	10	20	52
Your ability to work using a "flexiplace" arrangement (i.e., working a portion of the time at home or at another location)	1	3	4	7	19	66
The extent to which you could take advantage of family/personal leave (e.g., maternity/ paternity leave) opportunities without it being detrimental to your career	18	22	10	5	6	39
The extent to which leave and flexible work policies were consistently applied within your division or office	9	24	18	15	16	19

3

Amount of annual leave you were eligible for	22	47	13	11	6	1
Amount of sick leave you were eligible for	29	48	17	4	1	1

3. *(Continued)* How satisfied or dissatisfied were you with each of the following aspects of your job with the SEC? (*Check one box in each row*)

	Very Satisfied	Generally satisfied	Neither satisfied nor dissatisfied	Generally dissatisfied	Very dissatisfied	Not applicable / No basis to judge
d. Your Working Environment						
Your physical working conditions (e.g., noise level, temperature, lighting, cleanliness)	16%	52%	15%	14%	3%	0%
The extent to which you were treated with respect by your co-workers	35	50	8	6	1	0
The extent to which you were treated with respect by your supervisor	34	34	10	8	14	0
The extent to which you were treated with respect by upper management	19	38	13	16	13	1
e. Supervision and Management						
The quality of supervision provided by your immediate supervisor	23%	35%	10%	16%	15%	0%
The extent to which your immediate supervisor encouraged your career development	24	28	14	14	18	1
The extent to which upper level management was committed to making the SEC the best place it can be within the constraints of pay and benefit plans	9	24	18	22	25	1
The extent to which upper level management demonstrated through daily actions and decisions that your well-being and morale were important	8	19	18	22	32	2
f. Your Division/Office's Performance Appraisal and Incentive System						
The extent to which the person who completed your performance appraisal had knowledge of your skills and abilities	28%	44%	10%	10%	7%	1%
The extent to which your performance appraisal was a fair and accurate reflection of your performance	31	40	13	7	8	2
The ability of your division's or office's performance appraisal system to motivate you to perform well	8	25	29	19	17	2
The consistency with which the performance appraisal system was applied within your working unit	11	28	16	13	17	14
The ability of the performance incentive	3	14	21	22	31	8

4

system (awards and other recognition) to motivate you to perform well						
The consistency with which the performance incentive system was applied within your working unit	4	23	17	13	25	17

3. *(Continued)* How satisfied or dissatisfied were you with each of the following aspects of your job with the SEC? (*Check one box in each row*)

	Very Satisfied	Generally satisfied	Neither satisfied nor dissatisfied	Generally dissatisfied	Very dissatisfied	Not Applicable/ No basis to judge
g. Your Opportunities for Advancement						
Your opportunities for promotion within your division or office	10%	30%	18%	19%	18%	6%
The fairness of promotion decisions with respect to the extent they were based on performance	9	28	14	18	21	10
The fairness of promotion decisions with respect to the extent they were non-discriminatory	16	34	16	8	14	12
h. Your Division/Office's Organizational Structure and Support						
The extent to which the organizational structure of your division or office provided you with a clear chain of command	26%	51%	13%	8%	2%	1%
The distribution of roles and responsibilities within your division or office	17	42	18	16	7	1
The process for recommending action to the commission	8	35	16	21	13	7
The amount of rework required as a result of the process for review of your work	6	36	22	17	18	1
The extent to which "red tape" or unnecessary rules interfered with the completion of your work in a timely manner	2	24	26	27	19	1
The extent to which your workload was reasonable, allowing you to do high quality work	17	52	17	8	6	0
The extent to which the SEC provided you with the administrative resources (e.g., support staff) you needed to do your job well	2	13	14	29	41	1
The extent to which the SEC provided you with the physical resources (e.g., fax machines, computers, copiers, etc.) you needed to do your job well	9	40	26	15	11	0

5

3. *(Continued)* How satisfied or dissatisfied were you with each of the following aspects of your job with the SEC? (*Check one box in each row*)

	Very Satisfied	Generally satisfied	Neither satisfied nor dissatisfied	Generally dissatisfied	Very dissatisfied	Not Applicable/ No basis to judge
i. Communication Within Your Division/ Office						
The extent to which management communicated to you, in a timely manner, information that affected your work	10%	42%	19%	18%	11%	0%
The extent to which information on shifting priorities was communicated to you in a timely manner	8	41	21	19	11	1
The guidance you received from management on what your work priorities should be (i.e., what you should focus on or pursue)	11	43	17	17	11	0
The effort made by your division's or office's management to get the opinions and thinking of the people who work there	8	32	17	24	19	1
The level of communication between different divisions or offices within the SEC	3	32	24	24	14	4
j. Training						
The extent to which you received the training you need to perform your job	10%	43%	22%	14%	9%	2%
The extent to which the training you received met your professional development needs	12	43	21	15	8	2

4. Overall, based on the issues raised in question 3, how satisfied or dissatisfied were you with the SEC as a place to work? (*Check one.)*

1. ☐ Very satisfied 12%
2. ☐ Generally satisfied.....48
3. ☐ Neither satisfied nor dissatisfied.....10
4. ☐ Generally dissatisfied 20
5. ☐ Very dissatisfied 10
6. ☐ No basis to judge.....0

6

C. Morale In Your Division or Office

5. Overall, how would you rate the current level of morale in the SEC division or office in which you worked at the time you left the SEC? *(Check one.)*

1. ☐ Very high 2%
2. ☐ Generally high 12
3. ☐ Neither high nor low 20
4. ☐ Generally low 38
5. ☐ Very low 28
6. ☐ No basis to judge 0

6. How positive or negative an effect do you believe each of the following factors had on the level of morale in your division or office? (*Check one box in each row.*)

	Very positive effect	Generally Positive effect	Neither positive nor negative Effect	Generally negative effect	Very negative effect	Not applicable / No basis to judge
The level of compensation (i.e., pay and benefits)	0%	5%	18%	47%	30%	0%
The opportunities for advancement	2	18	32	30	16	0
The fairness of the promotion process	3	19	29	27	20	3
The meaningfulness of the work	23	51	13	8	4	1
The extent to which you were treated with respect	12	40	18	18	11	1
The extent to which the job allowed people to balance work and personal life	29	53	10	5	2	1
The amount of travel required for the job	7	34	39	7	1	12
The consistency with which leave policies (e.g. sick leave, family-friendly leave) were implemented in different divisions or offices	8	29	31	12	5	15
The amount of uncompensated overtime	1	6	32	30	20	11
Your physical working conditions	6	37	34	18	3	1
The quality of supervision	7	28	23	26	16	0
The performance appraisal process	3	18	45	21	11	2
The organizational structure of the division or office (e.g., division of responsibilities, levels of management, etc.)	2	21	43	24	9	1
The process for review of work	4	24	29	29	14	0

7

The quality of communication within the division or office	4	23	29	30	14	0
The quality of support services	1	9	18	38	33	0
The quality of training	7	32	34	19	8	0
Other - *Please specify*: _____						
Other - *Please specify*: _____						

D. Your Future Plans

7. How important, if at all, were each of the following factors in your decision to leave the SEC? (*Check one box in each row*)

	Very important reason to stay	Somewhat important reason to stay	Neither a reason to stay nor leave	Somewhat important reason to leave	Very important reason to leave	Not applicable / No basis to judge
a. Your eligibility to retire	3%	5%	44%	0%	1%	47%
b. Your level of compensation (i.e., pay and benefits)	1	3	14	25	53	3
c. Your opportunities for advancement	5	11	22	27	30	5
d. The fairness of the promotion process	4	8	44	17	20	7
e. The meaningfulness of your work	34	33	12	9	9	2
f. The extent to which you were treated with respect	17	28	23	14	16	2
g. The ability to balance your work and personal life	35	34	17	6	5	2
h. The amount of travel required for your job	8	15	56	5	4	13
i. The implementation of leave policies within your division or office (e.g. sick leave, family-friendly leave)	7	14	58	7	5	9
j. The amount of uncompensated overtime	1	2	50	20	14	12
k. Your physical working conditions	3	14	62	15	2	4
l. The quality of supervision	9	18	30	20	20	2
m. The performance appraisal process	2	8	62	11	12	5
n. The organizational structure of your division or office (e.g., division of responsibilities, levels of management)	3	7	59	20	7	4
o. The process for review of your work	4	10	49	23	12	3

8

p. The quality of communication within your division or office	4	10	43	26	12	3
q. The quality of support services	1	5	39	30	21	4
r. The quality of training	5	16	52	16	6	4
s. Other - *Please specify*: _____						
t. Other - *Please specify*: _____						

8. Looking at the list of reasons in question 7, what would you say was the primary reason you left the SEC? *(Enter the letter a- t of the primary reason from question 7.)*

The primary reason is …. _____ or ☐ Not applicable

Your eligibility to retire 0%
Your level of compensation (i.e., pay and benefits) 51
Your opportunities for advancement 8
The fairness of the promotion process 2
The meaningfulness of your work 5
The extent to which you are treated with respect 4
The ability to balance your work and personal life 3
The amount of travel required for your job 2
The implementation of leave policies within your division or office (e.g. sick leave, family-friendly leave) 0
The amount of uncompensated overtime 1
Your physical working conditions 0
The quality of supervision 7
The performance appraisal process 1
The organizational structure of your division or office (e.g., division of responsibilities, levels of management) 2
The process for review of your work 0
The quality of communication within your division or office 0
The quality of support services 0
The quality of training 0

9

9. If any of the following changes were made in your division or office, to what extent, if at all, would these changes have increased your level of job satisfaction at the SEC? (*Check one box in each row*)

	Very great extent	Great extent	Moderate extent	Some extent	Little or no extent	Not applicable / No basis to judge
Increased your level of compensation (i.e., pay and benefits)	46%	25%	20%	7%	3%	0%
Implemented a program by which the SEC would assist in paying off student loans	25	9	8	4	33	21
Improved opportunities for advancement	25	28	24	10	12	1
Improved the fairness of the promotion process	17	15	20	15	26	7
Increased the meaningfulness of your work	14	16	23	13	31	4
Increased the extent to which you were treated with respect	18	12	22	12	31	5
Improved your ability to balance your work and personal life	10	9	21	14	40	6
Decreased the amount of travel required for your job	5	3	11	5	57	18
Improved the implementation of leave policies within your division or office (e.g. sick leave, family-friendly leave)	7	7	16	11	48	10
Reduced uncompensated overtime	11	12	18	14	36	9
Improved your physical working conditions	5	8	19	19	45	5
Improved the quality of supervision	23	11	20	13	30	3
Improved the performance appraisal process	13	10	19	16	38	4
Improved the organizational structure of your division or office (e.g., division of responsibilities, levels of management)	11	13	23	16	35	2
Improved the process for review of your work	11	17	22	17	31	2
Improved the quality of communication within your division or office	14	17	19	20	27	2
Improved the quality of support services	15	14	27	20	21	3
Improved the quality of training	7	8	22	24	36	3
Other - *Please specify*: _____						
Other - *Please specify*: _____						

10

E. Demographic/Background Information

10. In which SEC unit were you working when you left? *(Check one.)*
Note: The number of respondents is presented in brackets following the percentage. This was done to assure staff responding from units which comprised 0 percent of the total responses that their responses were counted.

1. ☐ Division of Corporate Finance ..... 18%.. [51]
2. ☐ Division of Enforcement ..... 38 ... [109]
3. ☐ Division of Investment Management ..... 15 ..... [42]
4. ☐ Division of Market Regulation ..... 9 ..... [26]
5. ☐ Office of Administrative Law Judges ..... 0 ..... [0]
6. ☐ Office Administrative and Personnel Management ..... 0 ..... [0]
7. ☐ Office of the Chief Accountant ..... 2 ..... [2]
8. ☐ Office of Compliance Inspections and Examinations ..... 14 ..... [41]
9. ☐ Office of the Comptroller ..... 0 ..... [0]
10. ☐ Office of Economic Analysis ..... 0 ..... [0]
11. ☐ Office of Equal Employment Opportunity ..... 0 ..... [0]
12. ☐ Office of the Executive Director ..... 0 ..... [0]
13. ☐ Office of Filings and Information Services ..... 0 ..... [0]
14. ☐ Office of the General Counsel ..... 4 ..... [11]
15. ☐ Office of Information Technology ..... 0 ..... [0]
16. ☐ Office of the Inspector General ..... 0 ..... [0]
17. ☐ Office of International Affairs ..... 0 ..... [0]
18. ☐ Office of Investor Education and Assistance ..... 0 ..... [0]
19. ☐ Office of Legislative Affairs ..... 0 ..... [0]
20. ☐ Office of Municipal Securities ..... 0 ..... [0]
21. ☐ Office of Public Affairs, Policy Evaluation, and Research ..... 0 ..... [0]
22. ☐ Office of the Secretary ..... 0 ..... [1]

11. In which location did you work? *(Check one.)*

1. ☐ Washington, D.C. Metropolitan Area Offices 57%
2. ☐ Northeast Regional Office 17
3. ☐ Boston District Office 4
4. ☐ Philadelphia District Office 2
5. ☐ Southeast Regional Office 1
6. ☐ Atlanta District Office 1
7. ☐ Midwest Regional Office 7
8. ☐ Central Regional Office 2
9. ☐ Fort Worth District Office 2
10. ☐ Salt Lake District Office 0
11. ☐ Pacific Regional Office 5

11

12. ☐ San Francisco District Office 2

12. Which of the following described your position? *(Check one.)*

1. ☐ Attorney..... 70%
2. ☐ Accountant..... 18
3. ☐ Examiner..... 13

13. What was your grade or level when you left the SEC? *(Check one.)*

1. ☐ GS-7..... 2%
2. ☐ GS-8..... 0
3. ☐ GS-9..... 2
4. ☐ GS-10..... 0
5. ☐ GS-11..... 2
6. ☐ GS-12..... 7
7. ☐ GS-13..... 26
8. ☐ GS-14..... 43
9. ☐ GS-15..... 15
10. ☐ SES..... 2

14. Were you a manager or supervisor? (Check one.)

1. ☐ Yes..... 27%
2. ☐ No..... 73

15. How long did you work for the SEC? *(Check one.)*

1. ☐ Less than 1 year..... 7%
2. ☐ 1 to less than 2 years..... 13
3. ☐ 2 to less than 3 years..... 18
4. ☐ 3 to less than 5 years..... 24
5. ☐ 5 to less than 10 years..... 29
6. ☐ 10 to less than 15 years..... 8
7. ☐ 15 to less than 20 years..... 1
8. ☐ 20 or more years..... 0

16. What is your sex? *(Check one.)*

1. ☐ Male..... 58%
2. ☐ Female..... 42

17. What is your race? *(Check one.)*

1. ☐ White..... 86%
2. ☐ African-American..... 7
3. ☐ Native American..... 0
4. ☐ Asian or Pacific Islander .. 4
5. ☐ Other - Please specify: 3

18. Are you of Hispanic origin? *(Check one.)*

1. ☐ Yes..... 4%
2. ☐ No..... 96

19. What is your age? *(Check one.)*

1. ☐ Under 25..... 3%
2. ☐ 25 to less than 30..... 16
3. ☐ 30 to less than 35..... 34
4. ☐ 35 to less than 40..... 28
5. ☐ 40 to less than 50..... 15
6. ☐ 50 to less than 60..... 3
7. ☐ 60 or over..... 0

12

20. What was your work schedule at the time you left the SEC? *(Check one.)*

1. ☐ Full-time work schedule 96%
2. ☐ Part-time work schedule.....4
3. ☐ Other - Please specify: _____

21. Where did you come from prior to being hired at the SEC? *(Check one.)*

1. ☐ Private sector 53%
2. ☐ Federal government.....8
3. ☐ Local/State government 4
4. ☐ Full-time student.....32
5. ☐ Academia (as faculty or administrator).....0
6. ☐ Other - Please specify: 3

23. Prior to being hired by the SEC, about how many years were you in the workforce as a full-time employee? *(Check one.)*

1. ☐ Not applicable, I came to the SEC directly after graduating from school 26%
2. ☐ Less than 2 years.....9
3. ☐ 2 to less than 5 years.....23
4. ☐ 5 to less than 10 years.....27
5. ☐ 10 to less than 15 years.....9
6. ☐ 15 or more years.....6

24. If you have any comments regarding any previous question or comments concerning any aspect of your work at the SEC, please use the space provided below.

Thank you for your assistance.

13

Additional Details From GAO Survey of Current and Former SEC Attorneys, Accountants, and Examiners

Included in this appendix are charts that supplement the analysis in the report. Figures 9 and 10 show, respectively, the extent to which different aspects of their jobs were a source of dissatisfaction for staff and had a negative effect on staff morale. Figures 11 and 12 show the extent to which different aspects of their job had a positive influence on their decisions to stay at SEC and those that had a positive influence on morale. Figure 13 shows the extent to which different factors had a positive influence on staff decisions to begin working at SEC.

Figure 9: Aspects of Their Job With Which the Highest Percentage of Current Staff Were Generally or Very Dissatisfied

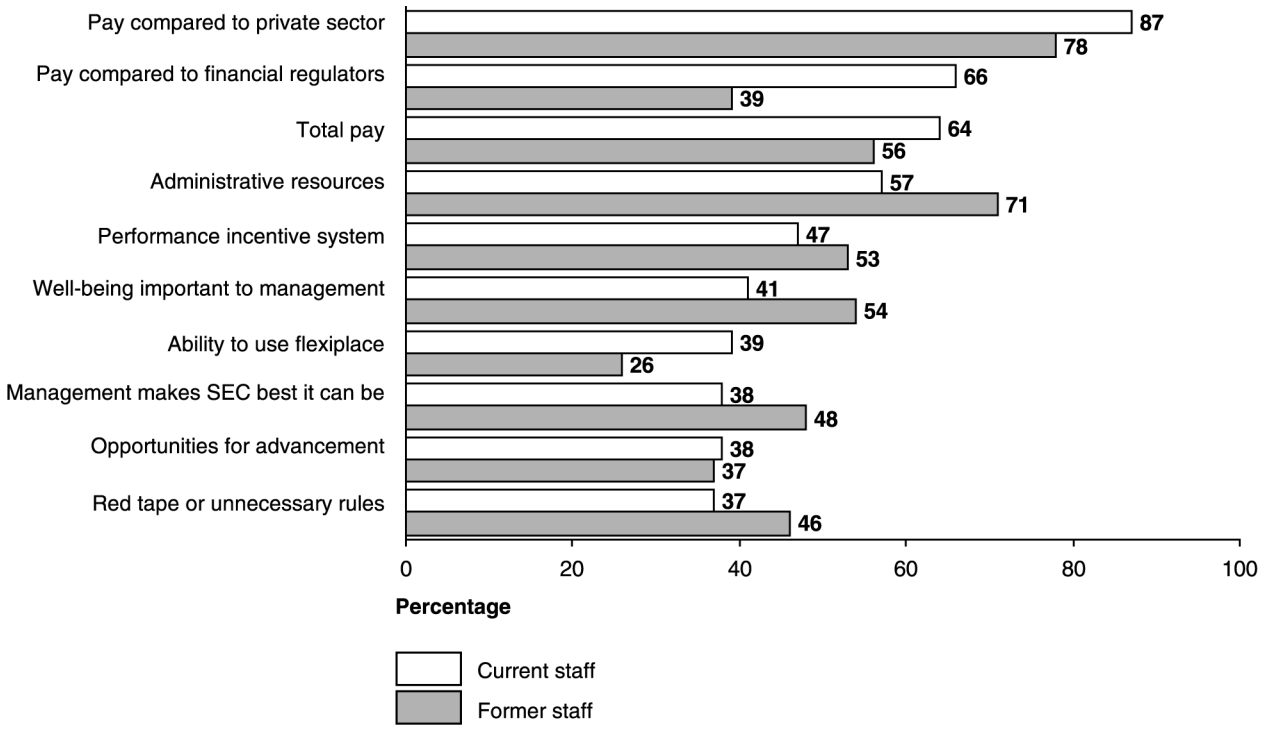


Figure 10: Percentage of Staff Indicating Certain Aspect of Their Job Had a Generally or Very Negative Effect on Morale

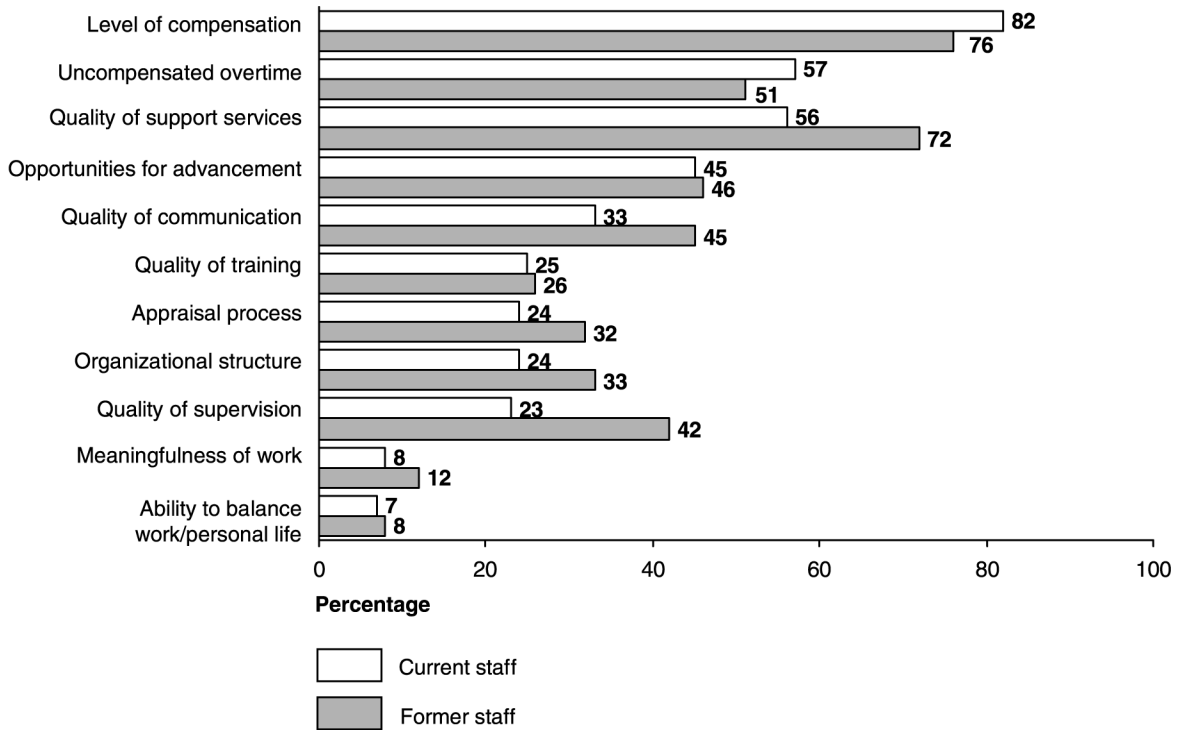


Figure 11: Staff Indicating Certain Aspects of Their Job Were a Somewhat or Very Important Reason to Stay at SEC

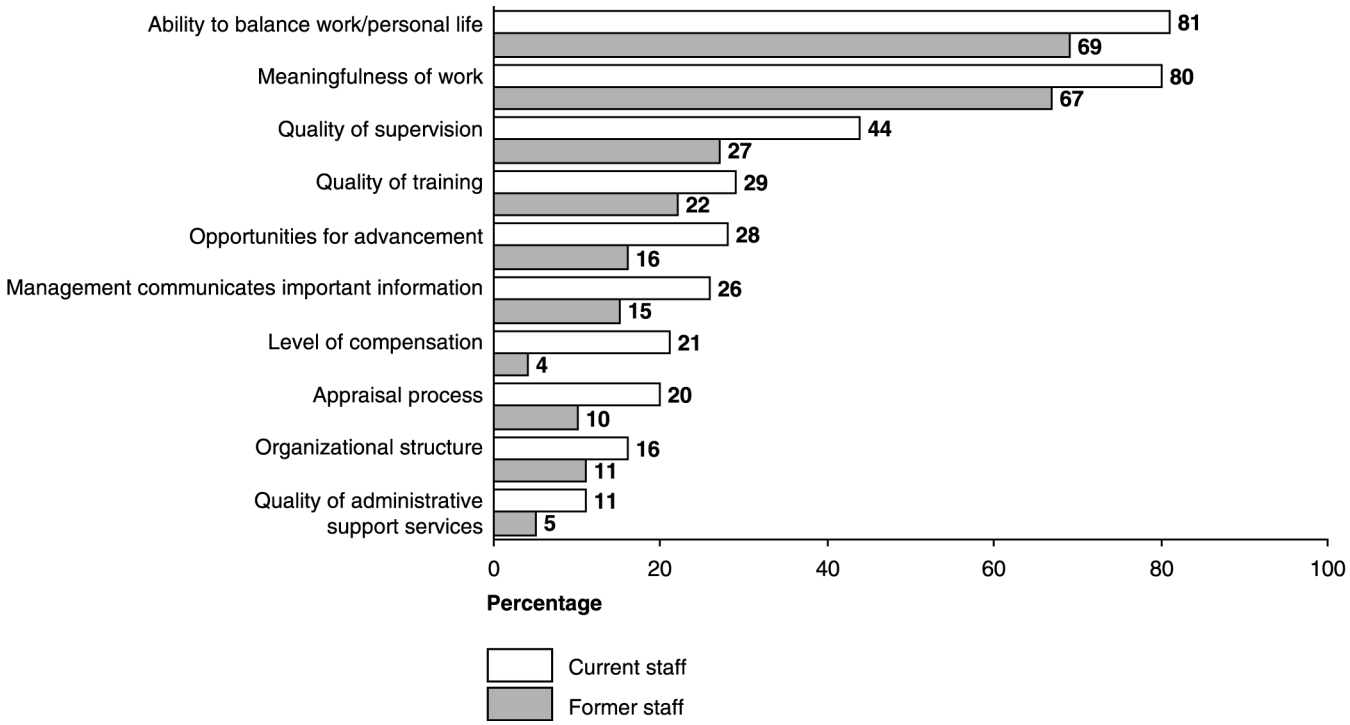


Figure 12: Staff Indicating Certain Aspects of Their Job Had a Generally or Very Positive Influence on Morale

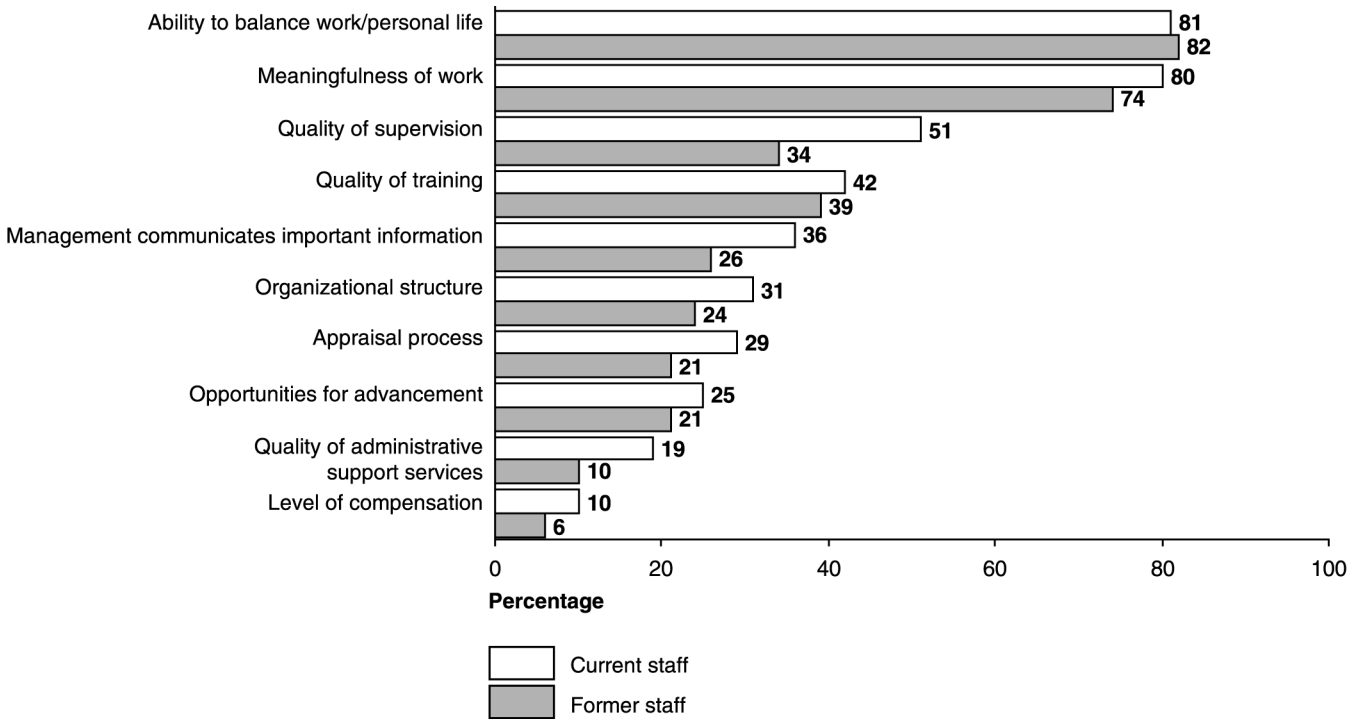
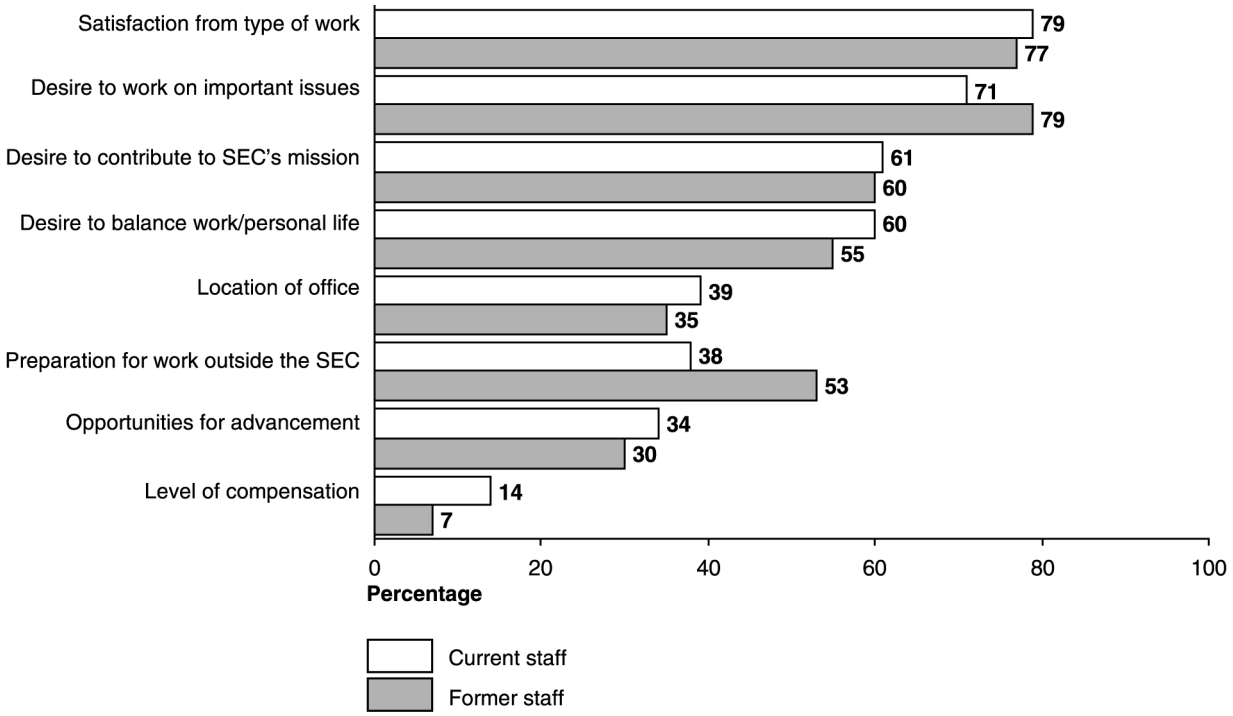


Figure 13: Staff Indicating a Certain Factor Was a Positive Influence on Their Decision to Work at SEC to a Great or Very Great Extent



Key Human Capital Management Principles From Nine Private Sector Organizations

In 1999, we were asked to identify what common principles, if any, underlay the human capital strategies and practices of private sector organizations regularly cited as leaders in the area of human capital management. To gather this information, we interviewed representatives of nine private sector organizations that were recognized in the current literature as being innovative or effective in strategically managing their human capital.[1] On the basis of the information they provided, we identified 10 underlying and interrelated principles of human capital management that were common to the 9 organizations:

1. **Treat human capital management as being fundamental to strategic business management.** Integrate human capital considerations when identifying the mission, strategic goals, and core values of the organization as well as when designing and implementing operational policies and practices.

2. **Integrate human capital functional staff into management teams.** Include human capital leaders as full members of the top management team rather than isolating them to provide after-the-fact support. Expand the strategic role of human capital staff beyond that of providing traditional personnel administration services.

3. **Leverage the internal human capital function with external expertise.** Supplement internal human capital staff's knowledge and skills by seeking outside expertise from consultants, professional associations, and other organizations, as needed.

4. **Hire, develop, and sustain leaders according to leadership characteristics identified as essential to achieving specific missions and goals.** Identify the leadership traits needed to achieve high performance of mission and goals; and build and sustain the organization's pool of leaders through recruiting, hiring, development, retention, and succession policies and practices targeted at producing leaders with the identified characteristics.

5. **Communicate a shared vision that all employees, working as one team, can strive to accomplish.** Promote a common understanding of the mission, strategic goals, and core values that all employees are

[1] *Human Capital: Key Principles From Nine Private Sector Organizations* (GAO/GGD-00-28, Jan. 31, 2000).

directed to work as a team to achieve. Create a line-of-sight between individual contributions and the organization's performance and results.

6. **Hire, develop, and retain employees according to competencies.** Identify the competencies—knowledge, skills, abilities, and behaviors—needed to achieve high performance of mission and goals and build and sustain the organization's talent pool through recruiting, hiring, development, and retention policies and practices targeted at building and sustaining those competencies.

7. **Use performance management systems, including pay and other meaningful incentives, to link performance to results.** Provide incentives and hold employees accountable for contributing to the achievement of mission and goals. Reward employees who meet or exceed clearly defined and transparent standards of high performance.

8. **Support and reward teams to achieve high performance.** Foster a culture in which individuals interact and support and learn from each other as a means of contributing to the high performance of their peers, units, and the organization as a whole. Bring together the right people with the right competencies to achieve high performance as a result, rather than in spite, of the organizational culture.

9. **Integrate employee input into the design and implementation of human capital policies and practices.** Incorporate the first-hand knowledge and insights of employees and employee groups to develop responsive human capital policies and practices. Empower employees by making them stakeholders in the development of solutions and new methods of promoting and achieving high performance of organizational missions and goals.

10. **Measure the effectiveness of human capital policies and practices.** Evaluate and make fact-based decisions on whether human capital policies and practices support high performance of mission and goals. Identify the performance return on human capital investments.

Comments From the Securities and Exchange Commission

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

OFFICE OF
ADMINISTRATIVE AND
PERSONNEL MANAGEMENT

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
OPERATIONS CENTER
6432 GENERAL GREEN WAY
ALEXANDRIA, VIRGINIA 22312-2413

August 31, 2001

Mr. Richard J. Hillman
Director, Financial Markets and
Community Investments
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Hillman:

Thank you for the opportunity to comment on the August 2001 draft of your report entitled Securities and Exchange Commission: Human Capital Challenges Require Management Attention. While we have a number of comments and suggestions, we are pleased to see that your report confirms that inadequate compensation is the primary reason for the high turnover rate at the Commission. We are also pleased to see it documented that the SEC has exhausted existing compensation options available, such as offering recruitment bonuses, retention allowances, and quality step increases, in our attempt to alleviate this problem. Our comments are as follows.

See comment 1.
Now on p.13.

1. Communication with Chairman and Division Heads (page 15, para. 1). We do not believe the statement "The Chairman and division heads are generally remote" represents the views of most employees throughout the Commission. Because the SEC is a small agency, employees have much more access and receive much more communication from the Chairman, Commissioners, and division heads than one would see in larger organizations.

See comment 1.
Now on p. 23.

2. Recruitment (page 26, para. 2). It would be useful for the report to further clarify the Commission's recruitment efforts with not only attorneys, but with other occupations throughout the Commission. Through partnering with senior management, we established a centralized and strategic program for recruiting attorneys, accountants, and examiners. The strategy included gathering suggestions for improvements from hiring officials, recent recruits, and summer legal interns and studying recruitment programs in law and public accounting firms to identify best practices.

   We incorporated several changes to the recruiting program, including:

   - creating recruiting materials such as brochures, web pages, and other marketing information for each occupation;

Mr. Richard Hillman
Page 2

- redesigning the employment page on the SEC website to make it easier for applicants to find detailed and accurate information about career opportunities at the Commission;
- establishing an electronic mailbox (recruit@sec.gov) so candidates may e-mail questions; and
- assembling a recruiting team to answer questions personally.

See comment 2.
Now on p. 23.

3. Succession Planning (page 27, para. 2). The draft report states that the SEC's annual performance plan does not address specifically succession planning. This is true, but it is important to note that succession planning has been an integral part of our human resources efforts since the mid-1980's, when the SEC first started to experience a tremendous increase in senior level attrition.

See comment 3.
Now on p. 24.

4. Exit Interviews (page 28, para. 2). Since late 1998, the SEC has asked departing employees to complete a short exit survey as part of the checkout process. This survey is designed to capture why an employee is leaving, the name of the employing private sector firm, and the new salary. The data contained in this database are utilized for many purposes, including support for the special pay designation and help with our recruitment efforts.

See comment 4.
Now on p. 25.

5. Servicing Personnel Office (page 29, para. 1). The report states that the SEC's Office of Administrative and Personnel Management (OAPM) offers "traditional personnel administration services". This is true, but it is also important to acknowledge OAPM's efforts to enhance overall HR customer service within the agency. OAPM has taken effective measures to increase customer service in the areas of recruitment and staffing by reorganizing from a single HR function operation to a generalist HR function offering improved position classification, staffing, employee benefits, and payroll administration services. Furthermore, OAPM developed a comprehensive pay policy using existing federal guidance for recruitment bonuses and appointments above the minimum rate for advance commitment law clerks and entry-level attorneys. The agency also utilized compensation flexibilities for recruitment and retention of higher level personnel.

See comment 4.
Now on p. 25.

6. Intranet Project (page 29, para. 1). OAPM is in the process of revising its home page on the SEC Intranet. The new page will provide information to all staff about the various programs and benefits offered by the SEC. It will also provide opportunities for employees to ask questions or make suggestions via e-mail.

See Comments p. 29.

Mr. Richard Hillman
Page 3

7. Surveying Employees (page 33, para. 2). In addition to the GAO survey of current and former employees, the Office of Personnel Management surveyed SEC employees as part of its audit in 2001. We will review the results of these two studies to determine future program initiatives to address employee retention and satisfaction. As needed, we will continue to survey employees to evaluate the effectiveness of program initiatives as they relate to the SEC's human capital challenges and its strategic plan.

We appreciate your considering our observations in preparing this report. If you have any additional questions, please contact me on 202-942-4000.

Sincerely,

Jayne Seidman

Jayne L. Seidman

The following are GAO's comments on the Securities and Exchange Commission's letter dated August 31, 2001.

GAO Comments

1. SEC commented that they do not believe that an attribution from a former employee regarding the remoteness of the Chairman and division heads and the quality of communication represented the views of most employees throughout the Commission. While we did not intend to imply that all SEC employees have this opinion, our survey results indicated that 33 percent of current and 45 percent of former employees cited the quality of communication as having a generally or very negative effect on morale.

2. Although SEC agrees that the agency has not addressed succession planning in its annual performance plan, SEC commented that succession planning has been part of its human resources effort since the mid-1980's. We do not question whether SEC recognizes the importance of succession planning, but its actions have not been documented through detailed goals, objectives, and strategies in its annual performance plan.

3. In addressing our finding that SEC has yet to implement a formal process to collect and analyze data from exit interviews, SEC stated that since late 1998, they had been collecting data from exit surveys completed by departing employees as part of the checkout process. However, this standardized form captures only limited information, including a brief statement on why an employee resigned, the name of the new employer, and the new salary. SEC officials said that they generally do not receive meaningful responses on these forms. However, exit interviews would allow SEC to collect a much richer body of information and would also allow SEC officials to explore human capital issues beyond those related to compensation.

4. SEC commented that it is also important to acknowledge that its Office of Administrative and Personnel Management (OAPM) has taken measures to enhance overall Human Resource customer service within the agency. By stating that OAPM offers traditional personnel administrative services, we did not intend to imply that the office has made no effort to explore ways to improve customer service, which is an important part of the service OAPM provides. The intent of our recommendation is to ensure SEC's ongoing attention to human capital issues by involving human capital leaders in decisionmaking and

establishing a practice that management continually monitor and refine SEC's human capital approaches.

GAO Contacts and Staff Acknowledgments

GAO Contacts

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Acknowledgments

In addition to the persons named above, Emily Chalmers, Stuart Kaufman, Edwin Lane, Carl Ramirez, Ellen Rubin, Karen Tremba, and Patrick Ward made key contributions to this report.

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