

February 2009

OLDER WORKERS

Enhanced Communication among Federal Agencies Could Improve Strategies for Hiring and Retaining Experienced Workers



GAO

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Highlights of [GAO-09-206](#), a report to congressional requesters

Why GAO Did This Study

The federal workforce, like the nation's workforce as a whole, is aging, and increasingly large percentages are becoming eligible to retire. Eventually baby boomers will leave the workforce and when they do, they will leave behind gaps in leadership, skills, and knowledge due to the slower-growing pool of younger workers. GAO and others have emphasized the need for federal agencies to hire and retain older workers to help address these shortages. Building upon earlier testimony, GAO was asked to examine (1) age and retirement eligibility trends of the current federal workforce and the extent to which agencies hire and retain older workers; (2) workforce challenges selected agencies face and the strategies they use to hire and retain older workers; and (3) actions taken by the Office of Personnel Management (OPM) to help agencies hire and retain experienced workers. To address these questions, GAO analyzed data from OPM's Central Personal Data File, interviewed officials at three agencies with high proportions of workers eligible to retire, and identified agencies' promising practices to hire and retain older workers.

What GAO Recommends

GAO recommends that OPM broadly disseminate agency-developed promising practices. OPM said that it has tools on its Web site to assist agencies in recruiting and retaining talented workers, including older workers. Because OPM's Web site does not provide information on agency-developed practices, this information is not readily available governmentwide. GAO continues to believe sharing these practices would be helpful.

To view the full product, including the scope and methodology, click on [GAO-09-206](#). For more information, contact Barbara D. Bovbjerg at (202) 512-7215 or bovbjergb@gao.gov or Robert Goldenkoff at (202) 512-6806 or goldenkoffr@gao.gov.

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What GAO Found

The proportion of federal employees eligible to retire is growing. While this proportion varies across agencies, in four agencies—the Agency for International Development (USAID), the Department of Housing and Urban Development (HUD), the Small Business Administration, and the Department of Transportation—46 percent of the workforce will be eligible to retire by 2012, well above the governmentwide average of 33 percent. While these eligibility rates suggest that many will retire, the federal government has historically enjoyed relatively high retention rates, with 40 percent or more of federal employees remaining in the workforce for at least 5 years after becoming eligible. Beyond retaining older workers, in fiscal year 2007, federal agencies hired almost 14,000 new workers who were 55 years of age or older and brought back about 5,400 federal retirees to address workforce needs.

The increasing numbers of retirement-eligible federal workers present challenges and opportunities. The three agencies we reviewed (HUD, SSA, and USAID) share common challenges. All have large proportions of employees nearing retirement, and according to officials, due to past hiring freezes all have relatively few midlevel staff to help pass down knowledge and skills to less experienced employees. Officials from all three agencies also told us that they have difficulty attracting qualified staff with specialized skills. To address these challenges, the three agencies rely on older workers in different ways. USAID brings back its knowledgeable and skilled retirees as contractors to fill short-term job assignments and to help train and develop the agency's growing number of newly hired staff. SSA uses complex statistical models to project potential retirements in mission critical occupations and uses these data to develop recruitment efforts targeted at a broad pool of candidates, including older workers. While all three agencies rely on older workers to pass down knowledge and skills to junior staff, HUD officials told us this is the primary way they involve older workers, due in part to the agency's focus on recruiting entry-level staff. In addition, some federal agencies have developed practices that other agencies might find useful in tapping older workers to meet short-term needs. For example, the Department of State has developed databases to match interested retirees with short-term assignments requiring particular skills.

To help agencies hire and retain an experienced workforce, OPM provides guidance, including support tools and training, and has taken steps to address areas of concern to older workers. For example, OPM has initiated actions to streamline the federal application process and to eliminate barriers that deter some federal retirees from returning to federal service or from working part-time at the end of their careers. However, although some federal agencies have developed strategies that could be used effectively by other agencies to hire and retain experienced workers to meet workforce needs, this information is not widely available. And, while OPM has other methods available—such as its human capital and electronic government practices Web sites—that could be used to efficiently package and broadly disseminate this information to a much larger audience, it currently has no plans to do so.

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Abbreviations

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|------------------|--|
| ACES | Agriculture Conservation Enrollees/Seniors |
| Agriculture | Department of Agriculture |
| CFO | Chief Financial Officer |
| CHCO | Chief Human Capital Officer |
| CPDF | Central Personnel Data File |
| CSRS | Civil Service Retirement System |
| Defense | Department of Defense |
| DHS | Department of Homeland Security |
| Education | Department of Education |
| EPA | Environmental Protection Agency |
| FERS | Federal Employees Retirement System |
| HHS | Department of Health and Human Services |
| HUD | Department of Housing and Urban Affairs |
| Labor | Department of Labor |
| Justice | Department of Justice |
| NASA | National Aeronautics and Space Administration |
| NRC | Nuclear Regulatory Agency |
| NRCS | National Resources Conservation Service |
| OMB | Office of Management and Budget |
| OPM | Office of Personnel Management |
| SEE | Senior Environmental Employment |
| SBA | Small Business Administration |
| SSA | Social Security Administration |
| State | Department of State |
| the Council | Chief Human Capital Officers Council |
| Transportation | Department of Transportation |
| Treasury | Department of the Treasury |
| USAID | United States Agency for International Development |
| Veterans Affairs | Department of Veterans Affairs |

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United States Government Accountability Office
Washington, DC 20548

February 24, 2009

The Honorable Herb Kohl
Chairman
Special Committee on Aging
United States Senate

The Honorable Susan M. Collins
Ranking Member
Senate Committee on Homeland Security
and Governmental Affairs
United States Senate

Like the nation's workforce as a whole, the proportion of older workers in the federal workforce is growing, and more and more workers are becoming eligible to retire. Over the past several years, many have projected a huge retirement wave as the baby boom generation ages. The unfolding economic crisis may be changing these dynamics in the near term as many workers, witnessing declining assets, choose to delay retirement. It remains unclear when the expected retirement wave will peak, but over time, more and more of the baby boom generation will eventually retire. When they do, these older, experienced workers will leave behind critical gaps in leadership, skills, and institutional knowledge as fewer workers are equipped to take over. All of this occurs at the same time the rate of growth for the pool of younger workers has declined—by 2025, overall labor force growth is expected to be only one-fifth of what it is today, and much less than the expected growth in the number of retirees. As a result, the federal government and other employers may face increased competition in hiring skilled workers, and unless they develop effective retention strategies, employers will need to look more aggressively for workers with the right skills to meet their needs.

Current employment conditions aside, hiring and retaining older, experienced workers could be part of a longer-term national strategy to ensure an adequate workforce as an aging population, coupled with slow labor growth, poses economic challenges to the nation. Many experts maintain that older workers offer competitive advantages to employers because they often possess management and organizational skills that can be used in a variety of settings, and they bring to the job knowledge, experience, and productive work habits. In addition, today's older workers are better educated and healthier and are expected to live longer than previous generations. As the nation's largest employer, the federal

government is well positioned to serve as a role model for other employers. As with private sector employers, efforts directed at recruiting, engaging, and retaining a diverse workforce, including older workers, may serve to make the federal government a more competitive and productive employer overall.

Given the issues confronting the nation's employers as they seek to maintain competitiveness in the face of anticipated worker shortages, you asked us to examine how the federal government is tapping older workers as a means to respond to some of the same workforce challenges. Our report builds on our earlier testimony before your committee¹ and addresses the following: (1) the age and retirement eligibility trends of the current federal workforce and the extent to which federal agencies are hiring and retaining older workers; (2) the workforce challenges that federal agencies face, and the strategies they use to recruit and retain older workers to help meet these challenges; and (3) the actions that the Office of Personnel Management (OPM) is taking to help agencies hire and retain an experienced skilled workforce in its role as the federal government's human capital manager.

To report governmentwide demographic trends, we analyzed information on the 24 Chief Financial Officer Act (CFO) agencies² from OPM's human resource reporting system, the Central Personnel Data File (CPDF). Based on previous work, we have determined that the CPDF is sufficiently reliable for the informational purposes of this report. We also used CPDF data to determine the extent to which agencies are using some governmentwide flexibilities³ to hire and retain older workers.⁴ In this report, we defined older workers as those who are aged 55 or older. To report on how some federal agencies are addressing their workforce challenges, we conducted in-depth reviews of three agencies—the

¹See GAO, *Older Workers: Federal Agencies Face Challenges, but Have Opportunities to Hire and Retain Experienced Employees*, [GAO-08-630T](#) (Washington, D.C.: Apr. 30, 2008).

²The Chief Financial Officers Act of 1990, or CFO Act, was passed to improve the government's financial management. Among other measures, the act created the position of chief financial officer for each of 24 federal departments and agencies.

³In broad terms, human capital flexibilities represent the policies and practices that an agency has the authority to implement in managing its workforce to accomplish its mission and achieve its goals.

⁴Throughout this report, when we refer to the federal workforce, we mean the career federal employees in the 24 CFO agencies.

Department of Housing and Urban Development (HUD), the Social Security Administration (SSA), and the United States Agency for International Development (USAID). We chose these agencies because they were among the agencies for which the proportion of their workers who are eligible to retire within the next 5 years exceeds the governmentwide average of 33 percent. We also reviewed studies and conducted interviews with experts in the area of retirement⁵ and various agency officials to identify additional approaches other agencies have developed to hire and retain older workers.⁶ We selected promising approaches based on a literature review and the recommendations of experts and OPM officials. To report on OPM's activities and challenges, we augmented information obtained from our reviews of three agencies by interviewing various officials at OPM and reviewing relevant documents. For a complete description of our scope and methodology, see appendix I. We conducted this performance audit from April 2008 to January 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions.

Results in Brief

Across the federal government, about one-third of federal workers will be eligible to retire by 2012, although most federal employees do not retire immediately upon becoming eligible. The proportion of workers eligible to retire varies across agencies, but according to OPM's data, 46 percent of the workforce at several agencies—HUD, the Department of Transportation (Transportation), the Small Business Administration (SBA), and USAID—are eligible to retire by 2012, well above the governmentwide average of 33 percent. Many of these workers are in executive and supervisory positions, as well as occupations considered critical to agencies' missions, including air traffic controllers and administrative law judges. By 2012, nearly two-thirds of career executives and almost half of other supervisors across the federal government will be eligible to retire. In the current economic situation, projections of how many federal workers will actually retire upon becoming eligible remain

⁵These experts included members of university-based retirement research centers, AARP, Partnership for Public Service, the Merit Systems Protection Board, and IBM International.

⁶These agencies include the Departments of Agriculture, State, Treasury, the Environmental Protection Agency (EPA) and the Nuclear Regulatory Commission (NRC).

unclear, but historically, the majority of federal workers stay well past their initial retirement eligibility date. Of the federal workers who first became eligible to retire between 1997 and 2002, at least 40 percent were still in the federal workforce 5 years later. Beyond retaining older workers in fiscal year 2007, federal agencies hired almost 14,000 new workers who were 55 years of age or older and brought back about 5,400 federal retirees to address workforce needs.

The proportion of federal workers who are eligible to retire now or in the near future presents challenges and opportunities for federal agencies. The three agencies we reviewed—HUD, SSA, and USAID—face common workforce challenges. For example, all have large proportions of their workforces eligible to retire soon, and officials believe that many of the retiring employees will leave gaps in institutional knowledge and technical skills. In addition, officials from all three agencies told us that as a result of past budget cuts and hiring freezes, they have relatively few midlevel career staff in their agencies to help pass down institutional knowledge and skills to less experienced employees. Finally, they are all challenged in their efforts to attract qualified staff with specialized skills that are either uncommon or in high demand. To address their challenges, HUD, SSA, and USAID rely on older workers in different ways and use selected governmentwide human capital flexibilities in addition to their own strategies to tap older workers to help meet their workforce needs. USAID officials, for example, told us that USAID tends to bring back its retirees, many of whom have specialized knowledge and skills, as contractors to fill short-term job assignments and to help train and develop the agency's growing number of newly hired staff. SSA has been using complex statistical models for the past several years to project potential retirements in mission-critical occupations and uses these data to develop targeted recruitment efforts that reach out to a broad pool of candidates, including older workers. While all three agencies rely on older workers to pass down institutional knowledge and critical skills to less experienced employees, HUD officials told us this is the primary way they involve older workers mainly because HUD's human capital efforts focus largely on recruiting and hiring entry-level staff, not on hiring or retaining older workers. Beyond these three case study agencies, we found that other federal agencies have developed practices they consider promising in hiring older workers and federal annuitants to meet short-term needs. For example, the Department of State (State) has developed databases to match interested retirees with short-term assignments requiring particular skills. State officials told us that in 2004, they used these databases to quickly identify experienced workers and retirees to help with tsunami relief efforts. In addition, EPA designed a program that places older

workers in administrative and technical positions through cooperative agreements with nonprofit firms. EPA uses this as an alternative staffing mechanism to hiring older workers as federal employees or bringing back retirees.

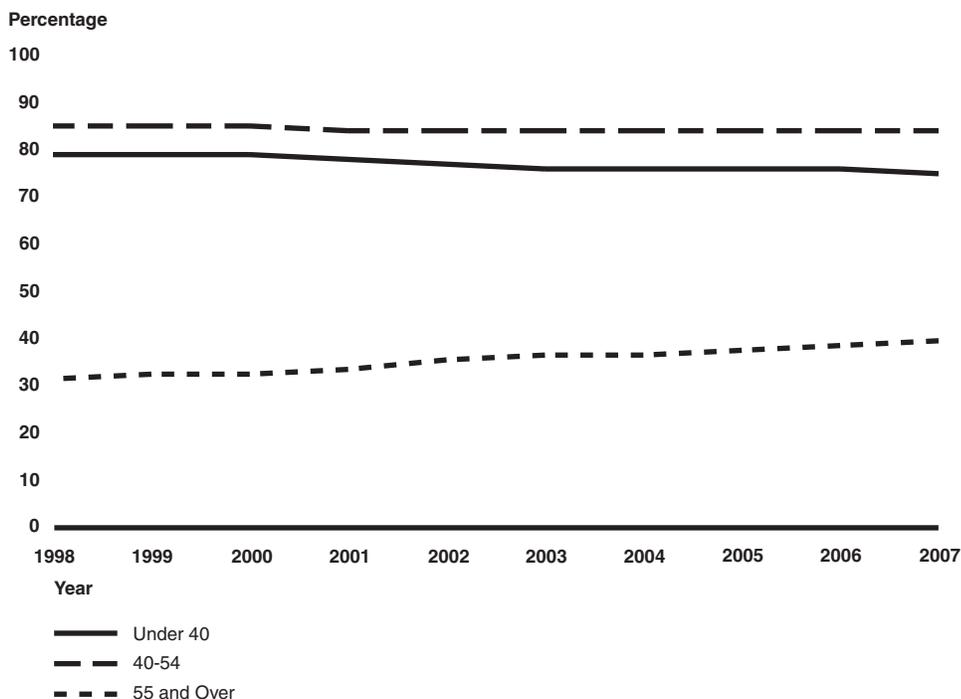
As the government's human capital leader, OPM provides a range of assistance, including developing guidance, planning tools, and legislative proposals, to support federal human capital efforts, but it could do more to help agencies involve older workers in meeting workforce needs. For example, OPM developed a resource tool called Career Patterns to help federal agencies better advertise job openings and broaden the pool of potential employees, and it has widely disseminated this tool through its Web site, briefings, and training sessions. In addition, OPM has taken action that addresses three areas of special concern to older workers. It has begun to re-engineer the job application process that in the past has frustrated job applicants, particularly older workers. OPM has also submitted two legislative proposals directly aimed at older workers. One proposal would make it easier for federal agencies to rehire annuitants without reducing their salaries by the amount of their annuities. The other would address an inequity in the way federal annuities are calculated for some federal workers who work part-time at the end of their careers. Despite these efforts, OPM could do more to facilitate information sharing between federal agencies. While some federal agencies have developed promising practices that could be adopted by other agencies, information on these practices is not widely available. And, while OPM has several methods available—such as its human capital and electronic government practices Web sites—that could be used to efficiently and comprehensively package and broadly disseminate this information to a much larger and diversified audience, it currently has no plans to do so.

To help agencies hire and retain a skilled workforce, including older workers, we recommend that the Director of OPM take steps to broadly share information across the federal government about agency-developed promising practices. In its comments, OPM said that the agency already has tools available on its Web site to assist federal agencies in attracting, recruiting, and retaining talented workers, including older workers. We acknowledge OPM's efforts, but we also note that its Web site does not provide information on agency-developed promising practices and, therefore, this information is not readily available throughout the federal government. We continue to believe that broad-based sharing of alternative approaches for recruiting and retaining talented workers is needed. Both HUD and SSA agreed that this information would be helpful.

Background

The percentage of older workers in the total workforce—those aged 55 and older—is growing faster than that of any other age group, and they are expected to live longer than past generations. Labor force participation for this cohort has grown from about 31 percent in 1998 to 38 percent in 2007. In contrast, labor force participation of workers under the age of 55 has declined slightly (see fig. 1).

Figure 1: Percent of People in Specific Age Groups Who Are in the Labor Force



Source: GAO analysis of United States Bureau of Labor Statistics data.

Many factors influence workers' retirement and employment decisions, including retirement eligibility rules and benefits, an individual's health status and occupation, the availability of health insurance, personal preference, personal wealth, and the employment status of a spouse. The availability of suitable employment, including part-time work or flexible work arrangements, may also affect the retirement and employment choices of older workers.⁷ In addition, under current law, many federal

⁷For more information, see GAO, *Redefining Retirement: Options for Older Americans*, [GAO-05-620T](#) (Washington, D.C.: Apr. 27, 2005).

retirees face a financial disincentive if they decide to return to the federal workforce—their salaries would be reduced by the amount of their annuities.

In the late 1980s, the federal government phased in a new retirement system, replacing the Civil Service Retirement System (CSRS), a defined benefit plan, with the Federal Employees Retirement System (FERS), which combines a defined benefit plan with Social Security and a defined contribution plan. Under CSRS, a worker can retire with full benefits at age 55 with 30 years of service and at older ages with fewer years of service. Under FERS, workers can receive their full annuity at age 60 with 20 years of service. But, because of Social Security rules, workers under FERS do not receive full Social Security benefits until they are 65 or older; the specific age at which workers receive their full Social Security benefits depends on their date of birth. In addition, because the Thrift Savings Plan is an important part of a retiree's income under FERS, balances in an individual's Thrift Savings Plan also may help dictate when an individual chooses to retire. While we do not know the total effect of this shift in retirement plans on retirement decisions, it is possible older workers under FERS will work longer than their CSRS colleagues in order to increase their retirement earnings.

As the government's human capital leader, OPM is responsible for helping agencies develop their human capital management systems and holding them accountable for effective human capital management practices. For example, one such practice is strategic human capital planning, which addresses two critical needs: (1) aligning an organization's human capital program with its current and emerging mission and programmatic goals and (2) developing long-term strategies for acquiring, developing, and retaining staff to achieve these goals. In developing these strategies, we have reported that leading organizations go beyond a succession-hiring approach that focuses on simply replacing individuals. Rather, they engage in broad, integrated succession planning and management efforts directed at strengthening both current and future organizational capacity.⁸ In implementing its personnel policies, federal agencies are required to uphold federal merit system principles in recruiting, engaging, and retaining employees. Among other provisions, the merit system principles require agencies to recruit and select candidates based on fair and open

⁸GAO, *Human Capital: Succession Planning and Management Is Critical Driver of Organizational Transformation*, [GAO-04-127T](#) (Washington, D.C.: Oct. 1, 2003).

competition, as well as treat employees fairly and equitably. Federal agencies can recruit skilled or experienced workers, many of whom tend to be older, to fill full- or part-time career positions requiring demonstrated expertise.

OPM is also responsible for providing guidance and information about federal governmentwide hiring and retention authorities and flexibilities to agencies to help them address workforce challenges. In some cases, agencies can use options as they choose without prior approval from OPM. For example, federal agencies can engage workers, including older workers, as consultants to meet temporary or intermittent needs or contract with individuals or organizations to obtain needed skills. In other cases, OPM serves as the gatekeeper by approving or disapproving an agency's request to use particular options (see table 1). Of these options, only one, rehiring annuitants without reducing their salaries, exclusively affects older workers. OPM is also responsible for administering retirement, health benefits, and other insurance services to civil service government employees, annuitants, and beneficiaries. It also develops regulations when Congress makes new options available to federal employees and often advocates for new legislation.

Table 1: Governmentwide Options to Facilitate Hiring and Retention

| Strategy | Authority of agencies | Authority of agencies with the approval from OPM or Office of Management and Budget |
|-----------------------------------|--|---|
| Hiring authorities | <ul style="list-style-type: none"> • Hire individuals for temporary, short-term assignments. • Use commercial and nonprofit firms to recruit candidates. • Hire consultants for temporary or intermittent employment. • Contract with individuals or organizations for services. • Hire annuitants on a temporary basis to fill positions, providing salaries are offset by the amount of the annuity that is received. • Hire retired annuitants to fill acquisition positions on a temporary basis without having to reduce their salaries. Although OPM approval is not needed, agencies are required to notify and submit hiring plans to OPM. • Provide enhanced annual leave to employees based on their relevant experience in the private sector. • Hire certain veterans without competition to fill positions up to the GS-11 level or disabled veterans at any level. | <ul style="list-style-type: none"> • Obtain dual compensation waivers from OPM to fill positions with annuitants on a temporary basis without reducing salaries by amount of annuities. Agencies can request waivers on a case-by-case basis for positions that are extremely hard to fill, for emergencies, or for other unusual situations or request a delegation of such authority from OPM. • Hire individuals on the spot without competition. May be used in circumstances where (1) public notice has been given and (2) OPM determined there is a severe shortage of candidates or a critical hiring need. |
| Flexible schedules and workplaces | <ul style="list-style-type: none"> • Allow employees to work on a part-time basis. Part-time work at the end of a career—also known as phased retirement—will result in a lower retirement annuity and will affect other benefits. Such part-time service will have a particular effect on workers with full time CSRS service prior to April 1986. • Allow full-time or part-time employees to determine the hours they begin and end their workday within certain established parameters. • Allow full-time or part-time employees to modify and compress the typical work schedule of 5 8- hour days per week by, for example, working 4 10-hour days. • Allow employees to work from alternative work sites, such as their home or elsewhere outside the traditional office. | |

| Strategy | Authority of agencies | Authority of agencies with the approval from OPM or Office of Management and Budget |
|----------------------------|---|---|
| Compensation flexibilities | <ul style="list-style-type: none"> • Provide recruitment, relocation, and retention incentives. • Set rate of basic pay above the minimum pay rate of appropriate GS grade upon appointment of candidate with superior qualifications or for whose services the agency has a special need. • Set the rate of basic pay upon re-employment, transfer, reassignment, promotion, demotion, or change in type of appointment of an employee by taking into account employee's previous rate of pay in another civilian federal position. | <ul style="list-style-type: none"> • Raise the pay rate of critical positions in an agency. This requires OPM approval after consultation with OMB. • Provide special rates, premium pay, and other compensation flexibilities to recruit and retain specified health care employees, under an agreement with OMB. • Provide certain physicians all owances of up to \$30,000 per year, with OMB approval. |

Source: GAO analysis of OPM data.

We and others have highlighted the need to hire and retain older workers to address the challenges associated with an aging workforce. In so doing, we have called upon the federal government to assume a leadership role in developing strategies to recruit and retain older workers. At our recommendation, the Department of Labor (Labor) convened a task force composed of senior representatives from nine federal agencies⁹ and issued its first report in February 2008.¹⁰ The report provides information on strategies to support the employment of older workers, strategies for businesses to leverage the skills of an aging labor pool, individual opportunities for employment of older workers, and legal and regulatory issues associated with work and retirement. In March 2008, the task force formed work groups for each strategy that continue to meet and develop implementation plans, and in June, OPM joined the task force and two of the work groups. While the task force's focus is the private sector, some of the strategies it identified are relevant for federal agencies as well—for example, providing flexible work arrangements and customized employment options that include alternative work schedules and part-time work.

⁹These agencies were the Departments of Commerce, Education, Health and Human Services, Labor, Transportation, and the Treasury; the Equal Opportunity Commission; SMA; and SSA.

¹⁰Department of Labor, *Report of the Taskforce on the Aging of the American Workforce*, (Washington, D.C., February 2008).

The Proportion of Federal Employees Eligible to Retire Is Growing

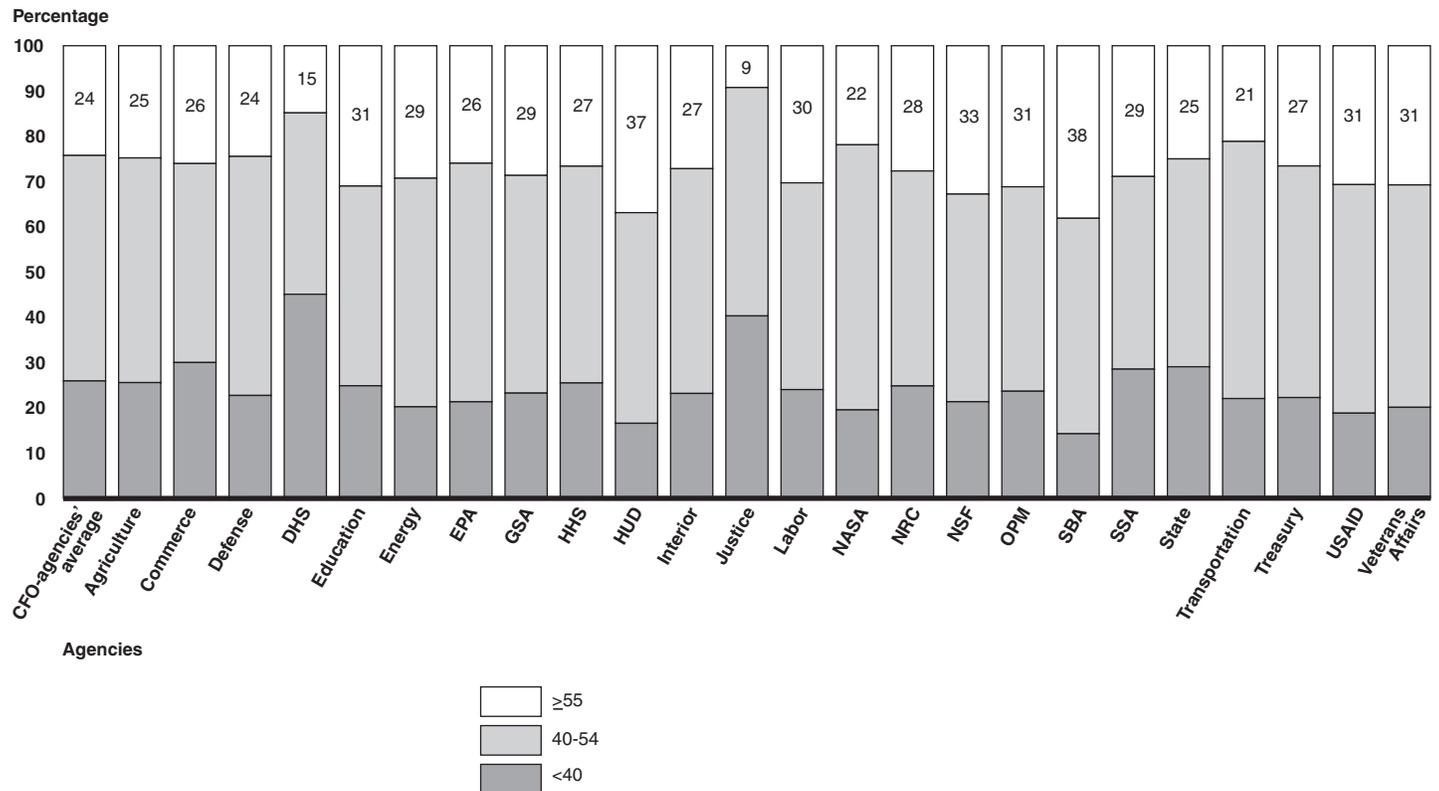
Across the federal government, the proportion of older and retirement-eligible workers is growing. About one-third of federal workers will be eligible to retire by 2012, although most federal employees do not retire immediately upon becoming eligible. The percentage of federal workers nearing retirement eligibility varies across federal agencies. For example, within 5 years, 20 percent of employees at the Department of Homeland Security (DHS) will be able to retire, while 46 percent of employees at HUD and Transportation will be eligible. Governmentwide, the proportion of senior executives and supervisors eligible to retire by 2012 exceeds the overall average, with 64 percent of senior executives and 45 percent of supervisors eligible to retire within 5 years. In the current economic situation, projections of how many federal workers will actually retire remain unclear, but historically, the majority of federal workers stay well past their initial retirement eligibility date. Of the federal workers who first became eligible to retire between 1997 and 2002, at least 40 percent were still in the federal workforce 5 years later. Beyond retaining their current federal workforce, federal agencies' efforts to bring in additional older workers to help meet workforce needs currently focus more on hiring them as new employees than on bringing back federal retirees. In 2007, federal agencies hired almost 14,000 new workers aged 55 and older. In comparison, in 2007, federal agencies tapped 5,364 rehired annuitants for service.

The Proportion of Older and Retirement-Eligible Workers Is Growing but Varies Widely Across Federal Agencies

The average age of federal workers is inching up, and older workers, many of whom have passed their retirement eligibility age, now comprise a larger proportion of the federal workforce than in the past. Based upon OPM's data for 2007,¹¹ the last year for which data are available, the average age of federal workers is now about 48, somewhat older than in 1998, when the average age of federal workers was about 45. Similarly, the proportion of federal workers aged 55 or older has also increased to about 24 percent, up from about 20 percent in 1998. However, the proportion of older workers varies widely across federal agencies. For example, in fiscal year 2007, the percentage of career federal employees in the 24 CFO agencies aged 55 or older ranged from about 9 percent at the Department of Justice (Justice) to about 37 percent at HUD and SBA (see fig. 2).

¹¹When we use the term "OPM's data," we are referring to data supplied to OPM by the 24 CFO agencies and reported by OPM in the CPDF.

Figure 2: Age Distribution of Career Federal Employees at CFO Agencies in Fiscal Year 2007

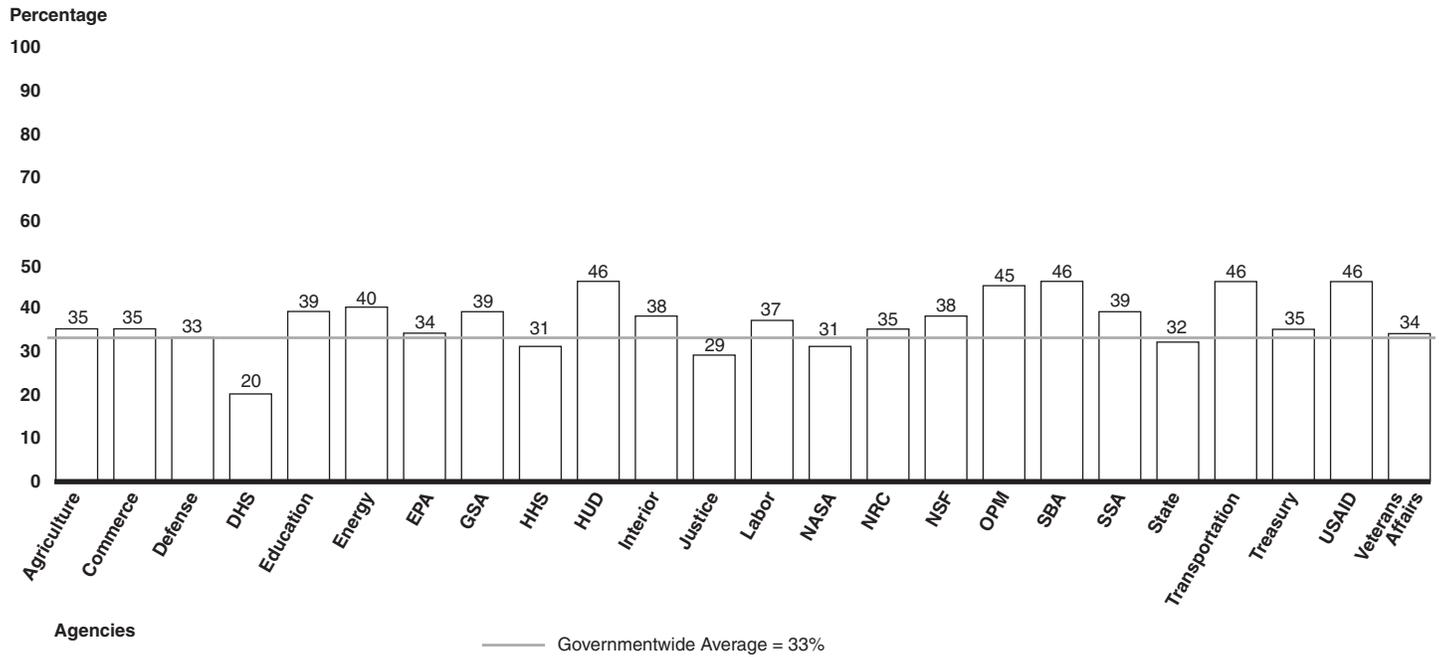


Source: GAO analysis of CPDF data as of September 2007.

Note: Except for State, data include foreign service employees. State discontinued reporting this information to the CPDF in fiscal year 2006.

Similarly, the proportion of federal workers eligible or nearly eligible to retire is increasing and varies across federal agencies. Thirty-three percent of federal career employees in the workforce at the end of fiscal year 2007 will be eligible to retire by 2012. This is an increase from 10 years earlier when about 20 percent of federal career employees in the workforce at the end of fiscal year 1997 were projected to be eligible to retire by 2002. The effects of retirement will likely differ across agencies, as many workers projected to be eligible to retire by 2012 are concentrated within certain agencies. These proportions range from a high of 46 percent at four agencies—HUD, SBA, Transportation, and USAID—to a low of 20 percent at DHS (see fig. 3).

Figure 3: Percent of Career Employees at CFO Agencies Eligible to Retire by Fiscal Year 2012



Source: GAO analysis of CPDF data as of September 2007.

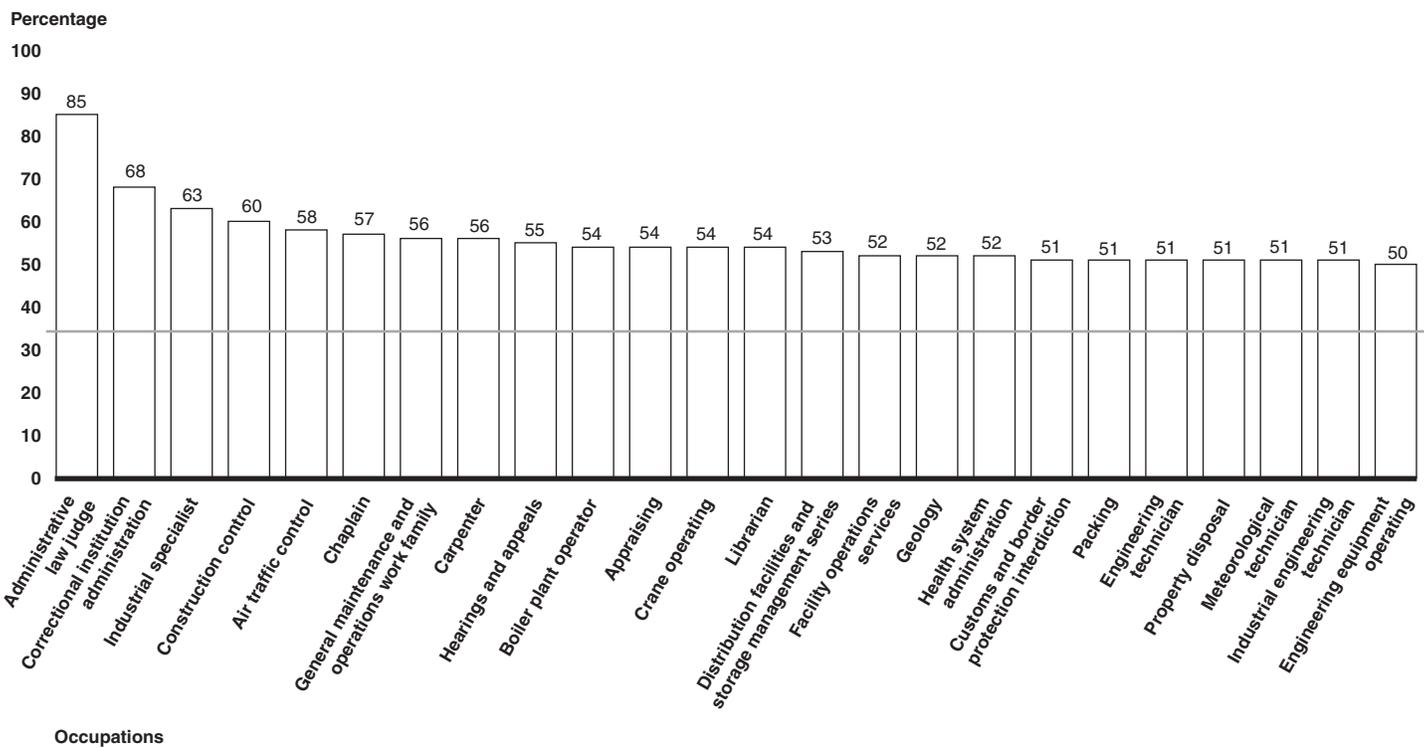
Notes: Except for State, data include foreign service employees. State discontinued reporting this information to the CPDF in fiscal year 2006.

These data on retirement eligibility reflect the workforce as of the end of fiscal year 2007 and do not include actual or projected staff hiring or attrition at CFO agencies between 2007 and 2012. Some workforce turnover is common at federal agencies; however, in some cases more staff are leaving the agency than are being hired.

Within agencies, the estimated proportion of workers eligible to retire also varies at the component level—that is, by bureau or unit. Thus, even those agencies that have relatively low overall percentages of retirement-eligible employees may have components that have higher percentages of retirement-eligible staff. This, in turn, could affect the accomplishment of mission tasks and strategic goals for agency components and for the agency as a whole. For example, although the Department of Homeland Security (DHS) has a low proportion—20 percent—of workers eligible to retire by 2012, the proportion of workers eligible to retire now or by 2012 in its Federal Emergency Management Agency is currently about 33 percent, and agency projections indicate that about 58 percent of the senior executives in this agency will be eligible to retire by 2012.

Certain occupations have particularly high proportions of workers eligible to retire by 2012. Fifty percent or more of workers in 24 occupations that have 500 or more staff are eligible to retire by 2012. Several of these occupations, such as air traffic controllers, customs and border agents, and administrative law judges, are considered mission critical. In addition, federal law requires mandatory retirement at specified ages for some occupations, such as air traffic controllers who must retire at age 56 (see fig. 4).

Figure 4: Certain Occupations with High Eligibility Retirement Rates at CFO Agencies by Fiscal Year 2012



— Governmentwide Average = 33%

Source: GAO analysis of CPDF data as of September 2007.

Note: Except for State, data may include foreign service employees.

Moreover, the proportion of federal executives and supervisors who will reach retirement eligibility exceeds that of the overall proportion of federal employees. Of the approximately 7,200 career executives in the

federal workforce at the end of fiscal year 2007, 41 percent were eligible to retire in 2008 and 64 percent will be eligible by 2012.¹² For supervisors who are not career executives, 25 percent were eligible to retire in 2008, and 45 percent are projected to be eligible by 2012. In comparison, 17 percent of all federal workers were eligible to retire in 2008 and 31 percent are projected to be eligible by 2012.

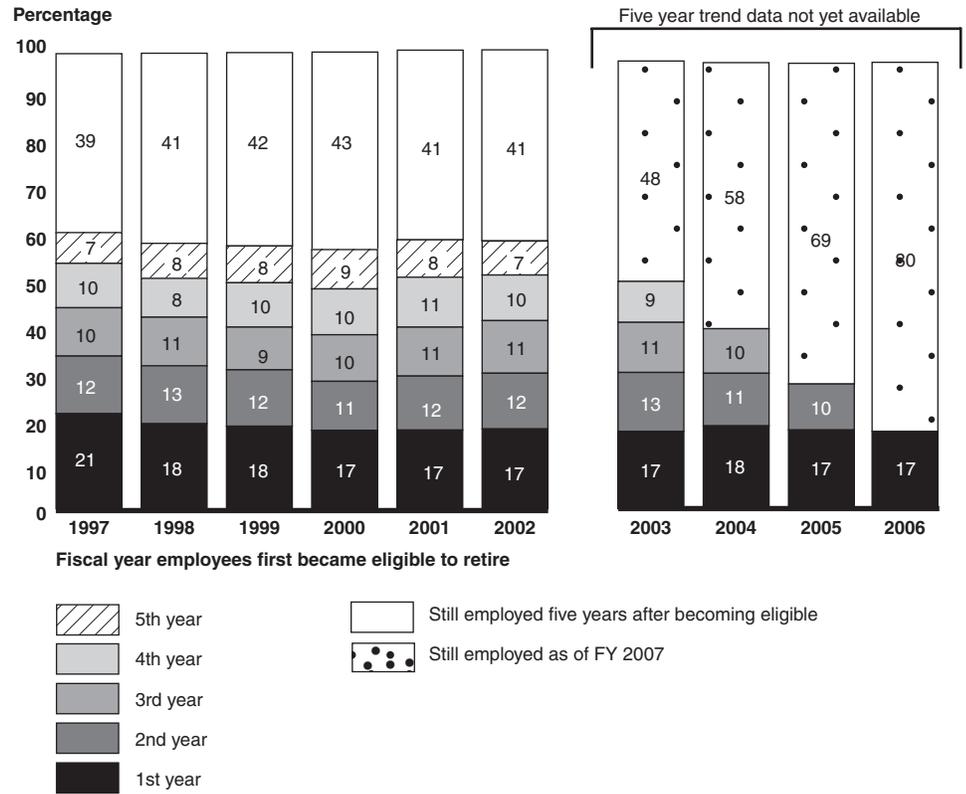
Many Federal Workers Stay Well Past Their Initial Retirement Eligibility, and Agencies' Efforts to Bring in Older Workers Have Focused More on Hiring New Workers Than on Rehiring Annuitants

Agencies have a variety of options to tap older, experienced workers to fill workforce needs, including retaining workers past initial retirement eligibility, hiring new older workers, and bringing back retired federal annuitants. Although no data are available on the effects of specific retention strategies, most federal workers do not retire immediately upon being eligible, according to OPM's data, and many stay in the federal workforce more than 5 years past their initial retirement eligibility date. Of the more than 31,000 workers who became eligible to retire in 1997, only about 20 percent retired within the first year and over 40 percent were still in the federal workforce after 5 years. These retention trends have remained relatively stable since 1997 (see fig. 5);¹³ the current economic situation may result in even higher retention rates.

¹²Data are as of the end of fiscal year 2007, the most recent data available.

¹³For information on retirement trends of federal workers who were first eligible to retire between 1988 and 1997, see GAO, *Federal Employee Retirements: Expected Increase Over the Next 5 Years Illustrates Need for Workforce Planning*, [GAO-01-509](#) (Washington, D.C.: Apr. 27, 2001).

Figure 5: Percent of Federal Workers in CFO Agencies Who Actually Retired within 5 Years of First Becoming Eligible



Source: GAO analysis of CPDF data.

Notes: Each column represents the aggregate percentage of that year’s workers who first became eligible to retire in that fiscal year and who retired that year and the next 5 successive years to the extent that data are available. For example, the top striped block in columns—retirements in the fifth year—represents the percentage of federal employees who retire within the fifth year after the year they become eligible to retire.

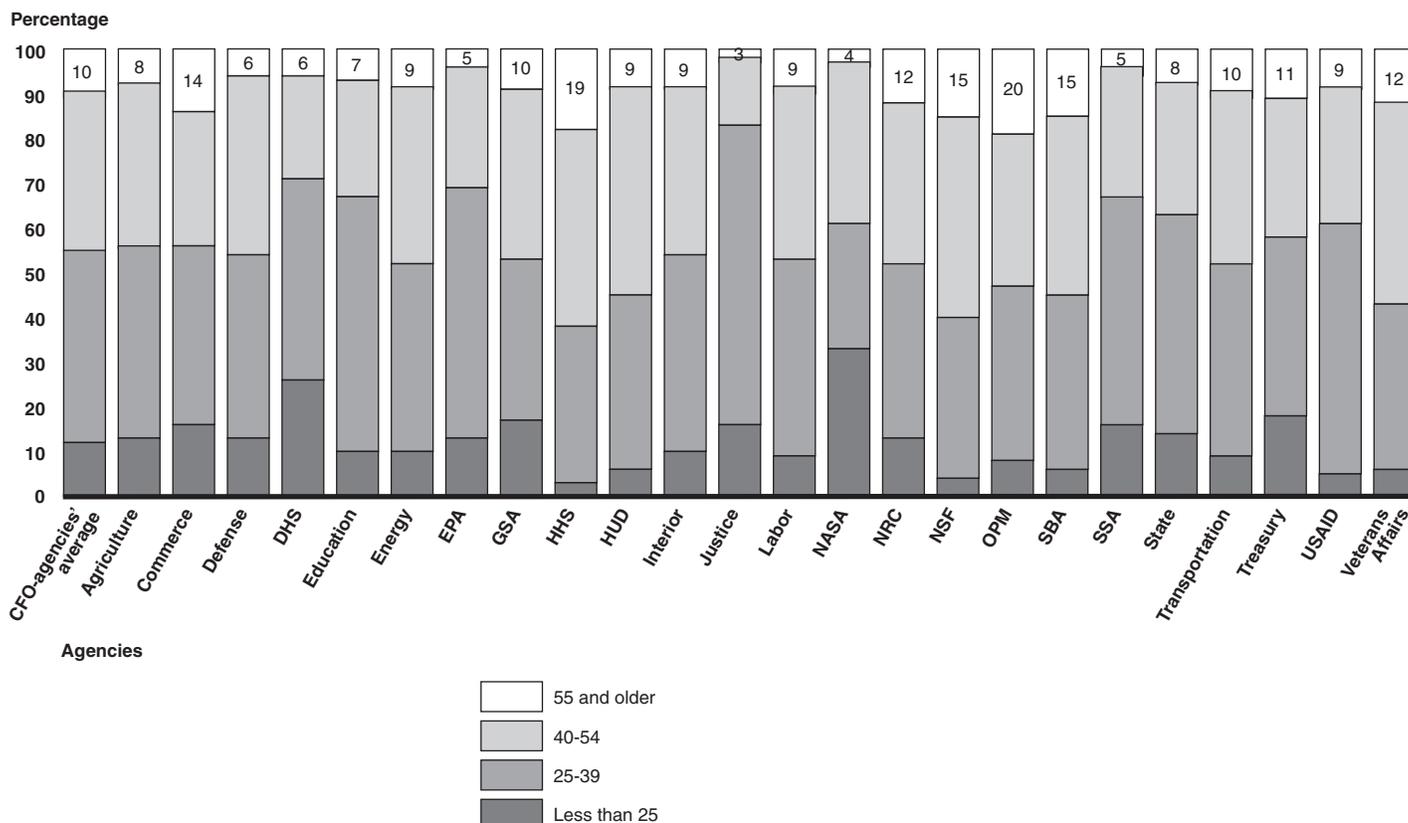
Except for State, data include foreign service employees. State discontinued reporting this information to the CPDF in fiscal year 2006.

Beyond retaining workers, when agencies bring in older workers to help fill skill gaps, their efforts have focused more on hiring them as new employees than on bringing back federal retirees as rehired annuitants. In 2007, federal agencies hired almost 14,000 new workers that were 55 years of age or older, and the percentage of newly hired federal workers aged 55 and older has more than doubled in recent years, up from 3.4 percent in 1995 to 7.8 percent in 2007. In addition, the average age of workers at the time of their appointments to full-time, permanent federal service has

increased over that same time period from an average age of about 35 in 1995 to slightly over 37 in 2007. OPM officials attribute this change to increases in the level of education, skills, and experience that are required for many federal jobs.

While the overall proportion of older workers aged 55 and over who are newly hired into federal service is increasing, this proportion varies across CFO agencies. The Department of Health and Human Services (HHS) and OPM hired the largest proportions of older workers—about 20 percent—while Justice, EPA, the National Aeronautics and Space Administration (NASA), and SSA hired the smallest proportion—ranging from about 3 to 5 percent (see fig. 6).

Figure 6: Age Distribution of Career Federal Employees Newly Hired by CFO Agencies in Fiscal Year 2007



Source: GAO analysis of CPDF data as of September 2007.

Note: Except for State, data include foreign service employees. State discontinued reporting this information to the CPDF in fiscal year 2006.

Although the proportion of retired federal workers brought back by CFO agencies as re-employed federal annuitants is quite small—less than 1 percent of all federal employees—their numbers total 5,364 and vary from over 2,000 at the Department of Defense (Defense) to none at the Department of Education (Education).¹⁴ Thirty-nine percent of the rehired federal annuitants return to federal employment despite statutory requirements that their salaries be reduced by the amount of their annuities. However, in some cases, retirees may be rehired without having their salaries reduced if OPM delegates the agency waiver authority or grants the agency waivers in specific cases.¹⁵ Based on CDPF data, three federal entities which have been granted special waiver authority by statute—Defense, NRC, and the Federal Law Enforcement Training Center of DHS—have all increased the number of retired annuitants they rehire.¹⁶ For example, the number of rehired retirees with no salary reductions at Defense has increased from 282 in fiscal year 2004 (the year the authority was granted)¹⁷ to 838 in fiscal year 2005, and has continued to increase to 1,931 in 2007. While the overall numbers are smaller, the experience of two other agencies that had been granted this authority was similar.¹⁸ The number of rehired retirees with no salary reductions at NRC increased from 43 in Fiscal Year 2006, when the authority was implemented, to 85 in Fiscal Year 2007.¹⁹ The number of rehired retirees without salary reductions at the Federal Law Enforcement Training Center, now in DHS,

¹⁴Rehired annuitants comprise more than 1 percent of the workforce of only one CFO agency. In that agency, NRC, rehired annuitants comprise 2.5 percent of its workforce.

¹⁵OPM may waive the requirement that the salary of re-employed annuitants be reduced by the amount of their annuity on a case-by-case basis for positions that the agency has exceptional difficulty filling, for necessary temporary employment due to an emergency involving a direct threat to life or property, or other unusual circumstance, or OPM may delegate waiver authority to an agency.

¹⁶During corresponding periods, the number of federal retirees at these agencies experiencing salary reductions declined.

¹⁷This authority was granted by the National Defense Authorization Act for Fiscal Year 2004, Pub. L. No. 108-136.

¹⁸In addition to these agencies, the foreign service components of State and USAID have had limited legislative authority to rehire annuitants without reducing their salaries since 1980, but these components do not fall under OPM's authority and are not included in CDPF counts.

¹⁹This authority was granted by the Energy Policy Act of 2005, Pub. L. No. 109-58.

increased from zero in Fiscal Year 2001 to 89 in fiscal year 2007²⁰ (see table 2).

Table 2: Federal Agencies with the Highest Percentage of Rehired Annuitants without Reduced Salaries in Fiscal Year 2007

| Agency | Number of annuitants without reduced salaries | Percentage of annuitants without reduced salaries | Number of annuitants with reduced salaries | Percentage of annuitants with reduced salaries | Total number of rehired annuitants | Total Number of employees |
|-----------------------------------|---|---|--|--|------------------------------------|---------------------------|
| NRC ^a | 85 | 89% | 10 | 11% | 95 | 3,769 |
| Defense ^a | 1,930 | 88 | 264 | 12 | 2,200 | 680,332 |
| SBA | 47 | 84 | 9 | 16 | 56 | 5,016 |
| USAID | 8 | 73 | 3 | 27 | 11 | 1,370 |
| State | 41 | 65 | 22 | 35 | 63 | 10,700 |
| Total for all CFO agencies | 3,245 | 61% | 2,054 | 38% | 5,361 | 1,857,808 |

Source: GAO analysis of CPDF data as of September 2007.

Note: Data do not include foreign service employees.

^aAgency has special authority to rehire federal annuitants without reducing their salaries.

Other agencies, including HHS, the Department of Veterans Affairs (Veterans Affairs), and SSA, have received authority from OPM to waive the salary reduction requirement for positions that have been difficult to fill. For example, SSA has received delegated authority to re-employ federal retirees with full salaries and annuities as administrative law judges—positions that are extremely difficult to fill.

In addition to the above options, all agencies have legislative authority to re-employ federal retirees without reducing their salaries to fill acquisition-related positions, such as contract specialists, provided they comply with OPM policies regarding reporting and procedures.²¹ As of

²⁰This authority was granted by the 2002 Supplemental Appropriation Act for Further Recovery From and Response to Terrorist Attacks on the United States, Pub. L. No. 107-206.

²¹The General Services Administration Modernization Act of 2006, Pub. L. No. 109-313. This authority expires in December 31, 2011.

December 2008, 15 agencies have filed plans to use this authority and had them approved by OPM.²²

Selected Agencies Face Common Challenges and Have a Variety of Strategies to Tap Older Workers to Meet Workforce Needs

The growing proportion of federal workers who are eligible to retire now or in the near future presents challenges and opportunities for federal agencies. While distinct in many ways, the agencies we reviewed—HUD, SSA, and USAID—share common workforce challenges. Like other federal agencies, HUD, SSA, and USAID have large proportions of employees nearing retirement. Also, according to agency officials, all three agencies have relatively few staff at midlevel positions to help pass down institutional knowledge and skills to less experienced employees due to past budget cuts and hiring freezes. Finally, they are all challenged in their efforts to attract qualified staff with specialized skills. Consequently, when their older workers eventually retire, HUD, SSA, and USAID will face critical gaps in leadership, skills, and institutional knowledge. To address these challenges, these agencies rely on older workers in different ways and use selected governmentwide human capital flexibilities in addition to their own strategies, to hire and retain older workers. We also found that other federal agencies have developed their own approaches to hire and engage older workers to meet their workforce challenges, but these approaches have not been widely shared with other federal agencies.

While Distinct in Many Ways, Three Case Study Agencies—HUD, SSA, and USAID—Share Common Workforce Challenges

The three case study agencies we reviewed—HUD, SSA, and USAID—have very different missions that lead to different staffing needs and solutions. HUD, for example, assists millions of individuals through programs that help to encourage home ownership, provide housing assistance to low- and moderate-income families, and promote economic development. The agency employs approximately 9,600 individuals—two-thirds of whom work in 81 field offices across the United States. In addition to federal employees, HUD also relies on thousands of third-party entities—such as private lenders, contractors, nonprofit organizations, and local governments—to administer many of its programs, including rental

²²The agencies that have reported to OPM that they are using this authority are the Department of Energy; HHS; HUD; the Departments of the Interior, Labor, Treasury, and Veterans Affairs; USAID; the Consumer Product Safety Commission; EPA; Executive Office of the President; Federal Trade Commission; General Service Administration; National Labor Relations Board; and the Millennium Challenge Corporation. OPM does not have information on the number of employees who return to federal service under this provision.

assistance and community development programs. A large portion of HUD's employees are located in the Office of Housing and work in a variety of positions, including specialists in contract oversight, loan servicing, and public housing revitalization. In comparison, SSA administers retirement and income support programs for millions of disabled or older individuals and their dependents. SSA is a large agency, employing approximately 62,600 individuals—many of whom are located in field offices and work directly with customers. In 2007, the more than

1,200 of SSA's field offices²³ served approximately 42 million customers.²⁴ Generally SSA seeks to hire individuals with strong interpersonal and general analytical skills who are then trained for direct service positions, such as social insurance specialists and contact representatives. Different from both HUD and SSA, USAID employees often work outside of the United States to provide humanitarian and economic assistance to about 100 developing countries. Of the approximately 2,400 USAID employees, about half belong to the foreign service and the rest are civil service. Many of USAID's foreign service employees work as foreign service officers. Entry level qualifications for this position include having an advanced degree and relevant international professional experience. In addition to its federal employees, USAID relies heavily on contractors and grantees to implement its overseas development projects, including Food for Peace initiatives in South Asia and Democracy and Governance programs in the Middle East. Table 3 below highlights some of these agencies' characteristics.

²³SSA field offices are located across the United States as well as in the Virgin Islands, Puerto Rico, and Guam.

²⁴GAO, *Social Security Administration Field Offices: Reduced Workforce Faces Challenges as Baby Boomers Retire*, [GAO-08-737T](#) (Washington, D.C.: May 8, 2008).

Table 3: Characteristics of Case Study Agencies

| | HUD | SSA | USAID |
|---|---|--|---|
| 2007 budget | \$33.6 billion | \$624.6 billion | \$9.3 billion |
| Agency's approximate size | 9,600 civil service employees | 62,600 civil service Employees | 2,400 total (1,100 civil service employees and 1,300 foreign service employees) |
| Agency's purpose | Assists individuals through programs that help to encourage home ownership, increase access to affordable housing free from discrimination, and support community development | Administers income support programs for millions of elderly or disabled individuals and their dependents | Provides humanitarian and economic assistance to about 100 developing countries |
| Examples of mission-critical positions | Loan servicing specialists Public housing revitalization specialists Contract oversight specialists | Social insurance specialists Contact representatives Administrative law judges | Health specialists Contract specialists Human resources specialists |

Source: GAO analysis.

Note: Number of employees reflects CPDF data as of September 2007.

Despite their differences, HUD, SSA, and USAID share common workforce challenges. Like the federal government as a whole, HUD, SSA, and USAID have large portions of their workforces nearing retirement, and these older, experienced workers may leave behind gaps in leadership, skills, and institutional knowledge. Both HUD and USAID risk losing close to half of their current workforces to retirement by 2012. Similarly, SSA is expected to lose more than one-third of its employees to retirement by 2012—a time when the agency expects to experience a dramatic increase in workload due to the aging baby boom generation. Close to half of the current workforces at HUD and USAID will be eligible to retire in that same time period.

Officials believe that many of the retiring employees will leave gaps in institutional knowledge and technical skills, especially in mission-critical occupations—those that agencies consider key to carrying out their missions. For example, SSA officials reported that between about 14 and 64 percent of its employees in mission-critical positions were eligible to retire in fiscal year 2008. This includes 64 percent of its administrative law judges and about 40 percent of its supervisors, paralegal specialists, claims assistants and examining specialists. In addition, HUD officials told us that half of its employees in mission-critical occupations—2,057—are currently eligible to retire.

While these retirement eligibility rates suggest that large portions of HUD, SSA, and USAID's current employees might retire by 2012, most employees do not retire as soon as they become eligible. We have previously reported that employment options—such as having the ability to work part-time or having flexible work schedules—may affect workers' decisions to stay employed. HUD, SSA, and USAID offer these employment options, as well as other strategies, that may help retain older workers. In addition, officials from all three agencies told us that many employees stay past retirement eligibility because they are dedicated to their work and the mission of the agency. SSA officials reported that about 1,500²⁵ SSA employees have been with the agency for at least 40 years—tenures that extend well beyond the average retirement age. HUD officials told us that less than 5 percent of its total workforce has retired in the past 2 years. USAID officials told us that on average their employees continue working 5 years after they become eligible to retire. We found that in 1997, 1999, and 2002, between 38 and 52 percent of employees at HUD, SSA, and USAID remained in the federal workforce 5 years after first becoming eligible to retire—somewhat above the overall governmentwide averages of between 41 and 45 percent in those same years. These retention trends may be heightened in the near term, as the recent downturn in the economy may cause many in the nation's workforce—including federal employees—to postpone their retirements.

Another challenge that these agencies face is that they have relatively few staff in midlevel positions (GS-12 to GS-15 for the civil service and FS-4 to FS-2 for the foreign service)²⁶ to pass down institutional knowledge and skills to less experienced staff. According to agency officials, budget cuts and hiring freezes of the 1990s kept HUD, SSA, and USAID from filling many of their entry-level positions with junior staff who would today be considered experienced, midlevel employees. For example, between 1993 and 2007, HUD's overall staffing levels decreased by about 30 percent, and USAID's decreased by about 40 percent.²⁷ For USAID, not having enough midlevel staff is made even more complicated as the agency has begun to grow. Recent appropriations have allowed the agency to significantly increase its foreign service workforce over the next several years with

²⁵This count represents information from October 2008.

²⁶USAID defines its midlevel employees in the civil service as GS-12 to GS-14.

²⁷For more information on the impact of past hiring freezes, see for example GAO, *Foreign Assistance: Strategic Workforce Planning Can Help USAID Address Current and Future Challenges*, [GAO-03-946](#) (Washington, D.C.: Aug. 22, 2003).

primarily entry-level staff—employees who could generally benefit from the knowledge and skills of experienced staff. While SSA’s staffing levels have declined in recent years, the size of its workload has increased with the growing number of individuals eligible for SSA’s services. We reported in May 2008 that recent staffing declines may have been a factor in reducing SSA’s ability to complete all of its work while providing quality customer service.²⁸

In addition, these agencies also are challenged in their efforts to attract qualified staff with specialized skills that are either uncommon or in high demand. USAID officials told us that many of its foreign service positions require specialized and uncommon skills—such as fluency in foreign languages and in-depth knowledge of cultures in remote regions. The limited pool of qualified and experienced individuals that the agency hires for these positions typically is drawn from other federal agencies, such as Treasury and State, as well as nongovernmental organizations. However, more often, USAID relies on less experienced individuals with strong interests in and aptitude for the foreign service and prepares these individuals for the highly specialized positions by providing them with several months of intensive language and overseas training. SSA and HUD also have hard-to-fill positions that require specialized skills. One in particular is the administrative law judge—a mission-critical position that both agencies find hard to fill. As of July 2008, all three of HUD’s administrative law judge openings remained unfilled, and SSA had to seek approval from OPM to hire back eight retirees for this hard-to-fill position. These agencies also need individuals with other specialized skills that are in high demand by other employers. For example, HUD’s financial analyst, auditing, and information technology positions are similar to the positions in many private firms that pay higher salaries in comparison to the federal government. Consequently, these positions at HUD have been significantly understaffed—by up to 47 percent in some offices within HUD—for the past several years because, according to officials, the agency cannot offer salaries to attract qualified individuals away from the private sector. For the same reason, SSA is challenged to fill a number of its specialized positions, such as those for accountants, attorneys, and information technology technicians.

²⁸GAO, *Social Security Administration Field Offices: Reduced Workforce Faces Challenges as Baby Boomers Retire*, [GAO-08-737T](#) (Washington, D.C.: May 8, 2008).

Case Study Agencies Rely on Older Workers in Different Ways and Use Selected Governmentwide Human Capital Flexibilities, in Addition to Their Own Strategies, to Address Their Workforce Challenges

To address their workforce challenges, HUD, SSA, and USAID rely on older workers in different ways, sometimes through the use of selected governmentwide flexibilities that are attractive to all workers, including older workers. Human capital flexibilities represent policies and practices that an agency may use in managing its workforce to accomplish its mission and achieve its goals. These flexibilities—with appropriate safeguards—allow agencies to take actions related to recruitment, retention, compensation, work arrangements, and work-life policies. Depending on their individual workforce needs and goals, agencies tailor the use of these flexibilities.²⁹ In addition, we learned that other factors influenced the case study agencies use of human capital flexibilities, including the potential negative consequences they have on an agency’s budget or workforce and the ease with which these flexibilities are adopted.

Compared to other flexibilities, the flexibilities that help employees strike a work-life balance, including telework and alternative work schedules, may be less complex to adopt since each agency is responsible for establishing its own policies within certain broad guidelines. In addition, these work-life flexibilities may have little to no negative impact on an agency’s budget or workforce. For example, a recent OPM survey found that telework has, in fact, improved productivity and morale among many staff. We recently reported that these work-life flexibilities are often extremely important to older workers. For example, some research indicates older workers want to set their own hours and to be able to take time off to care for relatives when needed. In addition, older workers nearing retirement may prefer a part-time schedule as a means to retire gradually.³⁰ Figure 7 below outlines some of the factors that influence case study agencies’ use of selected human capital flexibilities.

²⁹GAO, *Human Capital: OPM Can Better Assist Agencies in Using Personnel Flexibilities*, [GAO-03-428](#) (Washington, D.C.: May 9, 2003).

³⁰GAO, *Older Workers: Federal Agencies Face Challenges, but Have Opportunities to Hire and Retain Experienced Employees*, [GAO-08-630T](#) (Washington, D.C.: Apr. 30, 2008).

Figure 7: Factors That Influence Use of Selected Human Capital Flexibilities

| | Rehiring retiree without financial offset | Targeted pay rate increase | Recruitment and retention incentives | Part-time schedule | Enhanced annual leave accrual rates | Alternative work schedule | Telework |
|---------------------------------------|---|---|---|---|--|--|---|
| Potential benefits | Allows agencies to bring back knowledgeable and skilled retirees and avoid the potential high cost of bringing retirees back as contractors Allows rehired annuitant the opportunity to train less experienced staff and perform inherently governmental functions | Helps agencies to attract or retain individuals, including older workers, with superior qualifications | Helps agencies to attract or retain individuals, including older workers, with specialized skills—for example information technology specialists and accountants | Assists employees with personal commitments and is especially attractive to older workers | Helps agencies attract non-federal workers, including older workers, who have specialized skills by using relevant work experience to compute annual leave at higher rates | Can improve morale, productivity, recruitment, and retention among staff and assists employees with personal commitments; this flexibility can be especially attractive to older workers | Can improve morale, productivity, recruitment, and retention among staff; and assists employees with personal commitments; this flexibility can be especially attractive to older workers |
| More negative consequence | | | | Less negative consequence  | | | |
| Potential negative consequence | Has the potential to stymie promotion and work opportunities for new and current employees | Can decrease budget amount to fund the pay rate increase, which in turn may reduce staffing levels | Can decrease budget amount to fund the incentives, which in turn may reduce staffing levels | Can require additional administrative effort to ensure staff coverage | Has little negative impact—with appropriate oversight—on an agency's workforce, productivity, or budget | Has little to no negative impact—with appropriate oversight—on an agency's workforce, productivity, or budget | Has little to no negative impact—with appropriate oversight—on an agency's workforce, productivity, or budget |
| Safeguard | Requires most agencies to submit a request to OPM and receive approval to fill hard-to-fill positions with federal retirees | Requires agency officials to work within a fixed budget amount, consider complex issues, and place a priority on hiring fewer individuals with specialized skills or more individuals with general skills | Requires agency officials to work within a fixed budget amount, consider complex issues, and place a priority on hiring fewer individuals with specialized skills or more individuals with general skills | Requires agency officials to determine what is best for their workforce and mission and approve part-time schedules on a case-by-case basis | Requires approval by the head of the agency | Requires managers and supervisors to approve flexible schedules on a case-by-case basis | Requires agencies to establish policies that describe which employees are eligible to participate |
| More complex to adopt | | | | Less complex to adopt  | | | |

Source: GAO analysis.

Overall, we found that these work-life flexibilities were popular options for many employees, including older workers, at HUD, SSA, and USAID. For example, USAID officials told us that almost all of their employees have flexible schedules. While they are popular, these flexibilities do not

fit well with every individual or every job. HUD officials told us that while most of its employees have the opportunity to work a compressed schedule so that they have a day off during a pay period, supervisors and managers are not allowed to use this flexibility because the agency values having management in the office 5 days a week to supervise program functions. Similarly, SSA officials reported that many frontline employees at SSA do not telework because SSA's primary service delivery structure requires staff to be physically present at the field offices, working directly with its customers. To help ensure that these flexibilities are appropriately used, agencies typically require supervisory or managerial approval.

Other flexibilities, in contrast, can have substantial consequences on a portion of an agency's budget or workforce. For this reason, certain flexibilities have safeguards in place to help regulate their use. For example, in order to hire federal retirees without reducing their salaries by the amount of their annuities, most agencies must submit a request to OPM. In 2007, OPM approved waivers to rehire only 22 annuitants across HUD, SSA, and USAID. Agencies have the option of rehiring federal retirees without using the dual compensation waiver, but the retirees' salaries are reduced by the amount of their annuities. Perhaps as a result, a relatively small number of retirees—210—across these three agencies elected to return to federal service when their salaries were to be reduced by their annuities.

In addition to the governmentwide flexibilities, HUD, SSA, and USAID employ other strategies to involve older workers to help meet their workforce needs. While all three agencies rely on older workers to pass down institutional knowledge and critical skills to less experienced staff, HUD officials told us this is the primary way they actively involve older workers. One way HUD does this is through its formalized mentoring program, which allows senior staff to share their experiences, insights, and professional wisdom with junior staff. The agency has also developed a 2-year training program in which newly hired employees rotate through various positions throughout the agency and work with a variety of experienced employees to learn critical skills and knowledge. Officials told us that they use this program to help train new employees in order to fill positions that become available; and that they do not use recruiting or retention activities directed at older workers with particular skills or experience. According to officials, these mentoring relationships not only help transfer knowledge to less experienced workers, they also help retain older workers with the strong professional relationships the senior staff build with junior employees.

In meeting workforce needs, SSA depends, in part, on its historically high retention rate to ensure the right skill levels. Over the past several years, however, SSA has increasingly used information technology in strategic workforce planning and has taken certain actions to recruit and retain older workers. For example, to better understand where to place its human capital efforts, SSA has developed a complex statistical model that uses historical data to project future retirements. Specifically, this model projects who is likely to retire, and SSA uses these projections to estimate gaps in mission-critical positions and to identify what components of the agency could be most affected by the upcoming retirements. With these estimates, the agency develops action plans focused on hiring, retention, and staff development.³¹ As a result of using these models, SSA has developed targeted recruitment efforts that reach out to a broad pool of candidates, some of whom are older workers and who have valuable leadership experience and skills. SSA is also beginning to reach out to older workers in order to achieve one of its diversity goals—attracting a multigenerational workforce. These steps have included developing recruiting material featuring images of older and younger workers. In addition, SSA has two other efforts specifically designed to retain older workers. One is a phased retirement program, which allows employees to work on a part-time basis rather than fully retiring. The other is a trial retirement program, which allows workers to return to work within a year of retiring if they repay the annuities they have received. However, SSA officials told us that the programs have been used rarely because of the financial penalty workers would face. SSA has developed programs, including elder and kinship care referral services and financial literacy services, designed to help retain workers.

Agency officials told us that USAID tends to bring back its retirees as contractors to fill short-term job assignments and to help train and develop the agency's growing number of newly hired staff. The agency uses various staffing mechanisms, including personal services contracts, to bring back retired foreign service officers to meet short-term workforce needs and to mentor newly hired foreign service officers.³² However, the agency does not specifically focus on older workers in its recruiting or

³¹HUD and USAID are in the early stages of similar workforce planning efforts.

³²Examples of staffing mechanisms that USAID uses include personal services contractors, who provide specialized technical assistance in designing and managing programs, and a cooperative administrative support unit, which provides mid- to senior-level technical leadership in the fields of population, health, and nutrition.

retention activities. USAID officials told us that their retirees play a key role in helping new staff learn institutional knowledge and new skills. All newly hired foreign service officers have a mentor, who is typically a retired foreign service officer. These mentors work closely with the junior officers during their new staff orientation and initial training. Once the junior staff receives his or her overseas assignment, the mentor continues contact with the newly hired employee through telephone calls and occasional visits. USAID officials told us that their mentor program greatly helps junior staff become acclimated to the foreign service and it is an effective means to engage retirees who have essential skills and knowledge to pass down to new staff. In addition, retired foreign service officers help the agency meet short-term workforce needs. In one example, officials told us that a foreign service officer had to leave an assignment in Haiti several months before a replacement could arrive. USAID brought back a retiree who had experience with and knowledge about Haitian culture to fill the job assignment temporarily. According to officials, these retirees help the agency quickly acquire critical skills and pass down institutional knowledge. Because the federal retirees are contractors, the agency is able to begin and end their service relatively easily.

Other Federal Agencies Have Developed Their Own Promising Practices to Hire and Retain Older Workers to Meet Their Workforce Needs

We interviewed officials in several agencies that have developed other approaches to hiring and engaging older workers.

- *Identifying and recruiting retirees with critical skills by using technology.* State has developed two databases to match interested foreign service and civil service retirees with short-term or intermittent job assignments that require their skill sets or experiences. One database—the Retirement Network, or RNet—contains a variety of information, including individuals’ job experiences, foreign language abilities, special skills, preferred work schedules, and favored job locations. To identify individuals with specific needed skill sets, officials match information from RNet with another database that organizes and reports all available and upcoming short-term job assignments. For instance, in 2004, the agency identified current and retired employees familiar with Sumatra’s culture and language and sent many of them to Indonesia to help with the tsunami relief efforts. According to officials, this technology has allowed State to identify individuals with specialized skills and specific job experiences within hours. Before these systems were in place, the search for individuals with specific skills and experiences would have taken days or weeks, and even then, the list of individuals would have been incomplete.

Because different personnel rules apply to foreign service and civil service positions, the agency typically brings civil service retirees on as contractors—nonfederal employees without any reduction to earnings or annuities—and, in certain circumstances, may hire foreign service retirees as federal employees who may earn their full salaries while receiving their annuities.³³

- *Hiring older workers through nonfederal approaches.* EPA has designed a program that places workers aged 55 and over in administrative and technical support positions within EPA and other federal and state environmental agencies nationwide. Instead of hiring older workers directly into the government as federal employees, EPA has cooperative agreements with nonprofit organizations to recruit, hire, and pay older workers. Under these agreements, workers are considered program enrollees, not federal employees. EPA's Senior Environmental Employment (SEE) program started as a pilot project in the late 1970s and was authorized by the Environmental Programs Assistance Act in 1984.³⁴ According to EPA, there are approximately 1,525 SEE enrollees—many of whom come from long careers in business and government service—who offer valuable knowledge and often serve as mentors to younger coworkers. Depending on their skills and experience, program enrollees' wages vary, starting at \$7.09 per hour and peaking at \$17.72 per hour. Using the SEE program as a model, the Department of Agriculture's (Agriculture) Natural Resources Conservation Service recently developed a pilot project called the Agriculture Conservation Enrollees/Seniors (ACES) program.³⁵ Officials from both EPA and the Natural Resources Conservation Service (NRCS) told us that their programs are crucial in helping agencies meet workload demands and providing older workers with valuable job opportunities.
- *Partnering with private firms to hire retired workers.* In partnership with IBM and the Partnership for Public Service, Treasury is

³³According to State officials, the department has received permission from OPM to rehire civil service annuitants without reducing their salaries for specific civil service positions, such as those located in Iraq or for work in support of processing passports. State can hire back foreign service retirees on an intermittent schedule with full salaries and annuities on the Secretary's authority.

³⁴Pub. L. No. 98-313.

³⁵NRCS developed ACES under the authority of section 2701 of Title II of the Farm Security and Rural Investment Act of 2002, Pub. L. No. 107-171.

participating in a pilot project that aims to match the talent and interest of IBM retirees and employees nearing retirement with Treasury's mission-critical staffing needs. Working together, the three organizations are designing a program that intends to send specific Treasury job opportunities to IBM employees with matching skill sets and experience; help create streamlined hiring processes; provide career transition support, such as employee benefits counseling and networking events; and encourage flexible work arrangements. Officials are developing the pilot project within existing governmentwide flexibilities that do not require special authority from OPM. As a senior official suggested, designing such a project may reveal the extent to which existing federal flexibilities allow new ways of hiring older workers.

Agency officials at Agriculture, EPA, State, and Treasury told us that in developing their promising practices, they faced significant challenges, including negotiating new relationships with private entities and obtaining legislative authority for the program. In overcoming these obstacles, agency officials told us that they learned valuable lessons that could be shared with other agencies to help these agencies adopt similar strategies with less time and effort.

OPM Has Taken Actions to Help Agencies Hire and Retain a Skilled Workforce, but Could Do More to Share Promising Strategies

To help federal agencies hire and retain skilled workers, OPM provides guidance, planning tools, and training, and often advocates changes in human capital programs by developing legislative proposals for Congress to consider. As components of these efforts, OPM has taken action that address three areas of concern for applicants, particularly older workers. First, it has begun to streamline the complex federal job application process. In addition, it has developed two legislative proposals—one would eliminate barriers to rehiring federal annuitants, and another would make it easier for certain federal workers to work part-time at the end of their careers. While these two proposals were incorporated into legislation in 2007, efforts stalled before passage, and it is unclear whether they will be reintroduced. Despite OPM's efforts, the agency could do more to facilitate information sharing between federal agencies.

OPM Provides Assistance to Agencies on Hiring and Retaining Skilled Workers, Including Older Workers

OPM provides guidance, planning tools, and training to help federal agencies hire and retain the best qualified workers to fill positions. OPM's efforts are focused on positions and merit, not people, as it helps agencies attract workers who possess the right skills and experience to meet agencies' workforce needs without regard to age or other demographic

variables such as sex or ethnicity. OPM encourages federal agencies to market career opportunities available in the federal government to talented individuals from all segments of society, including older workers, as part of their overall recruitment efforts.

In its role as human capital leader, OPM provides agencies with guidance and technical support on how to use available hiring programs and flexibilities, many of which are attractive to older workers, to ensure the federal government has an effective civilian workforce. For example, OPM has developed a handbook—*Human Resources Flexibilities and Authorities in the Federal Government*—that identifies the many human capital flexibilities and authorities currently available and how agencies can address workforce challenges. In addition, OPM has developed a guide called *Career Patterns* that is intended to help agencies recruit a diverse, multigenerational workforce and has posted the guide on its Web page. This guide presents career pattern scenarios that characterize 10 segments of the general labor market according to career related factors, such as commitment to a mission and experience. The guide lists characteristics of the work environment that some cohorts may find particularly attractive and related human capital policies that agencies could use to recruit and retain potential employees. For example, according to the guide’s “*Retiree Scenario*,” this cohort finds flexible work schedules, camaraderie, and work aligned with their interests very attractive. Consequently, to recruit and retain this segment, the guide advises agencies to offer part-time work, flexible work scheduling, and telework, and to provide opportunities for mentoring and meaningful assignments. Officials from two of our three case study agencies stated they found information in *Career Patterns* useful and inserted language from it in their job announcements, but officials in the other agency said they did not find it especially helpful. A senior human capital official in that agency reported to us that *Career Patterns* did not provide the type of information that was needed to develop new strategies in hiring a multigenerational workforce.

In developing and disseminating guidance, OPM officials work with the Chief Human Capital Officers Council (the Council),³⁶ a group of chief

³⁶The Chief Human Capital Officers Act of 2002, Pub. L. No. 107-296, Title XIII, requires the heads of 24 executive departments and agencies to appoint or designate Chief Human Capital Officers (CHCO). This act established a CHCO Council to advise and coordinate the activities of members’ agencies on human resource related issues. Each CHCO serves as his or her agency’s chief policy advisor on all human resources management issues and is charged with selecting, developing, training, and managing a high-quality, productive workforce.

policy advisors on human capital issues representing each of the 24 CFO agencies. OPM officials told us the need for guidance often evolves from requests for information made by the Council and OPM's agency liaisons. For example, inquiries from the Council about how to request a waiver to rehire annuitants without reducing their salaries led OPM officials to develop a template for agencies to use in submitting these requests. OPM relies upon the Council to communicate OPM policy and other human capital information throughout their agencies. OPM officials see their relationship with the Council and the agencies they represent as a partnership and believe that they have a shared responsibility to ensure that the latest guidance and promising practices are disseminated throughout each agency.

To help agencies implement its guidance, OPM has developed several support tools and has instituted training programs. For example, in fall 2005, OPM made a decision-support tool available online to assist agencies in assessing which hiring flexibilities would best meet their needs. Known as the Hiring Flexibilities Resource Center, this tool provides in-depth information on a variety of flexibilities. With respect to training, OPM, in coordination with the Council, conducts a Council Academy—a forum for council members to discuss federal human capital issues. This academy meets several times each year to address topics generated by the Chief Human Capital Officers (CHCO) and their assistants. OPM also provides briefings and policy forums as well as information on its Web site about a range of human capital issues, including the use of flexibilities.

OPM Has Taken Actions That Could Address Three Areas of Concern but Could Do More to Help Agencies Share Promising Strategies in Hiring and Retaining Older Workers

By reducing the burden associated with the federal hiring process and by proposing legislation to make it easier to rehire annuitants and to allow certain employees to work part-time at the end of their careers, OPM has taken steps that would address problems in three areas that have caused difficulties for older workers.

Frustration with the federal hiring practice has been well documented and spans all age groups, including older workers. The Partnership for Public Service reported that 57 percent of the older workers it surveyed reported that applying for a federal job is fairly or very difficult. The report noted that the federal job application process is bureaucratic and confusing, with federal job announcements that often run 10, 20, or more pages and require applicants to submit college transcripts in very short periods of

time.³⁷ Similarly, based on a recent survey of recently hired upper-level federal employees, the U.S. Merit Systems Protection Board found that 39 percent of these new hires said they did not apply for other federal jobs that they were interested in because of burdens and complexities associated with the hiring process.³⁸ The issues cited included having to rewrite or reformat their resumes or the descriptions of their knowledge, skills, and abilities, and having to respond to lengthy questionnaires. Results of the survey also indicated that the process was very lengthy, with 75 percent of new hires reporting it took longer to be hired for their present civil service position than their previous position.

In 2008, OPM began to implement its End-to-End Hiring Roadmap Initiative, which will re-engineer the federal hiring process that has frustrated job applicants. As part of this initiative, OPM created a streamlined job announcement template for governmentwide, entry-level accounting and secretarial positions and is in the process of creating additional templates for other positions. The template will provide agencies with standardized language and formats to guide the development of announcements while allowing opportunities for customization. The new templates will reduce the complexity and length of traditional announcements for certain occupational communities by eliminating many requirements that called for information beyond that which is usually included in a resume.³⁹ This initiative also includes developing a process that ensures job announcements and instructions are clear and understandable, notifies applicants that their application has been received, and updates applicants on the status of their application as significant decisions are reached. Other parts of the initiative address integrating human capital activities such as workforce planning, recruiting, hiring processes, security processing, and orienting new employees into federal organizations.

³⁷Partnership for Public Service, *A Golden Opportunity: Recruiting Baby Boomers Into Government* (Washington, D.C., January 2008). We found the survey methodology used by the Partnership for Public Service to be sufficiently reliable for our use.

³⁸U.S. Merit Systems Protection Board, *In Search of Highly Skilled Workers: A Study on the Hiring of Upper Level Employees from Outside the Federal Government* (Washington, D.C., February 2008). We found the survey methodology used by the U.S. Merit Systems Protection Board to be sufficiently reliable for our use.

³⁹These announcements are for positions in the law enforcement, information technology, patent and trade, and acquisition communities.

OPM is also involved in other projects that address impediments in the federal hiring process. For example, an OPM team is working with the Partnership for Public Service on a project called the Extreme Hiring Makeover. This project has united experts from the private and public sectors to work with Education, the National Nuclear Security Administration, and the Centers for Medicare and Medicaid Services. These three agencies agreed to rely on private sector and public sector firms to diagnose problems in recruiting and hiring processes and to implement solutions.

With regard to rehiring annuitants, OPM submitted a legislative proposal that would allow the heads of all federal agencies to rehire retired federal employees on a temporary basis without reducing their salaries or annuities and without obtaining prior OPM approval. To advance this purpose, bills were introduced in Congress in 2007,⁴⁰ but were stalled before final passage. Like the legislative proposal, the bills limit the amount of time that the waiver may cover to

- 520 hours of service performed during the period ending 6 months after the date on which the annuity begins;
- 1,040 hours of service performed during a 12 month period; or
- 6,420 hours of service performed during the lifetime of the annuitant.

It is unclear whether this proposal will be reintroduced in the new Congress. While the potential cost of the proposal has been debated, neither OPM nor the Congressional Budget Office have estimated its cost. Officials in several agencies have indicated that bringing retirees back on a part-time basis to fill certain positions is less costly than hiring new employees, largely because agencies do not need to cover retirees' benefits costs. Also, these officials noted that rehired annuitants can "hit the ground running," without orientation or training. Despite these potential savings, other experts believe that the additional costs associated with the higher salaries earned by retirees, compared to those typically earned by newer workers, might outweigh the benefits. These experts also see training and associated activities as investments that will help agencies address future, as well as present, workforce needs.

⁴⁰S. 2003 and H.R. 3579. 110th Congress.

OPM has also taken steps that could make it more attractive for certain federal workers to work part-time at the end of their careers—an option of particular importance for workers interested in a phased retirement. While all federal employees experience reduced annuities if they choose to work part-time—an equitable outcome because they work fewer hours over the course of their career—some workers are disproportionately penalized. For those individuals who have full-time federal service prior to April 6, 1986, and who work part-time at the end of their careers, the annuity calculation does not give full credit to the pre-1986 service. OPM's proposal would address this inequity in the way federal annuities are calculated by fully crediting work performed on a full-time basis before 1986. For the past several sessions of Congress, bills have been introduced to enact this change, but none have passed.⁴¹

Although OPM has taken steps to address areas of concern, it could do more to disseminate information across the federal government on agency-developed promising practices to recruit and retain older workers to meet workforce needs. We have identified several agencies that have developed their own promising practices, and officials in these agencies believe others could effectively build upon these practices if knowledge of them was more widely available. According to OPM, this type of information sharing is a joint responsibility between the agencies and OPM, and officials see the CHCO Council as the primary means for such communication. However, to date, this information has not been made widely available through the CHCO Council. And, while OPM has other methods available—such as its human capital and electronic government practices Web sites—that could be used to efficiently package and broadly disseminate this information to a much larger and diversified audience, it currently has no plans to do so.

Conclusions

Today's workers are better educated, healthier, and are living longer than workers of previous generations, and many look forward to working beyond their normal retirement age in positions that they find personally meaningful. Clearly, the federal government enjoys the benefits of a workforce dedicated to public service and provides workers with the opportunities for meaningful work—the ability of the government to retain workers well past their retirement eligibility speaks to this fact. The current economic crisis may cause even more federal workers to stay in

⁴¹For the most recent bill, see H.R. 2780 (2007).

the workforce in the near term and forestall the looming retirement wave. But, at some point, these workers will retire, and focusing on the future, the federal government may need to do more to ensure that when the retirement wave does occur, it is prepared to tap the talents of the older workers who have the skills they need.

At least three federal agencies have developed their own practices that show promise in recruiting and retaining talented older workers who have needed and specialized skills. Although other agencies might benefit from this information, little attention has been paid to sharing it with other agencies. While OPM officials see this kind of information exchange as a shared responsibility between OPM and the agencies, OPM, as the government's central personnel agency, is both authorized and best positioned to take on this responsibility.

Recommendations for Executive Action

To better assist agencies in attracting and retaining a highly skilled workforce, we recommend that the Director of OPM develop a systematic approach, which may include communicating through the CHCO Council, to share information broadly across the federal government about agency-developed promising practices in recruitment and retention of older, experienced workers to meet their workforce needs.

Agency Comments and Our Evaluation

We provided a draft of this report to HUD, OPM, SSA, and USAID for their review and comment. OPM provided written comments which are reproduced in appendix III. In addition, OPM, SSA, and USAID provided technical comments, which we incorporated where appropriate.

In its response, OPM wrote that the agency already has tools available on its Web site to assist federal agencies in attracting, recruiting, and retaining talented workers, including older workers. Our draft report cited these efforts, but we also noted that OPM's Web site does not discuss the promising practices that have been developed by individual federal agencies and, as a consequence, this information is not readily available governmentwide. We continue to believe that the widespread dissemination of agency-developed promising practices will help federal agencies build upon the experiences of others in developing strategies to meet workforce challenges, and therefore have kept the recommendation.

We received e-mails from HUD, SSA, and USAID. In responding to our report, both HUD and SSA agreed that disseminating this information would be helpful. SSA further suggested that such sharing of promising

practices be incorporated throughout OPM's workforce planning support rather than isolated as a special initiative.

USAID noted that it supports OPM's legislative proposal to make the process easier for rehiring Civil Service annuitants. USAID views rehiring annuitants as more cost-effective than using contract mechanisms to re-employ retirees on a part-time basis because agencies would avoid the additional overhead charges levied by contract organizations. In addition, USAID supports the proposal because it would better align the rules for civil service retirees with those of the foreign service.

We are sending copies of this report to the Secretary of HUD, the Acting Director of OPM, the Commissioner of SSA, the Director of USAID, relevant congressional committees, and other interested parties. In addition, the report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

A list of related GAO products is included at the end of this report. If you or your staff have any questions about this report, please contact Barbara Bovbjerg at (202) 512-7215 or bovbjergb@gao.gov or Robert Goldenkoff at (202) 512-6806 or goldenkoffr@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Other contacts and staff acknowledgments are listed in appendix IV.



Barbara D. Bovbjerg, Director
Education, Workforce, and Income Security



Robert N. Goldenkoff, Director
Strategic Issues

Appendix I: Objective, Scope, and Methodology

Our objectives were to describe the (1) age and retirement eligibility trends of the current federal workforce and the extent to which agencies hire and retain older workers; (2) workforce challenges that federal agencies face and the strategies they use to recruit and retain older workers to help meet these challenges; and (3) actions the Office of Personnel Management (OPM), as the federal government's human capital manager, has taken to help agencies hire and retain an experienced, skilled workforce.

Demographic Trends

To describe demographic trends relating to the retirement eligibility and aging of the federal workforce, we analyzed information on the 24 Chief Financial Officer (CFO) agencies from OPM's human resource reporting system, the Central Personnel Data File (CPDF)¹ for fiscal year 2007. We analyzed data on the age, retirement eligibility, occupations, projected retirement rates, and other characteristics of the career federal workforce. Our analyses included the following variables: agency, occupation, date of birth, service computation date, pay plan/grade, and supervisory status. Using the CPDF information, we analyzed the age distribution of career federal employees at CFO agencies by age groupings (under 40, 40 to 54, and 55 and over). We also analyzed the percentage of career federal employees hired as of the end of fiscal year 2007 who would be eligible to retire from fiscal years 2008 to 2012, and the percentage of workers eligible to retire in occupations in which the retirement rates exceeded the governmentwide average. As a proxy for those occupations that may be at risk due to high retirement eligibility rates, we selected occupations with 500 or more employees as of the end of fiscal year 2007 that exceeded the governmentwide rate of 33 percent by 50 percent or more. We also used CPDF data to determine the extent to which agencies are using specific strategies to hire and retain older workers. Based on previous work, we have determined that the CPDF is sufficiently reliable for the informational purposes of this report. For this report, we defined older workers as those who are aged 55 and older.

To estimate the number of employees eligible to retire and the number who actually retired, we determined eligibility rates for fiscal years 1997 through 2007 by applying retirement plan eligibility rules to data in the CPDF using employees' age at hire, birth date, and retirement plan. We

¹The State Department discontinued submitting personal data to OPM for foreign service personnel in March of 2006.

determined past retirement rates by analyzing CPDF separation data from the CPDF for fiscal years 1998 through 2007.

Strategies Available to Federal Agencies

To report on how agencies make use of governmentwide flexibilities,² we conducted in-depth reviews of three agencies—the Department of Housing and Urban Development (HUD), the Social Security Administration (SSA), and the United States Agency for International Development (USAID). We chose these agencies because they are among the 24 CFO agencies whose proportion of workers eligible to retire by 2012 exceeds the governmentwide average of 33 percent. These agencies also represent a range of agency sizes. In addition, we chose to review SSA not only because it will be facing a large number of possible retirements, but at the same time, will be facing an increased demand for its services. We also reviewed studies and conducted interviews with experts in the area of retirement³, including members of university-based retirement research centers, AARP, Partnership for Public Service, the U.S. Merit Systems Protection Board, IBM International, and various agency officials, to identify notable approaches other agencies have developed to hire and retain older workers.⁴ Through this work, we identified several agencies that have developed their own innovative approaches and met with officials from these agencies.⁵ To report on OPM's activities and challenges, we augmented information obtained from our reviews of three agencies by interviewing various officials at OPM and reviewing relevant documents.

²In broad terms, human capital flexibilities represent the policies and practices that an agency has the authority to implement in managing its workforce to accomplish its mission and achieve its goals.

³These experts included members of university-based retirement research centers, AARP, Partnership for Public Service, the Merit System Protection Board, and IBM International.

⁴These agencies include the Departments of Agriculture, EPA, State, and the Treasury

⁵These agencies include the Departments of Agriculture, State, Treasury, the Environmental Protection Agency (EPA) and the Nuclear Regulatory Commission (NRC).

**The Role of OPM in
Helping Agencies Hire and
Retain Experienced
Workers**

To address this objective, we interviewed officials at OPM and interviewed other selected federal agencies and private sector experts. Also, we reviewed previous GAO work relating to older workers and federal human capital strategies. Our work at OPM included interviews with key officials and reviews of OPM guidance, training materials, legislative proposals, and other documents relevant to hiring and retaining older workers, as well as documents on federal human capital flexibilities.

We conducted our work from April 2008 to January 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions.

Appendix II: Number and Percentage of Federal Workers without and with Salary Reductions Re-employed by CFO Agencies in Fiscal Year 2007

| Agency | Total number of employees | Total number of rehired annuitants | Number of annuitants without reduced salaries | Percentage of annuitants without reduced salaries | Number of annuitants with reduced salaries | Percentage of annuitants with reduced salaries |
|-------------------------------|---------------------------|------------------------------------|---|---|--|--|
| Agriculture | 104,975 | 224 | 9 | 4 | 215 | 96 |
| Commerce | 41,155 | 62 | 7 | 11 | 54 | 87 |
| Defense | 680,332 | 2,200 | 1,930 | 88 | 264 | 12 |
| DHS | 166,820 | 1,081 | 676 | 63 | 399 | 37 |
| Education | 4,352 | 0 | 0 | na | 0 | na |
| Energy | 15,035 | 22 | 1 | 5 | 21 | 95 |
| EPA | 18,092 | 18 | 6 | 33 | 12 | 67 |
| GSA | 12,141 | 31 | 0 | 0 | 31 | 100 |
| HHS | 73,778 | 101 | 14 | 14 | 81 | 80 |
| HUD | 9,626 | 20 | 1 | 5 | 19 | 95 |
| Interior | 72,999 | 149 | 6 | 4 | 141 | 95 |
| Justice | 107,076 | 60 | 15 | 25 | 41 | 68 |
| Labor | 15,477 | 41 | 2 | 5 | 38 | 93 |
| NASA | 18,729 | 31 | 2 | 6 | 29 | 94 |
| NRC | 3,769 | 95 | 85 | 89 | 10 | 11 |
| NSF | 1,384 | 14 | 0 | 0 | 14 | 100 |
| OPM | 5,819 | 29 | 11 | 38 | 18 | 62 |
| SBA | 5,016 | 56 | 47 | 84 | 9 | 16 |
| SSA | 62,560 | 199 | 11 | 6 | 185 | 93 |
| State | 10,700 | 63 | 41 | 65 | 22 | 35 |
| Transportation | 54,315 | 62 | 6 | 10 | 55 | 89 |
| Treasury | 116,912 | 178 | 101 | 57 | 73 | 41 |
| USAID | 1,370 | 11 | 8 | 73 | 3 | 27 |
| Veterans Affairs | 255,376 | 614 | 266 | 43 | 320 | 52 |
| Total for CFO agencies | 1,857,808 | 5,361 | 3,245 | 61 | 2,054 | 38 |

Source: GAO analysis of CPDF data as of September 2007.

Note: Data do not include foreign service employees.

Appendix III: Comments from the Office of Personnel Management



The Director

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

FEB 9 2009

Barbara D. Bovbjerg, Director
Education, Workforce, and
Income Security Issues
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Bovbjerg:

Thank you for providing the U.S. Office of Personnel Management (OPM) the opportunity to comment on the Government Accountability Office draft report, "Older Workers, Enhanced Communication Among Federal Agencies Could Improve Strategies for Hiring and Retaining Experienced Workers." We appreciate the opportunity to provide you with comments about this report.

In relation to statements on pages 7, 8, 33, 43, and 44 concerning the dissemination of information from OPM on agency-developed practices for hiring older workers, OPM has tools available on our website to assist agencies in attracting, recruiting, and retaining talented citizens, including older workers, for their workforces.

Technical comments to the draft report are enclosed. Unless otherwise noted, the suggested revisions are meant to provide technical accuracy and conform to terminology applicable to the Federal service.

Please contact Mr. David Cushing on (202) 606-4660 should your office require additional information.

Again, my thanks to your office for providing this opportunity to update and clarify information in the draft report.

Sincerely,

A handwritten signature in cursive script that reads "Kathie Ann Whipple".

Kathie Ann Whipple
Acting Director

Enclosure

Appendix IV: GAO Contacts and Staff Acknowledgments

GAO Contacts

Barbara D. Bovbjerg, (202) 512-7215 or bovbjerg@gao.gov
Robert N. Goldenkoff, (202) 512-6806 or goldenkoff@gao.gov

Acknowledgments

In addition to the contacts listed above, Dianne M. Blank (Assistant Director) and Kathleen D. White, (Analyst-in-Charge) supervised the development of this report.

Cheri L. Harrington and Christopher T. Langford made significant contributions to all aspects of this report. In addition, Belva M. Martin, Clifton G. Douglas, Mary Y. Martin, Nicholas C. Alexander, and Isabella P. Johnson contributed to significant portions of the report. Jessica A. Botsford provided legal support; Gregory H. Wilmoth assisted with design, methodology, and data analysis; and Susannah L. Compton provided writing assistance. Karen A. Brown, Lise Levie, and Ronni Schwartz verified the information in this report.

Related GAO Products

Social Security Administration: Service Delivery Plan Needed to Address Baby Boom Retirement Challenges. [GAO-09-24](#). Washington, D.C.: January 9, 2009.

Human Capital: Workforce Diversity Governmentwide and at the Department of Homeland Security. [GAO-08-815T](#). Washington, D.C.: May 21, 2008.

Older Workers: Federal Agencies Face Challenges, but Have Opportunities to Hire and Retain Experienced Employees. [GAO-08-630T](#). Washington, D.C.: April 30, 2008.

Office of Personnel Management: Opportunities Exist to Build on Recent Progress in Internal Human Capital Capacity. [GAO-08-11](#). Washington, D.C.: October 31, 2007.

Older Workers: Some Best Practices and Strategies for Engaging and Retaining Older Workers. [GAO-07-433T](#). Washington, D.C.: February 28, 2007.

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Redefining Retirement: Options for Older Americans. [GAO-05-620T](#). Washington, D.C.: April 27, 2005.

Human Capital: Opportunities to Improve Executive Agencies' Hiring Processes. [GAO-03-450](#). Washington, D.C.: May 30, 2003.

Human Capital: OPM Can Better Assist Agencies in Using Personnel Flexibilities. [GAO-03-428](#). Washington, D.C.: May 9, 2003.

Federal Employee Retirements: Expected Increase Over the Next 5 Years Illustrates Need for Workforce Planning. [GAO-01-509](#). Washington, D.C.: April 27, 2001.

Related GAO Products

Retirement Benefits: Modification of Civil Service Retirement Benefits for Part-Time Work. [GAO/PEMD-86-2](#). Washington, D.C.: January 9, 1986.

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