



Testimony

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OLDER WORKERS

Federal Agencies Face Challenges, but Have Opportunities to Hire and Retain Experienced Employees

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Highlights of [GAO-08-630T](#), a testimony before the Senate Special Committee on Aging

Why GAO Did This Study

The federal workforce, like the nation's workforce as a whole, is aging. As experienced employees retire, they leave behind critical gaps in leadership and institutional knowledge, increasing the challenges government agencies face in maintaining a skilled workforce. We and others have emphasized the need to hire and retain older workers as one part of a comprehensive strategy to address expected labor shortages. The Office of Personnel Management (OPM), as the government's central personnel management agency, is responsible for helping agencies manage their human capital.

The Chairman of the Senate Special Committee on Aging asked GAO to discuss (1) the age and retirement eligibility trends of the current federal workforce, (2) the strategies federal agencies are using to hire and retain older workers, and (3) our observations on how these strategies position federal agencies to engage and retain older workers.

To address these objectives, we analyzed demographic data from OPM's Central Personnel Data File, and interviewed officials at OPM and selected federal agencies.

OPM is taking action to address past recommendations related to better assisting agencies in using personnel flexibilities. GAO is making no new recommendations at this time.

To view the full product, including the scope and methodology, click on [GAO-08-630T](#). For more information, contact Barbara D. Bovbjerg at (202) 512-7215 or bovbjergb@gao.gov and Robert Goldenkoff at (202) 512-6806 or goldenkoffr@gao.gov.

OLDER WORKERS

Federal Agencies Face Challenges, But Have Opportunities to Hire and Retain Experienced Employees

What GAO Found

Governmentwide, about one-third of federal career employees on board at the end of fiscal year 2007 are eligible to retire between now and 2012. Many of these workers are concentrated in certain agencies. For example, nearly half of employees on board at the end of fiscal year 2007 at the Departments of Housing and Urban Development and Transportation, and at the Agency for International Development and the Small Business Administration, will be eligible to retire by 2012. The proportion of workers eligible to retire is also expected to be high in certain occupations, including those considered mission critical, such as air traffic controllers and customs and border protection agents, where more than half of the employees will be eligible at that time. Retirement eligibility will be especially pronounced among the agencies' executives and supervisors—over 60 percent of career executives are projected to be eligible by 2012.

Federal agencies have a variety of flexibilities at their disposal to help them recruit and retain older workers, including using temporary hires to address short-term needs and rehiring retired federal workers. However, we found that agencies have not always been aware of the full range of available flexibilities. One agency we reviewed—the Social Security Administration—is particularly at risk of losing a substantial portion of its workforce to retirement and has used a variety of strategies to hire and retain older workers, including offering recruitment, retention, and relocation bonuses. Other agencies, such as the Environmental Protection Agency, have developed alternative approaches to attract experienced workers to meet their mission needs. Moreover, certain governmentwide flexibilities, such as flexible and part-time schedules, while not focused directly toward older workers, are particularly attractive to them.

Overall, the federal government already has a number of characteristics that appeal to all employees and is making progress toward becoming a model employer of older, experienced workers. For example, federal employees can telecommute, work flexible hours, and receive health and retirement benefits that older workers find especially attractive. OPM and Congress are taking steps to minimize some challenges that agencies face, but opportunities for improvement remain. For example, OPM has developed online decision support tools to provide agencies with guidance on how to use available hiring flexibilities and retention strategies. Congress has legislation pending that incorporates OPM's proposals to enhance agencies' ability to hire and retain older workers by giving agencies the authority, without OPM approval, to rehire retirees without penalty. Agencies have a shared responsibility to pursue the full range of flexibilities and authorities available and to communicate this information within their own agencies. Collectively, these measures will help make federal agencies more competitive in the labor market for all demographic groups.

Mr. Chairman, Ranking Member, and Members of the Committee:

Like the nation's workforce as a whole, the federal workforce is aging and ever larger proportions are nearing retirement eligibility. When they retire, these older, experienced workers may leave behind critical gaps in leadership, skills, and institutional knowledge. At the same time, the rate of growth for the pool of younger workers is declining, and by 2025 overall labor force growth is expected to be only one-fifth of what it is today and much less than the projected 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.

Historically, the federal government has faced challenges hiring and retaining talented workers in key fields, and the looming retirement wave in federal agencies will only exacerbate these challenges. Older, experienced workers represent a large and underutilized national resource. 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.¹ 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.

Because of this committee's continuing interest in older workers, we are especially pleased to be here today to discuss work that we have conducted at your request. In this work, we examined federal government efforts to tap the pool of older workers to meet its workforce needs. As requested, our testimony today, will discuss (1) the age and retirement

¹See, for example, GAO, *Highlights of a GAO Forum: Engaging and Retaining Older Workers*, [GAO-07-438SP](#) (Washington, D.C.: February 2007); AARP, *The Business Case for Workers Age 50+*, (Washington, D.C.:2005); Partnership for Public Service, *A Golden Opportunity: Recruiting Baby Boomers Into Government*, (Washington, D.C.: January 2008); Department of Labor, *Report of the Taskforce on the Aging of the American Workforce*, (Washington, D.C.: February 2008).

eligibility trends of the current federal workforce; (2) the strategies federal agencies are using to recruit, hire, and retain older workers; and (3) our observations on how these strategies position federal agencies to engage and retain older workers.

To describe demographic trends relating to the retirement eligibility and aging of the federal workforce, we analyzed information on the 24 Chief Financial Officer Act (CFO) agencies from the Office of Personnel Management's (OPM) human resource reporting system, the Central Personnel Data File (CPDF).² Based on our previous work, we have determined that the CPDF is sufficiently reliable for the informational purpose of this testimony. In reviewing strategies federal agencies use to recruit, hire, and retain older workers, we interviewed officials in selected agencies, including the Departments of Agriculture, Housing and Urban Development (HUD), Labor, and State, as well as the Internal Revenue Service (IRS), Environmental Protection Agency (EPA), Nuclear Regulatory Commission (NRC), and the Social Security Administration (SSA). We chose these agencies because they had relatively large proportions of employees who were eligible to retire or because they were implementing different approaches to hiring and retaining older workers. In addition, we interviewed officials at OPM to obtain their perspective on government retirement trends, and how agencies can address them. For the purposes of this testimony, we define an older worker as an employee aged 55 or over. We conducted our work from November 2007 to April 2008 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. See appendix I for a detailed discussion of our scope and methodology.

In summary, the large proportion of federal workers who are eligible to retire now and will be in the near future presents challenges and opportunities for federal agencies. While the proportion of older workers eligible to retire varies across agencies, four agencies—Small Business Administration, the Agency for International Development, HUD, and the

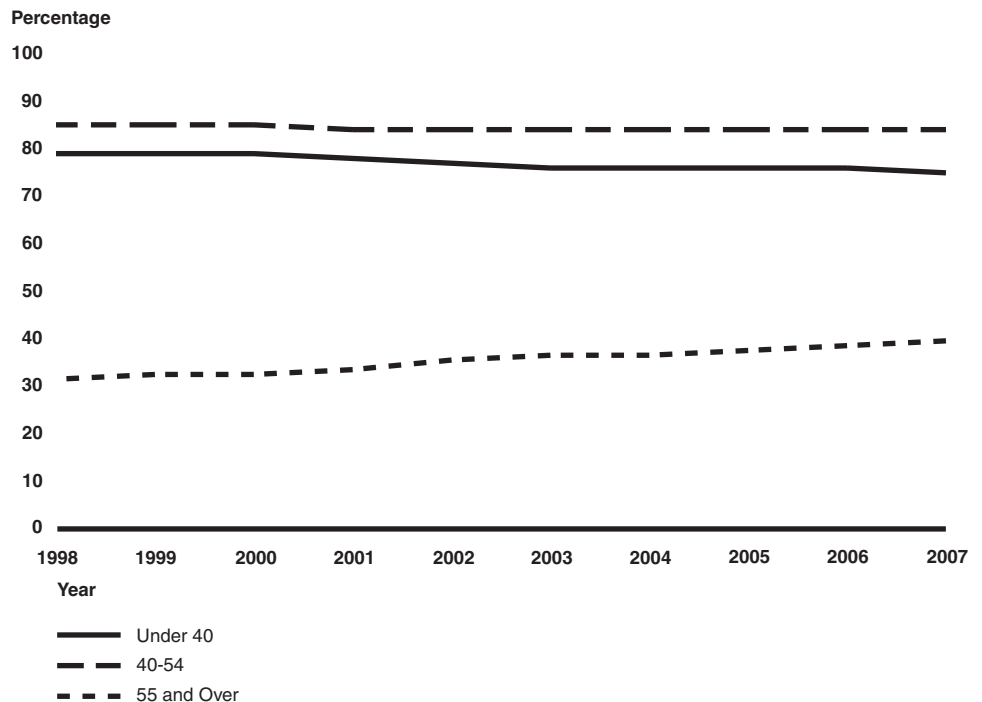
²Pub.L. No. 101-576 (1990), as amended. The CFO Act agencies are 24 major executive agencies that are subject to the CFO Act. In 2007, the CFO Act agencies employed 98 percent of federal employees.

Department of Transportation—are well above the governmentwide average of 33 percent. Proportions of workers eligible to retire are projected to be especially high in certain occupations and in key leadership positions—64 percent of career executives are projected to be eligible by 2012. These trends underscore the importance of strategic workforce planning. As the government’s human capital leader, OPM is responsible for helping agencies develop their human capital management strategies. Federal agencies have a range of flexibilities and authorities available that they may use to hire, engage, and retain workers. While only one of these flexibilities is largely focused on older workers—one that allows agencies to rehire retirees without offsetting the annuity—many, such as flexible and part time work schedules, are particularly appealing to older workers. One agency we reviewed—the Social Security Administration—is particularly at risk of losing a substantial portion of its workforce—at a time when it will experience unprecedented growth in demand for services. To deal with these losses, SSA has largely focused on using governmentwide authorities, including paying recruitment and retention bonuses for hard-to-fill positions and providing workplace flexibilities, such as flexible work schedules and alternative work sites. Other federal agencies are developing alternative approaches to hire and engage older workers. For example, the State Department maintains databases with information on retirees’ skills and experience that it uses to identify individuals who may be able to assist when special needs arise, such as to provide tsunami relief for Indonesia. Overall, the federal government is making progress toward becoming a model employer of older, experienced workers. While there remain opportunities for improvement, OPM and the Congress are taking action to minimize the challenges agencies face in hiring and retaining older, experienced workers.

Background

The percentage of older workers—those age 55 and older—is growing faster than that of any other age group, and they are expected to live and work 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 age 55 has declined slightly. (See fig. 1.)

Figure 1: Labor Force Participation of Workers under Age 40 to 55 and over



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, 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.³

³For more information, see GAO, *Redefining Retirement: Options for Older Americans*, [GAO-05-620T](#) (Washington, D.C.: April 2005).

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. One such practice is strategic workforce 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-planning approach that focuses on simply replacing individuals. Rather they engage in broad, integrated succession planning and management efforts directed to strengthening both current and future organizational capacity.⁴ In implementing its personnel policies, the federal government is 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 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 positions requiring demonstrated expertise.

OPM is also responsible for administering retirement, health benefits, and other insurance services to government employees, annuitants, and beneficiaries. It develops implementing regulations when Congress makes new options available to federal employees and often takes the lead in advocating for new legislative options.

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, Labor convened a task force composed of senior representatives from nine federal agencies⁵ and issued its first report in February of this year.⁶ The report provides information on strategies to

⁴GAO, *Human Capital: Succession Planning and Management Is Critical Driver of Organizational Transformation*, [GAO-04-127T](#) (Washington, D.C.: Oct. 1, 2003).

⁵These agencies were the Departments of Commerce, Education, Health and Human Services, Labor, Transportation, and the Treasury; the Equal Employment Opportunity Commission, Small Business Administration, and the Social Security Administration.

⁶Department of Labor, *Report of the Taskforce on the Aging of the American Workforce*, (Washington, D.C.: February 2008).

support the employment of older workers, strategies for businesses to use that 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. While the task force's focus was 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.

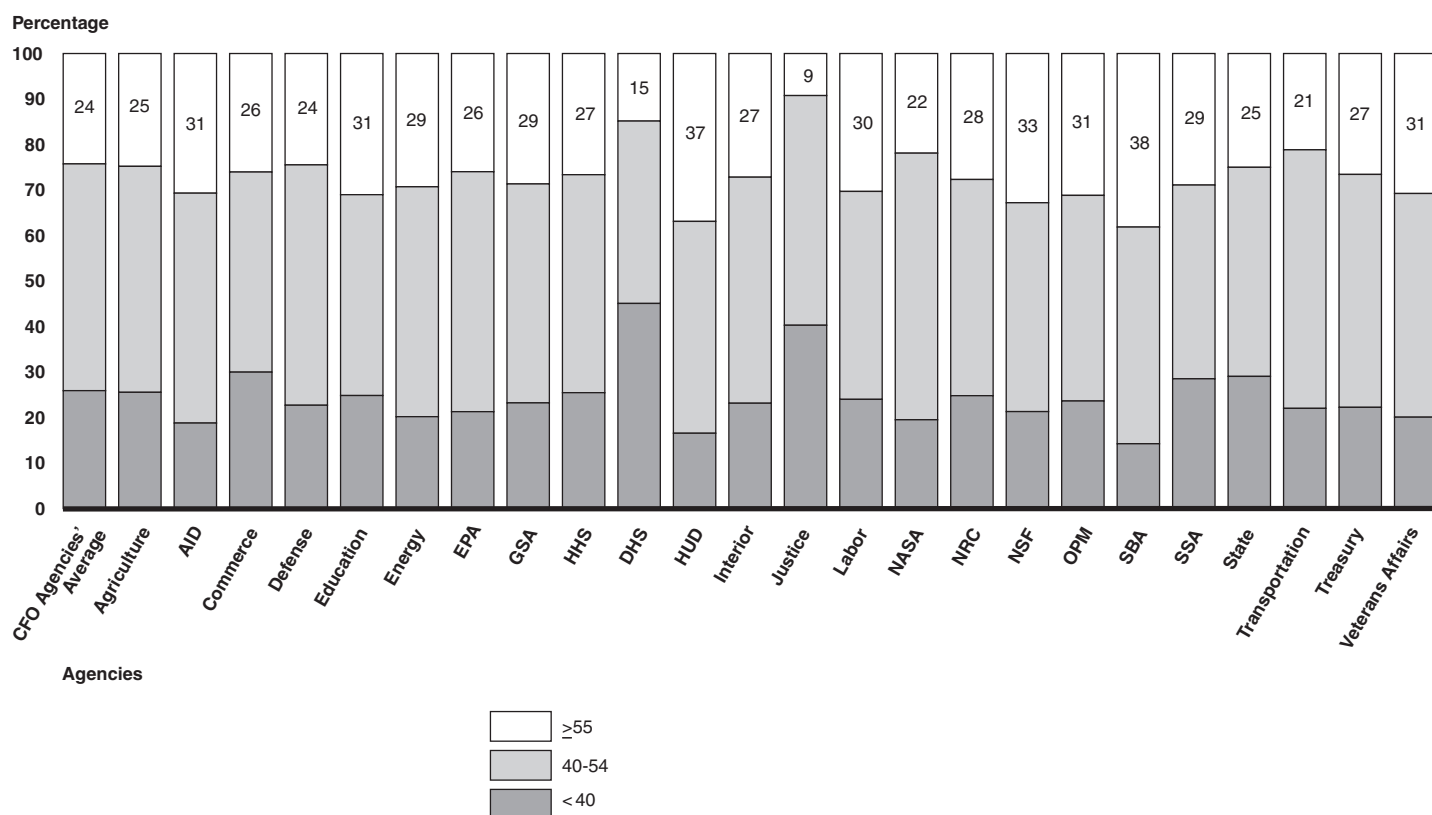
The Growing Number of Retirement Eligible Employees in the Federal Workforce Highlight the Importance of Strategic Workforce Planning

As we and other organizations have previously reported, the federal workforce is aging, with an increasing number of employees eligible to retire.⁷ Many of the workers who are eligible to retire in the 24 CFO agencies are in executive and supervisory positions, as well as in mission-critical occupations. These trends point to the importance of strategic workforce planning to help agencies forecast, with greater precision, who might retire, when they might retire, and the impact of their retirement on an agency's mission, and, using this information, develop appropriate strategies to address workforce gaps.

The percentage of older workers and workers nearing retirement eligibility varies across the federal government, with some agencies employing more such workers than others. For example, as shown in figure 2, the percentage of career federal employees in the 24 CFO agencies age 55 or older ranged from about 9 percent at the Department of Justice to about 38 percent at the Small Business Administration and Department of Housing and Urban Development in fiscal year 2007.

⁷We define retirement eligibility as being eligible for an unreduced (full) annuity. The specific rules vary by retirement plan. Under the Civil Service Retirement System (CSRS), the minimum age and service requirements are age 55 with 30 years of federal service, and under the Federal Employees Retirement System (FERS), the minimum age is between 55 and 57 (depending upon year of birth) and 30 years of service. In both CSRS and FERS, employees are also eligible to retire at either age 60 with 20 years of service, or age 62 with 5 years of service if they had federal careers shorter than 30 years by the time they were 60 or 62.

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

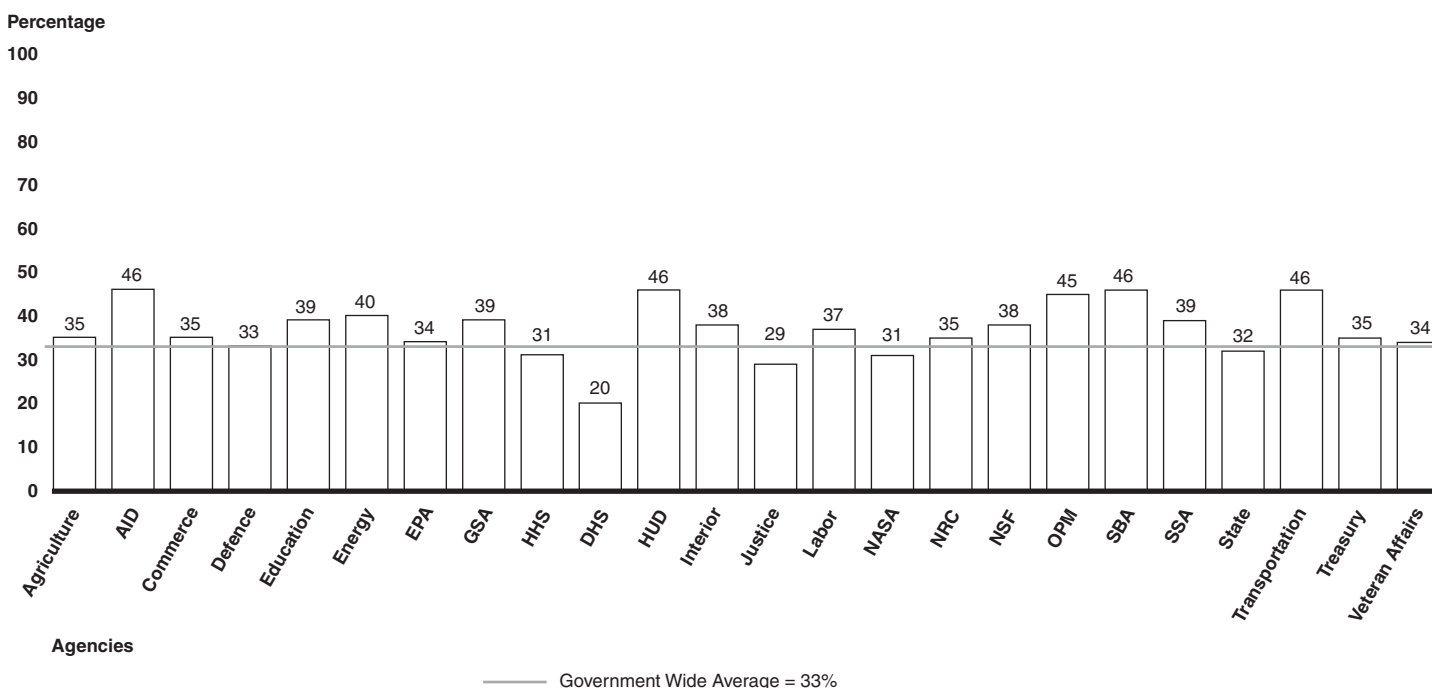


Source: GAO analysis of CPDF data.

Importantly, about than one-third of federal workers will be eligible to retire over the next 5 years. Thirty-three percent of federal career employees on board as of the end of fiscal year 2007 will be eligible to retire during fiscal years 2008 through 2012. In comparison, about 20 percent of federal career employees on board as of the end of fiscal year 1997 were projected to be retirement-eligible during fiscal years 1998 through 2002.

Many workers projected to become retirement eligible by 2012 are concentrated in certain agencies. As figure 3 shows, the agency rates range from a low of 20 percent at the Department of Homeland Security (DHS) to a high of 46 percent at four agencies—the Agency for International Development (AID), the Department of Housing and Urban Development, the Small Business Administration (SBA), and the Department of Transportation (Transportation).

Figure 3: Percentage of Career Federal Employees Eligible to Retire by Fiscal Year 2012



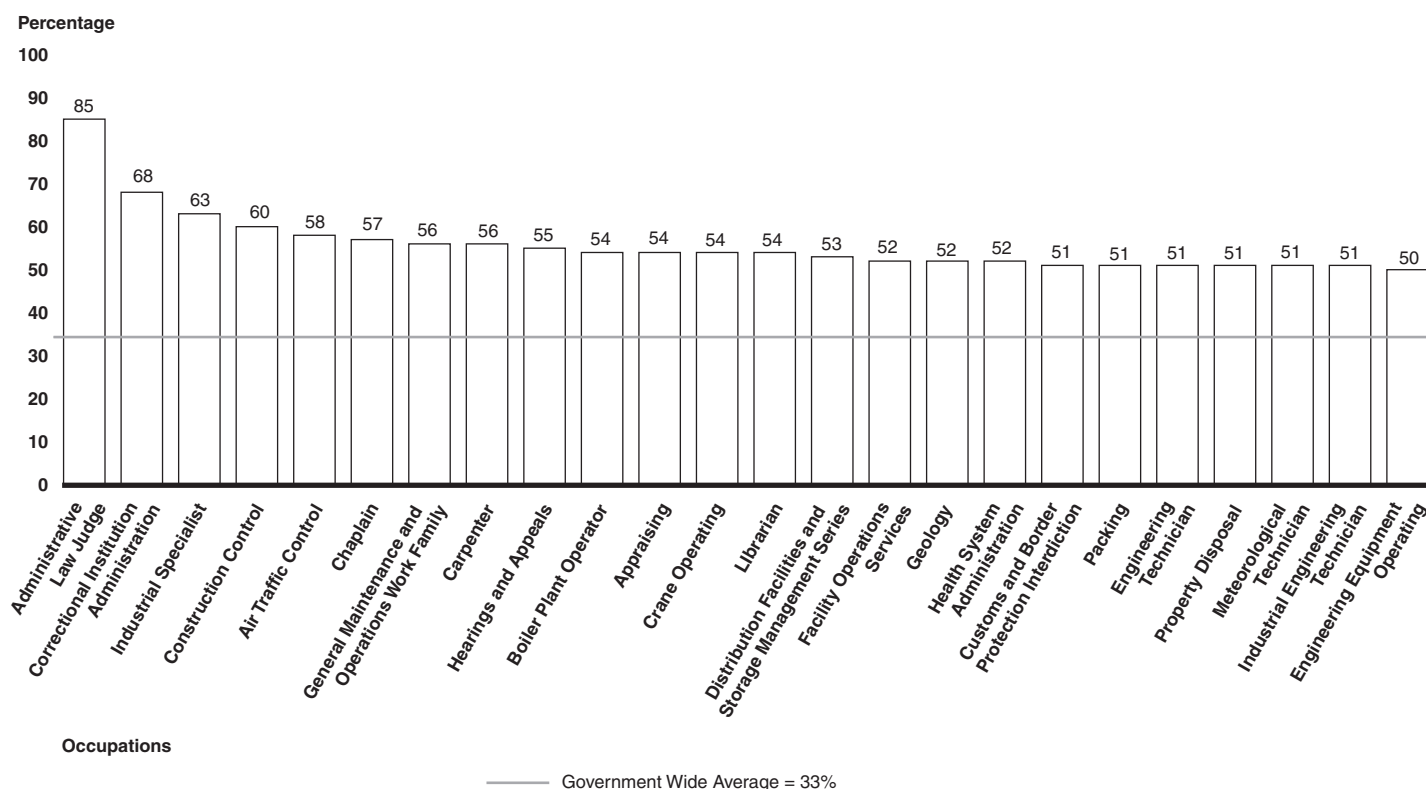
Source: GAO analysis of CPDF data.

Note: 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.

Estimated retirement eligibility rates will also likely vary 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, which, in turn could affect the accomplishment of mission tasks and strategic goals for agency components and for the agency as a whole.

Certain occupations have particularly high rates of workers eligible to retire. As shown in figure 4, 50 percent or more of the workers in 24 of the 315 occupations with 500 or more staff we reviewed are eligible to retire by 2012. Several of these occupations, such as air traffic controllers, customs and border protection interdiction agents, and administrative law judges are considered mission critical. Federal law requires mandatory retirement at specified ages for some occupations, such as air traffic controllers who must retire at age 56.

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

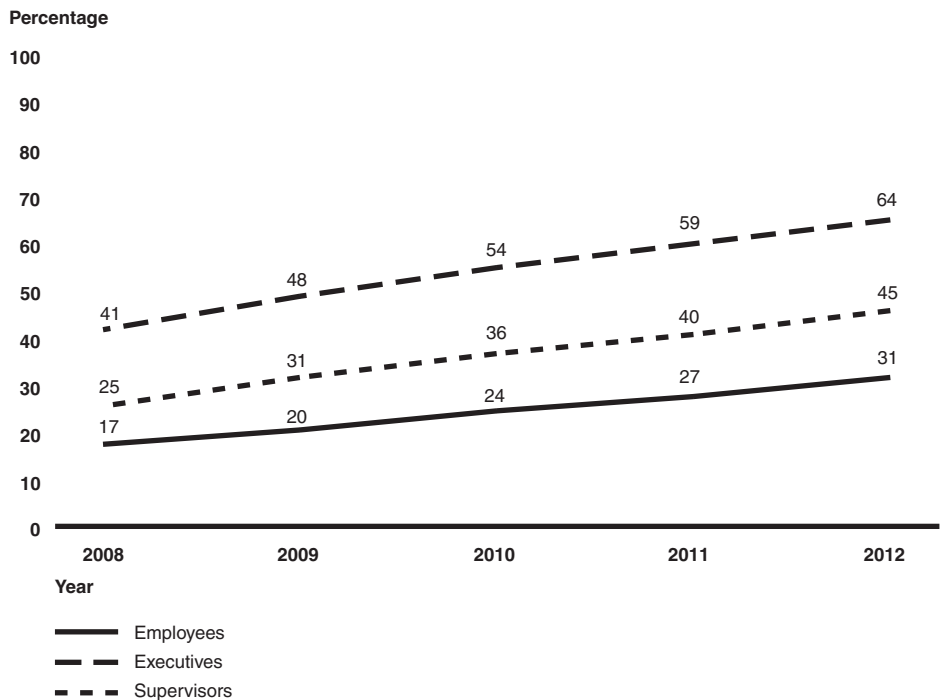


Source: GAO analysis of CPDF data.

Note: Retirement eligibility rates are for 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.

Retirement eligibility will be especially pronounced among the agencies' executives and supervisors (see fig. 5). Of the approximately 7,200 career executives as of the end of fiscal year 2007, 64 percent are projected to be retirement eligible by 2012, up from 41 percent in 2008. For supervisors who are not career executives, 45 percent will be eligible to retire by 2012.

Figure 5: Projected Retirement Eligibility Rates for Career Employees from Fiscal Years 2008 to 2012



Source: GAO analysis of CPDF data.

Note: The term “executives” as used in this testimony includes political appointees above GS-15, those in the Senior Executive Service, those in the Senior Level and Senior Technical and Professional pay plans, and equivalent positions. The term “supervisor” as used in this testimony includes those whose duties involve assigning, directing, and supervising the work of others on a regular basis, as well as management officials who are not executives, but whose duties involve formulating agencies’ policies.

Although most federal employees do not retire immediately upon becoming eligible,⁸ the increasing number of employees becoming retirement eligible in the near future points to the need for agencies to examine how these trends will affect them. In so doing, agencies should take into account location, occupation, and grade level of potential retirees, and develop appropriate succession planning strategies, which may include retaining older, experienced workers, to address the likely impact. At the same time, it will be important for agencies to consider their organization’s strategic goals and the critical skills and competencies

⁸According to OPM data, as of 2004, for voluntary retirements, retirement-eligible employees stay an average of 3.1 years before actually retiring.

needed to meet future program outcomes, and to develop strategies to address any gaps in the number, skills, and competencies needed to achieve those outcomes.

Federal Agencies Have a Variety of Options Available to Hire and Retain Older Workers, but Some Federal Practices Make It Difficult to Use These Options

Federal agencies have a range of flexibilities at their disposal to help them engage and retain mission critical staff, including older, experienced workers. SSA, an agency that stands to lose a relatively large proportion of its experienced workforce in the upcoming retirement wave, is using many of the available governmentwide flexibilities to address workforce shortages. Some other federal agencies have developed alternative approaches that facilitate hiring and retaining older workers to meet their workforce needs. Despite the availability of recruitment, retention, and other flexibilities, agencies still face human capital challenges. In our past work, we found that agencies are not always able to make full use of available flexibilities, in part because they did not fully understand them.

OPM's Human Capital Policies and Guidance Are Aimed at Attracting and Retaining a Diverse Workforce

As the government's human capital leader, OPM sets human capital policies for federal agencies. In many cases, OPM serves as the gatekeeper by approving or disapproving an agency's request to use some hiring authorities or other flexibilities. Other authorities do not require OPM's approval.⁹ While only one of the available flexibilities is largely focused on older workers—dual compensation waivers—many, such as flexible and part time work, are particularly appealing to older workers. OPM does not specifically target older workers in its policies. Instead, efforts are focused on workers who possess the right skills and experience to meet agencies' workforce needs, without regard to age.

Governmentwide Hiring Authorities. Under existing rules and regulations, agencies have the authority to use a number of different approaches to hire workers, including older workers, without obtaining OPM approval. Among other approaches, they include using

- temporary appointments for short-term needs;¹⁰

⁹OPM, *Human Resources in the Federal Government Flexibilities and Authorities*, January 2008.

¹⁰See 5 C.F.R part 316, subpart D.

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- temporary assignees from state and local governments, colleges and universities, Indian tribal governments, and qualified not-for-profit agencies under the Intergovernmental Personnel Act (IPA);¹¹
 - commercial recruiting firms and nonprofit employment firms;¹²
 - consultants for temporary or intermittent employment;¹³
 - contractual arrangements: commercial temporary help for brief periods of time, and contracts for services, as long as the contracts follow federal procurement regulations.¹⁴

Agencies can also use additional hiring authorities by obtaining OPM's approval or by notifying OPM on a case-by-case basis of their intent. These include the following:

- Dual compensation waivers¹⁵ to rehire federal retirees—OPM may grant waivers allowing agencies to fill positions with rehired federal annuitants without offsetting the salaries by the amount of the annuities. Agencies can request waivers on a case-by-case basis for positions that are extremely difficult to fill or for emergencies or other unusual circumstances. Agencies can also request from OPM a delegation of authority to grant waivers for emergencies or other unusual circumstances. These waivers by their nature are largely for older workers;¹⁶
- Special authority to hire for positions in contracting— agencies can rehire federal annuitants to fill positions in contracting without being required to offset the salaries. Agencies are required only to notify and submit their hiring plans to OPM;¹⁷

The Internal Revenue Service (IRS) uses its dual compensation waiver to bring back retired Revenue Agents to train less experienced agents—an effective way, officials say, to pass down critical knowledge without pulling experienced employees away from their primary focus—auditing tax returns.

¹¹ This allows federal agencies to bring in temporary assignees for the mutual benefit of the federal government and the nonfederal entity. See 5 U.S.C. §§ 3371-3375, 5 C.F.R. part 334.

¹² See 5 C.F.R. part 300, subpart D.

¹³ See 5 U.S.C. § 3109, 5 C.F.R. part 304.

¹⁴ See 5 C.F.R. part 300, subpart E.

¹⁵ See 5 U.S.C. § 8344 and § 8468, 5 C.F.R. part 553.

¹⁶ Some agencies have agency-specific dual compensation waivers.

¹⁷ This authority expires December 31, 2011.

As part of a strategy to attract experienced workers away from highly paid private sector jobs, the Nuclear Regulatory Commission (NRC) offers its employees enhanced workplace flexibility, including the options of working from home and of setting alternative work schedules. Officials report that these options have sometimes been pivotal in convincing older workers to come to work for NRC.

- On-the-spot hiring without competition—this may be used in circumstances where (1) public notice has been given and (2) OPM has determined there is a severe shortage of candidates or a critical hiring need, such as in certain medical or information security occupations, or occupations requiring fluency in Middle Eastern languages;¹⁸
- Veterans' recruitment appointment—agencies may hire certain veterans without competition to fill positions up to the GS-11 level or for disabled veterans at any level;¹⁹
- Enhanced annual leave computation—agencies may credit relevant private sector experience when computing annual leave amounts.²⁰

Flexible Schedules and Workplaces. Flexible schedules and workplaces 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.²¹ In addition, older workers nearing retirement may prefer a part-time schedule, for example, as a means to retire gradually. Federal agencies have work schedule flexibilities that they can provide to their workers without prior approval from OPM. These include

- Part-time schedules—allow employees to work on a part-time basis; however, part-time work late in a career may result in a lower retirement annuity and may affect other benefits.²²
- Flexible work schedules—allow full-time or part-time employees to determine their hours of work within established parameters or modify the typical work schedule of 8 hours a day, 5 days per week by, for example, permitting schedules of 10 hours per day, 4 days per week.²³
- Alternative work sites—allow employees to work from home or outside the traditional office.²⁴

¹⁸See 5 U.S.C. § 3304(a)(3), 5 C.F.R. part 337, subpart B.

¹⁹See 5 C.F.R. part 307.

²⁰See 5 U.S.C. § 6303(e) and 5 C.F.R. 630.205.

²¹AARP, *Staying Ahead of the Curve: The AARP Working and Retirement Study*. (Washington, D.C.: September 2003)

²²See 5 U.S.C. § 3402, 5 C.F.R. part 340, subparts A and B.

²³See 5 U.S.C. § 6122, 5 C.F.R. part 610, subpart D.

²⁴See, e.g., § 359 of Pub. L. No 106-346 (October 2000).

Compensation Flexibilities. Agencies also have authority to provide additional compensation to employees. These include

- giving recruitment, relocation, and retention incentives to employees;²⁵
- raising the pay rate of critical positions in an agency (requires OPM approval after consultation with OMB);²⁶
- providing certain eligible physicians allowances of up to \$30,000 per year. This flexibility requires OMB approval;²⁷ and
- using special rates, premium pay, and other compensation flexibilities to recruit and retain specified health care employees, under a delegation agreement with OPM.²⁸

A Case Study: How One Agency Uses Available Flexibilities to Address a Looming Retirement Wave

One of the agencies we reviewed—the Social Security Administration (SSA)—is particularly at risk of losing a substantial portion of its workforce at a time when it will experience unprecedented growth in demand for its services. SSA faces looming shortages particularly in some mission critical positions, despite enhancing its human capital planning efforts. The agency is experiencing service delays, even at current staffing levels. For example, SSA had over 750,000 disability claims awaiting a decision at the hearing level at the end of January 2008, leading to an average waiting time in fiscal year 2008 of almost 500 days. These backlogs could increase in the future, given SSA's demographic profile. Indeed, according to SSA's data,²⁹ about 40 percent of its current workforce will be eligible to retire by 2012, and by 2017 that proportion will grow to more than half. The prospects for hiring new employees to replace retirees over this timeframe remains unclear. According to SSA officials, while the fiscal year 2008 budget provided sufficient funding to allow SSA to replace all of the employees that leave—and to add additional employees in some areas—budgetary constraints have prevented the agency from hiring

²⁵See 5 U.S.C. §§ 5753-5754, 5 C.F.R. part 575, subparts A, B, and C.

²⁶See 5 U.S.C. § 5377 and OPM Bulletin No. 91-09.

²⁷See 5 U.S.C. § 5948, 5 C.F.R. part 595.

²⁸See 5 U.S.C. § 5371.

²⁹We used data from SSA's 2008 *Retirement Wave Report*. We did not independently verify reliability. Data used by SSA are generally consistent with data used by OPM.

enough new workers in the past and future hiring will depend upon the resources available. Even when SSA can hire, the agency faces stiff competition from the private sector, especially for jobs in the accounting, legal, and information technology fields.

The potential impact of retirements varies across the agency and will affect occupations SSA deems critical. By 2012, the proportion of those eligible to retire will generally range from 25 percent to 59 percent across such occupations. However, the proportion of administrative law judges eligible to retire is far higher—about 86 percent will be eligible by 2012 and nearly all by 2017. Moreover, SSA stands to lose a substantial portion of its leadership staff. Of its 138 Senior Executive Service (SES) members, 62 percent are now eligible to retire and nearly 80 percent will be eligible by 2012. Of the over 6,000 supervisors, nearly 39 percent are currently eligible to retire and 57 percent could retire by 2012.

SSA has increasingly used information technology solutions in an effort to improve its human capital management. For example, to better understand where to place its human capital emphasis, SSA has developed an approach that uses historical data to project future retirements. The model projects who is likely to retire, and SSA uses these projections to estimate gaps in mission-critical positions and to identify regional and headquarters components most affected. With these estimates the agency develops action plans focused on recruiting and hiring, retention, and staff development. SSA has also developed user-friendly automated tools to help job applicants complete the applications process. This system keeps both applicants and managers advised of where the application is in the process.

SSA has used a variety of strategies to hire and retain older workers, some of which include the human capital flexibilities available to all federal agencies. For example, SSA offers recruitment, relocation, and retention bonuses to individuals with needed skills and considers an employee's private sector experience when computing annual leave status. The agency also offers workplace flexibilities, such as alternative work sites and flexible work schedules, seminars on dependent care for elderly family members and children, and learning opportunities such as midcareer and pre-retirement seminars. In addition, SSA provides the options of a phased retirement program—allowing employees to work on a part time basis during the years immediately prior to retirement—and a trial retirement program—allowing workers to return to work within a year of retiring if they repay the annuity they've received. However, SSA

officials told us that the programs have been rarely used because of the financial penalty workers would face.

Under a delegation of authority from OPM, SSA has used dual compensation waivers to hire experienced retirees to fill staffing shortages in critical areas when these shortages constituted an emergency. From November 2000 through December 2006, SSA used this authority to rehire nearly 1,300 federal annuitants who were knowledgeable and proficient at processing complex, difficult workloads and who needed little or no training to fill mission critical workforce gaps.³⁰ This waiver authority expired in 2006 and was not renewed. However, SSA has been granted a waiver to reemploy administrative law judges to help reduce the disability hearings backlog. In addition, SSA was granted a waiver to rehire federal annuitants to provide relief in areas affected by hurricanes Katrina and Rita. SSA officials reported that when they have been allowed to use dual compensation waivers, their experiences were extremely positive.

Beyond using existing flexibilities, SSA has developed recruitment efforts that reach out to a broader pool of candidates, some of whom are older workers. For example, SSA began recruiting retired military and disabled veterans in 2002 because of its commitment to helping veterans. SSA is also beginning to reach out to older workers in order to achieve its diversity goal of attracting a multigenerational workforce. These steps have included developing recruiting material featuring images of older and younger workers.

Other Federal Agencies Have Developed Alternative Approaches to Hire and Engage Older Workers to Meet Their Workforce Needs

In addition to SSA, we interviewed officials in several other agencies and learned that some have developed their own approaches to hiring and engaging older workers.

- *Identifying and recruiting retirees with critical skills by using technology.* The Department of 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

³⁰While using waiver authorities to rehire annuitants, SSA had also received a waiver to offer early retirement to some employees. Agency officials told us that the purpose of this waiver was to “right size” or free up resources to hire workers in positions where they are most needed.

experiences, foreign language abilities, special skills, preferred work schedule, and favored job locations. To identify individuals with specific 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 them to identify individuals with specialized skills and specific job experience within hours. Before these systems were in place, the search for specific individuals 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 may hire Foreign Service retirees as federal employees who may earn their full salaries and annuities.³¹

- *Hiring older workers through nonfederal approaches.* The Environmental Protection Agency (EPA) has designed a program that places older workers (55 years 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 1984.³² According to EPA, many SEE enrollees come from long careers in business and government service, offer valuable knowledge, and often serve as mentors to younger coworkers. Depending on their skills and experience, program enrollees' wages vary, starting at \$6.92 per hour and peaking at \$17.29 per hour. Using the SEE program as a model, the Department of Agriculture's Natural

³¹According to State Department officials, the Department has received some dual compensation waivers for specific Civil Service positions, such as those located in Iraq or for work in support of processing passports. These waivers allow Civil Service retirees to return to work earning full salaries and full annuity payments. The Department of State can hire back Foreign Service retirees on an intermittent schedule with full salaries and annuities up to certain limits if the Secretary authorizes.

³²Pub. L. No. 98-313.

Resources Conservation Service (NRCS) recently developed a pilot project called the Agriculture Conservation Enrollees/Seniors (ACES) program.³³ Officials from both EPA and 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, the Department of the Treasury is 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 one official suggested, designing such a project may reveal the extent to which existing federal flexibilities allow new ways of hiring older workers.
- *Engaging older workers through mentoring.* Three of the agencies we spoke with are in the beginning stages of formalizing mentoring programs, recognizing that mentoring relationships help pass down knowledge to less experienced workers as well as engage older workers. According to one official at NRC, fostering mentoring relationships is essential for his agency. Not only do these relationships help to transfer knowledge to less experienced workers, they also help senior-level staff build strong professional relationships with junior employees.

Several Challenges Exist to Hiring and Retaining Older Workers in the Federal Government

Despite the availability of recruitment, retention, and other flexibilities, agencies still face human capital challenges. In our past work, we found that agencies were not always able to make full use of available flexibilities, in part because they did not fully understand the range of flexibilities at their disposal and did not always educate managers and employees on the availability and use of them. In addition, we found that

³³ NRCS developed ACES under the authority of section 1242(b)(4) of Title II of the Farm Security and Rural Investment Act of 2002.

inadequate funding and weak strategic human capital planning contributed to the limited use of these flexibilities. Moreover, OPM did not take full advantage of its ability to share information about when, where, and how the broad range of flexibilities are being used and should be used to help agencies meet their human capital management needs.

Several federal hiring procedures can also pose challenges and make it difficult for the federal government to compete with private sector employers. Cumbersome federal hiring procedures can make it difficult for older workers, as well as all other applicants, to get a federal job. Recently, the Partnership for Public Service reported that older workers face a number of challenges to getting a federal job. Many of the issues they raise affect applicants of all age groups. For example, for many of the jobs open to the public, too little time was allowed between the time the job was announced and the deadline for submitting a complete application. For this and other reasons, a majority of older workers they surveyed thought that applying for a federal job is difficult. To address the cumbersome and complicated federal hiring process, the report recommended that federal agencies publicize federal jobs beyond the internet, make federal job announcements and the application process more user-friendly, and keep applicants informed of their application status.³⁴

Furthermore, the dual compensation rule, which requires annuitants' salaries to be offset by the amount of the annuities they receive, can create a financial disincentive for retirees wishing to return to federal service. Unless federal agencies receive authority to grant waivers of this rule, retired federal workers—unlike private sector or military retirees—would be working for reduced rates of pay. Other rules make it difficult to use flexibilities. For example, federal employees close to retirement may face reductions in the monthly retirement benefit if they choose to work part-time—or use a phased retirement approach—near the end of their careers.

³⁴ Partnership for Public Service, *A Golden Opportunity: Recruiting Baby Boomers Into Government*, (Washington, D.C.: January 2008). We found the methodology used by the Partnership to be sufficiently reliable for our use, including the survey methodology used to determine how many older workers think applying for a federal job is difficult.

Federal Employment Has a Number of Attributes Attractive to Older Workers

Overall, the federal government is making progress toward becoming a model employer of older, experienced workers. Research has identified characteristics of work environments that older workers value that can serve as a model for federal agencies as they seek to hire and retain older workers. While there remain opportunities for improvement, OPM and Congress are taking action to minimize the challenges faced in hiring and retaining older, experienced workers.

OPM and Congress Are Taking Steps to Minimize Challenges

As we discussed earlier, individual agencies have strategies that they can use to address some challenges to employing older workers, but actions from OPM, as the government's human capital leader, and Congress play pivotal roles in changing the landscape of rules regarding federal employment.

OPM has taken steps to provide agencies with guidance on how to use available flexibilities and authorities. For example, in the fall of 2005, OPM put a hiring flexibilities decision support tool online to assist agencies in assessing which flexibilities would best meet their needs. This Hiring Flexibilities Resource Center provides in-depth information on a variety of flexibilities, including Direct Hire and Excepted Service. In January 2008, OPM updated its handbook on federal flexibilities and authorities, also online, which provides more information on both recruiting and retention strategies agencies can use to promote the positive aspects of the federal government. Responding to past findings about the length of time it takes to hire new employees, OPM has established a strategic goal to improve recruitment and retention, including faster hiring, hiring more veterans, rehiring annuitants, and faster application processing.

OPM has also encouraged federal agencies to consider a broad spectrum of employees as they seek to meet workforce needs. According to OPM, federal human capital managers are facing increasing competition in attracting and retaining talent. To meet this challenge, OPM has developed a new approach, called the Career Patterns initiative, for bringing the next generation of employees into federal positions. In its Career Patterns guidance to agencies, OPM identifies, among other things, scenarios that describe the particular characteristics of 10 types of individuals, including students, new professionals, experienced professionals, and retirees who could help broaden the pool of potential employees for federal jobs.

OPM has also recently proposed legislation to Congress that would enhance agencies' ability to hire and retain older workers. One proposal would give agencies the authority to grant dual compensation waivers

without having to obtain OPM approval. The proposal calls for a yearly and lifetime limitation on how many hours an individual can be reemployed. A second proposal would increase the ability of employees to work on a part time basis during their pre-retirement years by changing the way the CSRS annuities based on part time services are computed.

Congress has taken action to address the retirement risks in selected occupations. For example, in 2006, Congress enacted legislation allowing federal agencies to hire federal retirees to fill acquisition-related positions without requiring annuity offset.³⁵ The authority to use this provision expires on December 31, 2011. Agencies are required to consult with OPM and OMB in developing their plans for reemploying annuitants in acquisition-related positions and to submit their plans to OPM. OPM officials indicated that they have reviewed and approved 9 agencies' plans for consistency with the statutory criteria for reemploying annuitants in those positions. In addition, bills incorporating OPM's proposals related to dual compensation waivers and part time employment are currently pending in Congress.³⁶

Federal Employment Already Has a Number of Characteristics Appealing to Older Workers and Other Employees

Although the availability of flexibilities generally varies by agency, agencies already have the authority to offer a number of the flexibilities and practices older workers find appealing in an employer. For example, AARP—one of the largest interest groups for individuals age 50 and older—developed criteria to evaluate an organization's performance in recruiting, engaging, and retaining this cohort and has, since 2001, used these criteria to identify the best employers for workers over 50.³⁷ Features of these criteria, as described by AARP, overlap with many of the flexibilities that federal employment offers. Their availability and usage in the federal government are shown in table 1.

³⁵General Services Administration Modernization Act, Pub. L. No. 109-313 (Oct. 6, 2006).

³⁶See S.2003 and HR.3579 relating to dual compensation waiver authority and HR.2780 relating to part time work for retirement annuity computation.

³⁷AARP, formerly named the American Association of Retired Persons, is now known as AARP.

Table 1: AARP's Criteria for Selecting the Best Employers for Older Workers and Their Usage in Government

AARP Criteria for selecting the best employers for older workers	Availability and usage by federal agencies
<i>Recruiting</i>	
Advertise in publications that target diverse age groups;	Available; usage varies by agency
Develop recruiting material that appeals to workers of all ages	
<i>Training opportunities</i>	
Provide opportunities for training, continuous education/learning, and career development	Available; usage varies by agency
<i>Alternative work arrangements</i>	
Provide for flexible hours, telecommuting, and phased retirement	Available; usage varies by agency
<i>Benefits, including health and retirement</i>	
Provide for health benefits, including the percentage of the premium that workers are required to pay and whether they are offered to part-time employees; long-term care insurance; defined benefit or defined contribution retirement plans	Available governmentwide

Source: AARP and GAO analysis

One area where the government is particularly strong is the availability of health benefits. Federal agencies offer health benefits and pay a sizable portion of the cost. Health insurance may be an especially attractive recruitment and retention tool to older workers since employees generally need only 5 years of federal service with health insurance while employed to carry that benefit into retirement. The federal government also offers retirement benefits and life insurance, and provides the opportunity for employees to purchase long-term care insurance.

In other areas, agencies generally have the authority to offer a particular practice, but their actual usage varies by agency depending on the agency's needs, the nature of the work and other factors. For example, with respect to alternative work arrangements, the federal government offers a number of programs that help employees balance their personal and professional responsibilities, including telecommuting, part time employment, and flexible schedules.

Concluding Observations

A looming retirement wave could result in a possible “brain drain” for federal agencies unless they employ effective succession planning strategies—strategies that include hiring younger workers as well as retaining older workers who possess needed talents and skills and who can share these talents and skills with the next generation. Importantly, the government already has a number of tools in its human capital tool kit that provide agencies with flexibility they need to recruit and retain older workers. Moreover, federal employment offers a range of benefits and employment flexibilities, such as the availability of part-time employment that can make these jobs particularly attractive to older workers, as well as all demographic groups.

Still, while the federal government is making progress toward becoming a model employer of older workers, opportunities for improvement remain. First, our demographic analysis shows that while the federal workforce is aging, and an increasing number of employees will become eligible for retirement in the coming years, these trends will have varying degrees of impact within particular agencies. As a result, it will be important for agencies to fully understand and forecast the implications of these trends so they can implement timely and appropriate succession strategies. Second, as certain federal agencies have developed alternative approaches to hire and engage older workers, it will be important for agencies to share lessons learned from these practices governmentwide. And third, despite the availability of employment flexibilities and practices that allow employees to balance their professional and personal responsibilities, individual agencies do not always take advantage of them.

Consequently, it is incumbent upon OPM to continue to work with federal agencies to help ensure they have (1) the flexibilities they need to attract and retain a diverse workforce that includes older workers; (2) the awareness of these flexibilities, as well as guidance and technical assistance needed to implement them; and (3) mechanisms to share best practices and lessons learned in attracting and retaining older workers. Becoming a model employer is a shared responsibility and it will be important for agencies to, among other actions, take advantage of available flexibilities and guidance on their use and communicate this information throughout the agency. Collectively, these measures will help make federal agencies more competitive in the labor market for all demographic groups.

Mr. Chairman, Ranking Member, and Members of the Committee, this concludes our prepared statement. We would be pleased to respond to any questions that you may have.

Contact and Staff Acknowledgments

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Appendix I: Scope and Methodology

Our objectives were to describe (1) the age and retirement eligibility trends of the current federal workforce; (2) the strategies federal agencies are using to recruit, hire, and retain older workers; and (3) our observations on how these strategies position federal agencies to engage and retain older workers.

Demographic Trends

To describe demographic trends relating to the retirement eligibility and aging of the federal workforce, we analyzed information on the 24 CFO agencies from OPM's human resource reporting system, the Central Personnel Data File (CPDF). We analyzed data on the age, retirement eligibility, occupations, projected retirement rates, and other characteristics of the career federal workforce. We used the following variables: agency, occupation, date of birth, service computation date, pay plan/grade, and supervisory status. All these variables were 97 percent or more reliable. Using the CPDF information, we analyzed the age distribution of career federal employees at CFO agencies by age groupings (under 40, 40-54, and 55 and over). We also analyzed the percentage of career federal employees on board at 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 where 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. For this report, we defined older workers as those 55 and older.

Strategies Available to Federal Agencies to Hire and Retain Older Workers

To address this objective, we reviewed strategies available to federal agencies to hire and retain older workers through governmentwide hiring authorities and other flexible arrangements, we interviewed officials at OPM and other selected federal agencies, including Labor, and we reviewed previous GAO work relating to older workers and federal human capital strategies. We also reviewed relevant laws, literature on hiring and retaining older workers, and documents on federal human capital flexibilities. As a case study, we selected the Social Security Administration (SSA), to describe the strategies that one federal agency has taken to hire and retain older workers. We selected SSA because it is at high risk of losing a large proportion of mission-critical employees and because it risks losing these employees at the same time the need for its services will peak.

We interviewed human capital officers at selected agencies to collect such information as:

- the extent to which agency officials think they will be affected by retirements over the next decade;
- the information agencies have used and presently use to guide the identification of the probable effects of retirement and how agencies determine appropriate courses of action;
- strategies that have been taken or will be taken regarding recruiting, hiring, and retaining older workers; and
- characteristics and scope of these strategies, including human capital authorities or special legislation regarding flexibilities that are available to them.

To identify and describe alternative strategies, we performed a literature search and conducted interviews with government and private sector experts. The strategies that we describe were developed by the Departments of Agriculture, HUD, and State, the Internal Revenue Service (IRS), Environmental Protection Agency (EPA), and Nuclear Regulatory Commission (NRC). We selected these strategies because they were developed internally to met specific agency needs but could be used elsewhere in the government.

Observations on How Strategies Position Federal Agencies to Engage and Retain Older Workers

To address this objective, we reviewed previous GAO work and conducted interviews with federal officials at OPM and selected agencies and experts at AARP and other organizations that serve older individuals to determine how the federal government is progressing toward becoming a model employer. We chose the AARP criteria for selecting the best employers for workers over age 50 to compare to characteristics of federal employment because of its exclusive focus on older workers.

We conducted our work from November 2007 to April 2008 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 obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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