

GAO

Report to the Chairman, Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

December 2005

INTERNATIONAL TRADE

USTR Would Benefit from Greater Use of Strategic Human Capital Management Principles



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Highlights

Highlights of [GAO-06-167](#), a report to the Chairman, Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

The Office of the U.S. Trade Representative (USTR) has a unique role in coordinating trade policy, resolving disagreements, and framing issues for presidential decision through an interagency trade policy process. In recent years, USTR's increased workload from numerous new regional and bilateral free trade agreement negotiations and a new round of multilateral negotiations at the World Trade Organization has raised concerns about its human capital strategy.

GAO examined whether USTR is pursuing an effective human capital strategy that supports the ability of its workforce to accomplish its mission. Specifically, GAO (1) reviewed USTR's commitment to strategic human capital leadership and planning and (2) analyzed to what extent USTR has used human capital tools to address its workforce challenges.

What GAO Recommends

GAO recommends that the U.S. Trade Representative develop a strategic human capital management system addressing the areas of strategic human capital leadership, planning, recruitment and retention, and performance management. USTR said it shared our general observations and recommendations regarding the critical importance of human capital planning, but believes it is sufficiently performing these functions. Other agencies did not provide comments.

www.gao.gov/cgi-bin/getrpt?GAO-06-167.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Loren Yager, 202-512-4347, yagerl@gao.gov.

INTERNATIONAL TRADE

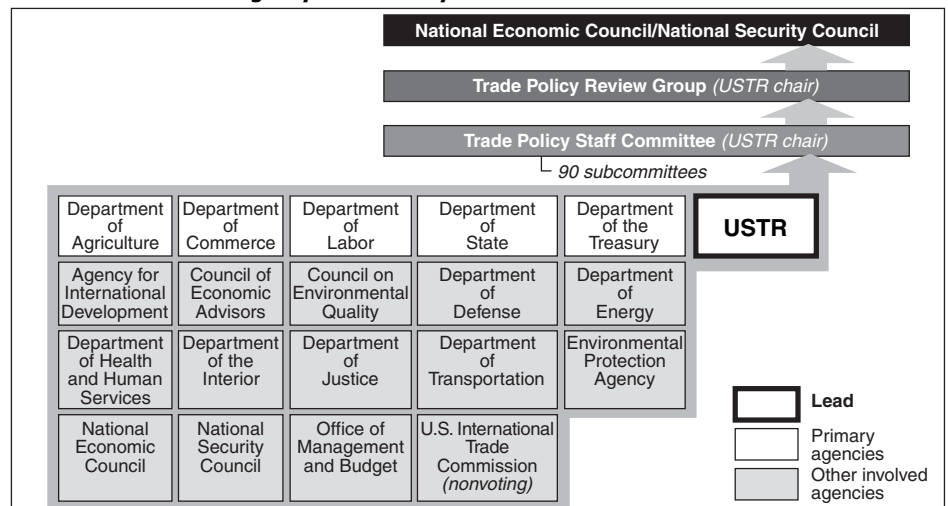
USTR Would Benefit from Greater Use of Strategic Human Capital Management Principles

What GAO Found

USTR could benefit from greater use of strategic human capital management principles in leadership and planning, considering that its small size and interagency trade leadership and coordination role give it a unique responsibility to lead the trade agenda. First, USTR has not sustained the leadership resources for human capital; for example, the top human capital management post has not been filled for over 1½ years. Second, USTR has not undertaken formal strategic human capital planning to mitigate the risks inherent in its dependency—as a “networked organization”—on interagency resources to achieve its mission. Therefore, it does not have a method to account for changes in other agencies’ resources that might impact its ability to achieve its mission. Third, USTR has focused its human capital planning efforts primarily on short-term responses to trade negotiating needs identified in its 2-year budget planning process; it has not conducted ongoing parallel efforts to analyze longer-term workforce needs.

USTR's efforts to address its specific workforce challenges could benefit from greater use of human capital tools. First, USTR could use more of the existing federal human capital flexibilities to better tailor its human capital approaches to organizational needs. Although the agency has used and benefited from some special hiring and pay authorities, such as the use of higher-than-minimum salary offers, it has yet to take advantage of others, such as retention bonuses. Second, while USTR prides itself on being a results-oriented agency, most USTR staff are not subject to agencywide performance expectations linked to organizational goals. While managers have stressed the importance of certain individual skills needed to advance USTR's mission, most staff are held accountable to a range of expectations that vary among offices.

USTR Leads the Interagency Trade Policy Process



Source: GAO, based on USTR information.

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Abbreviations

| | |
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| APEC | Asia-Pacific Economic Cooperation |
| CAFTA | Central American Free Trade Agreement |
| EOP | Executive Office of the President |
| FTA | Free Trade Agreement |
| FTE | Full-time Equivalent staff |
| ITC | U.S. International Trade Commission |
| OMB | Office of Management and Budget |
| OPM | Office of Personnel Management |
| SES | Senior Executive Service |
| TPRG | Trade Policy Review Group |
| TPSC | Trade Policy Staff Committee |
| USTR | Office of the U.S. Trade Representative |
| WTO | World Trade Organization |

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United States Government Accountability Office
Washington, D.C. 20548

December 6, 2005

The Honorable George V. Voinovich
Chairman, Subcommittee on Oversight
of Government Management, the Federal Workforce,
and the District of Columbia
Committee on Homeland Security
and Governmental Affairs
United States Senate

Dear Mr. Chairman:

The Office of the U.S. Trade Representative (USTR) plays the lead role in developing U.S. trade policy, negotiating trade agreements, and monitoring and enforcing those agreements. It leads and coordinates the development and implementation of U.S. trade policy through an interagency trade policy process, comprised of 19 federal agencies and offices. As such, USTR has a unique role within the trade policy arena in terms of providing the leadership and coordination to build the consensus and marshal the resources to move the interagency process forward to achieve the U.S. trade agenda.

As a small, cabinet-level office within the Executive Office of the President (EOP), USTR has about 200 full-time employees and uses temporary detailees from other agencies to supplement its core staff. In recent years, USTR's workload has grown as the number and complexity of trade agreements has increased, with both ambitious negotiations of numerous new regional and bilateral free trade agreements and a new round of multilateral negotiations in the World Trade Organization (WTO). USTR's extensive interagency leadership responsibilities and increasing workload have increased the importance of having a sound human capital strategy.

Similarly, human capital planning has taken on increased importance in the public sector in recent years. We have established strategic human capital principles and standards in recent years in our Model of Strategic Human Capital Management and a large body of work addressing specific human capital issues, such as strategic workforce planning. The Office of Personnel Management (OPM) has also established its Human Capital Assessment and Accountability Framework, which is consistent with our model, to provide the basis for executive branch agencies to meet the human capital goals set out as the first element in the President's Management Agenda. All of this guidance stresses the importance of

tailoring the approaches to the characteristics of each organization, such as size and function.

To examine whether USTR is pursuing an effective human capital strategy that supports the ability of its workforce to accomplish its mission, we reviewed its human capital planning and implementation efforts. Specifically, we (1) reviewed USTR's commitment to strategic human capital leadership and planning and (2) analyzed to what extent USTR has used human capital tools to address its workforce challenges.

To determine USTR's commitment to strategic human capital leadership and planning, we reviewed internal planning documents and interviewed USTR human resources staff, office managers, and senior management. We used GAO's Model of Strategic Human Capital Management as our framework to assess USTR's human capital efforts.¹ We also discussed interagency resource planning with four trade agencies: the Departments of State, Commerce, and Agriculture, as well as the U.S. International Trade Commission. To determine how USTR has addressed its human capital challenges, we interviewed officials at USTR and the four trade agencies, as well as trade association representatives and former USTR officials. We reviewed USTR human capital data for key human capital trends in areas such as staff profile, retirement eligibility, and retention challenges. We tested USTR data for reliability by comparing them with OPM data and with other USTR human capital documents. We determined that these data were sufficiently reliable for the purposes of this report. We conducted our work from January 2005 to September 2005 in accordance with generally accepted government auditing standards.

Results in Brief

USTR could benefit from greater use of strategic human capital management principles in the areas of leadership and planning, considering that its small size and interagency trade leadership and coordination role give it a unique responsibility to lead the trade agenda. While USTR officials state that their human capital efforts are sufficient to accomplish USTR's immediate mission, USTR does not demonstrate a commitment to managing its human capital strategically. First, USTR has not sustained the leadership resources for human capital; for example, the top human capital management post has not been filled for over 1½ years. USTR also does not

¹GAO, *A Model of Strategic Human Capital Management*, [GAO-02-373SP](#) (Washington, D.C.: Mar. 15, 2002).

conduct formal succession planning to fill critical management positions in a timely manner. Second, while USTR performs an interagency leadership and coordination mission that it cannot achieve without the participation and support of other trade agencies, it has not undertaken strategic human capital planning to mitigate the risks inherent in its dependency—as a “networked organization”—on interagency resources. For example, in recent trade negotiations, other trade agencies comprised about 75 percent of the total delegation staff. However, USTR does not formally conduct any planning for these critical human capital resources at the interagency level and, therefore, does not have a method to account for changes in other agencies’ resources that might impact its ability to achieve its mission. Third, USTR’s human capital planning efforts have been focused primarily on short-term responses to trade negotiating needs identified in its 2-year budget planning process; it has not conducted ongoing parallel efforts to analyze the organization’s longer-term workforce needs. For example, USTR does not routinely review senior staff’s eligibility for retirement to ensure the organization’s continued capacity to achieve its mission. Moreover, USTR does not maintain the kind of up-to-date information on available staff and future human capital needs that would be necessary in conducting effective strategic workforce planning, reducing its ability to make data-driven human capital decisions.

USTR’s efforts to address its specific workforce challenges could benefit from greater use of human capital tools. First, USTR could use more of the existing federal human capital flexibilities to better tailor its human capital approaches to its organizational needs. Although the agency has used and benefited from some special hiring and pay authorities, such as the use of higher-than-minimum salary offers, it has yet to take advantage of others, such as retention bonuses. Second, while USTR prides itself on being a results-oriented agency, it could do even better if it linked its individual performance expectations to organizational goals. Most USTR staff are not subject to agencywide performance expectations linked to organizational goals. While managers have stressed the importance of certain individual skills needed to advance USTR’s mission, most staff are held accountable to a range of expectations that vary among offices.

In this report, we make several recommendations to improve USTR’s human capital management in the areas of strategic human capital leadership and planning, recruiting and retention, and performance management. We provided a draft of this report to USTR; the Departments of Agriculture, Commerce, and State; and the U.S. International Trade Commission. USTR provided written comments, which are reproduced in

appendix IV. The other agencies did not provide comments. USTR stated that it shared our general observations and recommendations regarding the critical importance of human capital planning and said it would take some of the steps suggested by our report. However, in other areas, USTR believes it is sufficiently performing its human capital functions. USTR also provided technical comments, which we have incorporated where appropriate.

Background

USTR Mission and Organizational Structure

USTR is responsible for developing and coordinating U.S. international trade, commodity, and direct investment policy and for overseeing trade negotiations with other countries. The head of USTR is the U.S. Trade Representative, a Cabinet member who serves as the president's principal trade advisor, negotiator, and spokesperson on trade issues. Through an interagency structure, USTR coordinates trade policy, resolves disagreements, and frames issues for presidential decision.

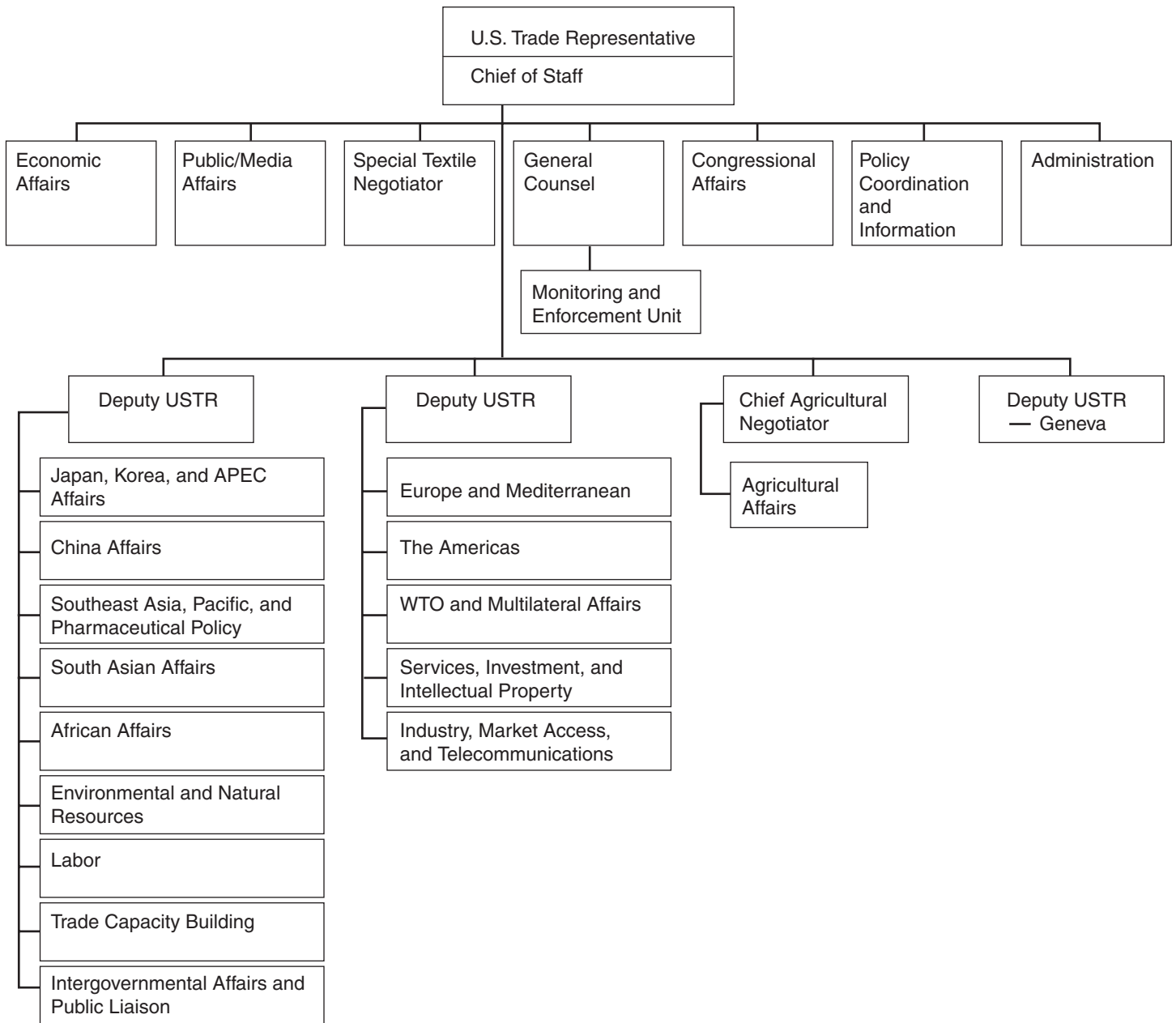
USTR provides trade policy leadership and negotiating expertise in its major areas of responsibility, including the following:

- Bilateral, regional, and multilateral trade and investment issues;
- Expansion of market access for U.S. goods and services;
- International commodity agreements;
- Negotiations affecting U.S. import policies;
- Oversight of the Generalized System of Preferences and Section 301 complaints concerning foreign unfair trade practices;
- Trade, commodity, and direct investment matters managed by international institutions such as the Organization for Economic Cooperation and Development and the United Nations Conference on Trade and Development;
- Trade-related intellectual property protection issues; and

-
- WTO issues.

USTR has offices in Washington, D.C., and Geneva, Switzerland, where the WTO is located. The Geneva Deputy USTR is the U.S. Ambassador to the WTO and to the United Nations Conference on Trade and Development on commodity matters. Figure 1 shows USTR's organizational structure as of July 5, 2005.

Figure 1: USTR Organizational Structure, as of July 5, 2005



Source: USTR.

Interagency Trade Policy Process

USTR leads and coordinates the development and implementation of U.S. trade policy through an interagency process. It consults with other government agencies on trade policy matters through the Trade Policy Review Group (TPRG) and the Trade Policy Staff Committee (TPSC). USTR administers and chairs these groups, which are composed of 19 federal agencies and offices. TPSC is the primary operating group, with representation at the senior civil service level. If agreement is not reached in TPSC, or if significant policy questions are being considered, then issues are taken up by TPRG (Deputy USTR/Under Secretary level). The final tier of the interagency trade policy mechanism is the National Economic Council, chaired by the President. The National Economic Council Deputies' committee considers memorandums from TPRG, as well as important or controversial trade-related issues. The current administration operates the National Economic Council jointly with the National Security Council, according to a senior USTR official.

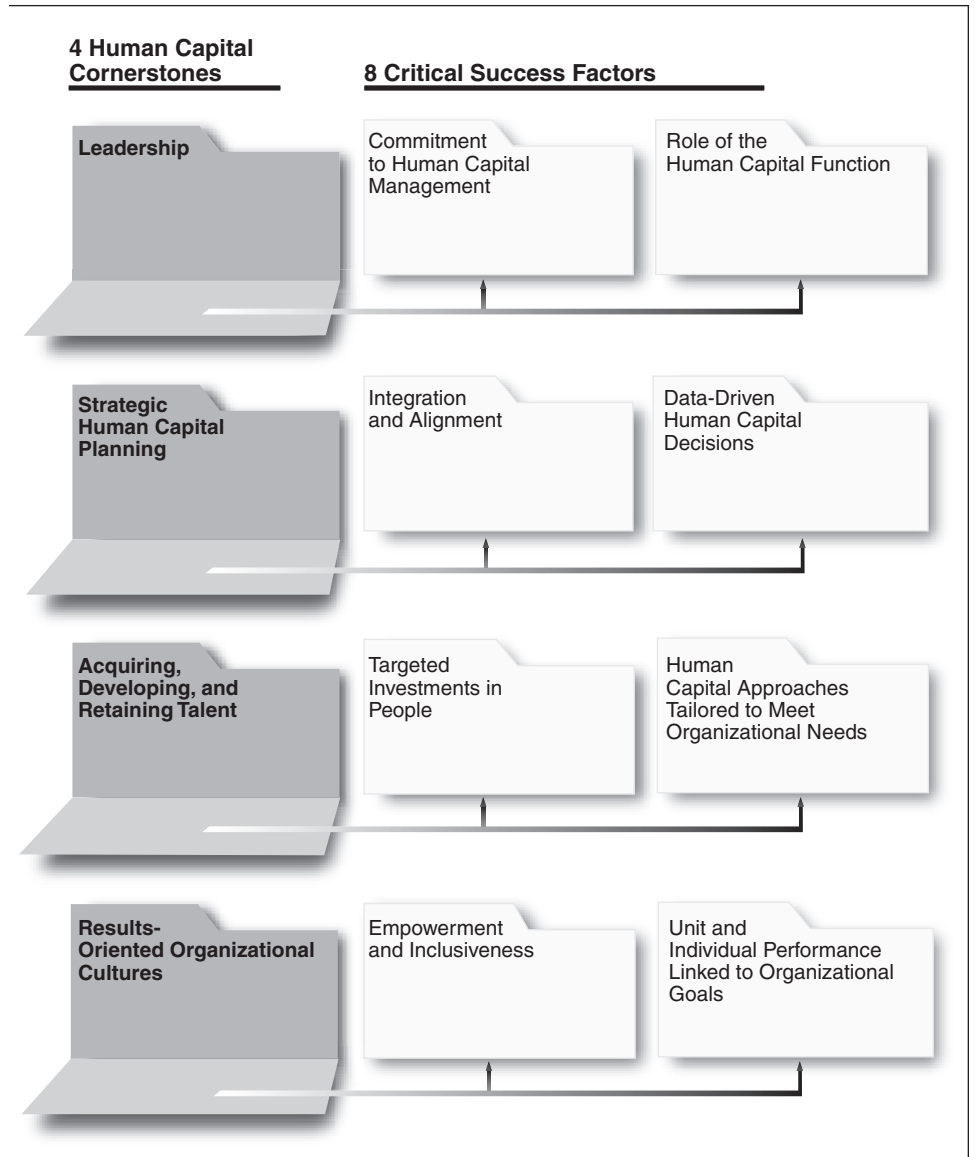
Strategic Human Capital Management Principles

We have developed a Model of Strategic Human Capital Management² to help agency leaders effectively use their people, or human capital, and determine how well they integrate human capital considerations into daily decision making and planning for the program results they seek to achieve. It highlights the importance of a sustained commitment by agency leaders to maximize the value of their agencies' human capital and manage related risks.

As shown in figure 2, the model has four human capital cornerstones: (1) leadership; (2) strategic human capital planning; (3) acquiring, developing, and retaining talent; and (4) results-oriented organizational cultures. Each of these cornerstones, in turn, is characterized by two critical success factors.

²GAO, *A Model of Strategic Human Capital Management*, [GAO-02-373SP](#) (Washington, D.C.: Mar. 15, 2002). See also, GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003).

Figure 2: GAO Model of Strategic Human Capital Management



Source: GAO.

Our human capital model is consistent with similar efforts by the Office of Management and Budget (OMB) and OPM to develop federal human capital standards. In the summer of 2001, OMB announced the President's

Management Agenda, designed to address management weakness across the government. To this end, the agenda highlighted five governmentwide initiatives for management reform. The first of these was the Strategic Management of Human Capital Initiative, which is being led by OPM. As part of this initiative, in October 2002, OPM released a Human Capital Assessment and Accountability Framework that built on its prior guidance for workforce planning. OPM has also developed Human Capital Standards for Success, which incorporates the GAO model's critical success factors.³

USTR Could Benefit from Greater Commitment to Strategic Human Capital Principles in Its Human Capital Leadership and Planning

USTR does not follow key strategic human capital principles in its human capital leadership and planning. While USTR officials state that their human capital efforts are sufficient to accomplish USTR's immediate mission, USTR does not demonstrate a commitment to strategic human capital management. First, the commitment of USTR to providing the leadership resources of human capital has not been sustained. Second, while USTR performs an interagency leadership and coordination mission that it cannot achieve without the participation and support of other trade agencies, it has not undertaken formal strategic human capital planning to mitigate the risks inherent in its dependency on interagency resources. Third, USTR's human capital planning efforts have been primarily focused on short-term responses to trade negotiating needs identified in its 2-year budget planning process; it has not conducted ongoing parallel efforts to analyze the organization's longer term workforce needs to ensure its continued capacity to achieve its mission.

USTR Does Not Address Human Capital Leadership Strategically Despite the Importance of Each Position

Despite being the lead U.S. trade agency and having the responsibility to coordinate the U.S. government trade agenda, which places a significant responsibility on each individual, USTR does not manage human capital strategically. USTR's commitment to provide leadership resources for human capital has not been sustained. For example, USTR does not have the human capital management resources in place to ensure that critical human capital management tasks—such as succession planning—are carried out, which places its interagency leadership role at risk when key

³OPM's Human Capital Assessment and Accountability Framework and Human Capital Standards for Success can be found at its Web site at www.opm.gov. OPM's Web site also provides a link to the President's Management Agenda and the Strategic Management of Human Capital Initiative, or this document can be accessed through OMB's Web site at www.whitehouse.gov/omb.

vacancies occur within a short period of time. In fact, the senior human capital management post has not been filled for over 1½ years. USTR has relied on one person to act as senior manager for administration, thus assuming all senior human capital and administrative duties.

Although a key element of strategic human capital leadership principles is the use of succession planning to ensure a smooth transition of knowledge from incumbents to successors to strengthen organizational capacity,⁴ USTR does not conduct formal succession planning. Federal agencies that manage succession well do so with active leadership support for identifying critical talent throughout the organization and linking succession efforts to the agency's overall long-term goals.⁵ Our analysis of USTR's human capital data found substantial risk of future leadership and knowledge loss due to retirement. Five of 22 senior executive service (SES) staff are currently eligible to retire, representing 23 percent of USTR's SES staff. Another 4 SES staff are eligible to retire in five years or less, for a total of 41 percent either currently eligible to retire or eligible in 5 years or less. Along with the SES posts, USTR also faces the potential retirement of several experienced trade experts and attorneys who also have roles coordinating U.S. trade policy. Just over 10 percent of GS-15 trade analysts, attorneys, or economists are eligible to retire in 5 years or less.⁶ USTR has not undertaken formal succession planning to fill these eventual vacancies, even though the staff USTR risks losing to retirement are critical to managing the interagency process. Instead, senior managers reexamine the staffing balance as vacancies occur, and office managers may look for good candidates as replacements from other agencies in the interagency process or from the private sector. According to a senior manager, USTR receives an occasional list of staff eligible to retire in the next year or two from the EOP. However, USTR senior management staffing discussions are limited to short-term contingency plans for particular posts and are not part of any systematic agencywide succession planning effort. Likewise, when office managers look outside the agency to find potential USTR staff, their efforts also are not part of any formal succession strategy. As we have previously

⁴GAO, *Human Capital Succession Planning and Management Is Critical Driver of Organizational Transformation*, [GAO-04-127T](#) (Washington, D.C.: Oct. 1, 2003); GAO, *Human Capital: Selected Agencies Have Opportunities to Enhance Existing Succession Planning and Management Efforts*, [GAO-05-585](#) (Washington, D.C.: June 30, 2005).

⁵[GAO-04-127T](#).

⁶About half of USTR career staff are at the GS-15 level. For more information on USTR grade distribution, see appendix II.

reported,⁷ without careful planning, an organization's retirement eligibility rate can suggest that it will experience an eventual loss in institutional knowledge, expertise, and leadership continuity. Moreover, leading organizations go beyond a succession approach that simply replaces individuals. Rather, they instead identify and develop successors for leadership and other key positions.

USTR also faces periodic management transitions, which illustrates the risk to its interagency leadership role of facing multiple senior vacancies within a short period of time. The turnover in key positions that can result from such management transitions is particularly critical for a small agency such as USTR, at which each position is vitally important and staff are not easily replaced. For instance, a recent transition in early 2005 resulted in vacancies of five key posts within a 2-month period, including the offices of China Affairs, Europe and Mediterranean, and Labor.⁸ While USTR generally managed to fill these positions in a timely manner,⁹ the risks inherent in suddenly having large gaps to fill in the government trade leadership underscore the importance of USTR having the human capital leadership in place to prepare the agency for transitional vacancies with minimal disruption to the interagency trade process.

⁷GAO, *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success*, GAO-03-488 (Washington, D.C.: Mar. 14, 2003.); [GAO-04-127T](#).

⁸In addition, in a 6-month period, USTR had vacancies for General Counsel, as well as chief of staff and three presidential appointments requiring Senate confirmation.

⁹USTR filled the Europe and Mediterranean office vacancy with a temporary detailee from the Department of State.

USTR Operates as a Networked Organization Performing an Interagency Leadership and Coordination Mission, but Without Formal Interagency Resource Planning

USTR's lack of commitment to strategic human capital principles in its human capital leadership and planning also has implications for the interagency trade process. USTR is a highly networked organization¹⁰ that performs an interagency leadership and coordination mission. It administers and chairs TPRG and TPSC, which make up the subcabinet-level mechanism for developing and coordinating U.S. government positions on international trade and trade-related investment issues. Supporting TPSC are more than 90 subcommittees responsible for specialized areas and several task forces that work on particular issues. USTR works with other agencies to carry out its mission, including obtaining approval for initiatives in the interagency process. Through interviews with current and former USTR officials, other trade agency officials, and trade association representatives, we found that USTR, a small trade agency that receives support from other larger agencies (e.g., Commerce, State, and Agriculture) in doing its work, operates more like an elite core staff that provides leadership and coordination in working in concert with others in the interagency trade policy process. USTR's networked operational mode is a defining characteristic.

In developing trade policy and conducting trade negotiations, the USTR office directors (Assistant USTRs) whom we spoke with described working with an extended interagency group comprised of other subject experts at USTR and at a range of agencies. One Assistant USTR for a geographic office described working with a "virtual team" that crossed agency boundaries but was instantaneously connected by e-mail. Another Assistant USTR stressed that she had also developed a close working relationship with embassy staff in her primary countries of interest, whom

¹⁰There are various types of network structures ranging from coordination and collaboration to high-performing partnerships, which can involve federal agencies, state and local governments, and nongovernmental organizations to achieve a particular outcome or result. Recently, there has been an increased focus on the role of networks in public sector governance, in studies by Stephen Goldsmith and William Eggers (Goldsmith, Stephen and Eggers, William D., *Governing by Network: The New Shape of the Public Sector*, Brookings Institution Press (Washington, D.C.: 2004)); the IBM Center for the Business of Government (Kamensky, John M., and Burlin, Thomas J., *Collaboration: Using Networks and Partnerships*, Rowman & Littlefield Publishers, Inc. (Lanham, MD: 2004)); and the National Academy of Public Administration (National Academy of Public Administration, *Powering the Future: High-Performance Partnership* (Washington, D.C.: 2003)). In October 2005, we reported on practices that can help enhance and sustain one type of network, collaboration among federal agencies, in GAO, *Results-Oriented Government: Practices that Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (Washington, D.C.: Oct. 21, 2005).

she described as a critical resource. An Assistant USTR for a functional office added that USTR was not only interacting with the major trade agencies in the interagency process but also on many issues with the relevant regulatory agencies in order to gain their perspective. One example would be USTR's Agricultural Affairs office working not just with the Foreign Agricultural Service at the Department of Agriculture but also with the Animal and Plant Health Inspection Service for scientific assessment and analysis on sanitary/phytosanitary issues such as mad cow disease.

In explaining how USTR works to marshal interagency support, the Assistant USTR for the Americas gave the example of the recently concluded Central American Free Trade Agreement (CAFTA), for which she had the negotiating lead. She said her negotiating team included members of her office staff working with Central American desk officers at a range of agencies, such as State and Commerce. However, it also included subject experts from other USTR offices, for issues such as financial services, agriculture, intellectual property, pharmaceuticals, market access, and labor; and they all worked with their counterparts at a range of agencies, such as Treasury, Agriculture, the Patent and Trademark Office, the Food and Drug Administration, Commerce, and Labor, respectively. In addition to their interagency interactions, the Office of the Americas also coordinated and received input from USTR's private sector advisory committees as well as trade associations.

USTR can operate as a small elite agency precisely because of the extensive support it receives from the other trade agencies. This support can be characterized as falling into three main categories of assistance:

- *Participation in the interagency process*—As other trade agencies participate in the interagency trade process, their staff contribute to the work of the Trade Policy Staff Committee and its approximately 90 subcommittees. These staff assist in trade policy development in their areas of expertise. When USTR forms trade negotiating teams, the USTR negotiating lead generally draws the team largely from this core group

of experts and supplements with others, as necessary. Generally, even though USTR has the lead, its staff are a small minority, averaging about 24 percent of the total delegation staff.¹¹

- *Technical assistance*—USTR receives extensive technical assistance from subject experts at the other agencies through formal and informal requests for information. For instance, U.S. International Trade Commission staff may provide data analyses on the impact of tariff reductions or eliminations in prospective free trade agreements. USDA Foreign Agricultural Service staff may provide commodity expertise on issues related to Brazilian cotton or Japanese beef, or Health and Human Services staff may provide information on pharmaceutical pricing.
- *Detailees* – USTR also benefits from temporary staff on detail from other agencies that continue to pay their salaries; USTR provides office space and travel expenses. This is an important avenue for supplementing USTR’s core staff with specific subject expertise on a temporary basis. For example, as of July 5, 2005, USTR supplemented its core staff of 206 permanent employees with 26 detailees in its Washington, D.C., office and 9 in its Geneva, Switzerland, office.

This extensive assistance underlies USTR’s ability to operate as a networked organization. USTR officials stressed that it would not make sense to try to duplicate this expertise within USTR and is unnecessary because they can tap governmentwide expertise, when needed, without bringing on staff they might not need permanently. USTR only adds core staff for the most critical, long-term issues. For example, USTR added intellectual property rights staff when it became clear it was a long-term issue important to U.S. industry, according to a senior USTR official. In addition, USTR also added staff with expertise on labor issues in recent years.

However, USTR does not formally discuss or plan human capital resources at the interagency level, even though it must depend on the availability of

¹¹GAO, *International Trade: Intensifying Free Trade Negotiating Agenda Calls for Better Allocation of Staff and Resources*, GAO-04-233 (Washington, D.C.: Jan. 12, 2004). This percentage was based on estimated agency staff on U.S. negotiating teams for completed rounds of free trade agreement (FTA) negotiations, as of October 2003. The six FTA negotiations examined were Australia, Central American Free Trade Agreement, Chile, Morocco, Southern African Customs Union, and Singapore.

these critical resources to achieve its mission, according to USTR officials. Interagency discussions focus on the substance of trade policy; USTR does not formally discuss or plan the resources needed to implement policies. In two recent reports, we have addressed the need for USTR to conduct interagency resource planning related to specific trade issues, making specific recommendations for improvements.¹² Such interagency resource planning would also facilitate human capital planning by the other agencies that work with USTR. For example, USTR undertakes resource planning when forming actual trade negotiating teams rather than at times when this would contribute to agency resource planning. USTR officials told us that their view is that when agencies reach formal TPRG agreement on a trade policy or trade agreement, it carries a commitment by the agencies to provide resources. In addition, they said that assisting USTR is a part of the other trade agencies' missions to support the U.S. government trade agenda. While officials we interviewed at other agencies generally agreed with this perspective, some of them also said that potential budget cuts could result in fewer resources being available for USTR. For example, officials at the Foreign Agricultural Service expressed concern that the expanding trade agenda has been a strain on its resources, and it was facing serious budget cuts. As a result, since USTR does not provide the other agencies with specific resource requirements when the agencies are performing their planning, it is shifting the risk to the agencies of having to later ensure the availability of staff in support of the trade agenda, potentially straining their ability to achieve other agency missions.

A fundamental principle of strategic human capital management is that high-performing organizations manage risk based on strategic planning supported by reliable and current information. One result of USTR's lack of strategic planning for these critical interagency resources is that it does not have a systematic method to account for potential changes in other agencies' resources that might impact its ability to achieve its mission. The absence of this method also affects the other agencies' ability to account for changes that could affect their ability to provide resources to support the trade agenda.

¹²These issues related to selection of FTA partners and monitoring and enforcement implementation. See GAO, *International Trade: Intensifying Free Trade Negotiating Agenda Calls for Better Allocation of Staff and Resources*, [GAO-04-233](#) (Washington, D.C.: Jan. 12, 2004); and GAO, *International Trade: Further Improvements Needed to Handle Growing Workload for Monitoring and Enforcing Trade Agreements*, [GAO-05-537](#) (Washington, D.C.: June 30, 2005).

USTR Is Not Conducting Ongoing Strategic Human Capital Planning

USTR's human capital planning efforts have been focused primarily on short-term responses to trade negotiating needs; it has not conducted ongoing long-term analyses of its workforce needs. USTR conducts human capital planning primarily in its centrally administered annual budget process that looks forward 2 fiscal years. For instance, in the summer of 2005, USTR planned needed adjustments for the fiscal year 2006 budget and made projections for fiscal year 2007. The organization plans the resources—including staff or funding for travel—it will need for specific trade activities in that time frame, whether free trade agreement negotiations, WTO meetings, or trade conferences.

USTR Conducts Short-Term Planning through Its Budget Process

Each summer the USTR budget office sends a budget call to the negotiation offices and requests a time table of expected expenditures, such as negotiations rounds. Support offices review negotiation office estimates and complete their own estimates, accordingly. The USTR budget office uses the office-level information to compile a total budget estimate and set the level of staffing and other budgetary allowances across the agency. For instance, when the CAFTA negotiations were launched, the Assistant USTR for the Americas—whose office had the lead responsibility for the negotiations—estimated what additional staff might be needed, how many rounds of negotiations might take place over the next 2 fiscal years, and how much money would be needed for travel, translations, conferences, or other needed expenses. She also indicated the assistance her office would likely need from other functional offices (such as Agricultural Affairs or Services, Investment, and Intellectual Property) and from staff offices (such as General Counsel or Economic Affairs). In turn, these functional and staff offices could then also factor this information, as well as the requests for assistance from the other geographic offices, into their own office planning. In addition, the budget office also monitors the need for resources throughout the year through its mid-year adjustment reviews, generally in the form of monthly resource checks and quarterly revised budget calls.

USTR Does Not Conduct Ongoing Strategic Workforce Planning

While USTR uses its annual budget planning process to meet its short-term human capital needs, it has not conducted ongoing parallel efforts to analyze the organization's longer term workforce needs. Although USTR's human capital planning is directly linked to the organization's mission and objectives in the budget process, this is essentially a short-term tactical process to meet immediate needs. USTR does not conduct ongoing strategic planning or routinely analyze the organization's longer term workforce needs, for example, such as routinely reviewing eligibility for

retirement of senior staff and conducting formal succession planning, as discussed above, so that it ensures the organization's continued capacity to achieve its mission. USTR also does not conduct ongoing analysis of workforce composition and skills. (For information related to USTR's staff profile, see app. II.) While USTR conducted a workforce analysis required by OMB of all executive branch agencies in mid-2001, which incorporated many of these elements, it has not followed up on this analysis in a systematic, ongoing manner, or used it as the basis for strategic workforce planning.

In addition, USTR management does not maintain the kind of up-to-date information on available staff and future human capital needs that would be necessary in conducting effective strategic workforce planning. USTR's personnel data files are maintained in EOP's Office of Administration; USTR itself maintains little human capital data. USTR's Office of Administration did not have the internal human capital information available that would be required for workforce analyses. For instance, it did not have a personnel roster associated with information such as employees' retirement eligibility or their specific knowledge and skills, such as language ability.

USTR officials said that USTR is such a small organization that managers know the professional and skill backgrounds of the staff, therefore such a data system would not be needed. This means that, rather than establishing information systems, institutional knowledge at USTR depends on individuals. However, as we have previously reported, it is crucial that human capital leadership and planning be based on a data-driven decision-making process. The absence of such data can seriously undermine efforts to identify and respond to current and emerging human capital challenges, particularly in a small organization where turnover or unfilled positions could quickly deplete the institutional memory.

USTR Makes Limited Use of Human Capital Tools to Mitigate Risk of Workforce Challenges

USTR does not make full use of available human capital tools, despite facing recruitment and retention challenges; and it does not link most employees' performance standards with organizational needs. While USTR can generally recruit staff with requisite skills, competitive pressures and postemployment restrictions on foreign representation could place limitations on USTR's ability to hire from the private sector. More use of available human capital flexibilities could help to better ensure consistent success in recruitment and retention. In addition, USTR risks inconsistent

attainment of its strategic goals if it does not link individual performance expectations to its needs.

USTR Uses Some Human Capital Tools but Could Benefit from Adding Others

USTR faces risks from recruitment and retention challenges, which in turn could hamper its interagency leadership role. USTR addresses these risks in part through limited use of human capital flexibilities, and USTR office managers said they do not have difficulties recruiting needed staff. However, senior managers said that the recruitment environment for staff with critical skills needed for USTR's interagency leadership role, such as trade attorneys, is becoming more competitive. Not only can people with these skills find higher-paying positions outside the federal government, they also face restrictions on representing foreign clients after service with USTR, according to senior managers. USTR often seeks interagency trade experts for recruitment, according to USTR and other trade agency management.¹³ Other trade agency officials have confirmed that USTR targets their high-performing staff and that several current USTR employees were hired from their agencies. However, USTR has benefited from the hiring flexibility to hire private sector attorneys at a "higher-than-minimum step," which, according to a senior manager in USTR's Office of General Counsel, helps attract experienced private sector attorneys who may be reluctant to start federal service at the minimum pay step. USTR also uses its authority to hire and pay administratively determined positions without regard to the civil service laws, but this authority restricts the agency to 20 such positions.¹⁴

USTR does not take advantage of other available human capital flexibilities, most of which are expanded and more targeted versions of those it now uses. As we have previously reported, hiring flexibilities could help agencies in expediting and controlling their hiring processes.¹⁵ Moreover, insufficient and ineffective use of flexibilities can significantly hinder the ability of federal agencies to recruit, hire, retain, and manage

¹³USTR officials said they actively recruit staff from their interagency partners because of the knowledge of the interagency process, as well as demonstrated performance, that such hires bring.

¹⁴See 19 U.S.C. § 2171(e)(1).

¹⁵GAO, *Human Capital: Increasing Agencies' Use of New Hiring Flexibilities*, [GAO-04-959T](#) (Washington, D.C.: July 13, 2004).

their human capital.¹⁶ Examples of expanded human capital flexibilities for which USTR has authority, but does not use, include the following:

- Expanded direct hire authority, which would streamline hiring for critical needs, such as trade experts;
- Recruitment and retention authorities, both of which would allow USTR to offer bonuses of 25 to 50 percent for new hires and highly qualified employees; and
- Enhanced annual leave authority, which would allow nonfederal staff, such as private sector attorneys, to enter federal service with higher-than-minimum annual leave rates.

See appendix III for a more detailed description of federal human capital flexibilities available to USTR.

Closely aligned with USTR's recruiting efforts is how well it can retain staff, but USTR's efforts to minimize its retention risks have also been limited. Retention concerns are especially relevant given that, according to senior officials, USTR employees have highly marketable skills. In addition, USTR staff have an important role in leading and coordinating the interagency trade policy process. To illustrate the potential for retention risks, from March 2000 through March 2005, 158 USTR employees separated from the agency, according to our calculations of EOP data.¹⁷ USTR has also experienced turnover among its recently hired staff during this time period. For instance, 25 professional staff (defined in this report as GS-13 through SES staff) hired in the last 5 years have already left USTR. While USTR is in the process of taking steps to increase compensation for senior executives to help keep pay competitive, which would allow for bonuses of 5 to 20 percent, officials could not provide a specific time frame for implementation. In addition, a senior USTR official told us that the loss of senior GS-level trade experts can create a loss of institutional knowledge. According to a Commerce official, familiarity with the details of negotiated agreements is critical for subsequent enforcement of trade agreements.

¹⁶GAO, *Human Capital: Effective Use of Flexibilities Can Assist Agencies' in Managing Their Workforces*, [GAO-03-2](#) (Washington, D.C.: Dec. 6, 2002).

¹⁷Of the 158 employees who separated during this time period, 71 held temporary positions, of which 17 were students and 54 were political appointees.

Finally, USTR has had challenges retaining security administrators (e.g., three of five hired in the past 5 years have left).¹⁸

USTR Does Not Link All Staff Performance Appraisals to Agency Goals

USTR does not link the performance of most of its staff to agencywide goals, risking the loss of consistency in its implementation of agency goals, even though USTR's small size and leadership role mean that all employees have a critical role in maintaining the agency's trade policy coordination mission. Only SES staff, making up just over 10 percent of USTR employees, are subject to agencywide performance competencies. In addition, attorneys in the Office of General Counsel and its Monitoring and Enforcement Unit have performance competencies that are linked to agency goals, accounting for another 12 percent of staff. USTR managers have stressed the importance of certain individual skills needed to advance USTR's mission, such as the ability to effectively interact within the interagency trade policy framework. However, USTR employees not subject to agencywide standards are instead held accountable for a range of expectations that vary among USTR offices according to specific assignments. As we have previously reported,¹⁹ linking performance expectations to organizational goals is important because strategic goals should guide job responsibilities. In this way, an agency can ensure that staff performance supports agency goals. Moreover, high-performing organizations use their performance management systems to help provide continuity during transition by maintaining a consistent focus on a broad set of mission priorities. In USTR's case, without a performance management system that ties individual performance to USTR's goals, it does not have a mechanism to translate its strategic goals into individual performance. Without agencywide goals, USTR is at risk of having its mission guided by office-level goals, which would not be conducive to meeting agency goals, given that USTR has over 15 separate mission-related offices. In addition, USTR could help mitigate the potentially disruptive effects of periodic management transitions, such as it experienced this year, with a concrete set of performance expectations that guide staff performance throughout such periods and ensure consistency in mission priorities.

¹⁸Two of the three security administrators who left were responsible for a variety of duties for both the Washington and Geneva offices, including emergency preparedness and building security, and the third worked on information technology security in Washington.

¹⁹GAO-03-488, p. 17 and 29.

Conclusions

USTR needs to place more emphasis on strategic human capital principles, otherwise it leaves itself open to human capital risks that could otherwise be mitigated. While USTR often cites its small size as a reason it can afford to sidestep requirements that are often applied to larger bureaucracies, in the case of human capital management, it is precisely because every individual is important that effective human capital leadership is critical. Yet our review has found that USTR is focused on achieving trade results but has overlooked the substantial additional value it could gain from strategic human capital management. For example, without a senior manager acting as its chief human capital officer, USTR cannot ensure that critical human capital leadership tasks, such as succession planning, are accomplished in a way that maximizes USTR's ability to achieve its mission with minimal risk of interagency disruption due to management transitions. Given the number of SES staff who will be eligible to retire within the next 5 years, it is important that USTR address these issues strategically rather than reactively. Further, although USTR seems to be making effective use of its networked structure to marshal the relevant expertise across the government in support of the trade agenda, it has not taken additional steps to mitigate the risk inherent in its dependency on interagency resources. Without a method to plan interagency resources devoted to the trade agenda, USTR has no way to account for potential changes in other agencies' resources. Given the prospect of a tightening federal budget environment, lack of a formal interagency resource planning method means USTR is in no position to evaluate how budget reductions could impact USTR's ability to achieve its mission. In addition, USTR has not conducted ongoing strategic human capital planning for its own longer-term organizational workforce needs and does not maintain the information systems required for such analysis. While USTR primarily uses its 2-year budget planning process to focus its human capital planning efforts, this approach limits it to planning how it can best achieve its trade mission with the resources available to it in the short term. USTR has not taken steps to strategically identify and respond to current and emerging human capital risks in its workforce. As a result, by not conducting ongoing strategic workforce planning, USTR is opening itself up to human capital risks that it could be taking steps to mitigate.

USTR could also better meet some of its key workforce challenges by making better use of available human capital tools. In an increasingly competitive recruitment environment, USTR could benefit from using the additional hiring and pay flexibilities available to it. In addition, USTR has not ensured that its performance standards support its organizational goals

by extending agencywide performance criteria to its entire staff. As a result, USTR is missing an opportunity to translate its strategic goals into individual performance.

Recommendations for Executive Action

To improve USTR's human capital management, we recommend that the U.S. Trade Representative develop a strategic human capital management system. The system should include the following elements, tailored to its small size and unique role:

- filling its senior human capital management positions with human capital professionals who will significantly contribute to strategic planning and decision making,
- developing an interagency resource planning method with appropriate participation from key agency stakeholders,
- undertaking strategic workforce planning in order to optimize its workforce's continued capacity to achieve its mission,
- improving its ability to utilize data for measuring the effectiveness of human capital approaches in support of its mission and goals,
- determining if additional use of available pay and hiring flexibilities would better position USTR to hire and retain experts, and
- developing agencywide performance criteria for staff to align management expectations with critical organizational goals.

Agency Comments and Our Evaluation

We provided a draft of this report to USTR; the Departments of Agriculture, Commerce, and State; and the U.S. International Trade Commission. USTR provided written comments, which are reproduced in appendix IV. The other agencies did not provide comments.

USTR stated that the insights provided by our study were a valuable contribution to its ongoing internal efforts to effectively manage its human capital. USTR said it shared our general observations and recommendations regarding the critical role of human capital planning. USTR also noted that it (1) has recently hired a new Assistant U.S. Trade Representative for Administration, (2) will examine the additional human

capital flexibilities available to it, and (3) is committed to linking performance evaluations to its strategic planning.

USTR stated that it believed we had not adequately factored into our analysis how it had tailored its human capital planning to its size and networked organizational structure. While we have modified our report language in several places to clarify our discussion of USTR's human capital planning, we do not agree, however, that USTR's human capital planning activities, which primarily focus on meeting short-term negotiating needs, have to this point demonstrated a commitment to long-term strategic human capital planning.


USTR also stated that our report suggests that it should extend its interagency coordinating role to formally overseeing the human capital planning activities of these agencies. Our recommendation that USTR develop an interagency resource planning method with appropriate participation from key agency stakeholders is not intended to suggest that USTR should formally oversee the human capital planning activities of the agencies involved, but rather envisions an extension of USTR's interagency coordination role to better anticipate and plan resource needs devoted to the U.S. trade agenda. This recommendation is consistent with several of our recent reports.

USTR also provided technical comments, which we have incorporated where appropriate.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of its issuance. At that time, we will send copies of this report to appropriate congressional committees. We will also send copies to the U.S. Trade Representative, the Secretaries of Agriculture, Commerce, and State, and the Chairman of the U.S. International Trade Commission. We will also make copies available to others upon request. In addition, this report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-4347 or yagerl@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix V.

Sincerely yours,

A handwritten signature in black ink that reads "Loren Yager". The signature is written in a cursive style with a large initial "L" and "Y".

Loren Yager
Director, International Affairs and Trade

Objectives, Scope, and Methodology

To determine whether the Office of the U.S. Trade Representative (USTR) is pursuing an effective human capital strategy that adequately supports the ability of its workforce to accomplish its mission, we reviewed its human capital planning and implementation efforts and compared them with U.S. government best practices. We used our Model of Strategic Human Capital Management as the framework in assessing USTR's human capital efforts. Specifically, we (1) reviewed USTR's commitment to strategic human capital leadership and planning and (2) analyzed to what extent USTR has used human capital tools to address its workforce challenges.

To determine USTR's commitment to strategic human capital leadership and planning, we reviewed USTR's available human capital planning documents, including annual performance planning required by the Government Performance Results Act for the past 5 years, the most recent annual USTR budget call, and agency budget justifications for the past 5 years. We also reviewed Office of Personnel Management (OPM) and Office of Management and Budget (OMB) human capital guidance and our previous human capital reports to determine how government best practices could be best applied to USTR. We augmented our documentation review with interviews with USTR human resources staff, office managers, and senior management at the Washington, D.C., and Geneva, Switzerland, offices. We spoke with the Geneva senior manager by telephone. We further discussed interagency planning and commitment of resources with officials of four trade agencies: the Departments of State, Commerce, and Agriculture, as well as the U.S. International Trade Commission (ITC).

To determine to what extent USTR has used human capital tools to address its workforce challenges, we obtained USTR human capital data from the Executive Office of the President (EOP) for key human capital trends, such as retirement eligibility, time in service, and dates of separation. We also reviewed these data for certain routine human capital categories to better understand the agency's overall staff profile, such as office level and aggregate staffing levels, grade levels, and occupation types. Finally, we used these data to determine the extent to which USTR fills its job announcements, as well as the number of staff who received training. We tested USTR data for reliability by comparing them with OPM data from the central personnel data file and with USTR organizational documents. We determined that these data were sufficiently reliable for the purposes of this report. We used USTR's pending senior executive service (SES) performance management guidance as part of our review of the agency's efforts to address performance management. Along with the data review,

we interviewed office managers and senior management officials at USTR to determine the workforce challenges they faced and how they were addressing those challenges. We also met with officials from the Departments of State, Commerce, Agriculture, and ITC, as well as with trade association representatives and former USTR officials, to get their perspectives on USTR's workforce challenges. Finally, to determine which human capital flexibilities USTR was eligible for, and which could benefit USTR, we reviewed existing human capital statutes. We compared these statutory authorities with those that USTR currently uses, accounting for workforce challenges identified through USTR human capital data obtained from EOP and interviews. We conducted our work from January 2005 to September 2005 in accordance with generally accepted government auditing standards.

USTR Staff Profile

EOP provided us with recent USTR human capital data. We analyzed data in the following categories: (1) active staff, by office; (2) agencywide, full-time equivalent staff (FTE) over recent years; (3) grades; (4) retirement eligibility; (5) length of service; (6) occupations;¹ (7) active detailees; (8) position announcement fill rates; and (9) training.²

These data spanned 5 years, from January 2000 to April 2005, with the exception of detailees, the reliability of which was limited to active detailees; position announcements, available back to March 2003; and training data, which USTR could only provide back to May 2001, but up to June 2005.

Active USTR Staff by Office

As of April 2005,³ USTR had 212 active staff. USTR offices average about 8 staff, but some, such as Administration, have over 20 while others, such as South Asia, Labor, and Trade Capacity, have 2 staff each. SES or political appointees head most offices. Exceptions include one office that is headed by a staff member under special hiring authority and another office headed by a staff member at the GS-15 level. The South Asia and the Europe and Mediterranean offices are both currently headed by temporary detailees.

Table 1: Active USTR Staff by Office

| Office | Active staff |
|------------------------------|--------------|
| Office of the Ambassador | 4 |
| Deputies ^a | 7 |
| Geneva | 13 |
| Chief Agriculture Negotiator | 2 |
| Administration | 21 |
| Agriculture | 8 |
| Africa | 6 |

¹We analyzed occupation data from OPM's central personnel data file to obtain occupation data back to 1995.

²USTR's human resources office maintains training data.

³These are more detailed April 2005 data from EOP and differ slightly from staff numbers discussed above and earlier in this report, which came from a more recent July 5, 2005, USTR organizational chart.

Appendix II
USTR Staff Profile

(Continued From Previous Page)

| Office | Active staff |
|--|---------------------|
| China Affairs | 9 |
| Congressional Affairs | 3 |
| Economic Affairs | 4 |
| Environment and Natural Resources | 7 |
| Europe and Mediterranean | 11 |
| General Counsel | 13 |
| Monitoring and Enforcement ^b | 17 |
| Industry, Market Access, and Telecommunications | 12 |
| Intergovernmental Affairs and Public Liaison | 4 |
| Japan, Korea, and APEC ^c | 6 |
| Labor | 2 |
| Policy Coordination and Information | 5 |
| Public Media Affairs | 3 |
| SE Asia and the Pacific | 5 |
| Services, Investment, and Intellectual Property ^d | 16 |
| Special Textile Negotiator | 4 |
| South Asia Affairs | 2 |
| The Americas | 13 |
| Trade Capacity Building | 2 |
| WTO and Multilateral Affairs | 13 |
| Total | 212 |

Source: GAO analysis of EOP data.

Note: Active staff as of April 2005, not including temporary detailees from other agencies.

^aDeputies includes both Washington, D.C.-based deputy offices.

^bThe Monitoring and Enforcement Unit is part of the Office of General Counsel.

^cAPEC is Asia-Pacific Economic Cooperation.

^dSince we received these data, the Services, Investment, and Intellectual Property office has been reorganized into a Services office and an Intellectual Property office, both headed by GS-15 level staff acting as office heads.

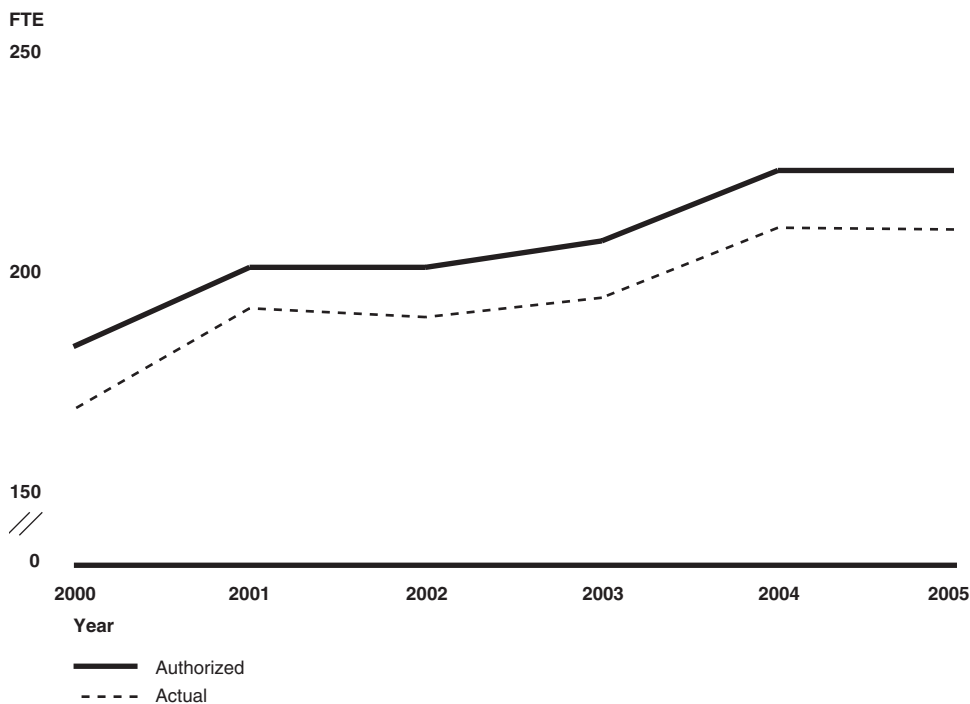
USTR Agencywide FTEs in Recent Years

USTR's use of FTEs has been guided by the number Congress has authorized.⁴ USTR's FTE authorization has increased over the past 5 years, from 185 in fiscal year 2000 to 225 in fiscal years 2004 and 2005. In those

⁴A limit on the level of authorized FTEs that USTR requests from Congress is a ceiling set within the executive branch by OMB, which reviews USTR's initial budget request, according to USTR officials.

years, USTR has actually used 171 FTEs in fiscal year 2000 and 212 FTEs by fiscal year 2005, as shown in figure 3. While there was a slight decrease in FTEs used between fiscal years 2001 and 2002, the number of FTEs USTR has used has risen steadily, along with its authorization. However, as of the middle of fiscal year 2005, the number of FTEs used has not changed significantly from fiscal year 2004.

Figure 3: USTR FTEs Authorized and Actual, Fiscal Year 2000 through First Half of Fiscal Year 2005



Source: GAO analysis of EOP data.

Note: Actual FTEs are 4th quarter data except for fiscal year 2005, which are 2nd quarter data.

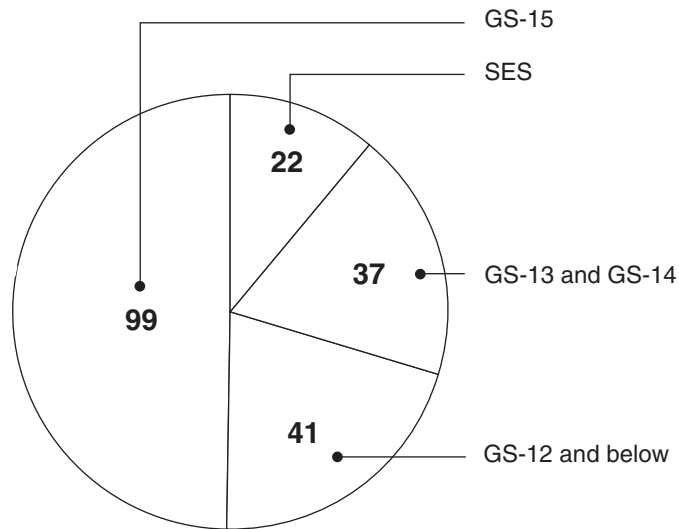
Grades

USTR's interagency leadership role is evident in its high number of middle and senior grade levels. About half of USTR career staff are at the GS-15 level,⁵ about one-sixth are GS-13 and GS-14 levels, and slightly over one-

⁵About 3 percent of the federal workforce was at the GS-15 level, as of 2004.

tenth are SES level. Another fifth of USTR personnel are GS-12 and below, which are primarily support staff.

Figure 4: Number of USTR Staff by Grade Level



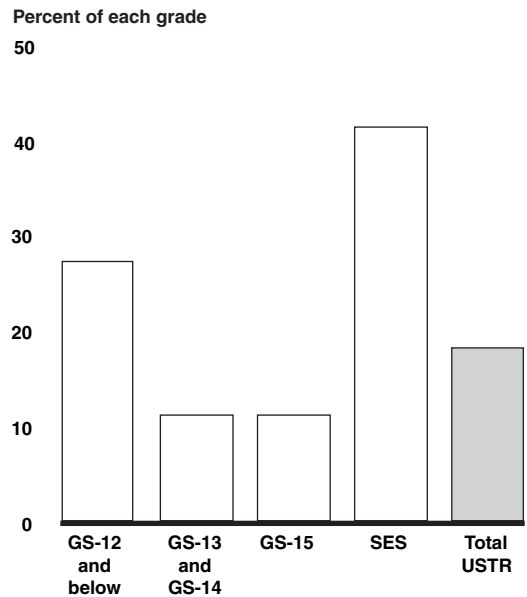
Source: GAO analysis of EOP data.

Note: Does not include 13 special employees, including presidential appointees or student employees and those classified under special hiring authority.

Retirement Eligibility

About 18 percent of all USTR staff are eligible for retirement within the next 5 years. Within individual grades, political appointees and SES have the highest percent of staff who are eligible for retirement. Among other grades, the GS-15 level, made up mostly of trade analysts and attorneys, make up the bulk of USTR staff and have one of the lowest percent of staff eligible for retirement within the next 5 years or less. (See fig. 5.)

Figure 5: Percent of USTR Staff Eligible for Retirement in 5 Years or Less



Source: GAO analysis of EOP data.

Note: Does not show political appointees or those classified under special hiring authority.

Length of Service

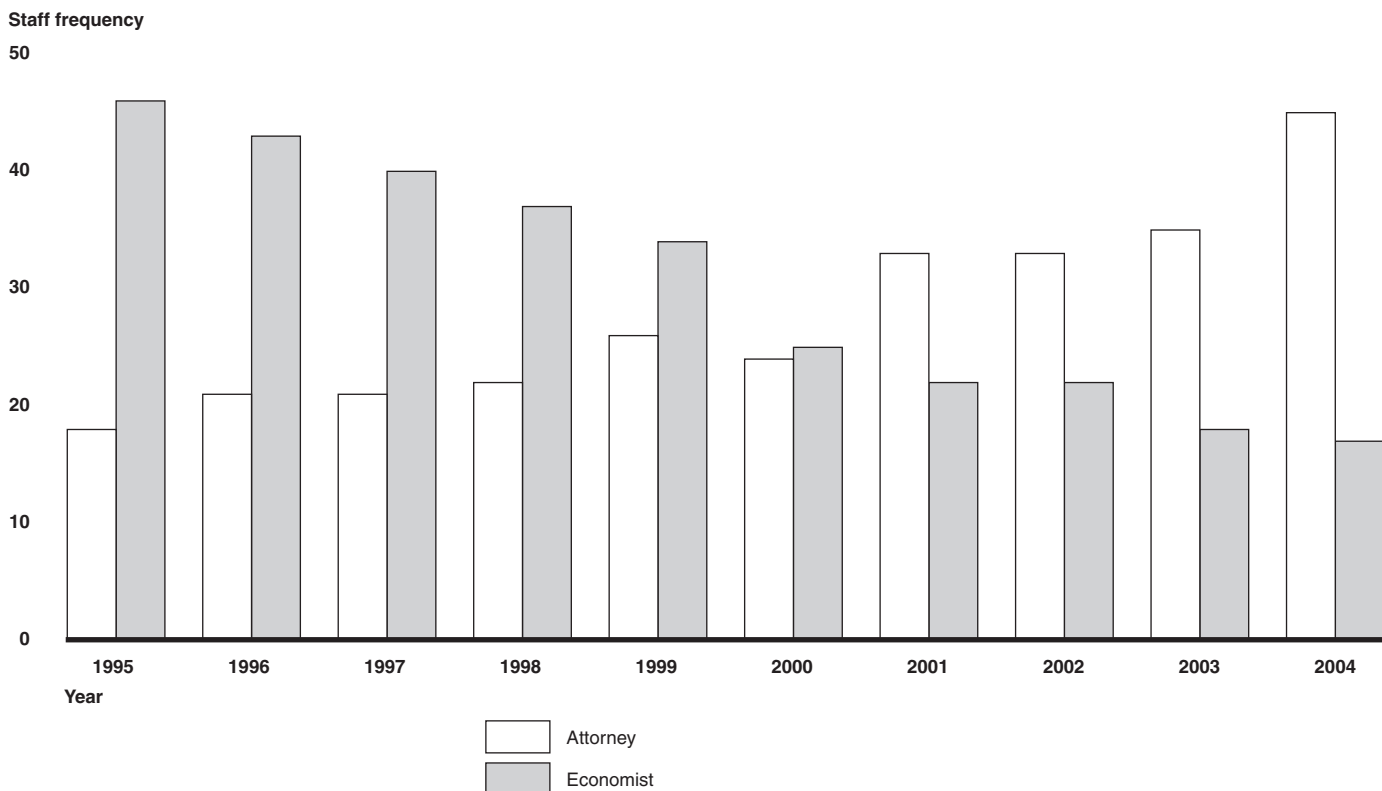
The median length of agency service at USTR for active staff is just under 4 years. About 30 percent of active staff have been at the agency for less than 2 years. However, given USTR's interagency ties, some USTR staff have longer experience within the interagency structure through service with other trade agencies.

Occupations

According to information from OPM's central personnel data file, most USTR FTEs are classified as miscellaneous administration and program occupation. This particular occupation reflects the overall FTE gains at USTR in the past 5 years. However, certain occupations, such as economists, attorneys, and support staff, illustrate different trends. For instance, in the past 10 years, the number of attorneys has increased substantially, from 18 to 45, or 150 percent, as USTR has added attorneys to address an increased litigation caseload (see fig. 6). However, during that same time period, the number of economists decreased from 46 to 17, a decrease of about 63 percent. From fiscal year 2000 through 2004, support

occupations such as clerks and secretaries also decreased. USTR officials told us that as agency functions have become more automated, the need for previous numbers of support staff decreased.

Figure 6: USTR Staff Occupation Comparison, Attorneys and Economists



Source: GAO analysis of OPM's central personnel data file.

Active Detailees

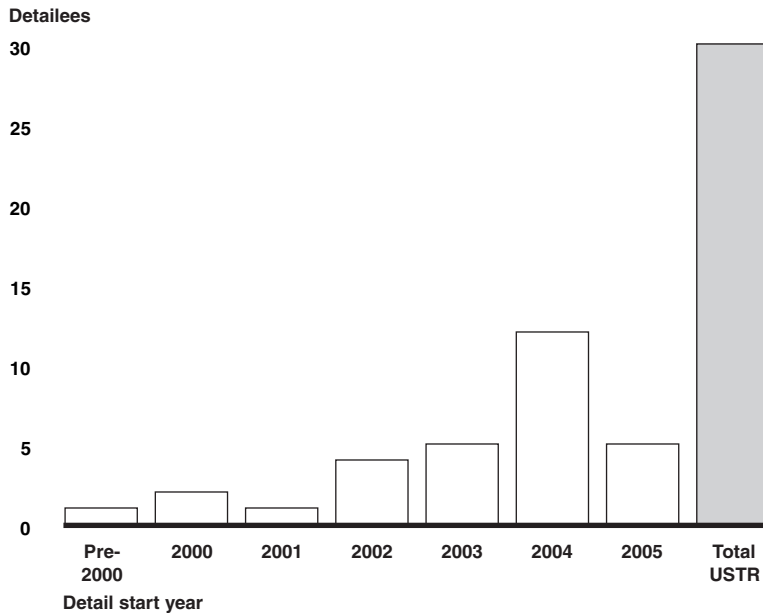
USTR had 30 active temporary detailees from other trade agencies, as of April 2005.⁶ USTR has a formal detailee program with the Department of State, and less formal agreements with other trade agencies, such as the

⁶According to EOP data, as of April 2005. These data are more detailed and differ slightly from staff numbers discussed above and earlier in this report, which came from a more recent July 5, 2005, USTR organizational chart.

U.S. International Trade Commission, Agriculture, and Commerce. However, USTR also currently uses temporary detailees from a variety of other agencies and entities, including the Congressional Research Service, the Central Intelligence Agency, the Small Business Administration, and the White House.

Out of the 30 temporary detailees assigned to USTR, most began service in 2004, as shown in figure 7. However, several current detailees were assigned to USTR before 2003, and 1 active detailee, from USDA, has been at the USTR Washington, D.C., office longer than 5 years, according to data from EOP.

Figure 7: USTR Active Detailees, by Year Detail Started



Source: GAO analysis of EOP data.

Notes: As of April 2005; includes 7 detailees assigned to Geneva, 4 of whom started in 2002 or before.

USTR Job Announcements

Most job announcements that USTR has advertised in recent years have been filled, according to EOP data. Of 79 USTR announcements EOP posted from October 2002 through March 2005, 45 announcements, or 57 percent, were filled. Of the job announcements USTR did not fill, most

were trade analysts or support staff and Information Technology positions, but three unfilled positions were attorney slots, and four were budget or human resources positions. USTR did not fill one senior human capital position, Assistant USTR for Administration, in Spring 2004, and that position remains unfilled as of October 1, 2005.

A USTR human resources official told us that the reason the agency does not fill certain announcements may vary. For instance, the agency may decide to pull announcements before they are filled, announcements may not receive qualified applications, or job offers may not be accepted. If a job announcement was not filled, USTR might post it again under a separate announcement. As a result, according to the USTR human resources official, USTR's data did not allow us to identify that multiple announcements had been made for a specific job and to link them to the position being filled on a specific date.

Training

USTR employees do not receive very much formal training. In a 4-year period from May 2001 to June 2005, 51 USTR staff took part in 76 training courses, according to USTR human resource data. A little over 80 percent of the courses USTR staff received were mission related; the rest were for personal enrichment, such as retirement seminars. Most staff who received training were GS-12 and under, and GS-15 levels. USTR staff from the offices of Administration, Americas, Agriculture Affairs, and Environment and Natural Resources received the most mission-related training over the 4-year period, while staff from other offices, such as Services, Investment, and Intellectual Property, South East Asia and the Pacific, and Europe and Mediterranean, received no mission-related training.

Human Capital Flexibilities Available to USTR

USTR is eligible to use a variety of human capital flexibilities to address its risk of future workforce challenges. Tables 2 and 3 show specific authorities that USTR is eligible to use that could address its recruitment and retention challenges.

Table 2: Flexibilities Available to USTR that Could Address Recruitment Risks

| Authority | Statutory basis | OPM regulations | Description |
|--|---|-------------------------------|---|
| Direct Hire Authority | Homeland Security Act of 2002 [P.L. 107-296, § 1312]. Found at 5 U.S.C. § 3304(a)(3). | 5 C.F.R. §§ 337.201-337.206. | Authority to directly hire employees (without using the competitive service process) for positions for which OPM has determined there is a critical hiring need or a severe shortage of candidates. |
| Recruitment and Relocation Bonus Authority | Federal Workforce Flexibility Act of 2004 [P.L. 108-411, § 101]. Found at 5 U.S.C. § 5753 | 70 F.R. 25732 (Interim rule). | Expanded authority to pay bonuses to a new hire or a current employee moving to a new position or geographic location of up to 25 percent of base pay multiplied by the years the employee has agreed to serve in a written service agreement. OPM may authorize up to 50 percent of base pay if there is a critical agency need. |
| Enhanced Annual Leave Authority | Federal Workforce Flexibility Act of 2004 [P.L. 108-411, § 202]. Found at 5 U.S.C. § 6303(e). | 70 F.R. 22245 (Interim rule). | Authority to credit relevant nonfederal service for purposes of determining annual leave accrual rates if an agency determines it is necessary for its mission or a performance goal. |

Source: GAO analysis of human capital statute.

Table 3: Flexibilities Available to USTR that Could Address Retention Risks

| Authority | Statutory basis | OPM regulations | Description |
|---|---|--|--|
| Retention Bonus Authority | Federal Workforce Flexibility Act of 2004 [P.L. 108-411, § 101]. Found at 5 U.S.C. § 5754. | 70 F.R. 25732 (Interim rule). | Expanded authority to pay bonuses to employees with unusually high or unique qualifications or to a group of employees if there is a high risk that a significant portion would likely leave. The bonus may be up to 25 percent of basic pay (50 percent for a critical agency need with OPM approval) or 10 percent for a group of employees and is subject to a written service agreement. |
| Senior Executive Service Compensation Increase ^a | Homeland Security Act of 2002 [P.L. 107-296, § 1322]; FY04 Defense Authorization Act [P.L. 108-136, § 1125]. Found at 5 U.S.C. §§ 5307(d), 5382(b). | 5 C.F.R. §§ 430.401-430.405, 530.203, 534.403. | Increased maximum rate of base pay for the SES to Executive Schedule Level II and increased cap on total annual compensation (base salary plus bonuses, awards, etc.) to the Vice President's salary for agencies certified by OPM and OMB as having a performance appraisal system which makes meaningful distinctions based on relative performance. |

Source: GAO analysis of human capital statute.

^aUSTR officials told us they are planning to eventually implement this flexibility, but they do not have a specific time frame.

Comments from the Office of the U.S. Trade Representative

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

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

November 10, 2005

Mr. Loren Yager
Director, International Affairs and Trade Issues
U.S. Government and Accountability Office
Washington, D.C. 20548

Dear Mr. Yager:

Thank you for the opportunity to submit comments from the Office of the United States Trade Representative (USTR) on the draft Government Accountability Office (GAO) report regarding USTR's human capital planning and practices. According to the draft, the GAO conducted the study to examine whether USTR is pursuing an effective human capital strategy that supports the ability of its workforce to accomplish its mission.

As GAO recognizes in its draft, USTR has a unique role in developing trade policy, resolving disagreements, and coordinating trade-related issues for presidential consideration through an interagency trade policy process. As a result, GAO, over the course of its nine-month study, went to great lengths to examine and understand all of the dimensions of that unique role, conducting over 30 hours of interviews with senior USTR managers and examining in exhaustive detail the extensive information supplied by USTR in response to requests from GAO staff. USTR dedicated all of the resources necessary to respond to this extensive investigation so as to ensure that GAO could properly evaluate the implications of its efforts with as complete an understanding as possible about USTR and its staff.

USTR agrees with GAO that its human capital is the agency's single greatest asset. As such, we invest more resources in our people than any other area. Ambassador Portman fully appreciates the direct correlation between the performance of USTR's staff and the ability of USTR to accomplish its mission. That imperative dictates that the agency carefully consider how to most effectively manage its human capital to advance its mission. We view the insights provided by this GAO study as a valuable contribution to that ongoing internal effort. However, we are disappointed that the GAO report fails to adequately recognize USTR's integration of human capital planning and development into the accomplishment of its mission.

The Proper Model: GAO uses the framework it created in its Model of Strategic Human Capital Management as the template against which it evaluated all components of existing USTR human capital policies, efforts, and successes. The report notes that the Office of Personnel Management (OPM) and the Office of Management and Budget (OMB) have also developed federal human capital standards. What we believe GAO failed to adequately factor into its analysis is that all of these models recognize one key principle: each human capital plan must be tailored to the mission, characteristics, and workforce of each agency.

USTR does its human capital planning in an integrated fashion which is tailored to its size and tightly networked organizational structure. USTR engages its detailee program and the interagency process to develop and identify potential future employees. USTR staff work

See comment 1.

Appendix IV
Comments from the Office of the U.S. Trade
Representative

See comment 2.

closely with negotiating teams from other agencies and through their work together develop and build relationships with colleagues who may join USTR in the future. As we explained in several interviews, we develop talent within USTR on an employee by employee basis by assigning employees greater responsibilities as they demonstrate greater abilities. Finally, we integrate human capital planning into our strategic planning two year budget cycle as well as through the 5-year workforce analysis reports we provide OMB. We believe our tremendous results in accomplishing our mission speak to the success of our planning.

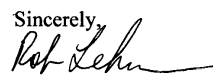
Interagency Human Capital Planning: The GAO report suggests that USTR should extend its coordinating role through the interagency trade policy process to formally overseeing the human capital planning activities of the agencies with whom we coordinate. The interagency process is very robust in the trade area. That process includes establishing long-range strategic priorities through sharing strategic plans. As explained in the interviews, USTR is in continuous discussion with the other agencies. These discussions cover support, human capital, and resources needs for each agreement and all aspects of the U.S. Trade Agenda. In addition, our interagency colleagues each have a trade component within their own respective agency missions. As such, we work together to advance the U.S. Trade Agenda and accomplish our missions together.

Commitment Moving Forward: We share GAO's general observations and recommendations regarding the critical importance of human capital planning. USTR has recently hired a new Assistant United States Trade Representative for Administration – retired Rear Admiral Fred Ames who has extensive experience with human capital development. He is a critical addition to our staff and will contribute greatly to our ongoing human capital planning efforts.

USTR's human capital is its most valuable asset, and we are constantly looking for new and more effective ways to reward, retain, recruit, and recognize the efforts of our staff. As the GAO report acknowledges, USTR has adopted a number of workforce flexibilities. Based on our conversations with the GAO, and our own internal discussions, we are committed to examine each of the flexibilities available to USTR and to take advantage of those that might strengthen our human capital and advance our mission. We are also committed to linking performance evaluations to our strategic planning to better develop and improve our workforce.

USTR's reputation and success arise from the quality of our staff, and Ambassador Portman is committed to examining and adapting our human capital planning to best serve our staff and advance our mission.

Thank you for the opportunity to give our perspectives on your report.

Sincerely,


Rob Lehman
Chief of Staff

The following are GAO's comments on USTR's letter dated November 10, 2005.

GAO Comments

1. We agree that human capital planning must be tailored to the mission and characteristics of each agency and, in fact, had stressed this critical idea at several points in the report, including the recommendations. We acknowledge the steps USTR has taken in its human capital planning and have added clarifications where appropriate to further reflect USTR's human capital planning activities and actions. However, we do not believe that these steps demonstrate a commitment to long-term strategic human capital planning. USTR's human capital planning focuses primarily on short-term responses to trade negotiating needs identified through the budget process, such as shifting staff and resources to meet the increased needs associated with particular trade negotiations. This kind of planning, while valuable, is not the same as strategic, ongoing analysis and planning for long-term agencywide workforce needs, such as retirement eligibility of senior staff or changing workforce composition and skills needs. Further, while at the conclusion of our study USTR provided us with a 5-year workforce analysis it had been required to conduct in 2001 by OMB, it was not able to show us that it had used this analysis in an ongoing manner as the basis of strategic workforce planning.
2. Our recommendation to USTR to conduct formal interagency resource planning is consistent with several of our recent reports that came to the same basic conclusion. We do not state that USTR should formally oversee the human capital planning activities of the agencies involved. Rather, we said that USTR should mitigate the risks inherent in its dependency on interagency resources by developing an interagency resource planning method with appropriate participation from key agency stakeholders. This would envision an extension of USTR's coordination role, not increased oversight over agency human capital planning activities.

GAO Contact and Staff Acknowledgments

GAO Contact

Loren Yager, (202) 512-4347

Staff Acknowledgments

In addition, Anthony Moran, Assistant Director; as well as Leyla Kazaz; Donald Morrison; and Paul Revesz made key contributions to this report. Other contributors include Martin DeAlteriis, William Doherty, Etana Finkler, Ernie Jackson, Jeffrey McDermott, Jamie McDonald, Lisa Shames, Sarah Veale, Michael Volpe, and Gregory Wilmoth.

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