



# HUMAN CAPITAL

## Effective Use of Flexibilities Can Assist Agencies in Managing Their Workforces

Highlights of GAO-03-2, a report to the Senate Committee on Governmental Affairs and to its Subcommittees on International Security, Proliferation, and Federal Services and on Oversight of Government Management, Restructuring, and the District of Columbia

### Why GAO Did This Study

An essential element to acquiring, developing, and retaining high-quality federal employees is agencies' effective use of human capital flexibilities. These flexibilities represent the policies and practices that an agency has the authority to implement in managing its workforce.

Congressional requesters asked GAO to provide information on agency and union officials' views about the most effective human capital flexibilities, additional flexibilities needed, and whether additional flexibilities could be implemented while also protecting employees' rights. GAO was also asked to identify key practices for effective use of flexibilities.

GAO interviewed the human resources directors of the federal government's 24 largest departments and agencies, and representatives of 4 national organizations representing federal employees and managers. GAO further focused its efforts on 7 federal agencies—Department of the Air Force, General Services Administration, Internal Revenue Service, International Trade Administration, U.S. Mint, State Department, and Veterans Benefits Administration—interviewing more than 200 managers, supervisors, human resources officials, and union representatives in headquarters and field locations.

### What GAO Found

#### Agency and union officials' views on human capital flexibilities.

*Most effective flexibilities.* Existing flexibilities that are most effective in managing the workforce are work-life programs, such as alternative work schedules, child care assistance, and transit subsidies; monetary recruitment and retention incentives, such as recruitment bonuses and retention allowances; special hiring authorities, such as student employment and outstanding scholar programs; and incentive awards for notable job performance and contributions, such as cash and time-off awards.

*Additional flexibilities needed.* Additional flexibilities that would be helpful in managing the workforce include more flexible pay approaches to compensate federal employees, greater flexibility to streamline and improve the federal hiring process, increased flexibility in addressing employees' poor job performance, additional workforce restructuring options, and expanded flexibility in acquiring and retaining temporary employees.

*Protection of employee rights.* Managers, supervisors, and human resources officials generally believed that additional human capital flexibilities could be implemented in their agencies while also protecting employees' rights. Union representatives, however, gave mixed views ranging from the opinion that additional flexibilities could be implemented while still protecting employee rights to concerns that managers would abuse their authority.

**Key practices for effective use of human capital flexibilities.** GAO identified six key practices for the effective use of human capital flexibilities. These practices are (1) planning strategically and making targeted investments, (2) ensuring stakeholder input in developing policies and procedures, (3) educating managers and employees on the availability and use of flexibilities, (4) streamlining administrative processes, (5) building transparency and accountability into the system, and (6) changing the organizational culture.

The insufficient and ineffective use of flexibilities can significantly hinder the ability of federal agencies to recruit, hire, retain, and manage their human capital. Congress recently debated the extent of personnel flexibilities that should be granted to the new Department of Homeland Security. While this decision was important to how the department will operate, how personnel flexibilities are implemented is equally important.