

STATEMENT OF
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before the

SENATE SPECIAL COMMITTEE ON AGING

on

HIRING AND RETAINING OLDER WORKERS
IN THE FEDERAL WORKFORCE

April 30, 2008

Mr. Chairman, Senator Smith, and Members of the Committee:

Thank you for holding this hearing to highlight the benefits of hiring older Americans and for inviting me to share with you some of the steps the Federal Government, as an employer, is taking to attract and retain experienced workers.

As our workforce ages, we have become keenly aware that a growing portion of today's workers are becoming eligible to retire with each passing year. The Office of Personnel Management (OPM) has been working with Federal agencies to develop effective human capital strategies to plan for the future. In addition to recruiting and developing younger workers with mission-critical skills, we are also diligently continuing our efforts to recruit and retain older workers with essential expertise. Many of these older Americans want to continue working and still have many productive years ahead of them.

As the Partnership for Public Service noted in its January 2008 report, *A Golden Opportunity: Recruiting Baby Boomers into Government*, older workers, on the whole, exhibit numerous attributes – such as motivation to exceed expectations, reliability, and mentoring abilities – that most employers eagerly embrace. The report also highlights some reasons why prospective job applicants who are older may be harder for employers to appeal to. These include factors such as the lack of career services networks to facilitate outreach, the tendency among older workers to view government skeptically, and their relatively more fully formed ideas about acceptable workplace conditions and application procedures. So we know we need to take all of these factors into account in developing recruitment approaches.

Although there is always room for improvement, I think it's fair to say that the Federal Government compares very favorably to the private sector in employing older workers. One of the reasons for this is that Federal employee benefits are attractive to older workers. For example, Federal employees who are covered under the Federal Employees

Health Benefits Program (the FEHB Program) can continue that coverage into retirement as long as they participate in the program for at least the 5 years immediately before they retire. (Employees with even less than 5 years of coverage may continue their health insurance after retirement if they were continuously covered under the FEHB Program since their first opportunity to enroll.)

Other workplace flexibilities the Government offers, such as flexible schedules and telework, are also attractive to a wide variety of employees, including many older workers. As the February 2008 *Report of the Taskforce on the Aging of the American Workforce* notes, many older Americans seek “flexible work arrangements to enable a greater work-life balance.” We also know that employees who telework report high levels of job satisfaction and productivity. While the appeal of telework is certainly not limited to any particular demographic group, older workers are often among those who especially welcome the opportunity to reduce time spent commuting to the office, as well as the scheduling flexibility that telework allows.

Telework is also an important element of OPM’s *Career Patterns* initiative, which we instituted to help agencies build environments suited to the 21st-century workforce. This entails reviewing individual positions and determining which workplace flexibilities, such as telework, should be offered and promoted to prospective employees in the effort to recruit talented candidates for those positions. We provided agencies with an analytic tool to help them improve the way they market job opportunities by highlighting the supportive environment agencies can provide for certain groups of job seekers. Telework, alternative work schedules, and part-time work are ways to both attract older workers and retain current employees as they grow older. The *Career Patterns* approach to recruiting can help agencies market these flexibilities more effectively with groups who are likely to find them especially attractive.

We recognize that facilitating the reemployment of retirees with critical skills is an essential element of any strategy to optimize the employment of older workers. Currently, Federal agencies can re-hire retired civil servants, but generally must reduce their salaries by the amount of their retirement annuities. It is possible for the salary offset to be waived in certain limited circumstances, but most agencies must come to OPM for approval of a waiver. The law allows OPM to grant salary-offset waivers on a case-by-case basis to agencies experiencing exceptional difficulties in recruiting or retaining qualified individuals. OPM may also delegate this authority to agencies faced with emergencies or other unusual circumstances. This authority has been used to help agencies in the aftermath of the terrorist attacks of September 11, 2001, as well as to respond to Hurricane Katrina and other national and global emergencies.

OPM’s implementing regulations for this authority had tied emergencies and unusual circumstances together, with the result that delegations of this waiver authority could be granted only in emergencies. Last fall, as one more tool to assist agencies, we issued final regulations giving agencies more flexibility to hire reemployed annuitants without a salary offset in unusual circumstances that do not involve an emergency. This change

has made it easier for agencies to reemploy needed individuals when faced with unusual circumstances.

In addition, we have developed a legislative proposal that would allow agencies – without coming to OPM for approval – to rehire annuitants on a part-time and/or time-limited basis under certain conditions, without a salary offset. This proposal, which we submitted to Congress a year ago, would permit Federal agencies to reemploy retired Federal employees, without offsetting annuity from salary, for a maximum of 520 hours in the first 6 months following retirement, a maximum of 1,040 hours in any 12-month period, and a total of 6,240 hours for any individual. While those reemployed under this authority would receive both salary and annuity payments, they would earn no additional retirement benefits based on the reemployment.

This proposal is carefully drafted to make such reemployment both attractive to annuitants and easy for agencies to use, and to avoid abuse. This will encourage individuals who otherwise would leave Government permanently to continue their service part-time, for a limited period.

In addition, we have proposed a statutory amendment that would remove the penalty in the calculation of the “high-three-years” average salary on which annuities are based, which results from part-time service at the end of a career. Current provisions governing the computation of annuities involving part-time service have an unintended adverse effect on employees who perform part-time service at the end of their careers.

These provisions affect certain employees who retire under the Civil Service Retirement System. They were designed to eliminate a potential for abuse that existed under the law in effect before April 7, 1986. While generally equitable, the current law can occasionally yield anomalous results when part-time service is involved in the computation of the “high-three-years” average salary. Moreover, it requires complex calculations that can lead to computational errors.

Our proposal would remedy this unfortunate situation, thus eliminating the potential adverse effect of part-time service performed late in an employee’s career, and also would simplify the annuity computation in cases involving part-time service. This proposal would change the computation on a prospective basis and only for those retiring after enactment.

Both of these legislative initiatives are very important to our efforts to make the Federal Government a leader in employing older Americans. We hope Congress will help us in this endeavor by giving these proposals speedy and favorable consideration.

All of the efforts I’ve described – our record of employing older workers, our benefits programs, and our legislative initiatives – demonstrate that the Federal Government, as an employer, understands and values the particular contributions mature workers can bring to the workplace. I am confident the Government will continue to be an attractive employer to older workers.

Thank you again for inviting me to discuss this important topic. I would be happy to answer any questions you may have.