

February 2003

# HUMAN CAPITAL MANAGEMENT

## FAA's Reform Effort Requires a More Strategic Approach



G A O

Accountability \* Integrity \* Reliability



Highlights of [GAO-03-156](#), a report to the Chairman, Subcommittee on Aviation, House Committee on Transportation and Infrastructure; Chairman, House Committee on Government Reform; and another requester

### Why GAO Did This Study

In 1996, the Federal Aviation Administration (FAA) undertook a human capital reform effort under one of the most flexible human capital management environments in the federal government, including broad exemptions from title 5 laws governing federal civilian personnel management. GAO was asked (1) to examine the changes FAA initiated in its reform effort, including whether they required an exemption from title 5 and their implementation status; (2) determine the effects of the reform effort according to available data and the views of FAA officials, managers, and employees; and (3) assess the extent to which FAA’s reform effort incorporated elements that are important to effective human capital management.

### What GAO Recommends

This report makes recommendations to enable FAA to develop a more strategic approach to its reform effort. By building elements that are important to effective human capital management into its approach, FAA will be better able to evaluate the effects of its initiatives, use the evaluations as a basis for any strategic improvements, and hold agency leadership accountable. FAA will also be better able to share its results with other federal agencies and Congress.

The Department of Transportation and FAA officials generally agreed with our recommendations.

[www.gao.gov/cgi-bin/gettrpt?GAO-03-156](http://www.gao.gov/cgi-bin/gettrpt?GAO-03-156).

To view the full report, including the scope and methodology, click on the link above. For more information, contact Gerald Dillingham, Ph.D., at (202) 512-2834 or [dillinghamg@gao.gov](mailto:dillinghamg@gao.gov).

## HUMAN CAPITAL MANAGEMENT

### FAA’s Reform Effort Requires a More Strategic Approach

#### What GAO Found

In 1996, FAA initiated human capital reform initiatives in three broad areas, some of which required exemption from title 5, and some of which have been fully implemented. FAA has not yet completed implementation of some key initiatives. For example, FAA’s new compensation system remains unimplemented for about one-quarter of the agency’s workforce—those staff whose unions have not reached agreements with FAA. FAA’s need to implement initiatives among a workforce with a wide range of skills and to negotiate changes with multiple unions were among factors that affected the pace and extent of reform implementation.

**Selected Initiatives within the Three Areas of FAA’s Reform, Including Whether an Exemption from Title 5 Was Required and Implementation Status**

Reform area	Initiatives	Exemption required	Status
Compensation and performance management	Broadbanded pay systems	✓	●
	Performance appraisals without ratings	✓	●
Workforce management	Workforce planning		●
	Decentralized competitive hiring	✓	●
	Delegated training management		●
	Flexible relocation policies	✓	●
Labor and employee relations	Labor partnership forums		●
	Workplace improvement policies		●

In progress ●  
 Completed ●

Source: GAO.

FAA had little data with which to assess the effects of its reform effort. While FAA human capital officials cited positive effects of FAA’s reform effort, the views of managers and employees GAO interviewed were generally less positive.

FAA’s lack of empirical data on the effects of its human capital initiatives is one indication that it has not fully incorporated elements that are important to effective human capital management into its overall reform effort. These elements include data collection and analysis, performance goals and measures, and linkage of reform goals to program goals. FAA human resource management officials said that the agency should have spent more time to develop baseline data and performance measures before implementing the broad range of reforms but that establishing these elements was a complex and difficult task. FAA has also not gone far enough in establishing linkage between reform goals and overall program goals of the organization. GAO found that the lack of these elements has been pointed out repeatedly in evaluations of FAA’s human capital reform effort, but FAA has not developed specific steps and time frames by which these elements will be established and used for evaluation. Incorporation of these elements could also help FAA build accountability into its human capital management approach.

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**Abbreviations**

CFR	Code of Federal Regulations
EEO	Equal Employment Opportunity
FAA	Federal Aviation Administration
FAACMA	FAA Conference Managers Association
FLRA	Federal Labor Relations Authority
GFT	Guaranteed Fair Treatment
GS	General Schedule
NAPA	National Academy of Public Administration
NATCA	National Air Traffic Controllers Association
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PCS	Permanent Change of Station

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United States General Accounting Office  
Washington, D.C. 20548

February 3, 2003

The Honorable John L. Mica  
Chairman, Subcommittee on Aviation  
Committee on Transportation and  
Infrastructure  
House of Representatives

The Honorable Thomas M. Davis III  
Chairman, Committee on Government  
Reform  
House of Representatives

The Honorable David Weldon, M.D.  
House of Representatives

The Federal Aviation Administration (FAA) is managing its personnel under one of the most flexible human capital management environments in the federal government. This is a result of 1995 legislation that granted the agency broad exemptions from laws governing federal civilian personnel management found in title 5 of the United States Code. Congress provided these flexibilities in response to FAA's position that the inflexibility of federal personnel systems was one of the most important constraints to the agency's ability to be responsive to the airline industry's needs and to increase productivity in air traffic control operations. In 1996, FAA announced a sweeping reform of its personnel management system. As we have reported,<sup>1</sup> major change initiatives generally require a minimum of 5 to 7 years to provide meaningful and lasting results, and so FAA's implementation of personnel reform should now be approaching a point where such results might be discernable. As some other federal agencies, such as the National Aeronautics and Space Administration, have requested similar human capital flexibilities, and others, such as the Transportation Security Administration, are now operating under similar exemptions from title 5 requirements, FAA's experiences in implementing its flexibilities could provide valuable information to Congress in considering whether to grant the use of such flexibilities at other agencies and in overseeing their use.

<sup>1</sup>U.S. General Accounting Office, *Managing for Results: Using Strategic Human Capital Management to Drive Transformational Change*, [GAO-02-940T](#) (Washington, D.C.: July 15, 2002).

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You asked us to review the status of FAA's personnel reform. As agreed, we answered the following questions:

- What changes did FAA initiate after being granted broad flexibilities in 1995 and to what extent did these changes require exemptions from title 5?
- What is the status of the implementation of FAA's human capital reform initiatives, and what factors have affected the pace and extent of implementation?
- What are the effects of FAA's human capital reform initiatives according to data collected by FAA and the views of FAA human resource and labor management officials, managers and employees, and unions?
- To what extent has FAA's reform effort incorporated elements that are important to effective human capital management in the federal government?

To answer these questions, we reviewed personnel management requirements in title 5 and the changes FAA made to its personnel management system as a part of the agency's reform effort. We collected and analyzed internal and external evaluations of different aspects of FAA's personnel reform and the available data on the results of reform. We discussed reform with agency managers and human resource management officials and union representatives and conducted 176 structured interviews of randomly selected managers and employees in 27 field facilities nationwide, 6 of FAA's 9 regional offices, and FAA headquarters. Because of limitations inherent in the relatively small sample size, we did not generalize the views and opinions of those randomly interviewed to all FAA employees. To augment the views and opinions collected from the structured interviews, we obtained and analyzed the data available on the results of the various initiatives provided by FAA's Office of the Assistant Administrator for Human Resource Management and the lines of business<sup>2</sup> and obtained the views of FAA senior managers in the five lines of business and representatives of employee associations. Finally, we considered FAA's reform effort in light of elements of strategic human capital management

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<sup>2</sup>FAA is composed of five separate organizations or lines of business: Air Traffic Services, Research and Acquisitions, Regulation and Certification, Airports, and Commercial Space Transportation.

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that we developed in 2002 and assessments of human capital management efforts and agencies' use of personnel flexibilities that we

have performed at other agencies.<sup>3</sup> Appendix I contains a more detailed description of the scope and methodology of our work. A copy of our structured interview questions with selected employee responses is provided in appendix II. We conducted our work from November 2001 to October 2002 in accordance with generally accepted government auditing standards.

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## Results in Brief

In its human capital reform effort, FAA initiated changes in three broad areas—compensation and performance management, workforce management, and labor and employee relations—some of which required exemptions from title 5. In the area of compensation and performance management, FAA introduced two initiatives—a new, more flexible pay system in which compensation levels are set within broad ranges, called pay bands, and a new performance management system intended to improve employees' performance through more frequent feedback with no summary rating. Both new systems required an exemption from title 5. In the area of workforce management, FAA undertook initiatives in workforce planning (the process by which an organization plans and manages the size, capabilities, diversity, and deployment of its workforce), hiring, training, and relocation of employees. While the planning and training initiatives generally did not require exemptions from title 5, other workforce management initiatives did require exemptions. In particular, exemption from title 5 requirements allowed FAA to establish its own competitive hiring process and bypass centralized government hiring system requirements. Finally, initiatives in the area of labor and employee relations included the establishment of new groups to represent unions and employees and a new policy initiative to promote diversity and an open work environment. Neither initiative required exemption from title 5, which continues to govern FAA's labor relations.

While FAA has fully implemented some or all initiatives in each of the three broad areas of the reform effort it began in 1996, some key initiatives have

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<sup>3</sup>U.S. General Accounting Office, *A Model of Strategic Human Capital Management*, [GAO-02-373SP](#) (Washington, D.C., March 15, 2002); U.S. General Accounting Office, *Human Capital: Effective Use of Flexibilities Can Assist Agencies in Managing Their Workforces*, [GAO-03-02](#) (Washington, D.C.: Dec. 6, 2002).

not yet been fully implemented, and the pace and extent of implementation have been affected by several factors. In the area of compensation and performance management, FAA's new compensation system has not yet been implemented for about one-quarter of the agency's workforce whose unions have not reached a new pay agreement with FAA. FAA's new performance management system had been implemented for about 20 percent of the total workforce (15 percent nonunion employees and 5 percent union employees) at the time of our review. In the area of workforce management, FAA implemented most initiatives in 1996 by allowing managers in the lines of business immediate use of new agencywide flexibilities for hiring and training employees. While FAA established similar agencywide policies for developing workforce plans for staff, this initiative has not been fully implemented. In the area of labor and employee relations, FAA implemented initiatives establishing new partnership forums for union and nonunion employees and a new model work environment program. While we did not determine all of the factors that may have affected the pace and extent of implementation, FAA's need to implement initiatives among a workforce with a wide range of skills and workplace environments and to negotiate changes with 48 bargaining units within FAA's nine unions were among factors that affected the pace and extent of reform implementation. Figure 1 shows selected initiatives in each of the three areas of reform, along with whether they required exemptions from title 5 and their implementation status.

**Figure 1: Implementation Status of Selected Initiatives within the Three Areas of FAA's Personnel Reform That Did or Did Not Require an Exemption from Title 5**

Reform area	Initiatives	Exemption required	Status
Compensation and performance management	Broadbanded pay systems	✓	◐
	Performance appraisals without ratings	✓	◐
Workforce management	Workforce planning		◐
	Decentralized competitive hiring	✓	●
	Delegated training management		●
	Flexible relocation policies	✓	●
Labor and employee relations	Labor partnership forums		●
	Workplace improvement policies		●

- ◐ In progress
- Completed

Source: GAO.

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FAA had little data with which to assess the effects of its reform effort. While FAA human capital officials cited positive effects of FAA's human capital reform effort, the views of managers and employees and union representatives were generally less positive. In the area of compensation and performance management, FAA had not systematically collected or analyzed data to support human resource management officials' view that compensation changes had increased the agency's ability to attract and retain employees. At the same time, many FAA managers and employees we interviewed were critical of the new compensation system. Nearly two-thirds (110 out of 176) of those we interviewed disagreed or strongly disagreed that the new pay system is fair to all employees. We were able to find evidence of specific concerns regarding unfairness in disparities in pay for air traffic controllers. In addition, according to representatives of FAA's Office of Labor Relations and employee unions, a general sense of unfairness over pay among some FAA employees outside of air traffic services has led to increased unionization among FAA employees. The number of employees in unions, as a percentage of the workforce, increased from 63 percent in 1995 to almost 80 percent in 2001. In the area of workforce management, human resource management officials provided limited data collected only for air marshals to support their view that external hiring times had decreased from an average of 6 months to as little as 6 weeks. In contrast, only 12 of the 46 managers we interviewed said that the speed of hiring has improved. Finally, FAA labor management officials cited a limited amount of data that indicated that the number of grievances filed at the national level by employees represented by unions had increased as evidence that new employee-union forums had not improved labor management relations. The managers and employees we interviewed had mixed views on the impact of labor and employee relations reform initiatives.

FAA's lack of empirical data on the effects of its human capital initiatives is one indication that it has not fully incorporated elements that we and others have identified as important to effective human capital management into its reform effort. These elements include data collection and analysis, performance goals and measures, and linkage of reform goals to program goals. Systems to gather and analyze relevant data provide a basis against which performance goals and measures can be applied. FAA human resource management officials said that the agency should have spent more time to develop baseline data and performance measures before implementing the broad range of reforms but that establishing these elements was a complex and difficult task. They said FAA was under significant pressure to rapidly implement reforms and that one impact of

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FAA's incremental approach to implementing the reforms was that baseline measures tended to change as more people were brought under the reformed systems. FAA has also not gone far enough in establishing linkage between reform goals and overall program goals of the organization, another element we have identified as important to effective human capital management. We found that the lack of these elements has been pointed out repeatedly in evaluations of FAA's human capital reform effort, but FAA has not developed specific steps and time frames by which these elements will be established and used for evaluation. Incorporation of these elements could also help FAA build accountability into its human capital management approach.

This report makes recommendations designed to enable FAA to develop a more strategic approach to its reform effort. By building these elements into its approach, FAA will be better able to evaluate the effects of its reform initiatives, use the evaluations as a basis for any strategic improvements to its human capital management approach, and hold agency leadership accountable for the results of its human capital management efforts. Doing so would also enable the agency to share its results with other federal agencies and Congress. In commenting on the draft of this report, the Department of Transportation and FAA generally agreed with the report's recommendations. They emphasized the complexity of the reform effort and said they have been making significant progress in developing needed elements for measuring the effectiveness of the new programs.

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## Background

The FAA's mission is to provide a safe and efficient national aerospace system. FAA's key aviation functions include regulating compliance with civil aviation safety standards and air commerce, operating the national air traffic management system, and assisting in the development of airports. The achievement of FAA's mission is dependent in large part on the skills and expertise of its workforce. FAA consists of nearly 50,000 people, organized into 5 lines of business and several staff offices. Its workforce provides aviation services including air traffic control, maintenance of air traffic control equipment, and certification of aircraft, airline operations and pilots. FAA's human resource management office is responsible for managing agencywide implementation of personnel reform and providing policy and guidance to regional human resource management divisions that manage the implementation of personnel reform within their areas of responsibility.

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In September 1993, the National Performance Review concluded that federal budget, procurement, and personnel rules prevented FAA from reacting quickly to the needs of the air traffic control system for new and more efficient equipment and flexibilities for attracting and hiring staff. In May 1994, building on these concerns, Congress directed the Secretary of Transportation to undertake a study of management, regulatory, and legislative reforms that would enable FAA to provide better air traffic control services without changing FAA's basic organizational structure. The resulting FAA report to Congress, issued in August 1995,<sup>4</sup> concluded that the most effective internal reform would be to exempt FAA from most federal personnel rules and procedures.<sup>5</sup>

In reporting on FAA's request for these exemptions in October 1995, we concluded that, if the Congress decided to provide FAA with new personnel authority, the agency could be used to test changes before they were applied governmentwide.<sup>6</sup> At that time, we emphasized the importance of establishing goals prior to the application of the new authority, noting that an evaluation of FAA's efforts after some experience had been obtained would be important for determining the success of the effort and its governmentwide applicability.

On November 15, 1995, Congress, in making appropriations for the Department of Transportation, directed the FAA Administrator to develop and implement a new personnel management system.<sup>7</sup> The law exempted FAA from most provisions of title 5 of the United States Code and other federal personnel laws.<sup>8</sup> The law required that FAA's new personnel management system address the unique demands of the agency's

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<sup>4</sup>Federal Aviation Administration, *Background Paper: Personnel Management Reform for the Federal Aviation Administration* (Washington, D.C.: August 1995).

<sup>5</sup>Unless explicitly exempted by law, all federal agencies must follow federal personnel rules and regulations under title 5 U.S.C., including rules governing how agencies (1) pay and reward employees; (2) hire, train, and transfer personnel; and (3) conduct labor and employee affairs.

<sup>6</sup>U.S. General Accounting Office, *Exempting FAA From Procurement and Personnel Rules*, [GAO/RCED-96-27R](#) (Washington, D.C.: Oct. 27, 1995).

<sup>7</sup>P. L. 104-50, Fiscal Year 1996 Department of Transportation Appropriations Act.

<sup>8</sup>Congress did not exempt FAA from provisions of title 5 pertaining to veterans' preference; antidiscrimination; federal retirement, unemployment and insurance coverage; and limitations on the right to strike.

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workforce, and, at a minimum, provide greater flexibility in the compensation, hiring, training and location of personnel. Subsequent legislation<sup>9</sup> reinstated title 5 requirements related to labor-management relations, and the Federal Aviation Reauthorization Act of 1996 placed additional requirements on FAA by requiring that any changes made to FAA's personnel management system be negotiated with the agency's unions. Accordingly, compensation levels became subject to negotiations with employee unions. On April 1, 1996, FAA introduced its new personnel management system.

In January 2001, we designated strategic human capital management as a governmentwide high-risk area.<sup>10</sup> As our January 2001 High-Risk Series and Performance and Accountability Series reports make clear, serious human capital shortfalls are eroding the ability of many agencies, and threatening the ability of others, to economically, efficiently, and effectively perform their missions.<sup>11</sup> In 2002, our studies of human capital management in the federal government identified a variety of elements—critical success factors and practices for effective implementation of flexibilities—that are important for consideration of federal human capital management efforts. For example, systems to gather and analyze data, performance goals and measures, linkage between human capital management goals and program goals of the organization, and accountability are among the elements that we have identified as essential for effective strategic human capital management. Appendix III provides an overview of our March 2002 model for strategic human capital management<sup>12</sup> and key practices for federal agencies' effective use of human capital flexibilities we identified in December 2002.<sup>13</sup>

Many of these elements relate directly to weaknesses we have identified in our recent reviews of FAA. For example, in July 2001, we reported that a

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<sup>9</sup>P. L. 104-122, Further Continuing Appropriations, Fiscal Year 1996, March 29, 1996.

<sup>10</sup>U.S. General Accounting Office, *High-Risk Series: An Update*, [GAO-01-263](#) (Washington, D.C.: January 2001).

<sup>11</sup>U.S. General Accounting Office, *Performance and Accountability Series—Major Management Challenges and Program Risks: A Governmentwide Perspective*, [GAO-01-241](#) (Washington, D.C.: January 2001).

<sup>12</sup>[GAO-02-373SP](#).

<sup>13</sup>[GAO-03-02](#).

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lack of performance measurement, evaluation, and rewards hindered the effectiveness of rulemaking reforms.<sup>14</sup> In October 2001, we reported that the overall effectiveness of FAA's training for air traffic controllers was uncertain and that FAA had not measured productivity gains from changes in controllers' duties.<sup>15</sup> We reported in June 2002 on FAA's difficulties in acquiring and developing staff to meet agency needs through air traffic control workforce planning.<sup>16</sup> Most recently, we reported in October 2002 on the inability of air traffic control management to determine the impact of new relocation policies because of a lack of baseline data.<sup>17</sup>

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## FAA Initiated Personnel Changes in Three Broad Areas, Some of Which Required Exemptions from Title 5

Once exempted from most provisions of title 5, FAA initiated a broad set of personnel changes. For the purposes of this report, we grouped them into the areas of compensation and performance management, workforce management, and labor and employee relations. Figure 2 shows some of the major initiatives in each area, as well as whether they required exemptions from title 5 personnel rules.

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<sup>14</sup>U.S. General Accounting Office, *Aviation Rulemaking: Further Reform Is Needed to Address Long-standing Problems*, [GAO-01-821](#) (Washington, D.C.: July 9, 2001).

<sup>15</sup>U.S. General Accounting Office, *Air Traffic Control: FAA Enhanced the Controller-In-Charge Program, but More Comprehensive Evaluation Is Needed*, [GAO-02-55](#) (Washington, D.C.: Oct. 31, 2001).

<sup>16</sup>U.S. General Accounting Office, *Air Traffic Control: FAA Needs to Better Prepare for Impending Wave of Controller Attrition*, [GAO-02-591](#) (Washington, D.C.: June 14, 2002).

<sup>17</sup>U.S. General Accounting Office, *Air Traffic Control: Impact of Revised Personnel Relocation Policies Is Uncertain*, [GAO-03-141](#) (Washington, D.C.: Oct. 31, 2002).

**Figure 2: Selected FAA Human Capital Reform Initiatives and Their Need for an Exemption from Title 5**

Reform area	Initiatives	Exemption required	No exemption required
Compensation and performance management	Broadbanded pay systems	✓	
	Performance appraisals without ratings	✓	
Workforce management	Workforce planning		✓
	Decentralized competitive hiring	✓	
	Delegated training management		✓
	Flexible relocation policies	✓	
Labor <sup>a</sup> and employee relations	Labor partnership forums		✓
	Workplace improvement policies		✓

Source: GAO.

<sup>a</sup>FAA is not exempt from title 5 requirements governing labor-management relations.

## New Compensation and Performance Management Systems Required Title 5 Exemption

FAA required exemption from title 5 rules in order to implement its new, broadbanded pay structure. Before obtaining that exemption, FAA paid its employees according to the General Schedule (GS) pay system mandated by title 5.<sup>18</sup> In its 1995 report to Congress, FAA stated that the GS pay system—which rewarded employees for their length of service, rather than for their competencies, skills, or accomplishments—resulted in multiple levels of supervisors at the same grade level and pay range, an inability to grant pay increases until statutorily mandated time or experience requirements were satisfied, and the administrative burden of administering about 35 special GS pay rates that were exceptions to regular pay ranges. The Office of Personnel Management (OPM) echoed these concerns in an April 2002 report.<sup>19</sup> OPM concluded that the GS system’s narrow pay ranges, time-based pay progression rules and across-the-board delivery of annual increases was not effective in promoting performance-based pay.

<sup>18</sup>The GS pay system, as defined in title 5 U.S.C. 5332, consists of 15 grades and 10 steps within each grade—each grade representing a salary range and each step indicating the level of pay an employee receives in that salary range. Over time, an employee’s pay increases as the employee progresses through the steps within the grade or is promoted. An agency must determine that an employee’s performance is at least acceptable (i.e., “fully successful”) before the employee is granted the within grade step increase.

<sup>19</sup>Office of Personnel Management, *A Fresh Start for Federal Pay: The Case for Modernization* (Washington D.C.: April 2002).

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Once exempted from these provisions of title 5, FAA replaced the traditional grade and step pay system with a broadbanded pay structure that provides for a wider range of pay and greater managerial flexibility to attract, retain, and reward employees. The new pay band system includes plans tailored to specific employee segments: a core compensation plan for the majority of nonunion employees and negotiated versions of the core compensation pay plan for employees represented by unions; a unique pay plan for air traffic controllers and air traffic managers; and an executive pay plan for nonpolitical executives, managers, and some senior professionals.

To illustrate the pay band system, under core compensation, the GS 15-grade pay schedule and step pay increases were replaced with a system in which employees are placed in a pay band under nine job categories including a specialized category that comprises eight specialized occupations. Each career category contains two to five pay bands. Each pay band represents a minimum and a maximum range of pay. For example, the base pay for a band “D” clerical support employee is at least \$23,600 but no more than \$35,400. Figure 3 shows the distribution of pay bands for career level job categories under core compensation. (For a more detailed comparison of the GS system and core compensation plan, see app. IV.)

**Figure 3: Career Level Pay Bands for Job Categories under Core Compensation**

Job category	Pay bands												
	A	B	C	D	E	F	G	H	I	J	K	L	M
Student		■	■	■									
Clerical support			■	■	■								
Administrative support				■	■	■							
Technical support					■	■	■						
Paraprofessional						■	■	■					
Professional						■	■	■	■				
Technical							■	■	■	■	■		
Engineering							■	■	■	■	■		
Specialized occupations													
Physician												■	■
Nurse/physician's assistant							■	■	■	■			
Engineering/electrical technician, transportation specialists						■	■	■	■				
Attorney							■	■	■	■	■		
Investigator, aviation safety inspector							■	■	■	■	■		
Regional office/headquarters air traffic controller							■	■	■	■	■		
Air traffic control flight service							■	■	■				
Pilot								■	■	■	■		

Source: FAA.

Note: Additional pay bands apply to management levels for all of the job categories with the exception of students.

In its 1995 report to Congress, FAA reported that the federal performance management system under title 5 limited the ability of agency managers to reward their best employees. After being exempted from this system, FAA incorporated performance management elements into the new compensation system to encourage results-oriented behavior and to recognize and reward performing employees via permanent annual salary increases. For example, under its core compensation plan, all employees are eligible for a permanent pay increase, called an organizational success increase, based on the Administrator’s assessment of the extent to which the entire agency has achieved its annual agency goals. In addition, notably high-performing individuals may receive an additional permanent pay increase, called a superior contribution increase, based on supervisory

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recommendation.<sup>20</sup> FAA has criteria for awarding superior contribution increases. These criteria include collaboration, customer service and impact on organizational success. Additional criteria may be used by some lines of business and staff offices because of their unique needs. FAA is not required to grant cost of living allowances or locality pay increases but elected to continue providing these pay adjustments, which are generally applicable to the federal pay system.<sup>21</sup>

FAA's 1995 report to Congress also stated that the federal performance management system limited the ability of agency managers to deal with unacceptable performance. FAA's legislative exemption from title 5<sup>22</sup> enabled the agency to establish its new performance management system. According to human resource management officials, this system focuses on human capital development by helping to make individual employees aware of their roles and responsibilities in helping the agency achieve its program goals and provides ongoing feedback and written evaluations to improve individual employee performance. The new performance management system incorporates a variety of feedback approaches in addition to traditional supervisor-to-employee feedback, including performance plans that discuss managers' and employees' agreements regarding job expectations and feedback from the employee to the supervisor. At the end of the performance evaluation cycle, employees receive a narrative performance summary instead of a year-end rating that defines employees' performance in specific categories.<sup>23</sup> The performance summary reflects an assessment of achievements based on outcomes and expectations, while professional competencies such as collaboration and customer service are elements of the new compensation system. As a result, the performance management system is not directly linked to pay for performance elements of FAA's new compensation system. While FAA's program documentation described union involvement and the use of

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<sup>20</sup>Under core compensation, employees that do not meet minimum requirements do not receive either of the permanent pay increases.

<sup>21</sup>Cost of living allowances are base pay differentials paid to employees working in locations outside the contiguous United States that have substantially different local economies. Federal pay rules provide locality pay for approximately 30 metropolitan areas and one area covering the "rest of the United States."

<sup>22</sup>5 U.S.C. 4302(b) and 5 C.F.R. 430.201.

<sup>23</sup>Title 5 requires the development and submission of a summary rating; since FAA's new system does not include a summary rating, the agency's exemption from title 5 enabled FAA management to adopt the new system.

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employee focus groups in the development of the system, FAA did not systematically validate the final version of the performance management system with all employees before beginning implementation in 2002. Human resource officials said they planned to validate the new system by obtaining employee input through an employee attitude survey in 2003 and through continuing negotiations with employee unions and that these would allow for continuing refinements.

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### Some Workforce Management Initiatives Required Exemption from Title 5

Some of FAA's workforce management reform initiatives required exemption from title 5 while others did not. For example, FAA's workforce planning initiative did not require an exemption from title 5. On the other hand, changes in procedures governing hiring and locating staff, as well as some training initiatives, such as fee-for-service training programs, did require exemptions from title 5.

In requesting exemption from title 5 requirements governing hiring and locating staff in 1995, FAA cited inefficiencies of working through OPM to hire and geographically place qualified staff at key facilities or to reassign employees in response to changing needs. According to an FAA staffing task force, the agency had lost highly qualified candidates because managers could not fill jobs in a timely manner. FAA estimated that it took an average of 6-8 months to bring a new hire onboard from outside the federal service using OPM as a hiring source and that it took, on average, 60 days to permanently fill a position internally. FAA also considered OPM allocations for executive positions excessively rigid, as any increases to the allocation provided had to be supported by the Department of Transportation and approved by OPM.<sup>24</sup> Moreover, FAA stated that the temporary internal movement process (from one FAA location to another), also governed by OPM regulation, was equally inflexible because it limited the duration of temporary assignments, and imposed onerous processing requirements. The movement process required paperwork to be processed every 120 days and could require up to seven separate personnel actions for a 2-year temporary assignment.

FAA's 1995 request for flexibilities in the area of training was based on perceived redundancies and inefficiencies in its training programs. According to an FAA personnel reform training task force report in 1996,

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<sup>24</sup>5 U.S.C. 3392, 3393.

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centralized agency training programs required by title 5<sup>25</sup> provided standard training that did not always address specific business needs. FAA also requested exemption from title 5 in order to have flexibility to provide unfunded or partially funded moves of employees to locations where they and their skills are most needed. According to FAA Air Traffic Services and human resource management officials, FAA historically interpreted title 5 rules as a requirement to fully reimburse all Permanent Change of Station (PCS) moves since the agency considered all such moves to be in the interest of the federal government.

After Congress provided FAA with its new flexibilities, FAA developed a new framework for workforce planning to guide executive, occupational, and managerial/supervisory workforce planning. This did not require an exemption from title 5. With regard to hiring, FAA used its exemption from title 5 to establish hiring policies that allow FAA to hire applicants directly from outside the government and from other federal agencies without going through OPM. To do so, FAA established three hiring approaches: (1) using centralized registers, (2) announcing vacancies, and (3) authorizing on-the-spot hiring.<sup>26</sup> According to FAA human resource management officials, the agency also used its exemption from title 5 to streamline staffing by decreasing the number of appointment types from 14 to 2 (temporary and permanent) and hiring authorities from approximately 500 to 1.<sup>27</sup> FAA also established a flexible system for adjusting the number of executive positions in response to shifting agency priorities. This new system allows the Administrator to establish new executive positions and reassign and select the top management team.

In the area of training, FAA (1) delegated responsibility for managing training funds and programs to its lines of business, (2) allowed users to select training from multiple providers, (3) created fee-for-service training

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<sup>25</sup>5 U.S.C. 4107.

<sup>26</sup>FAA uses on-the-spot hiring for specific occupations designated as hard-to-fill (such as engineers at certain levels) and for special appointing authorities such as outstanding scholar and welfare-to-work.

<sup>27</sup>According to the *Accompanying Report to the National Performance Review, HRM01: Create a Flexible and Responsive Hiring System* Office of the Vice President, (Washington, D.C.: 1993): the federal hiring “system is overly constrained by statute and regulation; over 300 appointing authorities provide little useful management information and require interpretation by personnel specialists.”

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programs, and (4) provided broader authority to fund degree programs for employees. The latter two initiatives required exemptions from title 5.<sup>28</sup>

Another area of workforce management for which FAA used its exemption from title 5 requirements was relocating employees.<sup>29</sup> As part of its reform, FAA delegated the authority to determine eligibility for and amount of benefits to each line of business and provided three PCS funding options: (1) full PCS reimbursement, (2) fixed relocation payments,<sup>30</sup> and (3) unfunded moves. As before reform, if the move is in the interest of the government, FAA will fully reimburse the individual for costs associated with the move.<sup>31</sup> Under the new PCS rules, if FAA determines that it will derive some benefit from a move, even though the move is not in the interest of the government, the agency may offer a fixed relocation payment of up to \$25,000. If a move is not in the interest of the government and FAA does not determine that it will derive some benefit from the move, there is no basis for offering PCS funding. However, as a result of FAA's personnel reform, employees may choose to make unfunded moves at their own expense for personal reasons, to gain experience needed for professional advancement, or for promotion.

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## Most Labor and Employee Relations Initiatives Did Not Require Exemptions

FAA was ultimately not exempted from title 5 requirements governing labor-management relations. As part of its overall reform effort, it undertook several initiatives in the area of labor relations that did not require exemption from title 5. For example, FAA and its unions established a new forum—the National Labor Management Partnership Council—for union representatives and senior management to exchange information and ideas. To improve overall employee relations, FAA also established a new forum for nonunion employees to facilitate communications between employees and FAA management that also did

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<sup>28</sup>While FAA was granted an exemption from title 5 training requirements by Congress, the President also has the authority to exempt federal agencies from title 5 training requirements (5 U.S.C. 4102(b)).

<sup>29</sup>5 U.S.C. 5724 and 5724a.

<sup>30</sup>For a more detailed discussion of FAA's use of PCS benefits, see [GAO-03-141](#).

<sup>31</sup>Under title 5 rules, federal agencies may elect to pay for the expenses of transportation of immediate family and of household goods and personal effects to and from the assignment location for a PCS move when it is in the interest of the federal government.

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not require an exemption from title 5.<sup>32</sup> Similarly, in consultation with union and nonunion employee groups, FAA developed a new policy promoting a Model Work Environment to create and maintain an effective working environment for its employees by managing diversity and practicing equal employment opportunity and affirmative action. In addition, on July 1, 1998, FAA established an Accountability Board to standardize procedures to insure management's uniform and effective handling of sexual harassment allegations and related misconduct of a sexual nature. In July 2000, the scope of the Board was expanded to include harassment and other misconduct that creates or may create an intimidating, hostile or offensive work environment based on race, color, religion, gender, sexual orientation, national origin, age and disability. The establishment of the Board did not require exemption from title 5.

FAA required exemption from title 5 to establish the Guaranteed Fair Treatment Program, an alternative dispute resolution method in which a three-person review panel adjudicates employee grievances. FAA intended the new program to be the only method by which employees not covered by a union agreement could seek administrative reviews of grievances and to replace the traditional approach under title 5 rules involving the Merit Systems Protection Board.<sup>33</sup> (As discussed later, FAA was later required by Congress to reinstate the traditional title 5 process and now offers employees the choice of the two processes for resolving disputes.)

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## Key Elements of Personnel Reform Have Not Yet Been Fully Implemented

While FAA has completed many of the initiatives that required changes to policy and procedures, it has not yet completed implementation of some of the more complex elements of the personnel reform it began in 1996, specifically compensation and performance management systems and workforce planning initiatives (see fig. 4). FAA officials said that the diversity of skills and duties of FAA's workforce as well as negotiations with unions that represented a large number of employees has slowed somewhat the pace and extent of implementation of compensation and performance management initiatives.

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<sup>32</sup>5 C.F.R. 251.

<sup>33</sup>OPM has recognized the need to reduce costly and time-consuming formal complaints and grievances and encourages federal agencies to resolve disputes at the lowest possible level through a variety of alternative dispute resolution methods (60 *Federal Register* 47039, September 11, 1995).

**Figure 4: Implementation Status of Selected FAA Personnel Reform Initiatives**

Reform area	Initiatives	Status
Compensation and performance management	Broadbanded pay systems	In progress
	Performance appraisals without ratings	In progress
Workforce management	Workforce planning	In progress
	Decentralized competitive hiring	Completed
	Delegated training management	Completed
	Flexible relocation policies	Completed
Labor and employee relations	Labor partnership forums	Completed
	Workplace improvement policies	Completed

-  In progress
-  Completed

Source: GAO.

According to the Assistant Administrator for Human Resource Management, FAA's implementation strategy was to establish a broad policy framework and then focus incrementally on individual elements of reform to eventually achieve full implementation. Between April 1996 and October 1998, for certain workforce management and labor and employee relations initiatives, FAA defined the new flexibilities available through agencywide "corporate" policies and then empowered the individual lines of business to adapt and make use of the new tools as appropriate. According to human resource management officials, these initiatives helped FAA "jump-start" its reform effort, while other reform initiatives, such as compensation, required varying incremental degrees of development because of the diverse characteristics of FAA's workforce. Human resource management officials said other initiatives, such as workforce planning, were considered to be of a lower priority in terms of implementation.

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## Most Employees Are Paid Under New Compensation Systems, but Implementation of the New Performance Management System Has Been Limited

As of September 30, 2002, FAA had fully implemented its broadbanded compensation plans, including the performance incentive increases, for about three-quarters of the agency's workforce. About 8,000 nonunion employees are paid under the core compensation plan, all senior executives (about 180) are paid under the executive compensation plan, and about another 9,000 employees represented by three of FAA's nine<sup>34</sup> unions are paid under negotiated versions of the core compensation plan. Because the performance incentive elements of the new system were not incorporated until late 2001, fiscal year 2002 will be the first year in which all employees under core compensation experience a full cycle with all the elements of its reformed compensation system fully in place.<sup>35</sup> In addition, more than 19,000 air traffic controllers are paid according to a specialized, negotiated pay plan that includes pay banding<sup>36</sup> and superior contribution increases. The remainder of FAA's workforce (about 13,000),<sup>37</sup> most notably those union employees whose union has not reached a new agreement with FAA, continues to be compensated under the traditional GS grade and step system under title 5 rules, as shown in figure 5.

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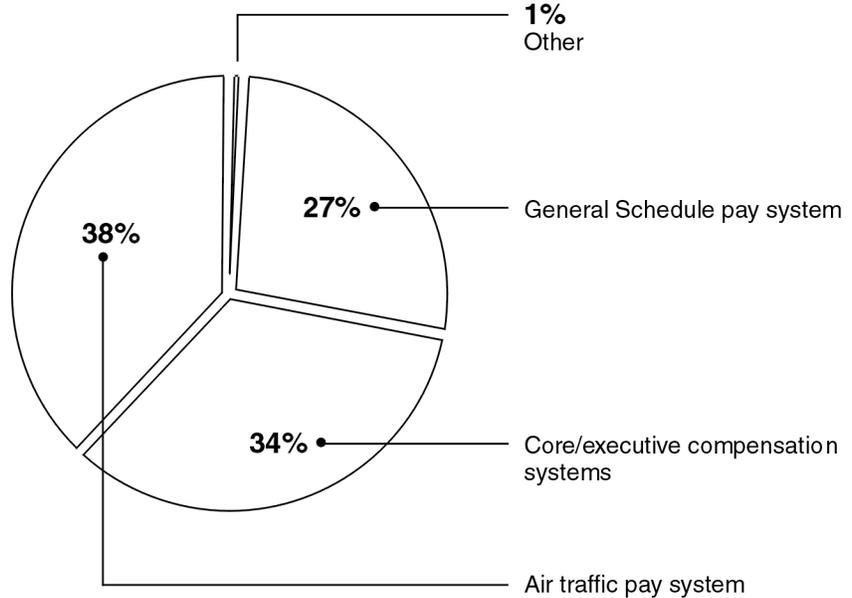
<sup>34</sup>Nine different unions represent various employee segments at FAA. Bargaining units within each union represent a specific employee segment based on profession or technical area. For example, NATCA has a bargaining unit called NATCA-AT for air traffic controllers, as well as five separate bargaining units collectively known as NATCA-AF, which represents engineers and architects that manage the maintenance of equipment at air traffic control facilities and perform other air traffic-related operations. In total, there are 48 different bargaining units at FAA.

<sup>35</sup>The research and acquisition organization and the office of the chief information officer participated in a pilot of the complete Core Compensation Plan, which included assessment and payout under the organizational and individual performance-based pay elements.

<sup>36</sup>Air traffic control pay bands are based on the amount of air traffic and complexity of airspace controlled by its field facilities, rather than solely on the roles and responsibilities of the air traffic control position description.

<sup>37</sup>In addition, approximately 330 FAA employees are paid under a prevailing rate, locality-based system similar to that applicable to federal blue-collar employees.

**Figure 5: Compensation Systems Applicable to FAA's Workforce**



Source: FAA.

Note: "Other" includes the wage grade plan for employees paid by the hour.

The implementation of FAA's new performance management system has not yet been completed for most FAA employees. In 1995, prior to its reform effort and in response to new performance management regulations issued by OPM,<sup>38</sup> FAA decided to establish a separate way of managing performance. At this time, it uncoupled its performance management system from its compensation system, based performance appraisals on a two-tiered evaluation ("meets expectations" or "does not meet expectations") of employees' performance against performance standards, provided for year-end summary ratings, and established supplemental criteria (such as making a significant contribution to the efficiency, economy, or improvement of government operations) to use as a basis for merit pay. In 1999, as part of its reform effort, FAA began development of a new performance management system. This new system consists of a narrative evaluation of employees' performance against performance standards combined with feedback and coaching. The new performance

<sup>38</sup>Office of Personnel Management, *Deregulation of Performance Management and Incentive Awards: Final Rule*, 5 C.F.R. 430 et al., 60 *Federal Register* 43936, August 23, 1995.

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management system does not provide for a year-end summary rating or a basis for merit pay. Instead, the new compensation system includes criteria that are separate and distinct from the performance management system (such as collaboration, customer service, and impact on organizational success) for awarding merit-based pay raises, which are called superior contribution increases. FAA implemented this new performance management system on October 1, 2001, for the Office of Human Resource Management, the Office of Regions and Center Operations, and the Regulation and Certification line of business. Since October 2001, additional staff in a variety of FAA organizations have been placed under the new performance management system, bringing the total under the system to about 20 percent of FAA's total workforce. As with the compensation system, the new performance management system must be included in the negotiated agreements with FAA's employee unions.

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### While Most Workforce Management Initiatives Have Been Completed, Workforce Planning Is in Progress

FAA implemented most workforce management initiatives in 1996 by defining the flexibilities available through agencywide "corporate" policies<sup>39</sup> and empowering the individual lines of business to adapt and make use of the new tools as appropriate for their staff. The individual lines of business adapted agencywide policies detailing the flexibilities available for hiring, training, and relocating employees by issuing parallel policies to guide their respective workforces and address any applications unique to their staff. While FAA established similar agencywide corporate policies and guidance for developing workforce plans for three staff levels—executive, managerial and supervisory, and occupational—this initiative is still under way.<sup>40</sup> FAA began its executive workforce planning in November 2000. Development of Individual Development Plans for executives—the final element of the executive workforce planning effort—was originally scheduled to be finalized in August 2001 but was still under way at the time of our review. FAA has not yet initiated its managerial and supervisory workforce planning effort. This effort is set to begin in fiscal

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<sup>39</sup>Agencywide policies governing travel were published in 1998.

<sup>40</sup>Workforce planning is the process by which an organization plans and manages the size, capabilities, diversity, and deployment of its workforce. It should include developing strategies for integrating hiring, recruiting, training, and other human capital activities in a manner that meets the agency's long-term objectives to ensure that appropriately skilled employees are available when and where they are needed to meet an agency's mission. Workforce plans should include the collection of valid and reliable data on such indicators as distribution of employee skills, retention rates, and retirement eligibility by occupation and organizational unit.

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year 2003. FAA's occupational workforce planning, which was originally scheduled to be completed in September of 2001, was still under way at the time of our review. Human resource management officials said that four of the five lines of business—Airports, Air Traffic Services, Regulation and Certification, and Research and Acquisitions—had completed their occupational workforce plans, and the remaining line of business—Commercial Space Transportation—was still developing a plan.

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### Labor and Employee Relations Initiatives Have Been Implemented

FAA announced a series of agencywide policies governing labor and employee relations in 1996 that established the National Labor Management Partnership Council, the National Employees Forum, the Guaranteed Fair Treatment Program, and a policy promoting a Model Work Environment. FAA required less time to develop and implement these changes because comparable labor and employee representative groups were already in place prior to the reform effort and FAA had existing appeal processes and workplace improvement policies that served as a basis for the Guaranteed Fair Treatment Program and Model Work Environment.

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### Characteristics of FAA's Workforce and the Need to Negotiate Changes Have Affected the Pace and Extent of Reform Implementation

The variety of skills and areas of technical expertise represented in FAA's workforce has affected the implementation of the agency's new compensation plan. For example, the agency has a unique pay plan for air traffic controllers in the field based on the complexity of the facility, while FAA's new core compensation plan is based on the duties and responsibilities of 16 different types of positions (ranging from students to pilots to physicians).

The schedule for implementing changes in compensation and performance management has been dictated, in part, by the timing of negotiations with employee unions and the ability of FAA and its unions to reach agreement on the new systems. For example, because FAA's contract with the National Air Traffic Controllers Association (NATCA), the organization representing FAA's largest group of unionized employees, had expired, management had to negotiate a new agreement in 1998 before it had completed development of its new core compensation pay plan. While the air traffic pay plan, like the core compensation plan, is intended to include annual pay increases based on individuals' performance, these performance-based increases have not been implemented as intended due to an unresolved dispute between NATCA and FAA management over the details of implementation. As a result, the air traffic pay plan distributed annual performance-based

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incentive pay equally among all union members for fiscal years 1999, 2000, and 2001, unlike the core compensation plan developed for the rest of the agency in which only higher performing individuals may receive performance-based incentive pay. At the time of our review, FAA and the air traffic controllers union had not yet determined how fiscal year 2002 and future years' incentive pay increases would be allotted.

According to human resource management officials, the new core compensation has not been negotiated for union employees that represent about 30 percent of FAA's total workforce, and the need to negotiate the incorporation of compensation and performance management initiatives into union contracts has increased the length of time needed to negotiate some contracts. For example, before 1996, FAA and the Professional Airways System Specialists union took from 3 to 14 months to negotiate an agreement, but the negotiation time more than doubled to 29 months for the latest agreement. FAA and the National Association of Air Traffic Specialists have been attempting to negotiate a new contract since 1997, and the parties had not yet reached agreement at the time of our review. Labor relations officials attributed increases in negotiation times to the expanded scope of contract negotiations, which now includes negotiating compensation that historically was not negotiated. The performance management system has also not yet been implemented for most of the unionized segments of the agency's workforce. According to FAA officials, 2,324 union employees in FAA's Office of Regions and Center Operations and Office of Public Affairs, representing only about 5 percent of FAA's total workforce represented by unions, were under the new system at the time of our review.

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## FAA Had Little Data on Reform's Effects, and Views of FAA Officials Often Differed from Views of Managers and Employees We Interviewed

FAA had little or no data on the effects of many of the reform initiatives. Human resource management officials cited positive effects of the reform initiatives in the areas of compensation<sup>41</sup> and workforce management, while in the area of labor and employee relations, labor management officials provided a limited amount of data suggesting that labor relations had not improved. Managers and employees with whom we spoke in our interview effort generally cited less positive views on the effects of reform initiatives.

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## FAA Lacked Data on Effects of Compensation Changes; Officials Said Compensation Changes Increased Flexibility, While Managers and Employees Perceived Inequities in the New Pay System

FAA had not systematically collected or analyzed data to determine whether the new compensation system had achieved its objective of increasing the agency's ability to attract and retain employees. Human resource management officials said the new compensation system had achieved this objective. They said the initiative had made the agency more competitive in hiring because FAA can now offer higher starting salaries within the wider-range of pay afforded by the pay bands. In addition, air traffic officials we spoke with said that the air traffic control pay plan has made it easier to staff hard-to-fill positions at busier air traffic facilities. They noted, however, that they did not have a definition for hard-to-fill positions and had not tracked the extent to which positions they might consider hard to fill had been filled more or less quickly since the new pay plan was instituted.

In contrast, many FAA managers and employees we interviewed were critical of the new compensation system. Nearly two-thirds of those responding to our structured interview (110 of 176) disagreed or strongly disagreed that the new pay system is fair to all employees.<sup>42</sup> While we did not attempt to evaluate the concerns raised during interviews, we did find some evidence that helps explain these perceptions of unfairness. For example, concerns about air traffic controller pay disparities are supported

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<sup>41</sup>Because 2001 was the first year of implementation for the new performance management system, we did not obtain views on its effects.

<sup>42</sup>In our interview, we did not specifically ask whether managers' and employees' perception of the fairness of the new compensation system was based on its treatment of protected categories such as sex or race, but no interviewees mentioned this issue in their elaboration of their views.

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by a Department of Transportation Inspector General report. This report found that FAA's initial implementation of the new compensation system led to inequities in pay between air traffic managers, supervisors, and specialists in field facilities, who are covered by the air traffic pay plan that FAA negotiated with NATCA in October 1998, and a much smaller group of air traffic managers and supervisors in regional and headquarters locations, who (together with other FAA managers and employees) are covered by the new core compensation plan. Because of differences between the two plans, managers and employees transferring from regional and headquarters locations to field facilities were not eligible for the same pay increases as those who were already assigned to field facilities in October 1998.

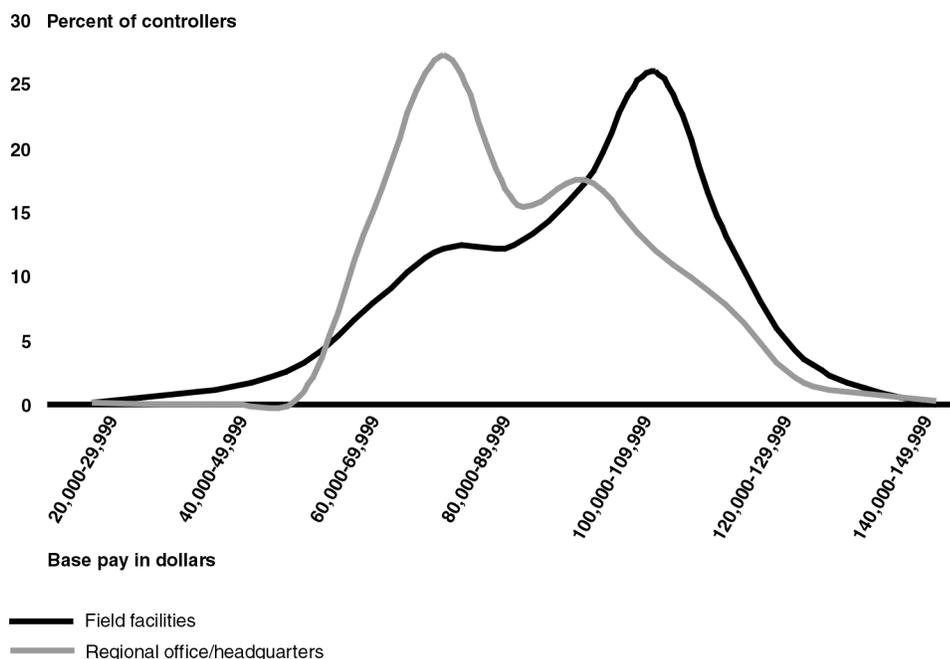
To address this situation, FAA issued new guidance in July 2001 that established consistent rules for setting pay when employees move within and among the various pay systems in FAA, including movements between field positions and positions in regional offices and headquarters. Even so, perceptions of unfairness persist. According to the President of the FAA Conference Manager's Association (FAACMA), the new guidance created the perception among some managers and employees of a financial disincentive for air traffic controllers to move from field facilities to regional offices or headquarters to gain supervisory and managerial experience. Further, the FAACMA President, as well as some controllers with whom we spoke, stated that such a move would result in a significant loss of pay—generally about \$10,000 to \$20,000. "Because of pay discrepancies," one regional air traffic manager said, "we can't get highly paid employees to move over to management positions." Human resource management officials said that, while some field employees who move to positions in regional offices or headquarters would see a pay reduction of \$10,000 or \$20,000, not all such moves would result in such a pay reduction.

According to our review of FAA's July 29, 2001, guidance, an unfair disparity in pay between air traffic controllers would be created only when managers and employees were paid above or below established pay bands. At our request, FAA analyzed the salaries of its air traffic control staff and determined that 327, or fewer than 2 percent, of about 20,000 controllers (including supervisors, managers, and employees) were paid above current pay band maximums. (FAA's analysis did not identify any staff being paid below established pay band minimums for their positions.)

When we compared the distribution of 2002 base pay for all air traffic controllers in field facilities and in regional and headquarters facilities, we

found that the regional and headquarters controllers are generally paid less under core compensation than the field controllers are paid under the air traffic pay plan. As shown in figure 6, the percentage of controllers paid between \$100,000 and \$130,000 is smaller in the regions and in headquarters than in the field. This is consistent with FAA's goal of providing higher levels of pay to controllers in an operational environment. In addition, the percentage of controllers paid between \$60,000 and \$80,000 is greater in the regions and in headquarters than in the field.

**Figure 6: Compensation of Air Traffic Controllers in Field Facilities and Regional and Headquarters Offices, 2002**



Source: FAA.

According to human resource management officials, the pay rates of many field employees and supervisors can be accommodated within the pay ranges of regional office and headquarters management positions, as shown above. Thus, they said that pay discrepancies should not affect the ability to entice field employees to move into management positions. However, it is understandable that some air traffic managers and controllers perceive a financial disincentive for moving from the field to a regional office or headquarters because, although the range of pay under

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both systems is comparable, the number of higher paid positions is greater in the field than in the regional offices or headquarters. To the extent that these perceptions persist, FAA may find it more difficult to place its most experienced air traffic managers in regional offices and headquarters. However, this disparity is consistent with FAA's goal of basing pay on the operational environment and is explicitly stated in FAA's July 2001 pay plan for air traffic managers and controllers.

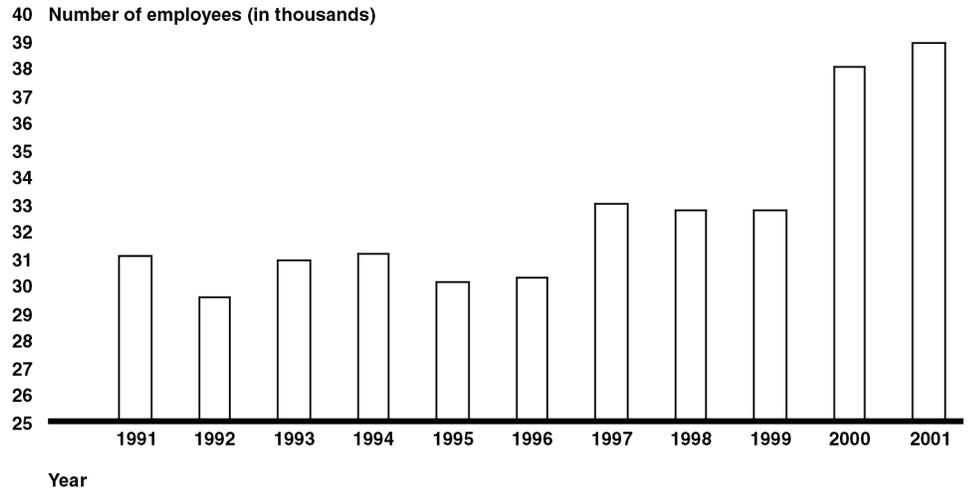
A general perception of unfairness regarding FAA's new compensation system has led to increased unionization among FAA employees outside of the air traffic services line of business as well as within it, according to both internal and external sources. FAA human resource officials said that considerable unionization began before such systems as core compensation were implemented and that most concerns cited during unionization efforts were of uncertainty and loss of guarantees, not of unfairness. However, the introduction of the pay system corresponded with an acceleration in the increase in employees seeking union representation after FAA began its reform effort. For example, employees represented by unions (as a percentage of FAA's total workforce) increased from 63 percent prior to the reform in 1995 to 66 percent in 1998 and to 79 percent by 2001. FAA labor relations officials and FAA spokespersons for new unions at FAA told us that a perceived inequity regarding pay was the prime reason new unions were formed. A 1999 study by the National Academy of Public Administration (NAPA) also found that real and perceived inequities in levels of pay were "major contributors to the view among a growing number of [FAA] employees that you must belong to a union to get your fair share."<sup>43</sup> A more recent FAA study in 2001 likewise acknowledged that the new pay system "may be one possible explanation" for the increase in unionization.<sup>44</sup> Between 1998—when FAA began testing and implementing its new pay system—and 2001, the number of employees choosing representation by unions increased nearly 20 percent (from about 32,800 to more than 38,800 employees). Figure 7 shows the number of FAA employees represented by unions from 1991 through 2001.

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<sup>43</sup>*Personnel Reform in the Federal Aviation Administration*, National Academy of Public Administration, August 1999.

<sup>44</sup>*Phase II Evaluation: A Snapshot of Core Compensation Plan Implementation in FAA*, Assistant Administrator for Human Resource Management Evaluation Staff, FAA, September 2001.

**Figure 7: Number of FAA Employees Represented by Unions, 1991-2001**



Source: FAA.

Because FAA had not completed a full appraisal cycle for staff under its new performance management system at the time of our review, FAA had little data, and we were not able to obtain the views of managers and employees on the effects of the new system. We noted that FAA's performance management approach does not use a multi-tiered rating system to rate performance. We have previously raised concerns that such approaches may not provide enough meaningful information and dispersion in ratings to recognize and reward top performers, help everyone attain their maximum potential, and deal with poor performers. According to human resource management officials, the compensation system provides a means of recognizing and rewarding top performers through separate assessments not directly linked to performance assessments under the performance management system.

The measurable element related to performance management is the number of employees that receive superior contribution increases under FAA's new compensation system. About 20 percent of employees are to receive the highest superior contribution increases (1.8 percent addition to base pay) and 45 percent are to receive the next highest level of superior contribution increases (0.6 percent increase in base pay).

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## Human Resource Management Officials Had Limited Data to Support Their Views that Workforce Management Initiatives Had Increased Flexibility, While Some FAA Managers Were Less Positive

Whereas human resource management officials provided some limited data to support their views that reform initiatives had improved the agency's flexibility in hiring and relocating employees, the managers we spoke with were less likely to see positive results. According to human resource management officials, FAA's use of the new hiring flexibilities, though restricted by hiring freezes, has reduced external hiring times from an average of 6 months to as little as 6 weeks. They said the examples they provided for air marshal hiring were intended to provide an illustration that the policies allow positions to be filled quickly, even in the case of large recruitment efforts. However, the Department of Transportation's Office of Inspector General, when reviewing FAA's personnel reform in 1998, questioned FAA's ability to support this assertion in the absence of data.<sup>45</sup> (See fig. 8.)

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### Figure 8: Inspector General's Comments on the Effects of Personnel Reform on Hiring Times

*"FAA has repeatedly claimed that personnel reform has reduced the time to hire external candidates from an average of 6 months to an average of 6 weeks, but it was unable to provide any documentation to substantiate those claims."*

Source: Department of Transportation, Office of Inspector General.

Throughout our review, we asked FAA officials from both the human resource management office and lines of business for any documentation or data to support the reduction in hiring times and they were unable to provide any such data. At the close of our review, however, human resource management officials cited some limited data resulting from the Federal Air Marshal Program. According to FAA human resource management officials, the program following the terrorists' attacks on September 11, 2001, was one of the largest recruitment efforts ever undertaken by FAA. (FAA received and processed more than 200,000 applications.) According to FAA officials, it would not have been possible to fill the air marshal positions in the numbers and time frames required without the flexibilities available under FAA's personnel system. They provided data reflecting a sample of approximately 1,000 candidates for the

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<sup>45</sup>Department of Transportation, Office of Inspector General, *Personnel Reform: Recent Actions Represent Progress But Further Effort Is Needed To Achieve Comprehensive Change*, Sept. 30, 1998.

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air marshal positions. Of those candidates hired, about 30 percent (140) were hired and placed within 6 weeks. In total, 70 percent (333) were hired and placed within 8 weeks.<sup>46</sup>

In contrast to the positive views of human resource management officials, FAA managers had less positive views on the effects of hiring reforms, while employees, who are less involved in the hiring process, had mixed views. Among the 46 managers we interviewed, only about a third (15) agreed or strongly agreed that the initiatives have improved the ability of their line of business or staff office to fill job vacancies. Furthermore, only 12 of the 46 managers believed the speed of hiring has improved. These opinions, while not necessarily representative of all FAA managers today, are similar to the views expressed by FAA managers in 1998.<sup>47</sup> According to a survey FAA conducted then, 34 percent of managers responding said that FAA's streamlined staffing procedures had made it easier to fill vacancies in their organization, and 32 percent said the speed of hiring had improved.

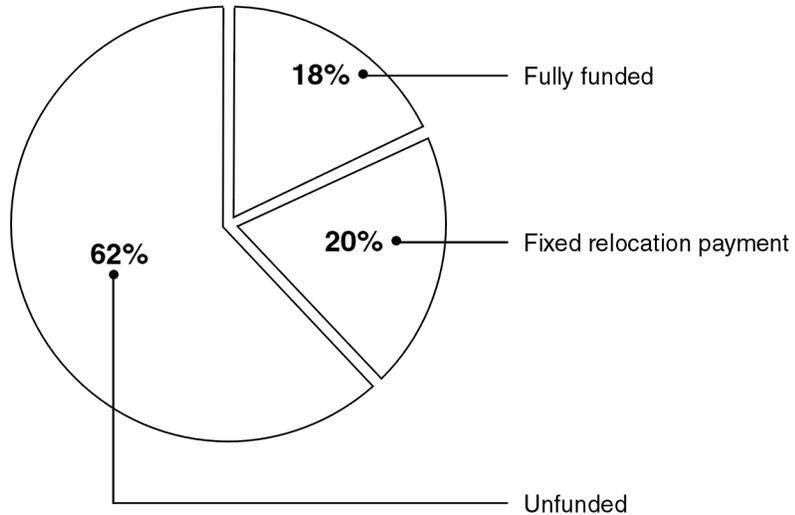
Human resource management officials also said that new policies governing the relocation of employees had given managers more flexibility in relocating employees and employees more flexibility in making career decisions. Under these new policies, FAA may provide fixed relocation payments as well as full funding for PCS moves, and it allows unfunded moves, which were not allowed under FAA's prior policy. Figure 9 shows that the majority of moves between field offices for managers from fiscal year 1999 through 2001 (the only years and type of moves for which data were available) were unfunded.

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<sup>46</sup>GAO is conducting a separate review of the hiring and recruitment program for federal air marshals.

<sup>47</sup>*FAA Personnel Reform: Implementation Status Report*, prepared for FAA by the Human Resources Research Organization, January 1998.

**Figure 9: Funding Alternatives Used for Managers' PCS Promotional Moves between Field Facilities, Fiscal Years 1999-2001**



Source: FAA.

In contrast to the positive views of FAA human resource management officials, FAACMA representatives raised concerns about the impact of the new policies in the air traffic services line of business, suggesting that they might have unintended consequences, including a reduction in the number of qualified applicants, a reduction in the diversity of potential applicant pools and subsequent discrimination in filling positions, and a negative impact on employee morale if fluctuations in the annual funding for relocation payments led to disparities in the payments for comparable moves over time.<sup>48</sup> Air traffic officials said they were still reviewing these concerns and planned to comment in the near future.<sup>49</sup>

<sup>48</sup>FAACMA, Legislative Briefing Book, 107th Congress-Second Session, March 2002.

<sup>49</sup>For more information about FAA's new PCS policies and FAACMA's concerns, see [GAO-03-141](#).

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## FAA Had Some Data Suggesting Mixed Effects of Labor and Employee Relations Initiatives, While Officials, Managers, and Employees Held a Variety of Views

Although FAA's Office of Labor Relations did not have historical, agencywide data to quantify an increase in grievances, FAA labor management officials said the number of grievances<sup>50</sup> filed at the national level by employees represented by unions had increased and this increase was a sign that the initiatives had not achieved the reform objective of establishing a collaborative labor-management relations environment that would minimize the traditional adversarial relationship. They said that the number of grievances filed began to increase following personnel reform changes the agency had made. For example, they noted that in 1999, the core compensation plan was implemented and grievances increased. However, human resource officials said that grievances by union employees could not have pertained to implementation of the compensation pilot because the pilot test only applied to nonunion employees, not to union employees. The Office of Labor Relations implemented a new system for tracking grievance data in October 2001 and began systematically collecting information on the sources (such as headquarters, regions, and unions) and subject (such as compensation, use of leave, and discipline) of grievances filed across the agency.

While limited data suggested that FAA's introduction of an alternative dispute resolution program for employees not represented by unions did reduce the processing times for resolving appeals, employees' reactions to the new system suggest that many employees did not see this initiative as an improvement. FAA introduced its internal alternative dispute resolution approach—the Guaranteed Fair Treatment Program—in April 1996 in an effort to streamline the appeals process. This approach met with resistance from employees and led Congress, in 2000, to reinstate the traditional title 5 process that uses the Merit Systems Protection Board.<sup>51</sup> As a result, FAA now offers employees the choice of using either the guaranteed fair treatment program or the traditional title 5 process. The only data human resource officials were able to provide on appeals dated back to fiscal year 1997. Although these data are old, they indicated that for fiscal year 1997, appeals went through the guaranteed fair treatment process more quickly (5 to 7 months) than through the Protection Board process (10 months). Even so, the Deputy Assistant Administrator for Labor Relations said that employees, who have been able to choose between the two processes, have

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<sup>50</sup>Grievances are concerns expressed by an employee or the union about a condition of employment or an allegation that a contract has not been properly interpreted and applied.

<sup>51</sup>P.L. 106-181, sec. 307.

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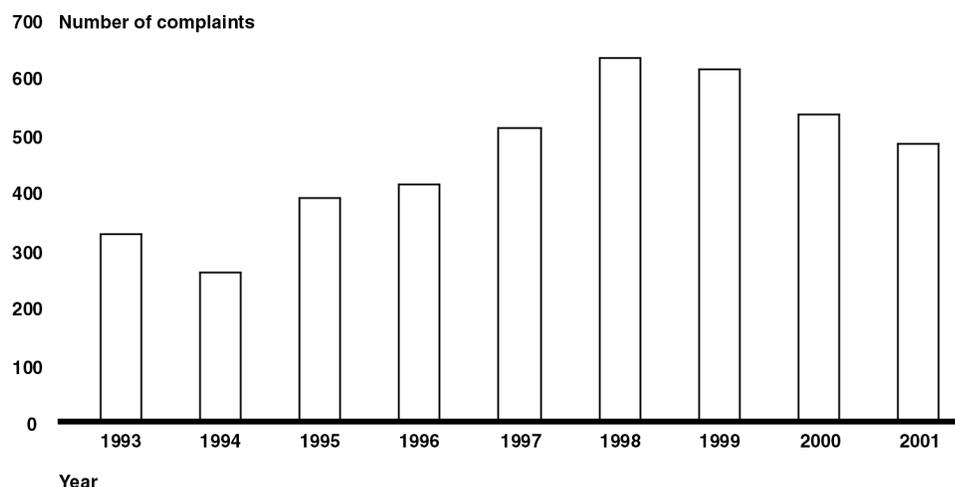
generally not chosen to use the guaranteed fair treatment process. He said that one reason employees have not used the guaranteed fair treatment process is because its potential benefits, such as the employee's right to help select the arbitrator, have not been effectively communicated to them. In addition, according to the Deputy Assistant Administrator, both FAA managers and union leaders have complained about having to pay the cost of the arbitrator, while employees have complained about having to pay their own legal fees for attorneys regardless of the outcome of the appeal. FAA reimburses an employee's legal fees if the employee wins his/her appeal when using the Protection Board's process.

Most FAA managers and employees we interviewed said that labor and employee relations had changed in the last 5 years. For example, 130 of the 176 managers and employees we interviewed agreed or strongly agreed that labor-management relations had changed in the last 5 years. Of those 130, 75 said that labor-management relations had declined. Similarly, 130 of the 176 managers and employees we interviewed said employee morale had changed in the last 5 years, and of those 130, 99 said that employee morale had declined. While employees' perceptions regarding the changes in labor and employee relations cannot be linked directly to FAA's personnel reform, some employees cited specific reform initiatives, such as compensation and the Model Work Environment established to improve employee relations, when discussing the decline of labor-management relations and morale.

Union representatives for three of FAA's nine unions said that a complaint filed against FAA by the Federal Labor Relations Authority (FLRA) in March 2001 had reduced collaboration between labor and management. FLRA charged FAA with bargaining in bad faith because it had refused to sign an agreement negotiated with the American Federation of State, County and Municipal Employees, a union that represents employees at FAA headquarters. FAA management did not sign the agreement and submitted it instead to the Office of Management and Budget (OMB) for review. OMB subsequently disapproved some portions of the contract. Following an investigation of the circumstances, FLRA directed FAA management and the union to sign and implement the contract. However, in September 2002, an administrative law judge recommended that FLRA dismiss the union's complaint, finding that FAA clearly gave notice to the union of the OMB approval condition and that the union agreed to that condition.

In the area of employee relations, FAA provided us with some data that may support the views of FAA officials that the Model Work Environment has had a positive effect. A recent decline in the number of equal employment opportunity (EEO) complaints may, to an unknown extent, reflect the effects of FAA's Model Work Environment. These complaints are concerns expressed by employees about legally prohibited discrimination on the basis of race, color, religion, sex, national origin, age, or handicap. An analysis by FAA's Office of Civil Rights of data it had collected on the number and types of formal EEO complaints showed that while such complaints increased in the years immediately following the implementation of the Model Work Environment in 1996, they began to decline 3 years later. As figure 10 shows, the number of EEO complaints increased from 412 in 1996 to 635 in 1998 and then declined to 485 in 2001.

**Figure 10: Number of Formal EEO Complaints by Year**



Source: FAA.

Note: The most frequently filed complaints between 1997 and 2001 were for promotion/nonselection and nonsexual harassment, followed by complaints about terms or conditions of employment, assignment of duties, and training.

About three-quarters of the FAA managers and employees we interviewed (134 of 176) agreed or strongly agreed that they understood the goals of the Model Work Environment. These goals include reflecting diversity and eliminating discrimination and harassment in the workplace, which are common causes of equal employment opportunity complaints. While some employees cited positive effects of the program, other employees were

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skeptical of its impact. Figure 11 illustrates FAA employees' divergent views on the Model Work Environment.

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**Figure 11: FAA Employees' Views on the Model Work Environment**

*"People feel more open to talk about things; there is more open discussion. People feel better and more comfortable not having to work in a situation they don't like."*

*"[The model work environment] lowered morale. It is a buzz-word... there is no true commitment to it."*

Source: FAA.

Note: Quotations are from an FAA employee in headquarters and an air traffic employee in a regional office, respectively.

Even though the decrease in the number of EEO complaints cannot be directly linked to the Model Work Environment initiative, the availability of data and analysis on EEO complaints could provide one objective basis for FAA to discuss the effects and assess the efficacy of this policy and address the concerns of those employees who view its impact less positively.

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## FAA Has Not Fully Incorporated Elements Needed for Effective Human Capital Management

FAA's lack of empirical data on the reform effort's effects is one indication that it has not fully incorporated elements that we and others have identified as important to effective human capital management into its reform effort. Systems to gather and analyze relevant data provide a basis against which performance goals and measures can be applied. FAA human resource management officials said that the agency should have spent more time to develop baseline data and performance measures before implementing the broad range of reforms but that establishing these elements was a complex and difficult task. They said FAA was under significant pressure to rapidly implement reforms and that one impact of FAA's incremental approach to implementing the reforms was that baseline measures tended to change as more people were brought under the reformed systems. FAA also has not gone far enough in establishing linkage between reform goals and program goals of the organization, another element we have identified as important to effective human capital management. We found that the lack of these elements has been pointed out repeatedly in evaluations of FAA's human capital reform effort, but FAA has not developed specific steps and time frames by which these elements will be established and used for evaluation. Incorporation of these elements could also help FAA build accountability into its human capital management.

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FAA's Human Capital Reform Effort Lacks Needed Data Collection and Analysis, Performance Goals and Measures, and Linkage of Reform Goals to Program Goals of the Organization

The lack of baseline and comparative data for analysis and the lack of performance goals and measures has made it difficult to objectively evaluate the effects or success of FAA's reform effort. Systems to gather and analyze relevant data provide a basis against which performance goals and measures can be applied. FAA human resource management officials agreed that the agency should have spent more time to develop baseline data and performance measures before implementing the broad range of reforms but said that establishing measures and goals and reaching consensus on their use was a complex and difficult task with which all federal agencies struggle. They said the agency was under significant pressure to rapidly implement reforms, and that one impact of FAA's incremental approach to implementing the reforms was that baseline measures tended to change as more people were brought under the reformed systems.

Human resource management officials also said that, while FAA has not systematically collected data and analyzed results to identify the benefits of all of the reform initiatives, the Office of Human Resource Management has taken a number of steps since 1998 to increase evaluation and measurement of some human resource management activities and outputs. Actions they cited (in addition to the previously discussed evaluations of compensation implementation) included meeting with consultants, human resource managers and intergovernmental groups and providing briefings to FAA management. While we were in the final stages of our review, they prepared, in response to our request, an informal report<sup>52</sup> that described the type of measures they were planning to, or had recently begun to apply as part of a "Balanced Scorecard" approach<sup>53</sup> to assessing human resource management activities. The measures in the scorecard approach are based on existing sources of data—customer surveys conducted by the Department of Transportation and FAA employee attitude surveys—as well as new data related to the hiring process, such as the "Time to Fill" (a vacancy) questionnaire, results from employment selection feedback questionnaires, a survey for new recruits and, since December 1999, a separation survey for employees leaving the agency. Human resource

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<sup>52</sup>Office of the Assistant Administrator for Human Resources Management, "An Informal Discussion of the FAA's Human Resource Management Balanced Scorecard" August 21, 2002.

<sup>53</sup>A scorecard approach is a framework for measuring and managing performance also used by OMB and OPM to track how well departments and agencies are executing management initiatives.

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officials said they had been “strategically refining” the employee attitude survey since 1995 to address key human capital issues, such as clarity of performance expectations and workforce planning.

Our work on strategic human capital management in the federal government has found that many federal agencies have difficulties in defining goals and measures and developing and using performance information to evaluate the effectiveness of human capital management efforts but that high-performing organizations do so. In cases where evaluations show that sufficient progress is not being made, high-performing organizations use data to identify opportunities for improvement. Similarly, the National Association of Public Administration (NAPA) has reported the need for performance data, goals, and evaluation to determine progress, make midcourse corrections, and assign accountability for achieving the desired outcomes in federal human capital management efforts.<sup>54</sup> NAPA reported that, in the absence of such systematic evaluation information, the human capital management process will be driven by anecdotal information that may, or may not, reflect the condition of human capital management in the organization.

Elements we have identified<sup>55</sup> as facilitating the success of improvement initiatives include establishing

- clear goals and objectives for the improvement initiative,
- concrete management improvement steps that will be taken,
- key milestones that will be used to track the implementation status, and
- cost and performance data that will be used to gauge overall progress.

In addition to the lack of performance data, the performance goals and measures for personnel reform in FAA’s human resource management and strategic mission plans are qualitative and do not consistently lend themselves to measurement or assessment, as they are not specific,

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<sup>54</sup>National Academy of Public Administration, *Implementing Real Change in Human Resources Management: The Case for Transforming Public-Sector Human Resources Management*, July 2000.

<sup>55</sup>U.S. General Accounting Office, *Management Reform: Elements of Successful Improvement Initiatives*, GAO/T-GGD-00-26 (Washington, D.C.: Oct. 15, 1999).

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measurable, and time-based. For example, the goal related to reform in FAA's 1999 human resource management strategic plan is to "ensure that FAA has the right people doing the right work at the right time at the right cost" and has the following measures associated with it:

- increased flexibility to pay competitive salaries;
- increased ability to attract and retain high performers;
- increased managerial flexibility to assign, locate, and manage the performance of employees more effectively; and
- decreased hire cycle time.

This goal and its associated measures do not lend themselves to specific, quantitative, and time-based evaluation. For example, while "decrease hire cycle time" implies that hire cycle time will be measured as part of evaluating the achievement of this goal, it does not establish a quantitative basis for assessment or specify a period of assessment. A more specific, quantitative, and time-based measure might be to "*decrease median or average hire cycle time by September 2003 by X percent (from median or average cycle time for fiscal year 2002) for Y percent of all new hires.*"

We reported on FAA's weaknesses in developing and using performance information in our report on the results of governmentwide surveys of performance management issues in May 2001.<sup>56</sup> In that report, we found that FAA managers we surveyed reported they did not consistently use performance measures or data and that FAA was worse than the rest of the federal government on multiple aspects of performance measurement and the use of performance information. For example, we found that the agency was statistically significantly lower than the rest of the government in the percentage of managers who reported that they had outcome, customer service, or quality performance measures; and in the percentage of managers who reported that they used performance information to set program priorities, allocate resources, adopt new approaches, or coordinate program efforts.

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<sup>56</sup>U.S. General Accounting Office, *Managing For Results: Federal Managers' Views on Key Management Issues Vary Widely Across Agencies*, [GAO-01-592](#), (Washington, D.C. May 25, 2001).

At the time of our review, human resource management officials were still in the process of developing baseline data, performance goals and measures and were still working to identify potential linkages between its human capital management reforms and program goals of the organization. The types of data and measures proposed by human resource management officials are comparable to those that have been historically suggested—many of them since FAA initiated development of its personnel reform in 1995—and their implementation is an important effort. However, the balanced scorecard measurement approach proposed by human resource management officials focuses primarily on the work environment and processes within the Office of Human Resource Management and the hiring process rather than on the many other human capital management reform initiatives being implemented across the agency. According to FAA human resource management officials, the office had been working for more than a year to expand the scope of the scorecard to incorporate measures with wider implications for all of FAA in response to discussions with human resource managers and based on information from FAA customers and employees. Table 1 provides an overview of the balanced scorecard measures proposed by the human resource management office, highlighting those that focus on the activities and output of the Office of Human Resource Management. An expanded overview of these performance measures that includes areas of measurement and proposed data sources is provided in appendix V.

**Table 1: Overview of Human Resource Management Office’s Balanced Scorecard Performance Measures**

<b>Measurement perspectives</b>	<b>Performance measures</b>		
Customer	Human Resource Management Office service excellence	Human Resource Management Office consultation and expertise valued	Human Resource Management Office innovation and leadership
Performance	Human Resource Management Office results meet goals	Efficient use Of Human Resource Management Office resources	Improved practices within Lines of Business
Internal processes	Consistent human resource management policy interpretation	Effective labor-management relationships	Attract and retain high caliber employees
Human Resource Management Office employee	Empowered Human Resource Management Office employees	Satisfied Human Resource Management Office employees	Rewarding Human Resource Management Office work environment

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Measurement perspectives	Performance measures		
Learning and growth	Capitalize on Human Resource Management Office talent	Increase Human Resource Management Office capacity to improve	Leverage Human Resource Management Office data/information

Source: FAA.

Note: Shaded areas indicate measures focused internally on the Office of Human Resource Management.

Clearly linking an agency’s overall human capital management strategy to its program goals is another element we have identified as key to effective human capital management. In a 1997 review of FAA’s personnel reform, the Volpe National Transportation Systems Center highlighted this issue of linkage, as shown in figure 12.<sup>57</sup>

**Figure 12: Volpe Center’s Views on Importance of Linkage**

*“The success of personnel reform is dependent on a clear and explicit link between FAA business goals and strategies and personnel reform goals and strategies.”*

Source: Volpe National Transportation Center.

While FAA has taken some steps to link its human capital reform initiatives to its program goals, these steps do not go far enough to help the agency measure the reform’s success. Specifically, FAA incorporated various aspects of personnel reform into its 1999 strategic human resource management plan,<sup>58</sup> which stated that performance measurement was to focus on attaining organization goals but did not establish the measures with which to do so. Similarly, FAA’s 2001 strategic plan, prepared under the Government Results and Performance Act, includes a goal for the agency to “fundamentally change the way it operates by implementing personnel reform” but does not explicitly link this goal for personnel reform to organizational program goals of aviation safety and system efficiency. Human resource management officials said that organizational and individual incentive goals established under the compensation system

<sup>57</sup>Volpe National Transportation Center, *FAA Personnel Reform Evaluability Assessment*, April 1997.

<sup>58</sup>Federal Aviation Administration, *Human Resources Strategic Plan 1999-2002*, April 1999.

explicitly linked individual performance to agency goals including safety and system efficiency and that the standards for performance under FAA's new performance management system directly reflect agency and organizational programmatic goals. Nonetheless, linkage between FAA's personnel reform goals and the agency's programmatic goals continues to be weakened by a lack of specific, quantitative, and time-based measures and goals.

FAA's lack of relevant data, analysis, and performance goals and measures has been repeatedly articulated since 1995 by other internal and external reviews of the reform effort. While these reviews have called for FAA to incorporate these elements into its reform effort, and several recent studies have also highlighted the issue of linkage, FAA has not established and carried out a plan with specific steps and time frames for doing so. A chronology of these studies is provided in table 2.

**Table 2: Chronology of Internal and External Evaluations of FAA's Personnel Reform**

Date	Evaluation	Result
October 1995	<i>Exempting FAA From Procurement and Personnel Rules</i> , U.S. General Accounting Office	In reporting on FAA's request for legislative flexibilities, GAO emphasized the importance of establishing goals prior to the application of the new authority, noting that an evaluation of FAA's efforts after some experience had been obtained would be important for determining the success of the effort and its governmentwide applicability.
December 1995	<i>Best Practices in HRM: Briefing to FAA Personnel Reform Task Forces</i> , FAA	An evaluation briefing prepared for FAA's personnel reform task forces identified measurement of human resource practices and processes as an essential element for creating a strategic context for personnel reform.
March 1996	<i>Proposed Personnel Reform Evaluation Strategy</i> , FAA	This report identified evaluation measures for FAA's personnel reform and strategies for engaging stakeholders in measuring the results of reform initiatives.
April 1997	<i>FAA Personnel Reform Evaluability Assessment</i> , Volpe National Transportation Systems Center	The Center conducted an assessment to evaluate potential performance indicators for measuring the effectiveness of reform efforts and concluded that reform principles were not stated in terms of tangible outcomes that could be easily measurable and there was no clear sense of priority among them.
September 1997	<i>The FAA Human Resource Management System Evaluation Plan: Interim Report</i> , Human Resources Research Organization	This study linked the reform initiatives with proposed indicators of reform implementation, and potential intermediate and final outcomes to facilitate program evaluation.
January 1998	<i>FAA Personnel Reform: Implementation Status Report</i> , Human Resources Research Organization	This report identified a lack of baseline set of data and concluded "there has been no effort to establish systematic measurement systems over the remaining course of personnel reform implementation. Without baseline data and the ability to measure current status it is difficult to assess whether or not objectives are being met."

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Date	Evaluation	Result
September 1998	<i>Personnel Reform: Recent Actions Represent Progress But Further Effort Is Needed to Achieve Comprehensive Change</i> , Department of Transportation Office of Inspector General	This report concluded that FAA had not identified the specific results it expects to achieve from these programs or established outcome goals and measures to accurately demonstrate that its personnel reform initiatives were effective in resolving the original problems that led to reform.
September 1998	<i>The FAA Personnel Reform Evaluation Plan</i> , Human Resources Research Organization	This report presented a general framework for evaluation of personnel reform initiatives and concluded, "...it is critical for the agency to develop and implement evaluation and measurement systems to assess the results and success of these large-scale HRM [human resource management] change efforts."
April 1999	<i>FAA Manager Satisfaction with Personnel Reform Implementation and HR Customer Service</i> , Human Resources Research Organization	This study recommended that FAA develop a strategy for personnel reform to identify long-term objectives and outcomes, address how reforms would support accomplishment of mission goals, assess the current status of implementation, develop performance measures, and develop a comprehensive schedule for implementing reform initiatives.
July 1999	<i>Personnel Reform Evaluation Database: Baseline Report</i> , FAA	This report provides a framework for the development of a database to evaluate personnel reform measures.
August 1999	<i>Personnel Reform in the Federal Aviation Administration: Three Year Status Report</i> , National Academy of Public Administration	The Academy concluded that the lack of baseline data and specific measures to assess the effectiveness of personnel reform and establish a basis for continuous improvement was a major issue for FAA that "must be resolved if personnel reform is to achieve its full potential."
November 1999	<i>A Communication Strategy for Improved HRM Evaluation and Measurement</i> , FAA	This report provides a framework for encouraging the evaluation and measurement of human resource management programs and services and cultivating, understanding, and using evaluation tools, data, reports and recommendations to improve the quality of human resources products and services.
January 2002	<i>Human Resource Performance Measures for the FAA</i> , Booz-Allen-Hamilton	This briefing recommends expanding the focus of the Office of Human Resource Management's balanced scorecard to additional measures dealing with attracting and retaining a talented workforce, as well as linking the outputs/outcomes of human resource initiatives to the agency's mission goals.
September 2002	<i>Federal Aviation Administration: Five-Year Review of Personnel Reform and Strategies for the Future</i> , Deloitte & Touche, LLP	This most recent study of the agency's progress in personnel reform found that the reform effort had suffered from a shortage of baseline data and metrics to measure the impact of various initiatives on agency operation and strategic objectives. Accordingly, the report recommended that the Office of Human Resource Management expand the collection of hard data and the use of objective metrics to evaluate the effectiveness of personnel reform initiatives.

Source: GAO.

Several of these studies also attributed problems related to a lack of ownership for the reform effort or a lack of accountability for implementation or results. For example, in 1999, the National Academy of

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Public Administration identified the lack of ownership for personnel reform as a challenge that must be resolved.<sup>59</sup> (See fig. 13.)

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**Figure 13: Study's Views on FAA's Implementation of Personnel Reform**

*"Aside from the administrator and the assistant administrator for human resources, employees are not clear about who 'owns' the reform. Interviews, focus groups, and survey data indicate that there is little visible ownership of personnel reform below the FAA management board level."*

Source: National Academy of Public Administration.

As shown in figure 14, a 1998 departmental review found that FAA had not clearly established accountability for implementation of the reform initiatives.<sup>60</sup>

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**Figure 14: Inspector General's Views on FAA's Implementation of Personnel Reform**

*"...FAA has not established specific milestones and goals for implementing key initiatives within the lines of business, or held the lines of business accountable for their progress."*

Source: Department of Transportation, Office of Inspector General.

According to the most recent assessment of the status of FAA's personnel reform, published by a consultant in September 2002 and shown in figure 15, a lack of ownership and inconsistent support for personnel reform by FAA's executive management team has impaired reform implementation efforts.<sup>61</sup>

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<sup>59</sup>National Academy of Public Administration, *Personnel Reform in the Federal Aviation Administration: Three Year Status Report*, August 1999.

<sup>60</sup>Department of Transportation, Office of Inspector General, *Personnel Reform: Recent Actions Represent Progress But Further Effort Is Needed To Achieve Comprehensive Change*, Sept. 30, 1998.

<sup>61</sup>Deloitte & Touche, LLP, *Federal Aviation Administration: Five-Year Review of Personnel Reform and Strategies for the Future*, (McLean, VA., Sept. 2002.) p. 6.

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**Figure 15: Consultant's Views on FAA's Implementation of Personnel Reform**

*"While the Administrator and Deputy Administrator have consistently supported the Reform initiatives, support from some other members of the executive team has waned through the years, particularly as Reform became 'old news' over time and as supporters were replaced by new executives with no recollection of the situation before Reform. Many of those interviewed believe that the appearance of disinterest or lukewarm support from some executives has encouraged resistance from line managers and employees."*

Source: Deloitte & Touche, LLP.

Our work on effective human capital management at federal agencies has found that building accountability into an agency's human capital approach is important to the effective use of human capital flexibilities. Furthermore, we have found that in high performing organizations, managers are held accountable for achieving strategic goals, and clearly defined performance expectations are in place to hold employees and teams at all levels accountable. Establishing systems for gathering performance data and incorporating specific, time-based performance measures and goals that are linked to the agency's program goals into the reform effort would improve the agency's ability to set more meaningful strategic goals for its human capital reform effort and more clearly defined performance expectations for its human capital management. Together, this would help the agency build accountability into the reform effort and its overall human capital management approach.

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## Conclusions

Congress granted FAA flexibilities in its human capital management so that the agency could more effectively manage its workforce and achieve its mission. Yet, more than 7 years after the agency received broad exemptions from laws governing federal civilian personnel management, it is not clear whether and to what extent these flexibilities have helped FAA to do so. It is clear that FAA has faced significant challenges in implementing its human capital reform initiatives and evaluating the success of its effort. Challenges, including implementing reform initiatives throughout its workforce with a wide range of skills and negotiating agreements with employee unions, reflect difficulties that may be faced by other federal agencies that seek to implement human capital management flexibilities.

FAA is not able to determine the effectiveness of its human capital reform initiatives because it has not incorporated key elements of effective human capital management into its effort thus far. While FAA has established preliminary linkages between its reform goals and the agency's program

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goals, the lack of explicit linkage will make it difficult to assess the effects of the reform initiatives on the program goals of the organization even after data, measurable goals, and performance measures for human capital management efforts are established. FAA has acknowledged the importance of establishing these elements. It has repeatedly said that it is working to collect and analyze data and develop performance goals and measures, but it has not completed these critical tasks, nor has it established specific steps and time frames by which it will do so. As FAA moves forward, a more strategic approach to its reform effort would allow it to better evaluate the effects of its reform initiatives, use the evaluations as a basis for any strategic improvements to its human capital management approach, and hold agency leadership accountable for the results of its human capital management efforts. Doing so would also enable the agency to share its results with other federal agencies and Congress.

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## Recommendations

In order to acquire the information needed to make more informed strategic human capital decisions and better ensure that FAA's personnel reforms achieve their intended results in a timely fashion, we recommend that the Secretary of Transportation direct the FAA Administrator to

- develop empirical data and establish specific, measurable, time-based goals and performance measures related to these goals; and use them to evaluate the effects of the reforms on the agency's human capital management, programs, and mission so that the agency can make any needed improvements. Developing these evaluation tools is particularly urgent for those initiatives, such as FAA's new compensation system for air traffic employees, for which possible negative effects have been raised by employees; and FAA's new performance management system.
- define and describe explicit linkages between human capital management reform initiatives and program goals of the organization.
- establish time frames by which data will be collected and analyzed and by which goals, performance measures, and explicit linkage will be established and used to evaluate the success of the reform initiatives and hold agency leadership accountable for the results of its human capital management efforts.

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## Agency Comments and Our Evaluation

We provided a draft of this report to the Department of Transportation for its review and met with Department of Transportation officials, including FAA's Assistant Administrator for Human Resource Management, to obtain their comments. The department officials generally agreed with the report's recommendations and indicated that the findings presented in the audit report would be useful as FAA moves forward with its human capital reforms. They also noted issues in three areas.

First, these officials emphasized that implementing a new human capital system within an existing workforce presented FAA with a significant challenge, given the size of FAA's workforce, the large unionized population, and the variety of occupations and functions within the agency. Second, while these officials agreed that establishing more definitive measures and baseline data, as identified in our recommendations, are important in determining the effectiveness of the new human capital programs, they stated that they have been making significant progress in developing those measures.

Third, in responding to our concern that FAA is not able to determine the effectiveness of its human capital reform initiatives because it has not incorporated key elements of effective human capital management into its effort, these officials told us that FAA used the results of its pilot testing and phased implementation approach to modify systems to ensure effectiveness before full implementation and that subsequent assessments were conducted to determine whether the programs were accomplishing the intended goals. They said that FAA already has substantial information to indicate that its new programs and initiatives are on the right track and should be effective in meeting the reform effort's intent. As examples, they referred to reviews by NAPA and the consulting firm Deloitte & Touche, which they said had characterized FAA's human capital reforms as "state-of-the-art." The officials stated that FAA's design process had been characterized in the NAPA review as yielding high-quality policies, and FAA's reform effort had been characterized in the NAPA review as heading in the right direction and as "a change management issue that is unparalleled in the federal sector." They further stated that Deloitte & Touche's review had found that the guiding principles and objectives of FAA's personnel reform were sound, and that some programs have already been largely successful, such as streamlined recruitment and staffing processes. Notwithstanding the characterizations in these assessments, both NAPA and Deloitte & Touche raised concerns about issues we found in our review, particularly FAA's lack of baseline data and specific

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performance measures to assess the effectiveness of its reform effort and establish a basis for continuous improvement.

Department officials also said that FAA's new human capital system is consistent with the President's Management Agenda and the Administration's Human Capital Plan, and that other federal officials have touted the types of programs FAA developed and implemented as the wave of the future for the rest of the federal government. FAA emphasized that its agency is unique among federal agencies in implementing a performance-based and market-based pay system applicable to both nonunion and union employees, which clearly links annual pay adjustments to key agency programs and to individual employee performance and contributions. We agree that other federal agencies considering human capital reform may find FAA's programs and experiences useful to consider, as FAA was granted human capital flexibilities in 1995 and has been working since to implement its human capital reform effort. In fact, we feel that this increases the importance of FAA's efforts to effectively evaluate its reform. However, based on our prior work on human capital management, we found in our review that FAA's efforts to link its human capital reform initiatives to its program goals do not go far enough to help the agency measure the reform's success and that linkage between FAA's personnel reform goals and the agency's programmatic goals continues to be weakened by a lack of specific, quantitative, and time-based measures and goals.

FAA also provided technical clarifications, which we included in the report where appropriate.

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We are sending copies of this report to the Administrator, Federal Aviation Administration. We also will make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

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If you or your staff have any questions about this report, please call me at (202) 512-3650. Key contacts and major contributors to this report are listed in appendix VII.

A handwritten signature in black ink that reads "Gerald L. Dillingham". The signature is written in a cursive, flowing style.

Gerald L. Dillingham, Ph.D.  
Director, Physical Infrastructure Issues

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# Scope and Methodology

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To determine the human capital changes that FAA initiated after being granted broad flexibilities in 1995 and the extent to which these reform initiatives required exemptions from title 5, we reviewed federal personnel management requirements under title 5, agency documents identifying personnel reform initiatives, and reports by OPM on personnel management flexibilities already available under title 5. We also discussed the changes with officials from FAA's Office of the Assistant Administrator for Human Resource Management and OPM.

To determine the status of implementation of FAA's personnel reform and factors that have affected reform implementation, we collected and analyzed internal and external evaluations—including those conducted by the Department of Transportation's Office of Inspector General and NAPA—of different aspects of FAA's personnel reform and the available data on the results. We also discussed the status of, and barriers to, implementation of personnel reform initiatives with FAA human resource management officials and representatives from the lines of business.

To determine the views of FAA managers and employees on the effects of FAA's personnel reform initiatives we conducted a series of structured interviews with 176 randomly selected FAA managers and employees. Our structured interview included questions about how the agency manages its employees, compensation and performance management, and labor and employee relations. We discussed the design of these questions with officials from FAA and with representatives from FAA's five largest unions—the National Air Traffic Controllers Association (about 19,500 members), the Professional Airways Systems Specialists (about 11,600 members), the National Association of Air Traffic Specialists (about 2,300 members), the American Federation of State, County and Municipal Employees (about 2,000 members), and the American Federation of Government Employees (about 1,500 members). We then pre-tested the structured interview with managers and employees in FAA's Southern Region and made appropriate revisions.

To maximize our chances of obtaining the views of managers and employees across the different segments of FAA's workforce, we applied a judgmental stratification to our random sample (therefore, it may not be representative of the actual composition of FAA's workforce): 25 percent managers, and 75 percent employees; and 60 percent Air Traffic Services/air traffic control staff, 40 percent from the rest of FAA. In addition, for non-headquarters respondents, we selected 70 percent of our respondents from field facilities and 30 percent from regional offices. Our

respondents were randomly selected from electronic lists of names provided by FAA.

We conducted our structured interviews at FAA headquarters in Washington, D.C.; FAA's Mike Monroney Aeronautical Center in Oklahoma City, Oklahoma; and field facilities and regional offices in six of FAA's nine geographic regions, including offices in the immediate vicinity of Anchorage, Alaska; Atlanta, Georgia; Chicago, Illinois; Dallas, Texas; Los Angeles, California; and New York City, New York. Field facilities we visited included air traffic control towers, en route centers, automated flight service stations, terminal radar approach control centers, airports district offices, and flight standards district offices. A total of 176 FAA staff participated in our survey throughout the months of May, June, July, and August 2002. The information obtained through this survey pertains to only these 176 respondents and cannot be generalized to any other population. However, because we selected interview respondents at random, we have increased the chances of capturing the breadth of opinions across the agency. A copy of our structured interview and the summary results for our close-ended questions is provided in appendix II. To augment the views and opinions collected from the structured interviews, we also obtained the views of FAA senior managers or representatives of all five lines of business and representatives of employees' associations.

To determine the extent to which FAA management and employees' views were supported by data, we examined the results from FAA's employee attitude surveys conducted between 1997 and 2000, as well as other internal surveys of executives, managers, and supervisors related to various aspects of FAA's personnel reform effort. In addition, we collected available data from FAA's Office of Human Resource Management and Office of Civil Rights.

To determine how FAA's experiences compared with our findings from our human capital management work at other agencies, we reviewed our human capital management audit work that focused on federal agencies' efforts to implement improvement initiatives and human capital flexibilities, as well as work conducted by other organizations involved in assessing federal agencies' reform efforts including OPM and NAPA, and we compared our findings on FAA's experiences with these findings.

We conducted our work in accordance with generally accepted government auditing standards from November 2001 through October 2002.

# Structured Interview Form and Selected Results

## **STRUCTURED INTERVIEW FORM AND SELECTED RESULTS**

ATC (A)/Non-ATC (NA): \_\_\_\_\_  
 Regional Office (RO)/Field Office (FO): \_\_\_\_\_  
 Manager or Supervisor (MS)/Employee (E): \_\_\_\_\_  
 Location (AT, AN, CH, DA, NY, LA)/ID Number: \_\_\_\_\_

Thank you for meeting with us today. We work with the General Accounting Office in Washington DC and we've been asked by Congress to see how the personnel reforms at FAA are going. One of the ways we're doing that is by asking FAA employees like you to tell us about how the personnel reforms here are affecting you, your ability to perform your work, and your unit's ability to achieve its mission- in both good and bad ways. We're going to several different regions and talking to many employees- we selected your name at random and appreciate your willingness to talk to us. I will be asking you a series of questions, some you can answer from a range of standard responses like strongly agree to strongly disagree, and others will give you an opportunity to provide a little bit more specific information. \_\_\_\_ will be taking notes to be sure that we capture all you have to say. Your responses are confidential- we won't report your name with anything you say here and we'll report our results as a summary of what everyone tells us. The entire interview should take about 30 minutes. Do you have any questions before we begin?

*(Personnel reform includes: hiring, training, compensation, performance management, labor and employee relations, among others.)*

- 1. To start with, how knowledgeable are you about FAA's personnel reform efforts? Which reform(s) do you know most about? Least about?**

Section A

**The first set of questions I'll ask deal with how FAA manages its workforce. For the next question and others throughout the survey, I'd like you to use this scale for your answer- please tell me if you strongly agree (SA), agree (A), disagree (D) or strongly disagree (SD).**

- 2. I receive the training I need to do my job effectively.**

Circle response:                      SA    A    D    SD    NA/Don't know

\_\_\_\_\_

**Appendix II  
Structured Interview Form and Selected  
Results**

	<b>Strongly Agree N</b>	<b>Agree N</b>	<b>Disagree N</b>	<b>Strongly Disagree N</b>	<b>NA/Don't Know N</b>
<b>Total</b>	<b>42</b>	<b>93</b>	<b>30</b>	<b>8</b>	<b>3</b>
<b>Managers</b>	<b>11</b>	<b>29</b>	<b>5</b>	<b>0</b>	<b>1</b>
<b>Employees</b>	<b>31</b>	<b>64</b>	<b>25</b>	<b>8</b>	<b>2</b>
<b>ATC</b>	<b>20</b>	<b>48</b>	<b>13</b>	<b>4</b>	<b>2</b>
<b>Non-ATC</b>	<b>22</b>	<b>45</b>	<b>17</b>	<b>4</b>	<b>1</b>
<b>Field Office</b>	<b>27</b>	<b>51</b>	<b>14</b>	<b>3</b>	<b>2</b>
<b>Regional Office</b>	<b>15</b>	<b>42</b>	<b>16</b>	<b>5</b>	<b>1</b>

3. Could you give me more detail about that? How has the fact that the lines of business are responsible for funding and managing training affected the amount and/or quality of training you've received?

4. What, if any, training do you need that your line of business (or staff office) has not provided?

5. Using the scale again: The ability of my line of business (or staff office) to efficiently and effectively fill job vacancies has improved in the last 5 years.

Circle response:            SA    A    D    SD    NA/Don't know

\_\_\_\_\_

	<b>Strongly Agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>	<b>NA/Don't Know</b>
<b>Total</b>	<b>12</b>	<b>35</b>	<b>55</b>	<b>47</b>	<b>27</b>
<b>Managers</b>	<b>3</b>	<b>12</b>	<b>18</b>	<b>10</b>	<b>3</b>
<b>Employees</b>	<b>9</b>	<b>23</b>	<b>37</b>	<b>37</b>	<b>24</b>
<b>ATC</b>	<b>7</b>	<b>15</b>	<b>26</b>	<b>31</b>	<b>8</b>
<b>Non-ATC</b>	<b>5</b>	<b>20</b>	<b>29</b>	<b>16</b>	<b>19</b>
<b>Field Office</b>	<b>9</b>	<b>22</b>	<b>22</b>	<b>29</b>	<b>15</b>
<b>Regional Office</b>	<b>3</b>	<b>13</b>	<b>33</b>	<b>18</b>	<b>12</b>

**Appendix II  
Structured Interview Form and Selected  
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**6. Has the speed of hiring improved? How? *{Pause for response}* Has the quality of candidates improved? How?**

Section B

The next set of questions I'll ask deal with the new pay and performance management systems including the new pay bands and pay-for-performance system, as well as, the "meets/does not meet standards" performance rating system implemented in 1996.

**7. Using the scale again: I am better off under the new pay band system than under the grade and step pay system.**

Circle response:                    SA    A    D    SD    NA/Don't know

\_\_\_\_\_

	Strongly Agree	Agree	Disagree	Strongly Disagree	NA/Don't Know
<b>Total</b>	<b>40</b>	<b>45</b>	<b>28</b>	<b>32</b>	<b>31</b>
<b>Managers</b>	<b>7</b>	<b>18</b>	<b>9</b>	<b>7</b>	<b>5</b>
<b>Employees</b>	<b>33</b>	<b>27</b>	<b>19</b>	<b>25</b>	<b>26</b>
<b>ATC</b>	<b>36</b>	<b>20</b>	<b>9</b>	<b>12</b>	<b>10</b>
<b>Non-ATC</b>	<b>4</b>	<b>25</b>	<b>19</b>	<b>20</b>	<b>21</b>
<b>Field Office</b>	<b>38</b>	<b>18</b>	<b>10</b>	<b>13</b>	<b>18</b>
<b>Regional Office</b>	<b>2</b>	<b>27</b>	<b>18</b>	<b>19</b>	<b>13</b>

**8. Using the scale again: I think the new pay system is fair to all employees.**

Circle response:                    SA    A    D    SD    NA/Don't know

\_\_\_\_\_

	Strongly Agree	Agree	Disagree	Strongly Disagree	NA/Don't Know
<b>Total</b>	<b>16</b>	<b>37</b>	<b>58</b>	<b>52</b>	<b>13</b>
<b>Managers</b>	<b>0</b>	<b>7</b>	<b>18</b>	<b>20</b>	<b>1</b>
<b>Employees</b>	<b>16</b>	<b>30</b>	<b>40</b>	<b>32</b>	<b>12</b>
<b>ATC</b>	<b>15</b>	<b>21</b>	<b>24</b>	<b>23</b>	<b>4</b>
<b>Non-ATC</b>	<b>1</b>	<b>16</b>	<b>34</b>	<b>29</b>	<b>9</b>

**Appendix II  
Structured Interview Form and Selected  
Results**

<b>Field Office</b>	<b>16</b>	<b>23</b>	<b>26</b>	<b>21</b>	<b>11</b>
<b>Regional Office</b>	<b>0</b>	<b>14</b>	<b>32</b>	<b>31</b>	<b>2</b>

**9. What do you like about the new pay system? Is there anything you don't like about the new pay system?**

**10. Using the scale again: Separating cash awards from performance appraisals has made the appraisal process more fair.**

Circle response:            SA    A    D    SD    NA/Don't know

\_\_\_\_\_

	<b>Strongly Agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>	<b>NA/Don't Know</b>
<b>Total</b>	<b>14</b>	<b>46</b>	<b>49</b>	<b>23</b>	<b>44</b>
<b>Managers</b>	<b>4</b>	<b>16</b>	<b>12</b>	<b>7</b>	<b>7</b>
<b>Employees</b>	<b>10</b>	<b>30</b>	<b>37</b>	<b>16</b>	<b>37</b>
<b>ATC</b>	<b>10</b>	<b>23</b>	<b>25</b>	<b>8</b>	<b>21</b>
<b>Non-ATC</b>	<b>4</b>	<b>23</b>	<b>24</b>	<b>15</b>	<b>23</b>
<b>Field Office</b>	<b>10</b>	<b>24</b>	<b>23</b>	<b>11</b>	<b>29</b>
<b>Regional Office</b>	<b>4</b>	<b>22</b>	<b>26</b>	<b>12</b>	<b>15</b>

**11. Using the scale again: The way my most recent formal performance appraisal was handled gave me useful information for improving my performance.**

Circle response:            SA    A    D    SD    NA/Don't know

\_\_\_\_\_

	<b>Strongly Agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>	<b>NA/Don't Know</b>
<b>Total</b>	<b>16</b>	<b>56</b>	<b>57</b>	<b>33</b>	<b>14</b>
<b>Managers</b>	<b>3</b>	<b>15</b>	<b>21</b>	<b>6</b>	<b>1</b>
<b>Employees</b>	<b>13</b>	<b>41</b>	<b>36</b>	<b>27</b>	<b>13</b>
<b>ATC</b>	<b>8</b>	<b>28</b>	<b>31</b>	<b>17</b>	<b>3</b>
<b>Non-ATC</b>	<b>8</b>	<b>28</b>	<b>26</b>	<b>16</b>	<b>11</b>

**Appendix II  
Structured Interview Form and Selected  
Results**

<b>Field Office</b>	<b>10</b>	<b>28</b>	<b>30</b>	<b>19</b>	<b>10</b>
<b>Regional Office</b>	<b>6</b>	<b>28</b>	<b>27</b>	<b>14</b>	<b>4</b>

**12. Using the scale again: Awards and recognition more appropriately reflect employees' performance today than 5 years ago.**

Circle response:                    SA    A    D    SD    NA/Don't know

\_\_\_\_\_

	<b>Strongly Agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>	<b>NA/Don't Know</b>
<b>Total</b>	<b>14</b>	<b>40</b>	<b>71</b>	<b>28</b>	<b>23</b>
<b>Managers</b>	<b>3</b>	<b>14</b>	<b>19</b>	<b>7</b>	<b>3</b>
<b>Employees</b>	<b>11</b>	<b>26</b>	<b>52</b>	<b>21</b>	<b>20</b>
<b>ATC</b>	<b>9</b>	<b>26</b>	<b>29</b>	<b>16</b>	<b>7</b>
<b>Non-ATC</b>	<b>5</b>	<b>14</b>	<b>42</b>	<b>12</b>	<b>16</b>
<b>Field Office</b>	<b>9</b>	<b>27</b>	<b>30</b>	<b>17</b>	<b>14</b>
<b>Regional Office</b>	<b>5</b>	<b>13</b>	<b>41</b>	<b>11</b>	<b>9</b>

**13. Using the scale again: FAA's process for promotion better targets qualified people now than it did 5 years ago.**

Circle response:                    SA    A    D    SD    NA/Don't know

\_\_\_\_\_

	<b>Strongly Agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>	<b>NA/Don't Know</b>
<b>Total</b>	<b>0</b>	<b>34</b>	<b>65</b>	<b>43</b>	<b>34</b>
<b>Managers</b>	<b>0</b>	<b>13</b>	<b>15</b>	<b>12</b>	<b>6</b>
<b>Employees</b>	<b>0</b>	<b>21</b>	<b>50</b>	<b>31</b>	<b>28</b>
<b>ATC</b>	<b>0</b>	<b>13</b>	<b>35</b>	<b>25</b>	<b>14</b>
<b>Non-ATC</b>	<b>0</b>	<b>21</b>	<b>30</b>	<b>18</b>	<b>20</b>

**Appendix II  
Structured Interview Form and Selected  
Results**

<b>Field Office</b>	<b>0</b>	<b>18</b>	<b>29</b>	<b>28</b>	<b>22</b>
<b>Regional Office</b>	<b>0</b>	<b>16</b>	<b>36</b>	<b>15</b>	<b>12</b>

**14. To what extent have managers and supervisors become more (or less) accountable for achieving agency goals in the last 5 years?**

Section C

The next set of questions I'll ask deal with labor relations and employee relations.

**15. Using the scale again: FAA's employee unions have had a positive impact on implementing personnel reform in the agency.**

Circle response:            SA    A    D    SD    NA/Don't know

\_\_\_\_\_

	Strongly Agree	Agree	Disagree	Strongly Disagree	NA/Don't Know
<b>Total</b>	<b>31</b>	<b>55</b>	<b>50</b>	<b>25</b>	<b>15</b>
<b>Managers</b>	<b>4</b>	<b>9</b>	<b>15</b>	<b>14</b>	<b>4</b>
<b>Employees</b>	<b>27</b>	<b>46</b>	<b>35</b>	<b>11</b>	<b>11</b>
<b>ATC</b>	<b>23</b>	<b>30</b>	<b>19</b>	<b>9</b>	<b>6</b>
<b>Non-ATC</b>	<b>8</b>	<b>25</b>	<b>31</b>	<b>16</b>	<b>9</b>
<b>Field Office</b>	<b>25</b>	<b>34</b>	<b>19</b>	<b>8</b>	<b>11</b>
<b>Regional Office</b>	<b>6</b>	<b>21</b>	<b>31</b>	<b>17</b>	<b>4</b>

**16. Do you think labor-management relations have changed in the last 5 years? (As applicable) How? What specifically has driven this change?**

**17. Do you think employee morale has changed in the last 5 years? (As applicable) How? What specifically has driven this change?**

**18. Using the scale again: FAA employees had sufficient opportunities to provide input for personnel reform policies and initiatives before they were finalized and implemented.**

Circle response:            SA    A    D    SD    NA/Don't know

\_\_\_\_\_

**Appendix II  
Structured Interview Form and Selected  
Results**

	<b>Strongly Agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>	<b>NA/Don't Know</b>
<b>Total</b>	<b>9</b>	<b>52</b>	<b>44</b>	<b>36</b>	<b>35</b>
<b>Managers</b>	<b>2</b>	<b>13</b>	<b>16</b>	<b>12</b>	<b>3</b>
<b>Employees</b>	<b>7</b>	<b>39</b>	<b>28</b>	<b>24</b>	<b>32</b>
<b>ATC</b>	<b>6</b>	<b>23</b>	<b>20</b>	<b>22</b>	<b>16</b>
<b>Non-ATC</b>	<b>3</b>	<b>29</b>	<b>24</b>	<b>14</b>	<b>19</b>
<b>Field Office</b>	<b>6</b>	<b>31</b>	<b>20</b>	<b>17</b>	<b>23</b>
<b>Regional Office</b>	<b>3</b>	<b>21</b>	<b>24</b>	<b>19</b>	<b>12</b>

**19. Using the scale again: I understand the goals of the Model Work Environment.**

Circle response:                    SA    A    D    SD    NA/Don't know

\_\_\_\_\_

	<b>Strongly Agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>	<b>NA/Don't Know</b>
<b>Total</b>	<b>34</b>	<b>100</b>	<b>30</b>	<b>4</b>	<b>8</b>
<b>Managers</b>	<b>19</b>	<b>23</b>	<b>3</b>	<b>1</b>	<b>0</b>
<b>Employees</b>	<b>15</b>	<b>77</b>	<b>27</b>	<b>3</b>	<b>8</b>
<b>ATC</b>	<b>19</b>	<b>50</b>	<b>13</b>	<b>2</b>	<b>3</b>
<b>Non-ATC</b>	<b>15</b>	<b>50</b>	<b>17</b>	<b>2</b>	<b>5</b>
<b>Field Office</b>	<b>17</b>	<b>57</b>	<b>17</b>	<b>1</b>	<b>5</b>
<b>Regional Office</b>	<b>17</b>	<b>43</b>	<b>13</b>	<b>3</b>	<b>3</b>

**20. Please describe the effect Model Work Environment has had (if any) on employee morale.**

**21. Using the scale again: I have received sufficient and timely information on personnel reform changes that affect my job.**

Circle response:                    SA    A    D    SD    NA/Don't know

\_\_\_\_\_

**Appendix II  
Structured Interview Form and Selected  
Results**

	<b>Strongly Agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>	<b>NA/Don't Know</b>
<b>Total</b>	<b>10</b>	<b>101</b>	<b>41</b>	<b>17</b>	<b>7</b>
<b>Managers</b>	<b>2</b>	<b>25</b>	<b>16</b>	<b>3</b>	<b>0</b>
<b>Employees</b>	<b>8</b>	<b>76</b>	<b>25</b>	<b>14</b>	<b>7</b>
<b>ATC</b>	<b>5</b>	<b>45</b>	<b>22</b>	<b>9</b>	<b>6</b>
<b>Non-ATC</b>	<b>5</b>	<b>56</b>	<b>19</b>	<b>8</b>	<b>1</b>
<b>Field Office</b>	<b>6</b>	<b>57</b>	<b>19</b>	<b>11</b>	<b>4</b>
<b>Regional Office</b>	<b>4</b>	<b>44</b>	<b>22</b>	<b>6</b>	<b>3</b>

**22. What personnel reforms have been particularly well communicated? Which method(s) of communication work(s) best or would work best? Worst?**

Section D

The last set of questions deal with the overall result of personnel reforms at FAA.

**23. Using the scale again: Personnel reform has made FAA a better place to work.**

Circle response:                    SA    A    D    SD    NA/Don't know

\_\_\_\_\_

	<b>Strongly Agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>	<b>NA/Don't Know</b>
<b>Total</b>	<b>11</b>	<b>60</b>	<b>58</b>	<b>32</b>	<b>15</b>
<b>Managers</b>	<b>3</b>	<b>12</b>	<b>23</b>	<b>7</b>	<b>1</b>
<b>Employees</b>	<b>8</b>	<b>48</b>	<b>35</b>	<b>25</b>	<b>14</b>
<b>ATC</b>	<b>7</b>	<b>33</b>	<b>27</b>	<b>13</b>	<b>7</b>
<b>Non-ATC</b>	<b>4</b>	<b>27</b>	<b>31</b>	<b>19</b>	<b>8</b>
<b>Field Office</b>	<b>8</b>	<b>38</b>	<b>27</b>	<b>13</b>	<b>11</b>
<b>Regional Office</b>	<b>3</b>	<b>22</b>	<b>31</b>	<b>19</b>	<b>4</b>

**24. Using the scale again: Personnel reform will make FAA a better place to work.**

**Appendix II  
Structured Interview Form and Selected  
Results**

Circle response:            SA    A    D    SD    NA/Don't know

	Strongly Agree	Agree	Disagree	Strongly Disagree	NA/Don't Know
<b>Total</b>	<b>14</b>	<b>84</b>	<b>34</b>	<b>25</b>	<b>19</b>
<b>Managers</b>	<b>6</b>	<b>26</b>	<b>7</b>	<b>5</b>	<b>2</b>
<b>Employees</b>	<b>8</b>	<b>58</b>	<b>27</b>	<b>20</b>	<b>17</b>
<b>ATC</b>	<b>8</b>	<b>40</b>	<b>19</b>	<b>10</b>	<b>10</b>
<b>Non-ATC</b>	<b>6</b>	<b>44</b>	<b>15</b>	<b>15</b>	<b>9</b>
<b>Field Office</b>	<b>8</b>	<b>51</b>	<b>14</b>	<b>13</b>	<b>11</b>
<b>Regional Office</b>	<b>6</b>	<b>33</b>	<b>20</b>	<b>12</b>	<b>8</b>

**25. What are the 3 most positive outcomes of FAA's personnel reform efforts?**

**26. What are the 3 most negative outcomes of FAA's personnel reform efforts?**

**27. What kinds of comments have you heard about the personnel reforms we've been discussing today from your co-workers?**

**28. Do you have any suggestions for improving FAA's implementation of personnel reform?**

Okay, although we won't be using your name with this information, I would like to ask just a couple of questions about your position here.

**29. How long have you worked at FAA? \_\_\_\_\_.**

	Median	Mean	Standard Deviation
<b>Total</b>	<b>16.0</b>	<b>16.4</b>	<b>9.6</b>
<b>Managers</b>	<b>20.0</b>	<b>20.7</b>	<b>9.2</b>
<b>Employees</b>	<b>15.0</b>	<b>14.9</b>	<b>9.4</b>
<b>ATC</b>	<b>19.0</b>	<b>18.2</b>	<b>8.1</b>
<b>Non-ATC</b>	<b>14.0</b>	<b>14.7</b>	<b>10.7</b>

**Appendix II  
Structured Interview Form and Selected  
Results**

<b>Field Office</b>	<b>17.0</b>	<b>15.7</b>	<b>8.8</b>
<b>Regional Office</b>	<b>15.0</b>	<b>17.3</b>	<b>10.6</b>

**30. Are you a bargaining unit employee?**

Circle response:                      Yes      No

	Yes	No
<b>Total</b>	<b>111</b>	<b>65</b>
<b>Managers</b>	<b>5</b>	<b>41</b>
<b>Employees</b>	<b>106</b>	<b>24</b>
<b>ATC</b>	<b>57</b>	<b>30</b>
<b>Non-ATC</b>	<b>54</b>	<b>35</b>
<b>Field Office</b>	<b>74</b>	<b>23</b>
<b>Regional Office</b>	<b>37</b>	<b>42</b>

*(If the answer is yes) Which one? \_\_\_\_\_*

<b>% of Total Population</b>	<b>AFGE</b>	<b>AFSCME</b>	<b>NAGE</b>	<b>NAATS</b>	<b>NATCA</b>	<b>PAACE</b>	<b>PASS</b>	<b>Don't Know</b>
<b>Total</b>	<b>1</b>	<b>22</b>	<b>1</b>	<b>3</b>	<b>55</b>	<b>2</b>	<b>20</b>	<b>7</b>
<b>Managers</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>
<b>Employees</b>	<b>1</b>	<b>20</b>	<b>0</b>	<b>3</b>	<b>55</b>	<b>2</b>	<b>18</b>	<b>7</b>
<b>ATC</b>	<b>0</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>47</b>	<b>0</b>	<b>3</b>	<b>1</b>
<b>Non-ATC</b>	<b>1</b>	<b>18</b>	<b>0</b>	<b>2</b>	<b>8</b>	<b>2</b>	<b>17</b>	<b>6</b>
<b>Field Office</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>45</b>	<b>2</b>	<b>17</b>	<b>6</b>
<b>Regional Office</b>	<b>0</b>	<b>22</b>	<b>0</b>	<b>1</b>	<b>10</b>	<b>0</b>	<b>3</b>	<b>1</b>

Thank you very much for answering my questions today. We really appreciate your time, and the feedback we get from you will help FAA and Congress make future decisions about personnel reform.

# Elements for Effective Human Capital Management

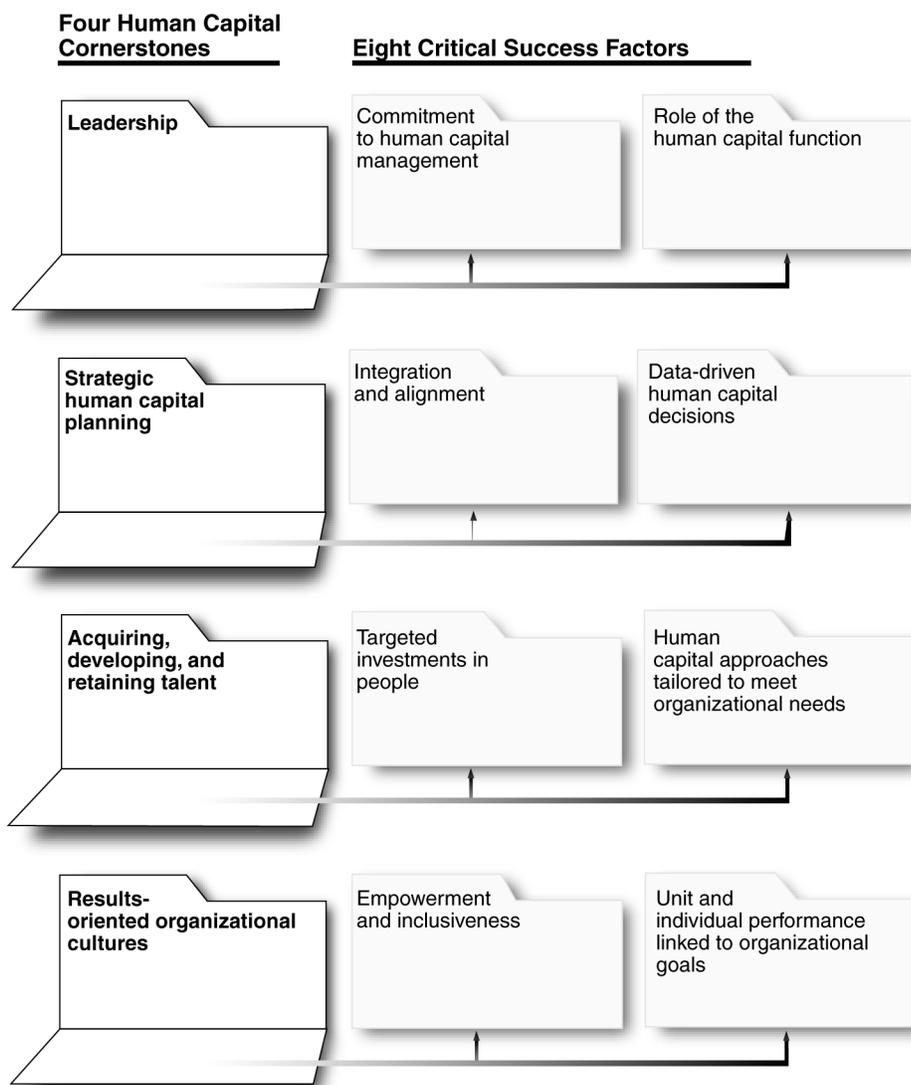
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In March 2002, we issued a model for strategic human capital management that incorporates lessons learned in our reviews of other agencies' human capital management practices, as well as our own experiences.<sup>62</sup> The model identifies eight critical success factors and highlights some of the steps agencies can take to make progress in managing human capital strategically. These eight factors, shown in figure 16, are organized in pairs to correspond with the four governmentwide high-risk human capital challenges that our work has shown are undermining agency effectiveness.

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<sup>62</sup>U.S. General Accounting Office, *A Model of Strategic Human Capital Management*, [GAO-02-373SP](#) (Washington, D.C.: March 15, 2002).

**Figure 16: Eight Critical Success Factors Corresponding with the Four High-Risk Human Capital Challenges That Can Help Agencies Manage Human Capital Strategically**



Source: GAO.

In November 2002, we issued a report that identified six key practices for federal agencies' effective use of human capital flexibilities that incorporate the concepts and critical factors of our model.<sup>63</sup> Based on our

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**Appendix III  
Elements for Effective Human Capital  
Management**

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interviews with human resource management directors from across the federal government, we identified the following key practices that agencies should implement to use human capital flexibilities effectively, as shown in Figure 17.

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**Figure 17: Six Key Practices for Effective Use of Human Capital Flexibilities**

<b>Plan strategically and make targeted investments.</b>	Agencies need to ensure that the use of flexibilities is part of an overall human capital strategy clearly linked to the program goals of the organization. Agencies also need a sound plan for how they will use and fund the authorities.
<b>Ensure stakeholder input in developing policies and procedures.</b>	Agency leaders, managers, employees, and employee unions must work together and in a constructive and cooperative manner to effectively implement any flexibility in order to reach agreement on the need for change, the direction and scope that change will take, and how progress will be assessed.
<b>Educate managers and employees on the availability and use of flexibilities.</b>	Agencies' human capital offices need to ensure that they have effective campaigns not only to inform managers of their personnel authorities, but also to explain the situations where the use of those authorities is appropriate. Agencies also need to inform employees about relevant policies and procedures and about the employees' rights related to the use of these authorities.
<b>Streamline and improve administrative processes.</b>	Agencies should streamline administrative processes for using flexibilities and review self-imposed constraints that may be excessively process-oriented.
<b>Build transparency and accountability into the system.</b>	Agencies should delegate authority to use flexibilities to appropriate levels within the agency. Agencies must develop clear and transparent guidelines for using flexibilities and then hold managers and supervisors accountable for their fair and effective use.
<b>Change the organizational culture.</b>	Agencies need to address managers' and supervisors' concerns that employees will view the use of some flexibilities as unfair. Also, with appropriate accountability mechanisms in place, agencies can begin to foster an organizational culture that encourages managers to develop creative approaches and take appropriate risks.

Source: GAO.

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<sup>63</sup>U.S. General Accounting Office, *Human Capital: Effective Use of Flexibilities Can Assist Agencies in Managing Their Workforces*, GAO-03-02, (Washington, D.C.: Nov. 2002).

# Core Compensation Pay Bands and Grade Conversion for 2002

Job categories	Pay band designation	Pay bands											
		B	C	D	E	F	G	H	I	J	K	L	M
		minimum	\$18,100	\$20,500	\$23,600	\$27,100	\$31,100	\$36,400	\$44,400	\$54,100	\$66,000	\$78,900	\$94,300
	maximum	\$26,400	\$30,800	\$35,400	\$40,700	\$46,700	\$56,400	\$68,800	\$83,900	\$102,300	\$122,300	\$146,200	\$150,000
<b>Student</b>	Career levels	1	2	3									
	Old grade equivalents	1/2	3/4	5/7/ 9									
<b>Clerical support</b>	Career levels		1	2	3								
	Old grade equivalents		1/2/3/4	5/6	7/8								
	Manager levels						Mgr 1	Mgr 2					
	Old grade equivalents												
<b>Administrative support</b>	Career levels			1	2	3							
	Old grade equivalents			3/4/5/6	7/8	9/10							
	Manager levels							Mgr 1	Mgr 2				
	Old grade equivalents							8 and below	9 and above				
<b>Technical support</b>	Career levels				1	2	3						
	Old grade equivalents				5/6	7/8	9/10/11						
	Manager levels								Mgr 1	Mgr 2			
	Old grade equivalents								11 and Below	12 and above			
<b>Paraprofessional</b>	Career levels					1	2	3					
	Old grade equivalents					7/8/9	10/11	12/13					
	Manager levels									Mgr 1	Mgr 2		
	Old grade equivalents									13 and below	14 and above		
<b>Professional</b>	Career levels						1	2	3	4	5		
	Old grade equivalents						5/7/9	11	12	13	14/15		
	Manager levels									Mgr 1	Mgr 2	Mgr 3	
	Old grade equivalents									13 and below	14	15	
<b>Technical</b>	Career levels							1	2	3	4	5	
	Old grade equivalents							5/7/9	11/12	13	14	15	
	Manager levels										Mgr 1	Mgr 2	Mgr 3
	Old grade equivalents										14 and below	15	
<b>Engineering</b>	Career levels							1	2	3	4	5	
	Old grade equivalents							5/7/9	11/12	13	14	15	
	Manager levels										Mgr 1	Mgr 2	Mgr 3
	Old grade equivalents										14 and below	15	

**Appendix IV  
Core Compensation Pay Bands and Grade  
Conversion for 2002**

Specialized occupations	Pay band designation	Pay bands											
		B	C	D	E	F	G	H	I	J	K	L	M
		minimum	\$18,100	\$20,500	\$23,600	\$27,100	\$31,100	\$36,400	\$44,400	\$54,100	\$66,000	\$78,900	\$94,300
maximum	\$26,400	\$30,800	\$35,400	\$40,700	\$46,700	\$56,400	\$68,800	\$83,900	\$102,300	\$122,300	\$146,200	\$150,000	
<b>Physician</b>	Career levels												
	Old grade equivalents											1	2
<b>Nurse/physician's assistant</b>	Career levels						1	2	3	4			
	Old grade equivalents						9 and below	10/12	13	14			
	Manager levels												
	Old grade equivalents												13/14
<b>Engineer/electrical technician, transportation</b>	Career levels					1	2	3	4	5			
	Old grade equivalents					9 and below	10/11	12	13	14/15			
	Manager levels												
	Old grade equivalents												
<b>Attorney</b>	Career levels							1	2	3	4	5	
	Old grade equivalents							11 and below	12	13	14	15	
	Manager levels												
	Old grade equivalents												
<b>Investigator, aviation safety inspector</b>	Career levels							1	2	3	4	5	
	Old grade equivalents							9 and below	10/11/12	13	14	15	
	Manager levels												
	Old grade equivalents												
<b>Regional office/headquarters air traffic controller</b>	Career levels							1	2	3	4	5	
	Old grade equivalents							9 and below	10/12	13	14	15	
	Manager levels												
	Old grade equivalents												
<b>Air traffic control flight service</b>	Career levels							1	2	3			
	Old grade equivalents							9 and below	10/11	12			
	Manager levels												
	Old grade equivalents												
<b>Pilot</b>	Career levels												
	Old grade equivalents												
	Manager levels												
	Old grade equivalents												

Source: FAA.

Notes: Does not include locality pay.  
Blank cells indicate no old grade equivalent to new pay band for manager levels.

# FAA Human Resource Management Office's Balanced Scorecard Performance Measures

Measurement perspectives	Performance measures Areas of measurement (proposed data sources)		
Customer	Human Resource Management Office service excellence  Customer perceptions regarding human resource management office service quality and timeliness (employee surveys)	Human Resource Management Office consultation and expertise valued  Customer perceptions regarding human resource management office consultation & staff expertise (employee surveys)	Human Resource Management Office innovation and leadership Customer perceptions regarding personnel reform Human resource management office & line of business human capital management efforts (employee surveys)
Performance	Human Resource Management Office results meet goals  Percentage of human resource management office projects completed on time (human resources office reporting system)	Efficient use of Human Resource Management Office resources  Human resource management office spending (budget & accounting data) Human resource management office labor distribution (cost accounting system)	Improved practices within Lines of Business  Knowledge transfer Improved line of business processes & practices Meet unique needs (employee surveys)
Internal processes	Consistent human resource management policy interpretation  (Personnel management evaluations, human resource management office policy training evaluations)	Effective Labor-Management Relationships  Consolidation in bargaining units Partnership Council meeting attendance  (data on grievances and unauthorized labor practices)	Attract and retain high caliber employees  Timeliness of automated/nonautomated selections Percentage of voluntary & involuntary attrition  (Selecting official interview data)
Human Resource Management Office employee	Empowered Human Resource Management Office employees  Human Resource Management Office employee perceptions of empowerment (employee surveys)	Satisfied Human Resource Management Office employees Human Resource Management Office employee perceptions of job satisfaction and perceptions regarding commitment to service (employee surveys)	Rewarding Human Resource Management Office work environment Human Resource Management Office employee perceptions regarding communication Performance rewarded (employee surveys)
Learning and growth	Capitalize on Human Resource Management Office talent Identify and close skill gaps (skills/training assessment for human resources office) Implement Human Resource Management Office workforce planning (human resource management office reporting system)	Increase Human Resource Management Office capacity to improve Increase in professional credentials (skills/training assessment for Human Resource Management Office) Percentage of personnel, compensation, and benefits funding spent on training (budget & accounting data)	Leverage Human Resource Management Office data/information Availability and quality of data (human resource management office information system audit) Timeliness and responsiveness to internal Human Resource Management Office requests (employee survey)

Source: FAA.

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**Appendix V**  
**FAA Human Resource Management Office's**  
**Balanced Scorecard Performance Measures**

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Note: Shaded areas indicate measures focused internally on the Office of Human Resource Management.

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# GAO Contacts and Staff Acknowledgments

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## GAO Contacts

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## Staff Acknowledgments

In addition to those individuals named above, William Doherty, Michele Fejfar, David Hooper, Jason Schwartz, E. Jerry Seigler, Margaret Skiba, Tina Smith, Alwynne Wilbur, and Kristy Williams made key contributions to this report.

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