

**GAO**

**Testimony**

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**HUMAN CAPITAL  
MANAGEMENT**

**Effectively Implementing  
Reforms and Closing  
Critical Skills Gaps Are Key  
to Addressing Federal  
Workforce Challenges**

Statement of Gene L. Dodaro  
Comptroller General of the United States



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Highlights of [GAO-12-1023T](#), a testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Did This Study

GAO designated strategic human capital management as a government-wide high risk area in 2001 because of a long-standing lack of leadership.

Since then, important progress has been made. However, the area remains high risk because of a need to address current and emerging critical skills gaps that undermine agencies' abilities to meet their vital missions.

The federal government is facing evolving and crosscutting challenges that require a range of skills and competencies to address. Moreover, retirements and the potential loss of leadership and institutional knowledge, coupled with fiscal pressures, underscore the importance of a strategic and efficient approach to acquiring and retaining individuals with needed critical skills.

This testimony is based on a large body of GAO work from January 2001 through September 2012 and focuses on the progress made by executive branch agencies, the CHCO Council, and OPM, and the challenges that remain in four key areas of human capital management: (1) leadership; (2) strategic human capital planning; (3) talent management; and (4) results-oriented organizational culture.

## What GAO Recommends

Over the years, GAO has made numerous recommendations to agencies and OPM to improve their strategic human capital management efforts. This testimony discusses agencies' actions to implement key recommendations.

View [GAO-12-1023T](#). For more information, contact Robert N. Goldenkoff at (202) 512-6806 or [goldenkoffr@gao.gov](mailto:goldenkoffr@gao.gov) or Yvonne D. Jones at (202) 512-6806 or [jonesy@gao.gov](mailto:jonesy@gao.gov).

September 19, 2012

## HUMAN CAPITAL MANAGEMENT

### Effectively Implementing Reforms and Closing Critical Skills Gaps Are Key to Addressing Federal Workforce Challenges

#### What GAO Found

Since 2001, Congress, the Office of Personnel Management (OPM), and executive branch agencies have taken action to address the government's human capital challenges. For example, in 2002, Congress passed legislation creating the CHCO Council, composed of the Chief Human Capital Officers (CHCO) of 24 executive agencies and chaired by the Director of OPM. In 2004, through the Federal Workforce Flexibility Act, Congress provided agencies greater hiring flexibilities. OPM issued guidance on hiring reforms, developed the Hiring Toolkit, and launched an 80-day model to speed the hiring process.

#### Leadership:

The CHCO Council advises and coordinates the activities of member agencies on current and emerging personnel issues. Among its recent initiatives, OPM and the CHCO Council established a working group in September 2011 to identify and mitigate critical skills gaps. To date the group has taken important steps, including developing a framework and timeline for identifying and addressing government-wide and agency-specific skills gaps. However, the substantive work of addressing skills gaps remains, including defining workforce plans, implementing recruitment and retention strategies, and measuring the effects of these initiatives.

#### Strategic human capital planning:

Integrating human capital planning with broader organizational strategic planning is essential for ensuring that agencies have the talent and skill mix needed to cost-effectively execute their mission and program goals. If not carefully managed, anticipated retirements could cause skills gaps to develop further and adversely impact the ability of agencies to carry out their diverse responsibilities. GAO's work has identified skills shortages in areas government-wide, such as cybersecurity, acquisition management, and foreign language capabilities.

#### Talent management:

Ensuring that federal agencies are able to recruit, develop, and retain personnel with the necessary skills is essential to closing any skills gaps and maintaining a workforce that will meet its vital missions. Congress, OPM, and some individual agencies have taken important actions, such as providing and using flexibilities, to improve the hiring process and making investments in training and development. However, much work remains. For example, GAO recently reported that OPM can improve its guidance and assistance to agencies in establishing a process for setting and prioritizing training investments.

#### Results-oriented organizational culture:

Leading organizations have found that to successfully transform themselves they must often fundamentally change their cultures to be more results-oriented, customer-focused, and collaborative. As part of that, GAO has shown that agencies need to create clear "lines of sight" that align organizational and individual performance. These lines of sight help individual staff understand the connection between their daily activities and agency success.



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United States Government Accountability Office  
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Chairman Akaka, Ranking Member Johnson, and Members of the Subcommittee,

Thank you for the opportunity to be here this afternoon to discuss the state of the federal workforce. My remarks today will focus on the progress made in modernizing federal human capital policies and procedures since 2001, the year in which we first added strategic human capital management to our list of high risk areas because of the long-standing lack of leadership on personnel matters.<sup>1</sup>

Mr. Chairman, today's session is a fitting venue to discuss the progress of civil service reforms because so many of the improvements in the federal government's human capital policies and practices came about as a result of the bipartisan leadership and vision of this Subcommittee including legislation, hearings, constructive oversight, requests for our research, and efforts to hold agencies accountable for results.

Congress, the Office of Personnel Management (OPM), and individual agencies have all made substantial progress in addressing their human capital challenges. For example, Congress, in 2002, created the chief human capital officer (CHCO) position in 24 agencies to advise and assist the head of the agency and other agency officials in their strategic human capital efforts.<sup>2</sup> The CHCO Council—chaired by the OPM Director—advises and coordinates the activities of members' agencies, OPM, and the Office of Management and Budget (OMB) on such matters as modernizing human resources systems and improving the quality of human resources information. Further, in 2002 and 2004, Congress provided agencies—individually and across the federal government—with additional authorities and flexibilities to manage the federal workforce such as the authority to offer recruitment bonuses. More recently, Congress enacted the Telework Enhancement Act of 2010, which is intended to provide opportunities for more federal employees to telework.

It is important that the government have a top-notch workforce. Addressing challenges in areas such as disaster response, homeland

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<sup>1</sup>GAO, *High-Risk Series: An Update*, [GAO-01-263](#) (Washington, D.C.: Jan. 2001).

<sup>2</sup>Chief Human Capital Officers Act of 2002, Title XIII of the Homeland Security Act of 2002. Pub. L. No. 107-296 (Nov. 25, 2002).

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security, economic security, and many other evolving issues requires networks of actors across many organizations employing a wide range of expertise and skills. For federal agencies to be effective in this environment, they must have the capacity to work seamlessly with other agencies, levels of government, and across sectors.

While the government has taken on additional roles and responsibilities in recent years, the size of the federal workforce has changed little since 1981. While there have been some fluctuations, overall the number of federal employees has remained relatively steady at around 2 million people, with 2.2 million civilian, non-postal employees in 2011. That said, the federal workforce is supported by a large number of contract employees who also need to have the right set of skills. Although the exact size of the contractor workforce is difficult to measure, at some agencies it is significant and can far exceed the number of federal personnel. For example, as we pointed out in our April 2012 report, the National Nuclear Security Administration—a component of the Department of Energy responsible for ensuring the safety and security of the nation’s nuclear weapons stockpile—is composed of about 34,000 contractors and 2,400 federal employees.<sup>3</sup>

These evolving and complex challenges are occurring while agencies confront an array of internal management capacity difficulties, such as critical skills shortages, ongoing retirements that could lead to a further loss of institutional knowledge, as well as fiscal pressures.<sup>4</sup> As a result, it is vital that agencies operate more strategically and efficiently than ever before.

The challenges confronting government demand that federal agencies follow high-performing organizations’ human capital management practices including recruiting and retaining employees able to create, sustain, and thrive in organizations that are flatter, results-oriented, and externally focused; and collaborate with other entities across levels of government and with the private and non-profit sectors.

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<sup>3</sup>GAO, *Modernizing the Nuclear Security Enterprise: Strategies and Challenges in Sustaining Critical Skills in Federal and Contractor Workforces* [GAO-12-468](#) (Washington, D.C.: April 26, 2012).

<sup>4</sup>For more on the management capacity issues confronting agencies, see [GAO-11-278](#).

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As requested, my remarks today will focus on executive branch agencies' and OPM's progress in addressing key aspects of strategic human capital management including: (1) leadership commitment; (2) strategic human capital planning; (3) talent management; and (4) building a results-oriented culture. This testimony is based on a large body of our completed work issued from January 2001 through September 2012, and also includes the preliminary results of an ongoing study that you requested on addressing critical skills gaps. The work on which this statement is based was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Sustained Leadership is Essential to Successful Human Capital Management

Effective leadership is the key driver of successful human capital management. Simply put, the tone starts from the top. As one example, in September 2011, OPM and the CHCO Council, as part of ongoing discussions between OPM, OMB, and us on progress needed to address the federal government's human capital high risk area, established a working group to identify and mitigate critical skills gaps. At the request of this Subcommittee, we are reviewing the progress of the working group. Our preliminary findings show that the working group has, to date, taken some important steps forward, including developing a framework and timeline for identifying and addressing both government-wide and agency-specific skills gaps.

Importantly, the effort is receiving the commitment and support of agency leadership. For example, agencies' chief human capital officers and their representatives were involved in forming the working group and participated in its deliberations. Further, the working group's efforts were designated a cross-agency priority goal within the Administration's fiscal year 2013 federal budget.<sup>5</sup> The working group expects to complete its initial efforts in March 2013. We will continue to assess the working group's progress and anticipate issuing a report to you later this year.

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<sup>5</sup>GAO, *Managing for Results: GAO's Work Related to the Interim Crosscutting Priority Goals under the GPRA Modernization Act*, [GAO-12-620R](#) (Washington, D.C.: May 31, 2012).

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In addition, OPM has demonstrated leadership in its efforts to improve the hiring process, with an eye toward making it easier and faster for people to apply for a federal job and strengthen the ability of agencies to compete with the private sector for filling entry-level positions. For example, OPM issued final regulations implementing the Pathways Programs (Pathways) which took effect on July 10, 2012.<sup>6</sup> Pathways created two new conduits into government service: the Internship Program for students currently in high school, college, and other qualifying programs, and the Recent Graduates Program for individuals who, within the previous two years, earned an associate, bachelors, masters, professional or other qualifying degree or certificate. Pathways also modified the existing Presidential Management Fellows Program making it more student friendly by, among other changes, expanding the eligibility window for applicants. Individuals in all three programs are eligible for noncompetitive conversion to permanent positions after meeting certain requirements. If successfully implemented, initiatives such as the CHCO working group and Pathways could help agencies identify and close critical skills gaps.

Still, work is needed in other human capital areas. For example, as we noted in our February 2012 testimony before this Subcommittee, OPM needs to improve the paper-intensive processes and antiquated information systems it uses to support the retirement of civilian federal employees in part because of the volume of retirement processing expected in the coming years given projected retirement trends.<sup>7</sup>

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## Strategic Human Capital Planning is Critical to Addressing Workforce Challenges

Strategic human capital planning that is integrated with broader organizational strategic planning is essential for ensuring that agencies have the talent, skill, and experience mix they need to cost-effectively execute their mission and program goals. Workforce planning is especially important now because, as shown in figure 1, agencies are facing a wave of potential retirements. Government-wide, around 30

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<sup>6</sup>77 Fed. Reg. 28194 (May 11, 2012). The Pathways Programs were established by the President under Exec. Order No. 13562, *Recruiting and Hiring Students and Recent Graduates*, 75 Fed. Reg. 82585 (Dec. 27, 2010). Under the executive order, OPM was tasked with issuing implementing regulations.

<sup>7</sup>GAO, *OPM Retirement Modernization: Progress Has Been Hindered by Longstanding Information Technology Management Weaknesses*, [GAO-12-430T](#) (Washington, D.C.: Feb. 1, 2012).

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percent of federal employees on board at the end of fiscal year 2011 will become eligible to retire by 2016.<sup>8</sup> At some agencies, however, such as the Department of Housing and Urban Development and the Small Business Administration, at least 40 percent of those on board at the end of fiscal year 2011 are already eligible or will become eligible to retire in the next five years. The government's top leadership and management ranks also face potentially high levels of retirement. About 58 percent of senior executives and 45 percent of GS-15s who were on board at the end of fiscal year 2011 will be eligible to retire by 2016. Likewise, certain occupations face the potential of large numbers of retirements. Around 46 percent of air traffic controllers and 68 percent of administrative law judges will be eligible to retire by 2016.

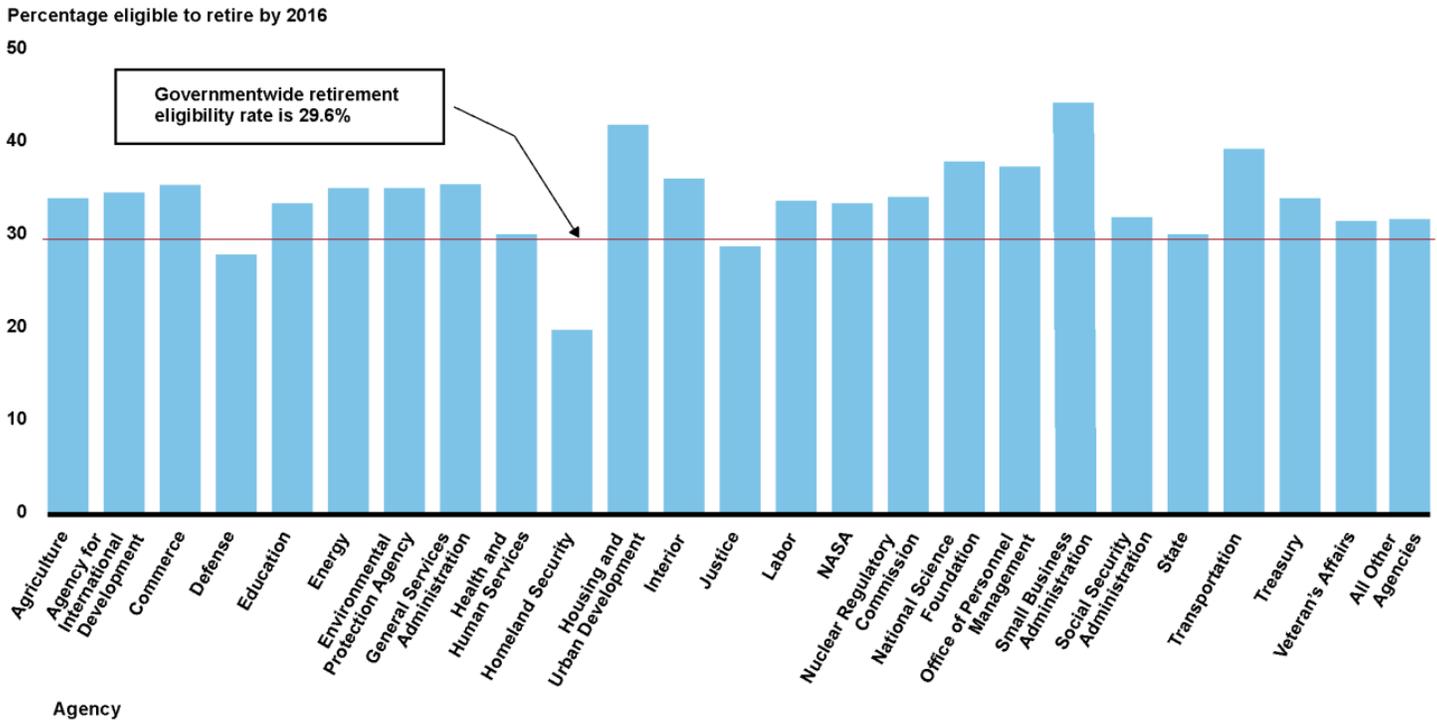
Although a number of factors affect when employees actually retire, a 2008 OPM study found that the median number of years an employee stays with the government after first becoming retirement-eligible is four years, although nearly 25 percent remain for nine years or more.<sup>9</sup> Thus, if not carefully monitored and managed, as experienced employees leave, gaps could develop in an organization's leadership and institutional knowledge.

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<sup>8</sup>We report on federal retirement eligibility using data from OPM's Central Personnel Data File (CPDF). To assess the reliability of CPDF data, we reviewed relevant OPM documentation, previous GAO reports using CPDF data, and recent OPM data quality assurance procedures. We previously reported that government-wide data from the CPDF for the key variables in this report to determine retirement eligibility—retirement plan, service computation date, birth date, and occupation—were 98 percent or more accurate. Based on the results of these procedures, we believe the CPDF data used are sufficiently reliable for the informational purpose of this report.

<sup>9</sup>OPM, *An Analysis of Federal Employee Retirement Data: Predicting Future Retirements and Examining Factors Relevant to Retiring from the Federal Service* (Washington, D.C.: March, 2008).

**Figure 1: Agencies are Facing a Retirement Wave**



Source: GAO analysis of Office of Personnel Management data.

Strategic human capital planning will also be needed to address current and emerging mission critical skills shortages that exist both government-wide across specific occupations and competencies and within particular agencies. Our work has shown that it is important for agencies to ensure that their strategic workforce planning efforts (1) involve top management, employees, and other stakeholders; (2) identify the critical skills and competencies that will be needed to achieve current and future programmatic results; (3) develop strategies that are tailored to address skills gaps; (4) build the internal capability needed to address administrative, training, and other requirements important to support

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workforce planning strategies; and (5) include plans to monitor and evaluate the agency's progress toward meeting its human capital goals.<sup>10</sup>

Our work has identified issues in such government-wide areas as:

*Cybersecurity:* In our November 2011 report, we found that even as threats to federal IT infrastructure and systems continue to grow in number and sophistication, federal agencies' progress in implementing key workforce planning practices for cybersecurity personnel has been mixed.<sup>11</sup> For example, five of the eight agencies we reviewed, including the largest, DOD, have established cybersecurity workforce plans or other agency-wide activities addressing cybersecurity workforce planning. However, all of the agencies we reviewed faced challenges determining the size of their cybersecurity workforce because of variations in how work is defined and the lack of an occupational series specific to cybersecurity. We recommended, among other actions, that OPM should finalize and issue guidance to agencies on how to track the use and effectiveness of incentives for cybersecurity and other hard-to-fill positions. OPM agreed with this recommendation and identified steps it is taking to address federal agencies' use of incentives.

*Acquisition Management:* Agencies such as DOD and the Department of Homeland Security (DHS) need to address shortages of trained acquisition personnel to oversee and manage contracts that have become more expensive and increasingly complex. The lack of skilled employees in this area makes the government vulnerable to overcharges and wasteful spending of the hundreds of billions of contract dollars it spends for goods and services each year. In our prior work, for example, we found that DOD lacked critical information to ensure its acquisition workforce was sufficient to meet its national security mission.<sup>12</sup> To address these issues, we recommended in 2009 that DOD, among other actions, identify and update, on an ongoing basis, the number and skill

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<sup>10</sup>GAO, *Human Capital: Key Principles for Effective Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003).

<sup>11</sup>GAO, *Cybersecurity Human Capital: Initiatives Need Better Planning and Coordination*, [GAO-12-8](#) (Washington, D.C.: Nov. 29, 2011).

<sup>12</sup>GAO, *Department of Defense: Additional Actions and Data Are Needed to Effectively Manage and Oversee DOD's Acquisition Workforce*, [GAO-09-342](#) (Washington, D.C.: March 25, 2009).

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sets of the total acquisition workforce, including civilian, military, and contractor personnel that it needs to fulfill its mission. DOD agreed with our recommendation and has policies in place that call for the department to assess its total workforce, including its contractor component. However, DOD has not yet determined the appropriate mix of federal civilian, military, and contractor personnel. We have ongoing work to assess DOD's civilian and acquisition workforce planning efforts.

Likewise, in 2008, we recommended DHS take several actions to better manage its acquisition workforce challenges, such as establishing a coordinated planning process across DHS component agencies and improving workforce data.<sup>13</sup> DHS generally agreed with our recommendations and has taken steps to more effectively manage and strategically plan for its acquisition workforce, including establishing a strategic human capital planning initiative to improve coordination between the Chief Procurement Officer, DHS components, the Chief Human Capital Officer, and other stakeholders to develop a Fiscal Year 2013 Acquisition Workforce Strategic Human Capital Plan. DHS has begun collecting and tracking data on the department's acquisition workforce but not yet on the department's use of contractors for acquisition support.

*Foreign Language Capabilities:* As we noted in our July 2010 testimony before this Subcommittee, DHS, DOD, and the Department of State (State) could better assess their foreign language needs and capabilities and address shortfalls.<sup>14</sup> In particular, we said that foreign language skills are an increasingly key element to the success of diplomatic efforts; military, counterterrorism, law enforcement, and intelligence missions; as well as to access to federal programs and services for limited English populations. We found that the agencies we reviewed could improve their human capital planning efforts. For example, State's efforts to meet its foreign language requirements have yielded some results, but it has not closed persistent gaps in foreign-language proficient staff in part because it was not using a strategic approach. We recommended that State

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<sup>13</sup>GAO, *Department of Homeland Security: A Strategic Approach Is Needed to Better Ensure the Acquisition Workforce Can Meet Mission Needs*, [GAO-09-30](#) (Washington, D.C.: Nov. 19, 2008).

<sup>14</sup>GAO, *Foreign Language Capabilities: Departments of Homeland Security, Defense, and State Could Better Assess Their Foreign Language Needs and Capabilities and Address Shortfalls*, [GAO-10-715T](#) (Washington, D.C.: July 29, 2010).

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develop a comprehensive strategic plan with measurable goals, objectives, milestones, and feedback mechanics that links all of State's efforts to meet its foreign language requirements. State generally agreed with our recommendations and in response, in March 2011, it published a strategic plan for foreign language capabilities that links its language incentive program to its efforts to enhance its recruitment program and expand training, among other activities.

Our prior work has also identified human capital planning issues at individual agencies. For example, the Federal Emergency Management Agency (FEMA) continues to face historical workforce planning and training challenges that need to be addressed. In our April 2012, assessment which we prepared for this Subcommittee and other requesters, we reported that FEMA is in the early stages of integrating its workforce planning and training efforts with initiatives underway by other FEMA program offices.<sup>15</sup> These efforts could help FEMA ensure that it has a workforce of the proper size and skills to meet its mission. However, we also noted that FEMA's workforce planning and training efforts could benefit from quantifiable performance measures, such as metrics to gauge the agency's progress building a comprehensive leadership development program and integrating it with agency succession planning. FEMA's parent agency, DHS, concurred with our recommendations and is taking steps to implement them.<sup>16</sup> For example, FEMA's Strategic Human Capital Plan for fiscal years 2012 through 2016 will have milestones and metrics for addressing key workforce planning efforts.

In another example, in our July 2012 report, we found that the Department of the Interior continues to face workforce planning challenges following a reorganization effort to improve its oversight of oil and gas activities in the wake of the April 2010 oil spill in the Gulf of Mexico. In particular, we found that Interior has not developed a strategic workforce plan that outlines specific strategies to help it address the recruitment, retention, and training challenges it is facing, particularly for

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<sup>15</sup>GAO, *Federal Emergency Management Agency: Workforce Planning and Training Could Be Enhanced by Incorporating Strategic Management Principles*, [GAO-12-487](#) (Washington, D.C.: April 26, 2012).

<sup>16</sup>[GAO-12-487](#).

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engineers and inspectors.<sup>17</sup> Interior has also not specifically determined when it will develop such a plan. To address this, we recommended that the relevant components of Interior develop a strategic workforce plan that, among other actions, determines the critical skills and competencies that will be needed to achieve current and future programmatic results and to develop strategies to address critical skills gaps. Interior agreed with this recommendation.

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## Talent Management Remains a Federal Workforce Challenge

Progress in talent management has been made on a number of fronts. However, our work had identified additional actions federal agencies can take to recruit, develop, and retain personnel with the skills essential to maintaining a workforce that will help agencies meet their vital missions.

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## Hiring Reforms

More than a decade ago, it was widely recognized that the federal hiring process was lengthy and cumbersome and hampered agencies' ability to hire the people they needed to achieve their goals and missions. The processes of that time failed to meet the needs of managers in filling positions with the right talent and also failed to meet the needs of applicants for a timely, efficient, transparent, and merit-based process. The processes were also hampered by narrow federal classification standards for defining federal occupations, the quality of certain applicant assessment tools, and time-consuming processes to evaluate applicants.

Both Congress and OPM have taken a series of important actions over the years to improve recruiting and hiring in the federal sector. For example, in 2004 Congress provided agencies with hiring flexibilities that (1) permit agencies to appoint individuals to positions through a streamlined hiring process where there is a severe shortage of qualified candidates or a critical hiring need, and (2) allow agency managers more latitude in selecting among qualified candidates through category rating, an alternative to the traditional numerical rating procedure which limited selection to the top three ranked candidates. In addition, Congress provided agencies with enhanced authority to pay recruitment bonuses

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<sup>17</sup>GAO, *Oil and Gas Management: Interior's Reorganization Complete, but Challenges Remain in Implementing New Requirements*, [GAO-12-423](#) (Washington, D.C.: July 30, 2012).

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and with the authority to credit relevant private sector experience when computing annual leave amounts.<sup>18</sup>

In 2005, and again in 2008, OPM issued guidance on the use of hiring authorities and flexibilities, in 2006 developed the Hiring Toolkit to assist agency officials in determining the appropriate hiring flexibilities to use given their specific situations, and in 2008 launched an 80-day hiring model to help speed up the hiring process. Also in 2008, OPM established standardized vacancy announcement templates for common occupations, such as contract specialist and accounting technician positions, in which agencies can insert summary information concerning their specific jobs prior to posting for public announcement. As mentioned earlier, in 2010, OPM launched the Pathways program in order to make it easier to recruit and hire students and recent graduates.

Individual agencies have also taken actions to meet their specific needs for acquiring the necessary talent. For example, we have reported that the National Aeronautics and Space Administration has used a combination of techniques to recruit workers with critical skills, including targeted recruitment activities, educational outreach programs, improved compensation and benefits packages, professional development programs, and streamlined hiring authorities.<sup>19</sup> Despite these efforts, many challenges remain with federal recruiting and hiring, as noted earlier in discussing critical skills gaps.

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## Training and Development

Effective training and development programs are an integral part of a learning environment that can enhance the federal government's ability to attract and retain employees with the skills and competencies needed to achieve results.<sup>20</sup> Agency training and development programs should be part of an overall management strategy and include processes to assess and ensure the training's effectiveness. Our recent work has also underscored the value of collaborative training.

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<sup>18</sup>Federal Workforce Flexibility Act of 2004, Pub. L. No. 108-411 (Oct. 30, 2004).

<sup>19</sup>GAO, *NASA: Progress Made on Strategic Human Capital Management, but Future Program Challenges Remain*, [GAO-07-1004](#) (Washington, D.C.: Aug. 8, 2007).

<sup>20</sup>GAO, *Human Capital: Selected Agencies' Experiences and Lessons Learned in Designing Training and Development Programs*, [GAO-04-291](#) (Washington, D.C.: Jan. 30, 2004).

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For example, in our 2010 overview of 225 professional development activities intended to improve interagency collaboration at nine key national security agencies (including DOD, State, and DHS), we noted that because no single federal agency has the ability to address these threats alone, agencies must work together in a whole-of-government approach to protect our nation and its interests. We found that interagency training and other professional development activities build foundational knowledge, skills, and networks that are intended to improve collaboration across agencies.<sup>21</sup> For example, in fiscal year 2009, the military services or combatant commands led an estimated 84 joint-military exercise programs that addressed a range of national security matters and sought to improve the ability of participants to work across agency lines by encouraging interagency participation. In addition, DHS offers an introductory online course which is available to personnel across federal, state, and local government and provides an overview of the roles and responsibilities of various agencies and how they are supposed to work together in different emergency situations.

Some agencies also use interagency rotations as a type of professional development activity that can help improve collaboration across agencies. For example, Army's Interagency Fellowship Program is a 10- to 12-month rotation that places Army officers in intermediate-level positions at other federal agencies and allows them to learn the culture of the host agency, hone collaborative skills such as communication and teamwork, and establish networks with their civilian counterparts. In a 2012 report, we identified key policies and practices that help such interagency personnel rotation programs achieve collaboration-related results. These policies and practices include, for example, the importance of creating shared goals, establishing incentives, and undertaking careful preparation.<sup>22</sup>

Elsewhere, improvements are needed. Our work at State found that while the department has taken many steps to incorporate the interrelated elements of an effective training program, State's strategic approach to its

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<sup>21</sup>GAO, *National Security: An Overview of Professional Development Activities Intended to Improve Interagency Collaboration*, [GAO-11-108](#) (Washington, D.C.: Nov. 15, 2010).

<sup>22</sup>GAO, *Interagency Collaboration: State and Army Personnel Rotation Programs Can Build on Positive Results with Additional Preparation and Evaluation*, [GAO-12-386](#) (Washington, D.C.: March 9, 2012).

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workforce training still has several key weaknesses.<sup>23</sup> For example, State lacks a systematic, comprehensive training needs assessment process, incorporating all bureaus and overseas posts. State also lacks formal guidance for curriculum design and for data collection and analysis, and thus cannot be assured that proper practices and procedures are systematically and comprehensively applied. Moreover, the performance measures for training generally do not fully address training goals, and are generally output- rather than outcome-oriented. We made several recommendations for State to improve strategic planning and evaluation of its efforts to train personnel, including improvements to State's efforts to assess training needs. State generally agreed with our recommendations and noted that it would look for ways to enhance its ability to assess the effectiveness of training and development efforts across employee groups and locations. State has not yet provided us with evidence that it has taken action to implement the report's recommendations.

More broadly, given current budget constraints, it is essential that agencies identify the appropriate level of investment and establish priorities for employee training and development, so that the most important training needs are addressed first. Our report to you issued earlier this week compared agencies' training investment practices and OPM guidance against leading federal training investment practices identified from our past work and expert studies.<sup>24</sup> These practices included prioritizing investment funding; identifying the most appropriate mix of centralized and decentralized approaches for training and development programs; and tracking the cost and delivery of training and development programs agency-wide.

In our review, we obtained information from 27 CHCOs on their agencies' training investment practices. Many CHCOs reported that they are implementing several leading practices important to making strategic decisions about training delivery such as, determining the best mix of decentralized and centralized training. Some CHCOs expressed the view

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<sup>23</sup>GAO, *Department of State: Additional Steps Are Needed to Improve Strategic Planning and Evaluation of Training for State Personnel*, [GAO-11-241](#) (Washington, D.C.: Jan. 25, 2011).

<sup>24</sup>GAO, *Federal Training Investments: OPM and Agencies Can Do More to Ensure Cost-Effective Decisions*, [GAO-12-878](#) (Washington, D.C.: Sept. 17, 2012).

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that their components or sub-agencies are more knowledgeable about their mission-specific training needs, while the central human capital staff can add the most value by managing investment decisions for more general training across the department. However, many CHCOs reported that they do not set a level of investment agency-wide, do not prioritize training agency-wide, and do not have information from component or sub-agency leaders regarding their level of investments and priorities. Consequently, agencies reported that they are duplicating internal training investments and missing opportunities to leverage economies of scale across their agencies. Officials from all four agencies we interviewed (the Departments of Energy, the Interior, DHS, and Veterans Affairs) to obtain additional perspective beyond our survey of 27 CHCOs reported that they were unaware of the total amount their agencies invest in federal training and cannot provide reliable training data to OPM, which requests these data to address its government-wide training responsibilities.

We found that agencies independently purchase or develop training for the same mandated or common occupational training. Several agencies and OPM officials reported that a website administered by OPM to provide training for the HR community could be expanded to provide mandatory or other common training for federal occupations, which, OPM reported, could save millions and help standardize training. We recommended, among other things, that OPM improve guidance and assistance to agencies in establishing a process for setting and prioritizing training investments; improve the reliability of agency training investment information; and identify the best existing courses that fulfill government-wide training requirements and offer them to all agencies through their existing online training platform or another appropriate platform. OPM generally agreed with most of our recommendations.<sup>25</sup>

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## Workforce Flexibilities

In broad terms, human capital flexibilities represent the policies and practices an agency has the authority to implement in managing its workforce to accomplish its mission and achieve its goals. The tailored use of such flexibilities helps agencies recruit, develop and retain people with the knowledge, skills, and abilities that agencies need to accomplish their critical missions and compete with the private sector for top talent. Human capital flexibilities include monetary incentives such as

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<sup>25</sup>[GAO-12-878](#).

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recruitment, relocation, and retention bonuses; special hiring authorities such as veteran-related hiring authorities; incentive awards such as performance-based cash and time-off awards; and work-life policies and programs such as flexible work schedules, telework, and child care centers and assistance.

Our 2010 report on the use of recruitment, relocation, and retention incentives found that these flexibilities were widely used by agencies, and that retention incentives accounted for the majority of these incentive costs. Our review of the steps OPM has taken to help ensure that agencies have effective oversight of their incentive programs found that while OPM provided oversight of such incentives through various mechanisms, including guidance and periodic evaluations and accountability reviews, there are opportunities for improvement.<sup>26</sup> We recommended that OPM require agencies to incorporate succession planning efforts into the decision process for awarding retention incentives. OPM agreed with our recommendation and stated that it will develop future guidance on the importance of considering succession planning in the decision process for awarding retention incentives. In January 2011, OPM issued proposed regulations to add succession planning to the list of factors an agency may consider before approving a retention incentive for an employee who would be likely to leave the federal service in the absence of the incentive. OPM has stated that specifically listing this factor in the regulations will strengthen the relationship between succession planning and retention incentives. OPM expects to issue the final regulations before the end of 2012.

To assist and guide agencies in developing and administering their work/life programs, OPM has established working groups, sponsored training for agency officials, promulgated regulations implementing work/life programs, and provided guidance. In our December 2010 report on agencies' satisfaction with OPM's assistance, we found that most agency officials were satisfied with OPM's help, guidance, and information sharing.<sup>27</sup> At the same time, we determined that OPM is

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<sup>26</sup>GAO, *Human Capital: Continued Opportunities Exist for FDA and OPM to Improve Oversight of Recruitment, Relocation, and Retention Incentives*, [GAO-10-226](#) (Washington, D.C.: Jan. 22, 2010).

<sup>27</sup>GAO, *Federal Work/Life Programs: Agencies Generally Satisfied with OPM Assistance, but More Tracking and Information Sharing Needed*, [GAO-11-137](#) (Washington, D.C.: Dec. 16, 2010).

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potentially missing opportunities to provide federal agencies with additional information that may help them develop and implement work/life programs. As such, we recommended that OPM more systematically track data already being collected by individual federal agencies on their work/life programs such as program usage, and share this information with federal agencies. OPM agreed with our recommendations and said it is exploring the use of a Web-based tool that would provide an ability to collect data from agencies and present it in a more meaningful and systematic manner. According to OPM, the goal would be to allow users to note the connection between work/life programs being offered and related outcomes/results, encouraging agencies to engage in similar efforts.

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## Results-Oriented Cultures

Leading organizations have found that to successfully transform themselves they must often fundamentally change their cultures so that they are more results-oriented, customer-focused, and collaborative in nature. An effective performance management system is critical to achieving this cultural transformation. We have found that having a performance management system that creates a “line of sight” showing how unit and individual performance can contribute to overall organizational goals helps individuals understand the connection between their daily activities and the organization’s success. The federal government’s senior executives need to lead the way in transforming their agencies’ cultures.<sup>28</sup> The performance-based pay system for members of the Senior Executive Service (SES), which seeks to provide a clear and direct linkage between individual performance and organizational results as well as pay, is an important step in government-wide transformation. The importance of explicitly linking senior executive expectations to results-oriented organizational goals is consistent with findings from our past work on performance management.<sup>29</sup>

In January 2012, OPM and OMB released a government-wide SES performance appraisal system that provides agencies with a standard framework to managing the performance of SES members. While striving

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<sup>28</sup>GAO, *Human Capital: Sustained Attention to Strategic Human Capital Management Needed*, [GAO-09-632T](#) (Washington, D.C.: April 22, 2009).

<sup>29</sup>GAO, *Human Capital: Senior Executive Performance Management Can Be Significantly Strengthened to Achieve Results*, [GAO-04-614](#) (Washington, D.C.: May 26, 2004).

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to provide greater clarity and equity in the development of performance standards and link to compensation, among other things, the Directors of OPM and OMB stated that the new system will also provide agencies with the necessary flexibility and capability to customize the system in order to meet their needs. Effective implementation of this new system will be important because, as we reported in 2008, OPM had found that some executive performance plans in use at that time did not fully identify the executives' performance measures.<sup>30</sup>

Leading organizations also develop and maintain inclusive and diverse workforces that reflect all segments of society. Such organizations typically foster a work environment in which people are enabled and motivated to contribute to continuous learning and improvement as well as mission accomplishment and provide both accountability and fairness for all employees. As with any organizational change effort, having a diverse top leadership corps is an organizational strength that can bring a wider variety of perspectives and approaches to bear on policy development and implementation, strategic planning, problem solving, and decision making.<sup>31</sup> In November 2008, we reported on the diversity of the SES and the SES developmental pool, from which most SES candidates are selected, noting that the representation of women and minorities in the SES increased government-wide from October 2000 through September 2007, but increases did not occur in all major executive branch agencies.<sup>32</sup>

In November 2011, OPM reinforced the importance of promoting the federal workplace as a model of equality, diversity, and inclusion through the issuance of the Government-Wide Diversity and Inclusion Strategic Plan. Organized around three strategic goals—workforce diversity, workplace inclusion, and sustainability—the plan provides a shared direction, encourages commitment, and creates alignment so that

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<sup>30</sup>GAO, *Results-Oriented Management: Opportunities Exist for Refining the Oversight and Implementation of the Senior Executive Performance-Based Pay System*, [GAO-09-82](#) (Washington, D.C.: Nov. 21, 2008).

<sup>31</sup>[GAO-09-632T](#).

<sup>32</sup>GAO, *Human Capital: Diversity in the Federal SES and Processes for Selecting New Executives*, [GAO-09-110](#) (Washington, D.C.: Nov. 26, 2008).

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according to OPM, agencies can approach their workplace diversity and inclusion efforts in a coordinated, collaborative, and integrated manner.

In helping to ensure diversity in the pipeline for appointments to the SES as well as recruitment at all levels, it is important that agencies have strategies to identify and develop a diverse pool of talent for selecting the agencies' potential future leaders and to reach out to a diverse pool of talent when recruiting. For example, to recruit diverse applicants, agencies will need to consider active recruitment strategies such as widening the selection of schools from which to recruit, building formal relationships with targeted schools to ensure the cultivation of talent for future applicant pools, and partnering with multicultural organizations to communicate their commitment to diversity and to build, strengthen, and maintain relationships.<sup>33</sup>

To promote diversity and inclusion in the federal workforce OPM is also focusing on increasing the hiring and retention of people with disabilities and veterans.

In 2010, we were asked to identify barriers to the employment of people with disabilities in the federal workforce and leading practices that could be used to overcome these barriers. In response, we convened a forum to identify leading practices that federal agencies could implement within the current legislative context. Participants said that the most significant barrier keeping people with disabilities from the workplace is attitudinal, which can include bias and low expectations for people with disabilities. According to participants, there is a fundamental need to change the attitudes of hiring managers, supervisors, coworkers, and prospective employees, and that cultural change within the agencies is critical to this effort.<sup>34</sup> Participants identified practices that agencies could implement to help the federal government become a model employer for people with disabilities.

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<sup>33</sup>[GAO-09-632T](#).

<sup>34</sup>GAO, *Highlights of a Forum: Participant-Identified Leading Practices That Could Increase the Employment of Individuals with Disabilities in the Federal Workforce*, [GAO-11-81SP](#) (Washington, D.C. Oct. 5, 2010).

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Also in July 2010, the President issued Executive Order 13548<sup>35</sup> to increase the number of individuals with disabilities in the federal workforce. Nearly two years after the executive order was signed, we found that the federal government was not on track to achieve the executive order's hiring goals. To ensure that the federal government is well positioned to become a model employer of individuals with disabilities, we recommended that the Director of OPM incorporate information about agency deficiencies in hiring individuals with disabilities into its regular reporting to the President on implementing the executive order; expedite the development of the mandatory agency training plans required by the order; and assess the accuracy of the data used to measure progress toward the order's goals.<sup>36</sup> OPM agreed with our recommendations and is taking steps to implement them.

Finally, the Uniformed Services Employment and Reemployment Rights Act (USERRA) of 1994 protects the employment and reemployment rights of federal and nonfederal employees who leave their civilian employment to perform military and other uniformed services.<sup>37</sup> And the Veterans' Benefits Act of 2010 (VBA) directed the Department of Labor (Labor) and Office of Special Counsel (OSC) to establish a 36-month demonstration project (2011-2014) for receiving, investigating, and resolving USERRA claims filed against federal executive agencies.<sup>38</sup> The VBA also required that we evaluate how Labor and OSC designed the demonstration project and assess their relative performance during and after the demonstration project.

In September 2012, as part of our mandated effort to assess the relative performance of USERRA claim processing at Labor and OSC, we determined that both agencies had implemented comparable processes

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<sup>35</sup>Executive Order 13548 of July 26, 2010., Increasing Federal Employment of Individuals with Disabilities, Federal Register /Vol. 75, No. 146 / Friday, July 30, 2010 / Presidential Documents p.45039.

<sup>36</sup>GAO, *Disability Employment: Further Action Needed to Oversee Efforts to Meet Federal Government Hiring Goals*, [GAO-12-568](#) (Washington, D.C.: May 25, 2012).

<sup>37</sup>Pub. L. No. 103-353, 108 Stat. 3149 (Oct. 13, 1994) (codified at 38 U.S.C. §§ 4301-4335). USERRA is the most recent in a series of laws protecting veterans' employment and reemployment rights going back to the Selective Training and Service Act of 1940. Pub. L. No. 783, 54 Stat. 885, 890 (Sept. 16, 1940).

<sup>38</sup>Pub. L. No. 111-275, § 105, 124 Stat. 2864, 2868-70 (Oct. 13, 2010).

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that should allow Congress to evaluate their relative performance at the conclusion of the 3-year demonstration project established by Congress.<sup>39</sup> However, to improve agencies' ability to assess relative performance, we recommended that both agencies take additional steps to ensure data integrity for the performance data they plan to report.

Although Labor and OSC neither agreed nor disagreed with our recommendations, they discussed actions that they both plan to take to implement our suggestions. For example, Labor said it will review cost data on a quarterly basis for inconsistent or questionable data and correct and report any identified data issues each quarter, as necessary. OSC said it is reviewing its procedures for compiling and reporting cost data during the demonstration project, and is committed to making any necessary changes to ensure the demonstration project satisfies Congress's goals.

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## Concluding Observations

Strategic human capital management must be the centerpiece of any serious effort to ensure federal agencies operate as high-performing organizations. A high-quality federal workforce is especially critical now given the complex, multi-dimensional issues facing the nation. Achievement of this goal is challenging, especially in light of the fiscal pressures confronting our national government.

When we first identified strategic human capital management as a high risk area in 2001, it was because many agencies faced challenges in key areas including leadership; workforce planning; talent management; and creating results-oriented organizational cultures. Since then, the federal government has made substantial progress in beginning to address human capital challenges and, in many ways, is taking a far more strategic approach to managing personnel. Through a variety of initiatives, Congress, OPM, and individual agencies have strengthened the federal human capital infrastructure. As a result of these improvements, in 2011 we narrowed the focus of our high risk assessment to closing current and emerging critical skills gaps. These challenges must be addressed for agencies to cost-effectively execute their missions and respond to emerging challenges.

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<sup>39</sup>See GAO, *Veterans' Reemployment Rights: Department of Labor and Office of Special Counsel Need to Take Additional Steps to Ensure Demonstration Project Data Integrity*, [GAO-12-860R](#) (Washington, D.C.: Sept. 10, 2012).

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In short, while much progress has been made over the last 11 years in modernizing federal human capital management, the job is far from over. Making greater progress requires agencies to continue to address their specific personnel challenges, as well as work with OPM and through the CHCO Council to address critical skills gaps. Central to success will be the continued attention of top-level leadership, effective planning, responsive implementation, and robust measurement and evaluation, as well as continued congressional oversight to hold agencies accountable for results.<sup>40</sup>

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Chairman Akaka, Ranking Member Johnson, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions.

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## Contacts and Acknowledgments

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<sup>40</sup>GAO, Strategic Plan 2007-2012, [GAO-07-1SP](#) (Washington, D.C.: March 30, 2007).

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# Appendix I: GAO Products Related to Federal Human Capital Issues

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*Federal Training Investments: OPM and Agencies Can Do More to Ensure Cost-Effective Decisions.* [GAO-12-878](#). Washington, D.C.: September 17, 2012.

*Veterans' Reemployment Rights: Department of Labor and Office of Special Counsel Need to Take Additional Steps to Ensure Demonstration Project Data Integrity.* [GAO-12-860R](#). Washington, D.C.: September 10, 2012.

*Oil and Gas Management: Interior's Reorganization Complete, but Challenges Remain in Implementing New Requirements.* [GAO-12-423](#). Washington, D.C.: July 30, 2012.

*Human Capital: HHS and EPA Can Improve Practices Under Special Hiring Authorities.* [GAO-12-692](#). Washington, D.C.: July 9, 2012.

*Managing for Results: GAO's Work Related to the Interim Crosscutting Priority Goals under the GPRA Modernization Act.* [GAO-12-620R](#). Washington, D.C.: May 31, 2012.

*Disability Employment: Further Action Needed to Oversee Efforts to Meet Federal Government Hiring Goals.* [GAO-12-568](#). Washington, D.C.: May 25, 2012.

*Disaster Assistance Workforce: FEMA Could Enhance Human Capital Management and Training.* [GAO-12-538](#). Washington, D.C.: May 25, 2012.

*Federal Emergency Management Agency: Workforce Planning and Training Could Be Enhanced by Incorporating Strategic Management Principles.* [GAO-12-487](#). Washington, D.C.: April 26, 2012.

*Modernizing the Nuclear Security Enterprise: Strategies and Challenges in Sustaining Critical Skills in Federal and Contractor Workforces.* [GAO-12-468](#). Washington, D.C.: April 26, 2012.

*Interagency Collaboration: State and Army Personnel Rotation Programs Can Build on Positive Results with Additional Preparation and Evaluation.* [GAO-12-386](#). Washington, D.C.: March 9, 2012.

*OPM Retirement Modernization: Progress Has Been Hindered by Longstanding Information Technology Management Weaknesses.* [GAO-12-430T](#). Washington, D.C.: February 1, 2012.

*Cybersecurity Human Capital: Initiatives Need Better Planning and Coordination.* [GAO-12-8](#). Washington, D.C.: November 29, 2011.

*Emergency Preparedness: Agencies Need Coordinated Guidance on Incorporating Telework into Emergency and Continuity Planning.* [GAO-11-628](#). Washington, D.C.: July 22, 2011.

*High-Risk Series: An Update.* [GAO-11-278](#). Washington, D.C.: February 16, 2011.

*Department of State: Additional Steps Are Needed to Improve Strategic Planning and Evaluation of Training for State Personnel.* [GAO-11-241](#). Washington, D.C.: January 25, 2011.

*Federal Work/Life Programs: Agencies Generally Satisfied with OPM Assistance, but More Tracking and Information Sharing Needed.* [GAO-11-137](#). Washington, D.C.: December 16, 2010.

*National Security: An Overview of Professional Development Activities Intended to Improve Interagency Collaboration.* [GAO-11-108](#). Washington, D.C.: November 15, 2010.

*Highlights of a Forum: Participant-Identified Leading Practices That Could Increase the Employment of Individuals with Disabilities in the Federal Workforce.* [GAO-11-81SP](#). Washington, D.C.: October 5, 2010.

*Foreign Language Capabilities: Departments of Homeland Security, Defense, and State Could Better Assess Their Foreign Language Needs and Capabilities and Address Shortfalls.* [GAO-10-715T](#). Washington, D.C.: July 29, 2010.

*Human Capital: Continued Opportunities Exist for FDA and OPM to Improve Oversight of Recruitment, Relocation, and Retention Incentives.* [GAO-10-226](#). Washington, D.C.: January 22, 2010.

*Department of State: Comprehensive Plan Needed to Address Persistent Foreign Language Shortfalls.* [GAO-09-955](#). Washington, D.C.: September 17, 2009.

*Human Capital: Sustained Attention to Strategic Human Capital Management Needed.* [GAO-09-632T](#). Washington, D.C.: April 22, 2009.

*Office of Personnel Management: Retirement Modernization Planning and Management Shortcomings Need to Be Addressed.* [GAO-09-529](#). Washington, D.C.: April 21, 2009.

*Department of Defense: Additional Actions and Data Are Needed to Effectively Manage and Oversee DOD's Acquisition Workforce.* [GAO-09-342](#). Washington, D.C.: March 25, 2009.

*Human Capital: Diversity in the Federal SES and Processes for Selecting New Executives.* [GAO-09-110](#). Washington, D.C.: November 26, 2008.

*Results-Oriented Management: Opportunities Exist for Refining the Oversight and Implementation of the Senior Executive Performance-Based Pay System.* [GAO-09-82](#). Washington, D.C.: November 21, 2008.

*Department of Homeland Security: A Strategic Approach Is Needed to Better Ensure the Acquisition Workforce Can Meet Mission Needs.* [GAO-09-30](#). Washington, D.C.: November 19, 2008.

*Office of Personnel Management: Improvements Needed to Ensure Successful Retirement Systems Modernization.* [GAO-08-345](#). Washington, D.C.: January 31, 2008.

*NASA: Progress Made on Strategic Human Capital Management, but Future Program Challenges Remain.* [GAO-07-1004](#). Washington, D.C.: August 8, 2007.

*Strategic Plan, 2007-2012.* [GAO-07-1SP](#). Washington, D.C.: March 30, 2007.

*Office of Personnel Management: Key Lessons Learned to Date for Strengthening Capacity to Lead and Implement Human Capital Reforms.* [GAO-07-90](#). Washington, D.C.: January 19, 2007.

*Office of Personnel Management: Retirement Systems Modernization Program Faces Numerous Challenges.* [GAO-05-237](#). Washington, D.C.: February 28, 2005.

*Diversity Management: Expert-Identified Leading Practices and Agency Examples.* [GAO-05-90](#). Washington, D.C.: January 14, 2005.

*High Risk Series: An Update,* [GAO-05-207](#). Washington, D.C.: January 1, 2005.

*Human Capital: Senior Executive Performance Management Can Be Significantly Strengthened to Achieve Results.* [GAO-04-614](#). Washington, D.C.: May 26, 2004.

*Human Capital: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government.* [GAO-04-546G](#). Washington, D.C.: March 1, 2004.

*High-Performing Organizations: Metrics, Means, and Mechanisms for Achieving High Performance in the 21st Century Public Management Environment.* [GAO-04-343SP](#). Washington, D.C.: February 13, 2004.

*Human Capital: Selected Agencies' Experiences and Lessons Learned in Designing Training and Development Programs.* [GAO-04-291](#). Washington, D.C.: January 30, 2004.

*Human Capital: Key Principles for Effective Workforce Planning,* [GAO-04-39](#). Washington, D.C.: December 11, 2003.

*Human Capital: Opportunities to Improve Executive Agencies' Hiring Processes.* [GAO-03-450](#). Washington, D.C.: May 30, 2003.

*High-Risk Series: An Update.* [GAO-01-263](#). Washington, D.C.: January 2001.

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