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Chairman Akaka, Ranking Member Johnson, and Members of the Subcommittee, thank you for the opportunity to testify on the role of the Department of the Treasury in building and maintaining an effective human resource workforce in the Federal government. After setting the stage with some brief background about the Treasury Department and the Federal human resource (HR) occupation, my testimony today will address three topics: 1) the Treasury Department's efforts to develop and train its HR professionals; 2) joint efforts with other governmental and non-governmental agencies; and 3) the most significant challenges facing the Department in developing and training HR professionals.

Background Facts About the Department of the Treasury

- The mission of the Treasury Department is to maintain a strong economy and create economic and job opportunities by promoting conditions that enable economic growth and stability at home and abroad; to strengthen national security by combating threats and protecting the integrity of the financial system; and to manage the U.S. Government's finances and resources effectively.
- The work of the Treasury Department covers a broad range: manufacturing coins and currency; administering and enforcing the federal tax code and collecting taxes; managing the federal finances and paying bills of the United States; and developing and executing critical policies and strategies to strengthen domestic and international economies.
- The Treasury Department has an annual discretionary budget of approximately \$13 billion and roughly 100,000 employees. To service its HR needs, the Department has approximately 1,700 non-supervisory personnel, of whom about 79 percent are in HR (200-series), 11 percent in Equal Employment Opportunity (EEO) (260-series), and 10 percent in Training (1700-series).¹ Treasury's HR practitioners include approximately 200 employees who work for Treasury's HR Line of Business in Parkersburg, West Virginia, which also provides comprehensive HR services to 16 other non-Treasury organizations.

¹ In our strategic planning process and development of a competency model, we determined that to be most effective with this initiative we needed to include not just those in the HR field, but those in the EEO and Training fields as well. The development of our workforce includes the entire Human Capital (HC) professional workforce. While about four-fifths of our HC workforce are HR professionals, all three professions impact each other. For example, in approaching efforts to improve diversity, we found far too often that HR and EEO professionals were unfamiliar with each other's processes and requirements. This truly impacts our diversity programs. Our goal was to identify the competencies required across the three major occupations and ensure that we were carrying out all our human capital programs in a cohesive manner in support of the Treasury Department.

Background on Recent History of the Federal Human Resources Occupation

In order to meet current and emerging mission and programmatic goals, federal agencies are attempting to transform themselves into organizations that are more results-oriented, collaborative and customer-focused. The Government Accountability Office (GAO) has reported that federal agencies do not consistently have the modern, effective, economical, and efficient human capital programs, policies, and procedures needed to succeed in their transformation efforts. (Federal Workforce Challenges in the 21st Century, GAO-07-556T, March 6, 2007.) Further, workforce planning must address long term strategies for acquiring, developing, motivating, and retaining staff to achieve programmatic goals.

Chief among the people required to be well developed and motivated to achieve an agency's programmatic goals are its human capital employees. They are required to transform themselves from the enforcer of rules and independent agents to a consultant tool maker and strategic partner in leading and supporting the agency's business entities to achieve their programmatic goals. However, these employees will need the skills and abilities to:

- Recruit and develop employees with the skills necessary to achieve the agency's mission objectives;
- Provide timely and accurate human capital guidance and advice;
- Inventory and analyze critical skills gaps;
- Design effective training and development programs to address gaps in skills and competencies once identified in the workforce;
- Evaluate the impact of training and development activities;
- Strengthen efforts and use of available flexibilities to acquire, motivate, and retain talent;
- Use targets and measures to monitor the composition of hires and separations;
- Hire new employees within required timeframes; and
- Provide performance management tools to help leaders manage on a day-to-day basis.

This is not an exhaustive list of skills and abilities agencies must address; different agencies will have different needs. Moreover, agencies are finding themselves having to address human resources challenges during a period of likely sustained budget cuts. This will require agencies to plan their transformations more strategically, prioritize their needs, evaluate results, allocate their resources more carefully, and react to workforce challenges more expeditiously in order to achieve their missions economically, efficiently, and effectively.

Examining if and why employees may be lacking the necessary tools is critical to understanding the scope of the problem. The challenges must be put into the context of the significant changes HR has experienced within the last twenty years. A number of significant events brought us to

the point where Federal HR systems and the HR workforce have less resources to help support the HR mission. These include:

- Significant reductions were made in administrative personnel in the 1990s that did not always match our ability to become more efficient and creative in delivering services;
- In the 1990s, the Office of Personnel Management replaced the *Federal Personnel Manual System*, the official instruction manual to agencies on personnel management, with multiple reference sources including the Code of Federal Regulations and a variety of other handbooks, guides and policy issuances; as a result, HR practitioners no longer have a single-source reference but must master multiple systems of reference;
- The push toward automation to speed the hiring process often yielded a pool that included a higher volume of less-qualified applicants and was not quicker;
- The work became more complicated with the proliferation of alternative pay systems and special appointing authorities;
- The Government did not always successfully replace in-house technical training for Federal HR professionals with equivalent vendor-provided training; and
- The expectations of HR management grew as senior leadership increasingly recognized the importance of their most expensive (and valuable) resource investment – their workforce.

We must recognize that, even without these events, the Federal Merit Based system is inherently more complicated to administer, making a Federal HR practitioner's job more complicated than the same job in most private sector operations. Recruiting and retaining a competent HR professional is critical to ensuring that a workforce investment is effective.

HR professionals need to support management in identifying the skills required to get the work done and then translate that into language that can be used to recruit the best person for the job. They need the proper technical training to ensure that they can navigate the complicated mosaic of the Federal employment system. In addition to technical training, HR professionals need business, analytical, and consulting skills.

For more than a decade, the Office of Personnel Management (OPM) and agency HR leadership have expressed an urgency to move forward to address personnel challenges. We are pleased that the Chief Human Capital Officers (CHCO) Council and OPM have worked together to develop the Human Resources University. This is an important step and Treasury has been a very active member in this effort. More needs to be done and Treasury hopes to continue to lead government efforts.

Efforts to Develop and Train Treasury's Human Resource (HR) Professionals

I will describe briefly the Treasury Department's efforts over the last few years to develop and train its Human Capital professionals. We followed a rigorous process to identify the requisite

competencies, assess our workforce to see where gaps exist, and implement a program for individual skill development tied to organizational needs.

Step 1: Recognizing the need to transform the Human Capital Occupation

In its 2007-2012 Human Capital Strategic Plan, the Treasury Department recognized the need to transform HR practitioners into strategic partners with business owners, to identify and developed HR practitioner competencies, and to facilitate the career development of HR practitioners. One strategic goal called for the Department to “Develop Human Capital Practitioners as Strategic Business Partners.” As further developed in the implementation plan, that goal requires us to –

Promote the transformation of Treasury’s human resource, training and equal employment staffs (human capital community) into a cadre of Human Capital professionals who serve as valued business advisors on people and organizations and an organizational culture of fairness and respect.

Human capital practitioners with the necessary skills and competencies must be “at the table” as an integral team member, working with senior leaders and line managers and supervisors to create innovative, state-of-the-art, effective human capital policies, programs, and tools to support strategic business needs.

Beyond the HR workforce situation that has evolved over the years, Treasury is also faced with the rapidly changing state of human capital management. Knowledge about the science and art of managing people continues to expand through research and experience. Research areas include employee performance, motivation and engagement, organizational design and development, and harnessing the power of data through analytics. Progress in these areas, plus the changing environment of technology, law, demographics, and other factors, are redefining the set of competencies needed for the human capital community.

Identifying the specific set of competencies most needed for human capital practitioners across the Department was our first step. With the use of workforce assessments, we then evaluated our workforce against those competencies and developed an approach to close key competency gaps. This is needed to ensure the Department has a sustainable and high-performing human capital workforce in order to support Treasury’s critical mission.

Step 2: Listening to the Voice of the Customer

Treasury’s first step was researching best practices and hearing the voice of the customer. We built our competency model based on a survey of our customers, the mission, operational, and business leadership across Treasury. What skills did Treasury Offices want from their human capital office? Detailed interviews of Treasury leaders revealed an urgency to build proficiency not only in our technical competencies but in competencies such as Business Acumen and Strategic Planning.

Step 3: Developing a Role-Based Competency Model and Career Map Framework

We built a role-based competency model that builds on the technical specialist role and incorporates the newer expectation of a Strategic Partner. We used customer feedback to deepen and enhance the general competencies expected of any HR practitioner. We identified three categories:

- **Business Competencies** (Business Acumen, Information Management, Project Management, and Strategic Thinking);
- **Analytical Competencies** (Decision Making, Metrics Use and Development, and Problem Solving); and
- **Consulting Competencies** (Change Management, Communication, Customer Service, Influencing/Negotiating, and Interpersonal Skills)

We developed three roles and defined them as:

- **Strategic Partner Role:** Strategic business partners identify broad Human Capital (HC) issues ahead of business leaders; partners are high-level consultants who develop strategies to address long-term business needs.
- **Advisor Role:** As tactical consultants, advisors develop innovative Human Capital solutions to address customer issues and achieve specific business goals (with an eye on those of tomorrow).
- **Technical Specialist Role:** Technical specialists apply intensive knowledge of specific technical areas to address and resolve immediate needs of business.

We then validated our model by deploying a competency validation survey to all Human Capital practitioners and supervisors and prepared a technical report. The purpose was to validate the level of importance and need of the competency at the time an individual enters the role in order to determine the Treasury Human Capital Competency model for selection and development. The survey showed that all the general competencies are critical and most are needed at the entry level. The competencies seen as key for role growth (and, therefore, career growth) were Strategic Thinking, Change Management, and Business Acumen.

Step 4: Assessing the Competencies of the HR Workforce

We then moved forward in 2011 to assess our workforce against the competency model. We researched assessment tools and planned and launched the Treasury Competency Assessment Process for Human Capital (TCAP-HC). We assessed all the competencies and determined gaps for each individual throughout the organization. These assessments were completed by both the employee and his or her supervisor. Of our total Human Capital workforce, 95 percent completed the assessment. This was followed by a requirement to develop an on-line competency-based individual development plan that was designed to close key gaps. The TCAP-HC process revealed significant gaps in technical and general competencies agency-wide. Individuals were then working toward individual goals based on the Treasury competency model, but as a Department we had to ask, how might we close the gaps across Treasury? We

also asked how we could help our workforce appreciate and understand the need for additional competencies and the changing nature of customer expectations.

Step 5: Closing the Competency Gaps

We formed a Department-wide planning team and met in September 2011 with fifty-five HC representatives from throughout the Department to identify the high-priority gaps and develop methods to close them. We then had a corporate view of our competency gaps and we had to decide what we were going to do with this view. We formed four teams – three to deal with the technical competencies (HR, EEO, and Training) and another to address the general competency gaps.

The HR Technical Competency Team identified five of the ten high priority technical competencies: staffing, classification, Employee Relations (ER), Labor Relations (LR), and performance management. The teams then worked over the next six months to develop learning objectives for each specialty area, building a career roadmap within each of these specialty areas to convey what is required to become a technical expert as well as ways to gain the necessary knowledge (training, knowledge transfer, etc.). The career roadmap also establishes recommended learning needs at each level (beginning, intermediate and advanced). This framework will assist individuals with their learning plans. The EEO Technical Competency Team and the Training Technical Team also developed these knowledge frameworks for their technical areas.

The General Competency Team identified five high priority competencies. These were identified as high priority because of the gap size that exists and because of the positive impact closing the gap could have on the occupation. They are: Business Acumen, Strategic Thinking, Customer Service, Metrics Use and Development, and Change Management.

This team then developed a number of solutions to close these gaps as well as technical competency gaps. The overarching theme of Treasury's various Human Capital transformation projects is to combine opportunities for training and experience with an array of easily accessible, multimedia resources to provide our Human Capital practitioners an environment where they are allowed and encouraged to excel. We deliberately create collaborative projects to bring together various elements of our Human Capital workforce – not only HR, EEO, and Training, but colleagues from different Bureaus and other Federal agencies. This gives our Human Capital practitioners a sense of community and engenders pride in their work. Our overarching purpose in building a Treasury Human Capital professional community is to learn the best ways to provide the same advantages for other professional communities. Therefore, we constantly seek innovative, low cost solutions that are readily adaptable for different situations.

The initial set of Human Capital transformation projects includes the following:

- A. **Quarterly Focus Days:** Treasury Employee Development Focus Days were inspired by “Stand Down Days,” which are often used by the military (and some federal agencies) to raise awareness of key topics of interest. Focus Days will provide Human Capital employees approved time for continued learning and development, develop key competencies within the workforce, and unify the Human Capital community by focusing on common goals.

Focus Days will be conducted quarterly. Content for the first three quarters of the year will be developed and presented by rotating assignment amongst the bureaus. The last quarter will be self-guided and geared toward individual goals and development. Potential topics for 2012 Focus Days include:

- The Human Capital Competency Model: “What Is a Strategic Partner and How Can You Become One?”
- Customer Service: “Knowing Your Customers and What You Can Do For Them.”
- General Competencies: “Business Acumen: Understanding the Impact.”
- Employee Self-Development: “Making the Most of Developmental Opportunities.”

- B. Orientation for new Human Capital professionals:** New members of our Human Capital Community, no matter when they come on board, will have an immediate introduction to the community through a multimedia program. Community leaders will provide information about Treasury’s expectations for its Human Capital professionals and available career paths.
- C. Flash Mentoring:** Flash mentoring enables small groups to engage with multiple mentors in a single setting. A small group discussion format allows participants to hear from their peers as well. Flash mentoring is low-cost and relatively easy to administer, making it an ideal program to reach community members outside the Washington, D.C., area.
- D. Temporary Job Swaps:** Two or more employees in different organizations (within or outside of their current bureau) may “swap” jobs on a short term basis (a detail) to acquire new skills and knowledge. These mini-rotations on an intra-agency basis will promote cross-fertilization of best practices through the sharing of knowledge between organizations, as well as cross-training and development for individuals. “Job Swaps” are also low cost, with potential for improving employee engagement.
- E. Career Guides:** Career guides are catalogs of development opportunities for individuals in Human Capital specialties. For each technical skill area, as well as each general competency, volunteer teams of experts are compiling a career guide that breaks down the relevant competencies and describes various methods of acquiring the skill/knowledge. These guides will be posted on the Treasury website and periodically updated.
- F. Human Capital Strategic Partner Certification:** We are designing a model for certification that will encourage employees not only to maintain basic competencies but also to develop additional competencies and acquire the relevant experience necessary to advance in their careers.

Step 6: Designing and Building Treasury’s Human Capital Community

As noted earlier, in 2007, the Treasury Human Capital Strategic Plan established the goal to “Develop Human Capital Practitioners as Strategic Business Partners.” In pursuit of this goal, a Treasury-wide team assembled to: a) redefine Human Capital roles from the business perspective; b) achieve organizational proficiency in key technical, business, consulting, and analytical competencies; and c) build a cadre of strategic business partners.

Five years on, in 2012, we observe that rapid changes in business and technology demand new roles and career paths for Human Capital professionals. For example, we see the need for not only strategic HR business partners, but also HR information technology specialists, performance management specialists, multi-sector workforce planners, and experts in workforce analytics. Accordingly, instead of focusing primarily on creating a specialty for strategic business partners, we now envision creating a community framework whose senior leaders will continuously scan the horizon and prepare the Human Capital workforce to respond rapidly to changing business needs. We are modeling the structure and rules of our new Human Capital professional community on examples such as the federal acquisition community and well-established professional communities such as law, medicine, engineering, and teaching.

Taking a lesson from the federal acquisition community, I established the Treasury Human Capital Community Executive Steering Committee (HCC-ESC) to advise and assist in the transformation of Treasury's Human Capital workforce into a community of highly valued, customer-focused professionals. The HCC-ESC members are accomplished Treasury executives known for their commitment to innovation and continuous improvement. They understand how to forge an adaptable and agile workforce by leveraging basic capabilities to meet emerging requirements.

The HCC-ESC helps oversee and guide the strategic development of our Human Capital professional community by defining competencies and career paths for multiple specialties in HR, EEO and training. The HCC-ESC provides high level oversight and direction to Human Capital community development projects and will have final approval of all deliverables. In this way the HCC-ESC will help set high, uniform, and consistent standards of quality to which our Human Capital professionals must aspire. In time, as the community concept takes hold, the HCC-ESC will have a role in department-wide human capital community talent management and succession planning as well.

Earlier this year, the HCC-ESC approved the coordinated set of initiatives proposed by our transformation teams, as described above. Each project will be monitored, measured, and assessed for how well it supports the goal of transforming Treasury's Human Capital workforce into a community of highly valued, customer-focused professionals.

Step 7: Looking to the Future

Future plans include reassessing the levels of critical competencies in the Human Capital workforce in 2013 and renewing individual development plans ("MyPlans") to reflect achievement of previous personal development objectives and establishment of new objectives. Treasury's Human Capital Strategic Plan is will be updated for the period 2013-2018; we expect the "strategic partner" goal will be amended to call for building not only a Human Capital professional community but other occupational communities, especially mission-critical occupations and management-related occupations (such as finance and IT) that typically serve agency-wide customers. We look forward to collaborating with other federal agencies in this endeavor.

Communications will continue to play a key role in all our efforts, to maintain momentum and communicate expectations. We expect to use the most effective and efficient tools to deliver

continuing training to our Human Capital professionals. We hope to be able to expand our website, including access to social media, which will not only enable our members to reach out to one another, but also encourage them to aspire to the highest standards and, we hope, improve employee engagement.

We are already starting to build capability in workforce analytics, and we plan to use more sophisticated forms of analysis to aid in developing both the Human Capital community and other occupational communities.

Treasury's Assistant Secretary for Management has established policies to increase collaboration among the management elements of all components (Bureaus and Offices) and the headquarters oversight function. This includes assigning Treasury-wide performance elements for officials who manage finance, IT, procurement, HR, and EEO for those components. Thus we have the opportunity to include goals related to strategic HR community development in the performance plans of HR and EEO leaders across the department.

Joint Efforts with Other Governmental and Non-Governmental Agencies

We have been, and will continue, working with the CHCO Council and OPM to support HR University (HRU). The role-based portion of our model was incorporated into HRU's career map. We will also continue to push for a Government-wide competency model, which would include the necessary business competencies we believe are the key to effecting change.

We are also taking the lead for HRU on its interagency certification team to find a Government-wide solution to professionalizing the Human Capital occupation. Treasury's draft certification process is currently being examined for its potential to be adapted as a Government-wide solution.

Treasury is a strong supporter and participant in the Partnership for Public Service's Emerging Leaders Program. We have had two dozen graduates from across all our bureaus. This is exactly the type of program critical to developing the strategic partners we need.

Significant Challenges

One thing that has not been a challenge is persuading our HR practitioners that they should embrace the responsibilities of acting as Human Capital Professionals. As witnessed by the thousands of hours of volunteer effort to transform the Human Capital occupation, our HR, EEO, and Training specialists are eager to learn, grow, and create a community to improve the quality of their work and service.

Notwithstanding their enthusiasm, some cultural and environmental impediments persist. Our reviews have led us to conclude that some employees and managers may not understand the challenges inherent in Human Capital transformation. Some members of our Human Capital community members would benefit from further training and education on the competency model and how it relates to career progression and performance. As a result of past reductions and demographic effects, there is a generational gap that could create the risk of a knowledge gap unless we can transfer knowledge and skills from the more experienced workers to the more junior workers.

Delivering programs to increase training, education, and experience for our members can be challenging. The typical challenges associated with any large change effort apply in this case. We are pursuing a classic change management strategy of a robust communications effort, collaboration to achieve early wins, and projects designed to embed new habits of thinking and doing among our people.

Most of our efforts so far have been high return and low financial investment, and that is our preferred way of doing business. We are reaching the point, however, where some reliable level of investment, particularly in IT and training, as well as flexibility to provide people for rotational assignments, will be necessary to be able to maintain progress and anchor positive changes in the culture of the organization.

We will continue to find low-cost ways within Treasury to close competency gaps. Treasury manages the financial resources for the government, but we also think of the people carrying out Treasury's mission – and missions across the federal sector – as an equally precious asset. We believe Human Capital management provides critical support to all other mission functions: People do the most important work in any organization, and for people to perform well, they must be led and managed well. We expect managers in any area to be good with people, but the experts in the science and art of leading and managing people should be the human capital professionals. We need to invest in this human capital workforce so they can, in turn, invest in, manage, and support the broader Federal workforce.

We at the Treasury Department are doing our best to transform “HR” into a community of experts in their field, committed to continuous learning and improvement, ethically bound, selflessly dedicated to the interests of those whom they serve, and loyal to the law and rules they administer.

We appreciate the opportunity to tell the story of Treasury's Human Capital Community transformation, and look forward to answering your questions.