



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

**STATEMENT OF
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before the

**SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE
FEDERAL WORKFORCE AND THE DISTRICT OF COLUMBIA
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
UNITED STATES SENATE**

on

“RIGHT-SIZING” THE FEDERAL EMPLOYEE-TO-CONTRACTOR MIX

May 20, 2010

Chairman Akaka, Ranking Member Voinovich, and Members of the Subcommittee:

I appreciate the opportunity to represent the Office of Personnel Management (OPM) and Director John Berry at this important hearing to examine the Administration’s efforts to ensure that Federal agencies have the right mix of employees and contractors to carry out their missions.

Background

Soon after taking office, President Obama issued a memorandum for heads of Federal agencies expressing concern that the line between activities that are inherently governmental and commercial activities that may be outsourced had become blurred. The President directed the Office of Management and Budget (OMB) to collaborate with agencies, including OPM, to

develop Governmentwide guidance on the appropriate use and oversight of all contracts, in accordance with section 321 of the National Defense Authorization Act for Fiscal Year 2009. Section 321 directed OMB to create a single, consistent definition of “inherently governmental function” and develop criteria for identifying positions that should be reserved for Federal employees to ensure agencies maintain control over their missions and operations.

After consulting with OPM and other agencies, OMB Director Peter Orszag issued OMB Memorandum M-09-26 on July 29, 2009, which required agencies to begin the process of developing and implementing policies, practices, and tools for managing the multi-sector workforce. Specifically, the OMB memorandum directed Federal agencies to (1) adopt a framework for planning and managing the multi-sector workforce that is built on strong human capital planning; (2) conduct and report by April 30, 2010, on a pilot analysis of at least one program or activity where the agency has a concern about its reliance on contractors; and (3) use guidelines for in-sourcing that facilitate consistent and sound application of statutory requirements.

More recently, on March 31 of this year, OMB’s Office of Federal Procurement Policy (OFPP) published a proposed policy letter for public comment on rules for when work must be reserved for performance by Federal employees. Of particular interest to OPM is the new category of “critical function,” which focuses on functions that are core to an agency’s mission. The draft policy holds agencies responsible for ensuring that a sufficient number of positions performing critical functions are filled by Federal employees having the appropriate training, experience, and expertise to understand the agency’s requirements, formulate alternatives, and manage work products. As the policy letter notes, human resources (HR) offices will need to play a role in helping to make these determinations.

Implementation Efforts

OPM has partnered with OMB to provide technical assistance and support specifically to the Federal HR community in achieving the goals set forth in the President’s Memorandum and the OMB directives. OPM has taken a leadership role in providing guidance to agencies on personnel issues associated with potential sourcing determinations and subsequent recruiting and hiring needs.

OPM’s work with OMB has included:

- Facilitating discussions in which agencies can share their experiences and lessons learned;
- Fostering collaboration across agencies’ acquisition, HR, finance/budget, and performance areas;
- Identifying and developing tools to assist agencies in complying with the OMB directives; and
- Streamlining the Federal recruiting and hiring process.

One of the tools OPM has developed is an on-line community of practice on the OMB MAX website to respond to agency inquiries and provide appropriate resources. OPM also delivered several briefings to key stakeholders, such as agencies' Chief Human Capital Officers (CHCOs) and Deputy CHCOs, in addition to hosting a CHCO Academy session. To complement these efforts, OPM provided an in-person and webcast skill-based training class on the Federal Activities Inventory Reform Act, also known as the "FAIR Act", for HR specialists. OPM continues to monitor the HR community's training needs so that it can respond appropriately to those needs.

OPM is working with OMB to review the agency reports on their workforce "rebalancing" pilots. The information gleaned from this review will help OPM develop additional tools and guidance for agencies to utilize in addressing the multiple aspects of "right-sizing" the Federal workforce.

In addition, OPM intends to work closely with OFPP and CHCOs in considering appropriate tools that can help agencies in meeting the rebalancing responsibilities outlined in the draft policy letter on reserving work for Federal employees. For example, as the OFPP Administrator notes in his testimony, OPM's ongoing initiative to streamline recruiting and hiring rules should provide important assistance to agencies in expeditiously bringing on board new employees to perform work where the agency identifies that contractor performance is inappropriate, such as where the work is inherently governmental or where the government risks losing control of work that is critical in nature.

Overall Workforce Planning

OPM's guidance and collaboration with agencies has emphasized the importance of workforce planning. Sound workforce planning is essential for agencies to achieve the appropriate balance in a multi-sector workforce and to address other pressing staffing issues they face. Agencies need to have a systematic, holistic process in place to accomplish effective workforce planning that includes the use of workforce analytic tools. Many agencies do not have this kind of process in place and depend upon fragmented data collection efforts, or do not consistently use the data from workforce analyses to inform their planning.

Effective workforce planning requires a sound governance structure within each agency that provides accountability for workforce planning and analysis. Although data collection and analysis may be shared by numerous organizations within an agency, there should be one office that is responsible for integrating and disseminating workforce planning information. OPM encourages agencies to designate an appropriate senior official within that office who will be responsible for addressing in-sourcing and related issues.

OPM is continuing to provide guidance to assist agencies in identifying the optimal workforce configuration of employees and contractors and developing plans to close any workforce gaps. The means of closing such gaps could involve devoting additional resources to contract management, in-sourcing, developing a plan to recruit and hire employees with the needed skills, or a combination of such measures. To the extent that an agency decides it needs to increase its hiring, there is a wide array of hiring tools and flexibilities that can be used, in addition to the competitive hiring process. These hiring tools include special appointing authorities for veterans, people with disabilities, and students, as well as direct hire authority. Not all of these authorities will be appropriate for every situation, but OPM will work with agencies to help them identify the most effective and expeditious way to recruit and hire qualified candidates to meet their particular needs.

Another important element of “right-sizing” is training. Any influx of new Federal employees, whether resulting from in-sourcing or other agency hiring initiatives, is likely to require planning for additional employee training. Most agency training departments are not able to offer increased training assistance without additional resources. Currently, OPM is working with the training community to look for ways to collaborate and offer training more efficiently. For example, OPM is developing “wiki pages” for the Federal learning and development community. These pages can be useful to agencies in meeting the workforce challenges associated with in-sourcing and other hiring initiatives. They include links to low-cost training options and examples of new technologies for training, such as webcasting. Furthermore, the wiki pages will serve as a knowledge management repository of new and existing agency training efforts. All of these tools will help agencies better manage scarce training resources as they develop and implement their “right-sizing” initiatives.

Conclusion

Mr. Chairman, I would like to close by emphasizing that the effective management of a multi-sector workforce is fundamentally a workforce planning issue that must be carried out at the agency level. OPM can do – and has done – a great deal to assist and support agencies in developing the capacity to conduct the appropriate analyses on which “right-sizing” depends. OPM looks forward to continuing to work with agencies so they can implement appropriate recruiting and hiring strategies to achieve the optimal blend of Federal employees and contractors to carry out their missions.

Thank you again for the opportunity to discuss this important issue with you. I would be happy to respond to any questions you may have.