FIRST YEAR ON THE JOB: CHIEF HUMAN CAPITAL OFFICERS

HEARING

BEFORE THE

SUBCOMMITTEE ON CIVIL SERVICE AND AGENCY ORGANIZATION

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

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FIRST YEAR ON THE JOB: CHIEF HUMAN CAPITAL OFFICERS

TUESDAY, MAY 18, 2004

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CIVIL SERVICE AND AGENCY ORGANIZATION,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:06 p.m., in room 2154, Rayburn House Office Building, Hon. Jo Ann Davis (chairman of the subcommittee) presiding.

Present: Representatives Jo Ann Davis of Virginia, Davis of Illinois, Norton and Van Hollen.

Staff present: Ron Martinson, staff director; B. Chad Bungard, deputy staff director and chief counsel; John Landers, OPM detailee; Chris Barkley, professional staff member; Reid Voss, clerk; Christopher Lu, minority deputy chief counsel; Tania Shand, minority professional staff member; Earley Green, minority chief clerk; and Teresa Coufal, minority assistant clerk.

Ms. DAVIS OF VIRGINIA. We have some other Members on their way but for the sake of time, we are going to go ahead and get started.

The Civil Service Subcommittee is called to order.

Thank you for being here today. An important provision of the Homeland Security Act of 2002 created the position of Chief Human Capital Officer [CHCO], at major Federal agencies to improve the Federal Government's ability to select, train and manage a high performing work force. In creating this new position, Congress recognized that Federal employees are the Government's biggest asset and drive its performance.

I have called this oversight hearing to examine how the Chief Human Capital Officers Act has been implemented in the Federal Government's major departments and agencies since enactment a year ago and to make sure that the CHCO Council consists of high quality CHCOs committed to strategically managing the work force. Congress intends that the CHCO position will make a positive difference in the performance of the Federal Government bringing the most efficient and most effective service at the best value to the taxpayers.

CHCOs' duties include working closely with the agency head to develop and implement an effective personnel policy. Workers should be treated fairly and the mission of the agency must become the top priority of every employee. Balancing both priorities is crucial and requires an official to understand both the needs of em-

ployees and a broader view of how well an agency is serving the American public. Because of this, it was Congress' intent that CHCOs be placed among agency leadership underscoring the importance of personnel policy. Furthermore, the Homeland Security Act created the Chief Human Capitol Officers Council to elevate the importance of personnel policy governmentwide. The Federal Government is moving toward a personnel system that is increasingly merit-based. With a majority of Federal workers moving to new pay systems under the Departments of Defense and Homeland Security, it is imperative to have top level leadership guide this transition. During this time, it will be essential for the Chief Human Capital Officers to bridge that crucial gap between agency heads and human resources departments.

With all of this in mind, the subcommittee will today look at how the addition of the CHCO position and the CHCO Council has impacted our Federal agencies. There are certainly lessons to be learned and successes to be shared since enactment a year ago. Additionally, and maybe more importantly, our witnesses will also give us a glimpse of what we are to expect in the months and years to come.

Thank you all for being here today and thank you for your patience while we did the transition from one subcommittee hearing to another. We look forward to hearing all your testimony.

I will now turn to our ranking member, Danny Davis, for an opening statement.

Mr. DAVIS OF ILLINOIS. Thank you very much, Madam Chairwoman. I want to thank you for calling this hearing.

As we know, Chief Human Capital Officers will assist agency heads in carrying out the agency's responsibilities for selecting and developing training and managing a high quality, productive work force in accordance with merit systems principles. The best part of the Federal Government is the thousands of dedicated men and women who work on behalf of taxpayers each and every day. All of the services Americans rely on their Government to provide, from protecting our homeland to regulating our markets, would be severely threatened unless we improve the way Government manages its most important assets, its workers.

CHCOs must have the vision and leadership skills to integrate the agency's human capital needs with its mission and program goals while balancing the needs and rights of the work force. Having been engaged in public interest work for more than 30 years, I believe there is no more fulfilling profession than working for the Government and helping to improve the lives of all Americans, particularly those who are less fortunate. It is troubling then when I hear that young people are indifferent to the notion of public service. Young people seeking job stability will continue to be indifferent to Federal employment when they find that their jobs can be contracted out and the weakening basic Civil Service protections will certainly not draw young people and highly skilled workers to Federal Civil Service.

CHCOs will have to confront and overcome these challenges. The CHCO must help agencies adopt a long term commitment for hiring, implementation, professional development, performance

awards and retention approaches that support the agency's mission and create a results oriented culture.

I look forward to hearing how we have done so far, how CHCOs have been developed, organized and put together in order to fulfill this mission. I seriously believe, Madam Chairwoman, that the notion that Government cannot do its work as well as those outside of Government is one that needs to be dispelled and the only way we can do it is to make sure that we recruit, retain and develop the most highly motivated, most highly prepared and most highly dedicated work force that we can put together.

I thank you again for calling this hearing and look forward to hearing the witnesses.

Ms. DAVIS OF VIRGINIA. Thank you, Mr. Davis. I totally concur with your last couple of statements and appreciate having you on this committee for that reason.

I ask unanimous consent that all Members have 5 legislative days to submit written statements and questions for the hearing record and that any answers to written questions provided by the witnesses also be included in the record. Without objection, it is so ordered.

I ask unanimous consent that all exhibits, documents and other materials referred to by Members and the witnesses be included in the hearing record and that all Members be permitted to revise and extend their remarks. Without objection, it is so ordered.

On the first panel, we are going to hear today from the Honorable Kay Coles James, Director, U.S. Office of Personnel Management.

It is standard practice for this committee to administer the oath to all witnesses and if all the witnesses on both panels could please stand, I will administer the oath to all of you at one time.

[Witnesses sworn.]

Ms. DAVIS OF VIRGINIA. Let the record reflect that the witnesses have answered in the affirmative and you may be seated.

Director James, it is a pleasure to have you here today. We look forward to hearing your testimony. I know you are on a bit of a time crunch, so with that we will let you get started. You are recognized for 5 minutes.

STATEMENT OF KAY COLES JAMES, DIRECTOR, U.S. OFFICE OF PERSONNEL MANAGEMENT

Ms. JAMES. Thank you, Madam Chairwoman. I want to thank you and the other Members for the opportunity to be here today. I am going to give an abbreviated statement but I would ask that the full text be entered into the record.

Ms. DAVIS OF VIRGINIA. Without objection, so ordered.

Ms. JAMES. The passage of this important legislation reconfirms a goal that we all share, providing a Government of service to the American people envisioned by our President in his management agenda. The CHCO Act provides additional conduits for advancing this very important agenda.

First, the statute requires the heads of 24 departments and agencies to appoint a Chief Human Capital Officer. In April 2003, OPM issued a memo on the designation of these important new positions. The memo noted that Chief Human Capital Officers will require

different competencies from those traditionally found in an agency's human resources staff function. We also advised that, although not required by statute, the spirit of the law would best be fulfilled by designating individuals as CHCOs who serve as integral members of the agency's leadership team.

I am pleased to report that the individuals selected as Chief Human Capital Officers are talented professionals who bring a wealth of experience to their positions. Many have served the Federal Government with distinction as career senior executives while others serve as top level political appointees. Demonstrating a longstanding need for high level attention to be focused on human resources issues, several agencies not listed in the act embraced its spirit and designated Chief Human Capital Officers as well. These include the Central Intelligence Agency, Federal Labor Relations Authority, Internal Revenue Service, and the Peace Corps.

Second, as the act establishes a Chief Human Capital Officer's Council, I as the OPM Director am honored to serve as the Chair of the Council. Under the statute, the Council is composed of Cabinet department Chief Human Capital Officers and others designated by the OPM Director. Employing this authority, I asked the Chief Human Capital Officers of several large executive agencies and a representative sample of small agencies to serve on the Council as well.

The Council has had a very active first year. Less than 3 weeks after the act took effect, I convened its inaugural meeting. To emphasize the importance that the President placed on the strategic management of human capital, we met for our first meeting in the Indian Treaty Room at the White House. Calling the meeting to order, I described the new body as a make stuff happen kind of council. It has in fact been just that.

Since last June, the Council has met six times, adopted a charter, established an executive committee to help steer the Council and initiated five subcommittees to address important government-wide human capital issues. We have conducted a 2-day retreat, drafted a tactical plan for the current fiscal year, created a Chief Human Capital Officers Academy and this is a forum for members to share their best practices and appointed an executive director to oversee the daily operations of our council. Let me say that probably one of the best things we did was to get Mike Dovilla, who I think was involved in drafting that legislation, from Senator Voinovich's staff. I think he has forgiven me for that but he is serving very well in that capacity and has a vested interest in its success and making sure that it is active.

The Council subcommittees are focused on some of the key areas for Federal Civil Service modernization. We all know that one of our biggest issues right now is to fix the hiring process. So that was one of the first subcommittees we named. To complement OPM's efforts to encourage agencies to adopt a 45-day hiring model, the Subcommittee on the Hiring Process is also exploring ways to expedite the recruitment, evaluation and appointment of top talent to Federal positions. Dr. Chu from the Defense Department heads up that particular subcommittee.

We believe that one of the most important issues facing the Federal work force today is our emergency preparedness and the safety

of our Federal work force. Gail Lovelace from the Department of GSA is preparing and helping us to ensure agencies know how to best protect our Federal work force and she is doing a fantastic job at that.

Otto Wolfe is heading the Subcommittee on Performance Management, and the full Council has played a very integral role in developing regulations for the new SES Performance. Based Compensation Plan is under the leadership of that particular subcommittee. Bill Leidinger from Education is heading the Subcommittee on Leadership Development and Succession Planning and is considering individual training and development as a part of the strategic plans for our work force and is looking at our long-term strategic needs for leadership.

The Subcommittee on Employee Conduct and Poor Performers is reviewing statutes and regulations for ways to streamline the process needed to counsel and, if necessary, terminate employees who are not performing at an acceptable level. Pat Pizella from the Department of Labor is working on that subcommittee.

The CHCO Academy is proving a very productive forum. While the subcommittees are working, we are also having a monthly meeting with this particular academy. It is, in fact, discussing human resource issues, and the forum meets monthly to consider such topics as current work force flexibilities and compensation reform. Next month, I will be leading a session on some of the potential options being considered for the next wave of reform of the American Civil Service.

In addition to these accomplishments, the Council already has become more than a body that simply discusses issues. OPM is actively including the Council in considering and making policy recommendations. Draft regulations to implement the President's recent Executive order establishing the Presidential Management Fellows Program includes language that will give an important role to the Chief Human Capital Officers.

Chief Human Capital Officers are assisting agency heads in enforcing OPM's policy that there is no place in the Federal employment or in our Government at all for degrees or credentials from diploma mills. So the Chief Human Capital Officers play an important role in that issue. Our CHCOs are communicating internally our policies on adjudication of background investigations and security clearances, also a very important function that we have, and having someone in the agencies at a very high level that has that as part of their agenda is very important.

CHCOs are playing an integral role in observing veterans preference statutes and regulations as they hire new employees. Next week, the Council will hold a joint meeting with veteran services organizations on the important issue of veterans preference in hiring. We thought it was very important to do this in conjunction with our Governmentwide celebrations of Memorial Day. This event will take place at Walter Reed Army Medical Center and it is a very appropriate location to reflect on the valuable contributions many of our Nation's veterans have made in the service and after their military service providing them opportunities for the American Civil Service.

With a quick look ahead, next week's meeting will celebrate the body's first anniversary and prominently featured on our agenda is a dialog with representatives of several Federal employee labor unions providing the Council valuable input from these important stakeholders.

Our first annual report to Congress is forthcoming and this document will contain information about the Council's progress during the first fiscal year. To enhance our communications among the Chief Human Capital Officers and with external stakeholders, OPM will soon launch a Web site containing key information about the Council.

The Chief Human Capital Officers Council is adding value to the public policy dialog on the future of America's Civil Service. The appointment of CHCOs across the Federal Government has elevated the institutional profile of the strategic management of human capital as never before. This important law is having a positive effect on how we manage the Government's most important resource, people. The members of the Council take seriously these important responsibilities and with continued attention to the President's charge to achieve results, our Civil Service will only grow stronger as it continues to provide the Nation with critical services that our citizens expect.

Thank you again for the opportunity to discuss OPM's progress in implementing the Chief Human Capital Officers Act and I would be pleased to respond to any questions you may have.

[The prepared statement of Ms. James follows:]

STATEMENT OF
THE HONORABLE KAY COLES JAMES
DIRECTOR
U.S. OFFICE OF PERSONNEL MANAGEMENT

before the

SUBCOMMITTEE ON CIVIL SERVICE AND AGENCY ORGANIZATION
COMMITTEE ON GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES

on

"FIRST YEAR ON THE JOB: CHIEF HUMAN CAPITAL OFFICERS"

MAY 18, 2004

Madam Chairwoman and Members of the Subcommittee:

I am pleased to be able to appear before you today to discuss the Office of Personnel Management's (OPM) implementation of the *Chief Human Capital Officers (CHCO) Act of 2002.*

The passage of this important legislation as part of the *Homeland Security Act* reconfirms a goal we all share: providing a government of service to the American people envisioned by President George W. Bush in his Management Agenda. That strategy, released in August 2001, includes as its first Governmentwide initiative the Strategic Management of Human Capital. OPM is the agency responsible for driving this key management initiative, advising Federal departments and agencies on human resources flexibilities, and holding them accountable for their human capital management practices. Under the President's leadership, agencies are focused, like never before, on strategically managing the civil servants in their workforce – their human capital. The CHCO Act provides additional conduits for advancing this important agenda.

First, the statute requires the heads of Cabinet level departments and nine major agencies to appoint or designate a Chief Human Capital Officer to "advise and assist the head of the agency in carrying out…responsibilities for selecting, developing, training, and managing a high-quality, productive workforce in accordance with merit system principles." In April 2003, OPM issued a memo to agency heads on the appointment or designation of these important new positions. The memo noted that the CHCO will require qualities and competencies that differ from those traditionally found in a Federal agency's typical personnel or human resources staff function. We emphasized that a CHCO is above all else a leader and someone very results oriented. In addition, we advised agency heads that, although not required by statute, the spirit of the law would best be fulfilled by designating individuals as CHCOs who serve as integral members of agencies' leadership team.

When the Act took effect on May 23, 2003, all 24 agencies had designated CHCOs. I am pleased to report that the individuals selected are talented professionals who bring a wealth of experience to their positions. The majority of CHCOs hold other significant responsibilities within their agencies, from assistant secretaries for administration to directors of human resources management. Many have served the Federal Government with distinction as career members of the Senior Executive Service (SES), while others have earned the trust of the President and the confirmation of the Senate to serve as top-level political appointees. Demonstrating a long-standing need for attention to be focused on human resources issues at the highest levels of management, several agencies not listed in the Act embraced the spirit of the legislation and designated CHCOs as well. These agencies

include the Central Intelligence Agency, Federal Labor Relations Authority, Internal Revenue Service, and Peace Corps.

Second, the Act establishes a Chief Human Capital Officers Council to advise and coordinate agencies' activities on the "modernization of human resources systems, improved quality of human resources information, and legislation affecting human resources operations and organizations." As OPM Director, I am honored to serve as chairman of the Council, and the Deputy Director for Management of the Office of Management and Budget (OMB) acts as the vice chairman.

Under the statute, the Council is composed of Cabinet department CHCOs and others designated by the OPM Director. Employing this authority, I designated the CHCOs of several large Executive agencies as members of the Council. Not all statutory CHCOs are members of the Council, while some non-statutory CHCOs are members. We sought to achieve a representative sample of small agencies on the Council. Accordingly, I selected for membership several statutory CHCOs from small agencies. In addition, to highlight the necessity of excellent strategic human capital management in the Intelligence Community and the Federal Government's myriad small agencies, I designated as Council members the CIA CHCO and a representative of the Small Agency Council, the voluntary management association of approximately 80 sub-Cabinet, independent agencies.

The Chief Human Capital Officers Council has had an active first year. Less than three weeks after the Act took effect, I convened the Council for its inaugural meeting. To emphasize the importance President Bush places on the Strategic Management of Human Capital, we met in the Indian Treaty Room of the Eisenhower Executive Office Building at the White House. In calling the meeting to order, I described the Council as an additional body through which to drive the implementation of Federal personnel flexibilities within agencies. I told members that this would be a "make-stuff-happen" Council. And it has been just that.

Since last June, the Council has met six times, adopted a charter, established an Executive Committee to help steer the Council and five initial subcommittees to address important Governmentwide human capital issues, conducted a two-day retreat at OPM's Federal Executive Institute in Charlottesville, Virginia, drafted a tactical plan for the current Fiscal Year, created a CHCO Academy as a forum for Council members to learn from one another and share best practices in an informal setting, and appointed an Executive Director to oversee the Council's daily operations. Let me highlight a few of these accomplishments.

The Council's five subcommittees, established shortly after our inaugural meeting, are focused on some of the key areas for Federal civil service modernization.

- To complement OPM's efforts to fix the Federal Government's hiring challenges, the Council's Subcommittee on the Hiring Process is exploring ways to expedite the recruitment, evaluation, and appointment of top talent to Federal positions.

- We established the Subcommittee on Emergency Preparedness to help ensure agencies are doing everything possible to protect our Federal workforce in the post-9/11 environment. Two upcoming training sessions at OPM will highlight further these important CHCO responsibilities. These sessions are cosponsored by OPM and the Council's subcommittee. In addition, CHCOs have been involved in emergency surveys of their workforces and have been serving as the nexus between human capital teams and security teams within their agencies.

- The Subcommittee on Performance Management has played an integral role in developing regulations for the new SES performance-based compensation system and considering how

best to employ the Human Capital Performance Fund, both of which also have been discussed extensively by the full Council.

- Individual training and development and strategic workforce planning in light of projected retirements are being considered by the Subcommittee on Leadership Development and Succession Planning.

- Finally, the Subcommittee on Employee Conduct and Poor Performers is reviewing statutes and regulations for ways to streamline the process needed to counsel and, if necessary, terminate employees who are not performing at an acceptable level.

The Council's two-day retreat at the Federal Executive Institute – originally scheduled for last September, but postponed until November due to Hurricane Isabel – demonstrates the high priority that Council members place on their new roles. For nearly two dozen top officials, many with wide-ranging management responsibilities in their departments and agencies, to spend two full days away from their offices makes a clear statement about CHCOs' dedication to have a positive impact on how we manage our Federal workforce.

Our CHCO Academy, launched in February, is already proving to be a productive forum for discussing human resources issues among small groups of CHCOs. The Academy, which meets on a monthly basis, has considered topics such as (1) current workforce flexibilities in title 5, United States Code, and associated regulations; (2) human resources competitive sourcing, and (3) compensation reform. Next month, I will be leading a session that explores possible options for the next wave of reform in OPM's continuing effort to modernize America's civil service.

My decision to appoint an Executive Director represented a departure from the management of other interagency councils. I wanted to ensure the Chief Human Capital Officers Council had a dedicated staff to manage its day-to-day activities, serve as a central point of contact for Council members, and report directly to me on our progress.

In addition to these accomplishments, the Council already has become more than a body that simply discusses issues. OPM is actively including the Council in considering and making recommendations on policy issues, including the following:

- The new SES pay regulations not only were discussed at length by the Council at its January and February meetings but distributed among members for vetting prior to review by OMB.

- Draft regulations to implement the President's recent Executive order establishing the Presidential Management Fellows (PMF) Program include language that will give the Council an important role in determining the number of PMFs needed annually by agencies.

- CHCOs are assisting agency heads in enforcing OPM's policy that there is no place in Federal employment for degrees or credentials from diploma mills. Over the past year, more than 750 agency officials have been trained on the issue of bogus degrees, and CHCOs are working closely with OPM's Division for Human Capital Leadership and Merit System Accountability on this matter.

- CHCOs are communicating internally OPM's policies on the adjudication of background investigations and security clearances. Under Executive order 10450, agencies are required to notify in a timely manner OPM's Center for Investigations Services of such actions.

- CHCOs are playing an integral role in observing veterans' preference statutes and regulations as they hire new employees. Next week, the Council will hold a meeting that includes a training session held in conjunction with veterans' service organizations on the importance of veterans' preference and hiring. This event will take place at Walter Reed Army Medical Center, an appropriate location to reflect on the valuable contributions many of our Nation's veterans have made in the civil service after completing their military service.

Looking ahead, there are many exciting initiatives on the horizon for the CHCO Council.

- Next week's meeting at Walter Reed will celebrate the body's first anniversary. Prominently featured on our agenda is a dialogue representatives of several Federal employee labor organizations, fulfilling an annual statutory requirement and providing the Council valuable input from these stakeholders.

- Our first annual report to Congress is forthcoming, and this document will contain information about the Council's progress during Fiscal Year 2003.

- To enhance communication among CHCOs and with external stakeholders, OPM will soon launch a Web site containing key information about the Council.

- Subcommittees are advancing their issues and will be making recommendations for possible reforms to the Executive Committee and full Council in the near future.

The *Chief Human Capital Officers Council Act of 2002* is adding value to the public policy dialogue on the future of America's civil service. The appointment of CHCOs across the Federal Government has elevated the institutional profile of the Strategic Management of Human Capital as never before. As the Council approaches its first anniversary next week, it already has assumed a prominent place among the interagency management councils that are helping to drive the initiatives of the President's Management Agenda. In short, this important law is having a positive effect on how we manage the Government's most important resource – people.

In a letter to the Council on the occasion of its inaugural meeting, the author of the Act, Senator George Voinovich, remarked on the new body's role, "Yours is an important task, as the quality of taxpayer services delivered by the Federal Government depends on the quality of our workforce....Working together to bring our civil service system into the 21st century is an endeavor of which to be proud."

The members of the CHCO Council take seriously these important responsibilities. With continued attention to the President's charge to achieve results, the American civil service will only grow stronger as it continues to provide the Nation with the critical services our citizens expect.

Thank you again for this opportunity to discuss OPM's progress in implementing the *Chief Human Capital Officers Act of 2002*. I would be pleased to respond to any questions the Subcommittee may have.

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Ms. DAVIS OF VIRGINIA. Thank you very much, Director James. I will turn now to our ranking member, Mr. Davis, for questions.

Mr. DAVIS OF ILLINOIS. Thank you very much.

Madam Director, it is clear that implementation of the Human Capital Officers' activity has hit the ground running. You have done a lot of things. My question is how do internal stakeholders fit into the scheme of things and how do we make sure they have input to the processes?

Ms. JAMES. With the strategic management of human capital Governmentwide, one of the core values and principles of the management of human capital is that you must involve the stakeholders at every level. So it would be incumbent upon each of the individual Chief Human Capital Officers when they come to the meetings, to come prepared with that kind of input to enrich the dialog. So it would be important that, internally in each of the departments, they are meeting with stakeholders, both inside and outside of their agencies and bringing that to the table as well.

As I suggested, also the legislation calls for us to be involved at least on an annual basis in a dialog with our external stakeholders. We will be doing that next week with what I believe to be a very important meeting out at Walter Reed, where we will have the representatives of labor as well as the representatives of our veterans service organizations.

Mr. DAVIS OF ILLINOIS. I guess half of the CHCOs have other areas of responsibility, significant other areas of responsibility. Are we finding there is ample time for them to be engaged in the other work they have to do and still pay the kind of attention to human capital development that they are charged with the responsibility for?

Ms. JAMES. In all candor, Congressman, that is not true in every case. I am concerned that some of our Chief Human Capital Officers are stretched far too thin and I am convinced that as we proceed with this through the year, some of that may be corrected. We will see, I am sure, that some of our Chief Human Capital Officers will say their plates are too full, and there will be some adjustments made. I can't tell you that every Chief Human Capital Officer can focus as much as I would like to see them focus on these important issues. I think we are going through a shakedown cruise.

Mr. DAVIS OF ILLINOIS. I think it is an absolutely important activity. It has been my experience in life that those things to which we give the time, energy and attention are where the areas of accomplishment really are. Since we have programmed this in as something we really want to do, then we will have to find a way to make sure those individuals have the ample opportunity to do that.

Ms. JAMES. We have a pretty aggressive schedule that includes not only the meetings of the Council but the subcommittee meetings, the executive committee meetings, and we never want to meet for the sake of meeting. If we are meeting, it is because there are some substantive policy issues to be discussed, decisions to be made and as a result of that, it is important for people to be there and engaged and in most cases, that is in fact the case.

Mr. DAVIS OF ILLINOIS. Thank you very much. I don't have any other questions. I appreciate the implementation that is taking place and thank you very much for being here.

Ms. JAMES. Thank you.

Ms. DAVIS OF VIRGINIA. Thank you, Mr. Davis.

Let me just followup on what our ranking member was asking. Based on what you said, that some of them do have too much on their plate, is it your vision that eventually a the CHCOs will be exclusively CHCOs or will they always have to have that just as a part of the title?

Ms. JAMES. I would be less than honest with you if I didn't admit that I believe there is sufficient work on the strategic management of human capital for that to be a full portfolio. Having said that, I do believe that agency heads and Cabinet Secretaries know best how to run their departments and what the workload is. We will continue to press ahead with the important work that we do and if we hit any snags I will have those conversations with the Chief Human Capital Officers and with the heads of those agencies and if we need to make adjustments I am sure we will.

Ms. DAVIS OF VIRGINIA. You referenced in your opening statement, I believe, something regarding the Human Resources Directors. I guess I was along with some of those other people when CHCOs were developed, what is the head of Human Resources for. What do you see as the intended relationship between the CHCO and the Human Resources Director?

Ms. JAMES. I see it as a very close, collaborative working relationship. I would say, however, that when the legislation was passed, we envisioned a different set of core competencies for those who serve at the Chief Human Capital Officer level, and I would say that we envisioned that would be an individual who has leadership, who works closely with and has the trust and respect of the agency head, is a policy person and who is involved in the long-term strategic planning for that agency and has access to the highest level policymakers in that organization and sits at the table with those individuals when policy is being made.

The Human Resources Directors in those agencies are vital people. They have technical skills and knowledge that is so important and so relevant. We have found in our operations that, in many cases, our meetings consist of both, that the Human Resources Directors as well as the Chief Human Capital Officers attend and are involved in the important dialog and discussion.

Ms. DAVIS OF VIRGINIA. You just said when you were answering me that you originally envisioned the CHCOs as being one thing. Are they something different than what you envisioned?

Ms. JAMES. Not really. We were very pleased at the level of the skill sets and the individuals that were selected by agency heads. There were those who were concerned that they were going to all be political people in the agencies. That is just not the case. We have a great mix of senior, non-career and career executives who come together and share a common mission, which is the strategic management of human capital for our Federal Government. It is an excellent mix. It is a great body. My only concern at this point is burnout and wearout because this is such an important issue and the issues are so overwhelming that it requires a great deal of

time. That would be the only note of caution that I would sound at this time.

Ms. DAVIS OF VIRGINIA. You have been going at it now a year. What do you see as your biggest success with the Council and where do you think your challenges remain other than the burnout?

Ms. JAMES. Our biggest successes I think have been identifying the problems and coming up with the strategic plan to take on what we believe to be the tough stuff and having highly skilled, dedicated leaders in the Federal Government now focused on these issues. I believe the legislation has been a tremendous success as far as that is concerned. Having a conduit at the very highest levels of these agencies now where these issues are being addressed and talked about is critical.

Our biggest challenges are producing results in these areas. Yes, we have a Subcommittee on Hiring, but are we fixing the hiring process.

Ms. DAVIS OF VIRGINIA. That was one of my biggest questions.

Ms. JAMES. My biggest challenge is not how you develop metrics but holding them accountable, the agencies accountable to produce results in these areas. I think a lot of times people are confused about the actual role of the Office of Personnel Management. We don't hire people for the Federal Government. Hiring is done at the agency level. We can produce workshops, we can put out memos, we can encourage, we can audit, we can do analysis but at the end of the day, to fix that will require the agencies to step up to the plate to do that.

I think having the Council as a conduit to have leadership now focused on these issues is important. The challenge is going to be to encourage, motivate, cajole, whatever the word is we can use, force, we don't have the authority to do that, agencies to produce results in these various areas is going to be our toughest mission.

Ms. DAVIS OF VIRGINIA. I certainly hope you are able to correct the hiring process because that has been a real concern of mine from what I have heard throughout my district and I know other members have stressed the same thing, that it takes too long to hire a Federal employee, so they go somewhere else.

The major issues you are currently discussing in the Council, do you anticipate any legislative proposals?

Ms. JAMES. Yes, we do. We encourage the Council that this isn't just a meeting to attend and check it off your schedule. We really are hoping that policy will be developed, that legislative proposals will come out of that. We are getting back reports now from some of our subcommittees and from that you will see suggestions for legislation, for policy changes. It is not always legislation that is required; sometimes it is just a change in policy, sometimes it can be done by Executive order, but if legislation is required, we will be back here asking you and the subcommittee for your support to continue fixing some of these very difficult issues.

Ms. DAVIS OF VIRGINIA. We would probably rather you fix it yourself but if you can't we are here.

Thank you, Director James.

We have been joined by Ms. Norton. I will go to you for questions for 5 minutes.

Ms. NORTON. Nice to see you, Director James.

Ms. JAMES. Nice to see you as well.

Ms. NORTON. Some of us have been very concerned about the role and future of human capital in the Federal Government because of the competing forces of various kinds, such as many more options for people about where to work. I am not sure we are getting the best and the brightest the way we always have. Your work force could retire on you tomorrow or much of it could, and yet you are competing with Fortune 500 types who go after the best talent. I really have a series of questions about the future of the Civil Service, frankly.

I would like to know, the Federal Government had something to kind of fall into its lap beginning with the Great Depression; with not a lot of options, the best and the brightest came to the Federal Government. Then there was a period in the 1960's when Government was very much appreciated; nobody was telling civil servants what many of them hear, which is who needs Government, and whole bunches of young people flocked to the Government. They weren't terribly interested in business then. Now they are everywhere.

I am interested in how you are going to replace a work force of the kind you inherited and that our country inherited as half of them could retire tomorrow and leave, and what you are doing to compete with folks who are prepared to pay them more, not do a whole bunch of reorganization so that they don't know whether they will have a job, who will give them full health benefits. What is your program for maintaining and attracting a work force, not just a work force, particularly in the era of terrorism when we are asking things of the work force we never thought we would ask the civilian work force, how are you going to compete? What are you doing to compete with the private sector which spends all of its waking hours looking for precisely the kind of talent we need in the Federal Government today?

Ms. JAMES. Great question and the answer is very long and convoluted but I will try to be as precise as I can in the time that we have. There is good news and there is bad news. I tried to explain this to Congressman Davis when he was holding my feet to the fire about attracting more minorities, particularly into our Senior Executive Service, which is a very real concern of mine. The bad news is that we don't do as well as we would like to do and the good news is, it is because there are so many opportunities that exist for minorities outside of the Government that it is no longer adequate for the Federal Government just to open the doors and people perhaps will come. We have to be more aggressive, we have to be more competitive and we have to do something that the Federal Government has not done a great deal of which is targeted recruiting, which is going out and going after those individuals.

If you look at a young student coming out of a graduate school today that is excellent in their academics, has been involved in volunteerism and community service, and has certain skill sets, they are a hot commodity and will be sought after by the corporate environment. The good news is that those individuals, one thing we know about them is that they are attracted to the opportunity to work somewhere they feel they can make a meaningful and signifi-

cant difference. We also know that those young individuals aren't necessarily interested as some of us were in our generation of perhaps coming to work at the Federal Government for 30 years. We know that they may come, give a portion of their lives, 5 years, 7 years, something like that, if they believe they can do meaningful work, if they believe they will receive some skill sets, training, if they believe they will have opportunities they couldn't have in the private sector.

I have never been one of those individuals who believed that we have a hard time attracting people to come to the Federal Government. We have done job fairs all over the country and I invited some this committee staff to come to New York to observe a phenomena that I believe is incredible. We went to the job fair and we offered Federal opportunities and I asked them to come over and look at the sight I saw out of that window. We had 15,000 people in New York City who were there to apply for jobs within the Federal Government. I hear sometimes, "That may be nice, Kay, but those individuals are not the cream of the crop, they are not the best and brightest, they don't have the skill sets that we are looking for."

We decided to do some analysis of those people to see if in fact that was the case and that data is coming back but I can tell you my own experience as I walked those lines. Those were highly talented, skilled people who were there, ready and willing to come to work. Our problem was——

Ms. NORTON. My time is almost up. I just want to ask because I certainly would believe that. I just want to ask, for example, to take the law school where I taught full-time and still teach one course, the best law school in this region, Georgetown, do you send folks to Georgetown to interview young people coming out of Georgetown to try to get them to come to the Federal Government?

Ms. JAMES. OPM does for Governmentwide, but our agencies and again, you have to remember, OPM doesn't hire anybody.

Ms. NORTON. I understand that. My question was, do you advise people.

Ms. JAMES. Yes, we do.

Ms. NORTON. To in fact send people. You are going to get people, there is unemployment. The reason I asked about lawyers in particular is that it is a market where one can now recruit lawyers of a rather high rank because it is hard to make partner in a law firm today because they use so many contract lawyers.

Unless OPM is doing the same kind of recruitment on the ground that law firms and businesses do, which is not saying here are some jobs and let us count and see how many people out there will sign up, you will never know whether you are getting the best. You know where the best and the brightest are. I would be very interested in seeing an example of what your recruitment programs look like.

Ms. JAMES. We do, and one particular one that you may be interested in was one that was a little bit controversial, but I was committed to it so I did it and that was for Black History Month. I said to the folks at OPM, I wasn't particularly interested in another program in the auditorium with singing and that sort of thing, why don't we go to black colleges and universities and recruit on those

campuses and do something real which is to tell them about the opportunities that we have. So we had a job fair at Howard University, we went to Hampton University.

Ms. NORTON. I don't know whether that would have been controversial, I appreciate that you went.

Ms. JAMES. That is another whole story. We will have that conversation.

Ms. NORTON. Madam Chairwoman, I do have other questions but I will wait for another round.

Ms. DAVIS OF VIRGINIA. Thank you, Ms. Norton.

We have been joined by Mr. Van Hollen. Mr. Van Hollen, do you have any questions?

Mr. VAN HOLLEN. Just a few. Thank you for being here again.

I apologize if I am going over territory already covered but in terms of the recruitment tools that were provided under the legislation we are reviewing, do you believe the tools available to you have been adequate and successful in attracting new talented people to the Federal Government in areas where we have pressing needs or are there additional tools that you need to accomplish that mission?

Ms. JAMES. Congressman, I really truly believe that we needed the legislation, we needed those flexibilities in order to attract America's best and brightest and get them hired quickly in a reasonable length of time. My biggest challenge, however, is getting our agencies to use those tools. So we are encouraging them, we are monitoring, we are training and we are doing everything that we can. I would suggest that it will take a little bit more time before I can answer fully for you whether or not those tools are being used to the best of the agencies' abilities.

It is discouraging to me that when we have the authority for direct hire, that it is not being used as much as it could and should be. As an example, before we do a hiring fair, we bring those individuals together and say at the hiring fairs, we call them hiring fairs for a reason. We want people to get hired. Make sure you send people who have the authority to hire people and who will use the flexibilities that Congress has given us.

One of the pushbacks that I have said to the agencies is do not send hostesses to hiring fairs, people to pass out keychains and brochures. Send people to hiring fairs who have the authority to make job offers, to evaluate and to interview candidates. Those are some of the kinds of things we are working with, so I can't answer your question just yet about how effective and what more we need. We are struggling to get people to use the flexibilities that you have granted us and given us.

Mr. VAN HOLLEN. Let me just ask. There were a couple stories. I am sure you know yesterday in the Washington Post and I don't know if this issue has been raised but there was a front page article about Federal pay and then another article about the DOD new reorganization plan. On the first issue, the pay question, first of all, it was a long article and I don't know if you have any general response. I would be interested in your general response. The second issue that sort of comes to mind is it talked about bonuses and a whole spectrum of bonuses from small bonuses to large bonuses and given our whole debate with respect to performance pay and

whether or not that bonus system is in some ways serving that purpose now and what the distinctions are between performance pay and rewarding through the bonus systems and the authorities that already exist.

Ms. JAMES. My general comment would be that I have always been concerned about how awards are used in our Government with our work force. I think that the systems are good, the various awards programs and systems. I am concerned about how they are administered. I think if you look at the performance of some of the agencies and look at how freely they expend bonuses and compare the two, it begs the question, is it really performance-based and what are you basing that performance on. So I think there is a lot of work to be done there.

Should we have performance-based pay? Yes. Is it being effectively administered at this point? I have some concerns.

Mr. VAN HOLLEN. It obviously is a longer discussion to get into all those issues. Let me ask while we have you here, in terms of the DOD reorganization effort, I know there has been a question about to what extent your office has been able to be involved and have input in that process. Are you satisfied with the level of input that you have had? Can you give us an update on what you see as the challenge?

Ms. JAMES. I thought that the article was fairly accurate. The only thing that was wrong was the headline because it talked about Rumsfeld's plan. Rumsfeld was the solution, he was not the problem, because when it got to his level in the organization, he and Secretary England were very quick to act. We are very pleased about where we are in the process right now, the level of input, the ability for OPM to be involved, and I think, as a result of that, we are going to see a far better product. Stakeholders are and will continue to be included, and the employees in that department deserve an excellent personnel system, and I think at the end of that process, that is what they are going to have.

Mr. VAN HOLLEN. Thank you.

Ms. DAVIS OF VIRGINIA. Thank you, Mr. Van Hollen.

Director James, I want to thank you for being here. I am going to assume the complete response you weren't able to give to Ms. Norton when you said the problem up in New York was the fact that you couldn't get the agencies to do the hiring?

Ms. JAMES. That is a part of the problem, yes. They are actually doing better because after the first two hiring fairs when we had hostesses and we said no, we want real people that can explain programs and actually make job offers, some of the agencies are stepping up to the plate. What we want to do is say we are even considering not allowing them to participate in the hiring fair unless they have real jobs they are interviewing for because those people who stood in line for 4 hours for the opportunity to work for our Government deserve better. They didn't come for keychains, they came for jobs.

Ms. DAVIS OF VIRGINIA. Thank you, Director James. I just want to ask you one question for the record. What is the status of the law enforcement officers report that was due to this committee on April 30th?

Ms. JAMES. That report is in review. I understand they are waiting on comments. It is currently at OMB and when they receive the comments from all the various agencies, I am sure it will be released to the committee.

Ms. DAVIS OF VIRGINIA. Thank you, Director James. I know you have another commitment, so we are going to allow you to go.

Ms. JAMES. We are going to go train some Foreign Service executives.

Ms. NORTON. Could I ask her another?

Ms. DAVIS OF VIRGINIA. Actually she has to go give a speech, so if you could take your questions for the record for Director James.

Ms. JAMES. If it is a quick one, I am happy to answer.

Ms. DAVIS OF VIRGINIA. If you could answer quickly because we do have four votes coming up and a mark up, plus we have another panel.

Ms. NORTON. I would like to ask the question. You mentioned apparently in your testimony something about the diploma mills. I appreciate that you raised this yourself. I also appreciate when you are dealing with huge numbers of employees what it would take to somehow do an investigation. Is it possible that one could have a list of accredited colleges and that is all you need and you would never have to worry?

Ms. JAMES. The quick answer, no. The reason that is a no and the reason it is a sticky problem is by the very nature of the diploma mills, they pop up and go down, change the names, and so you can't have one quick list of accredited schools. You also have schools that for whatever philosophical or ideological reason have decided not to go through the accreditation process. So it may be a very valid learning institution, but for some reason did not want to go through that process. So, it isn't quite that easy. We have looked at several different categories. We are going after this one aggressively, but if you put a name on the list and say this is a diploma mill, they drop off the list because they change their name, and they are back.

Ms. NORTON. The kind of list I am talking about would be a list of bona fide universities. You start there and then you have to watch out for the offenders.

Ms. JAMES. Yes, we have that. That is not where our problem is. We have that, and we currently use that, but that is not what is causing the problem.

Ms. NORTON. Are you saying that you can't get a hold of this or that you are going to get a hold of it? I understand the complexity that you have described.

Ms. JAMES. We are going to get a hold of it and are working with Congress for some potential solutions on how we are going to get that done. I am not sure that we have all of the tools right now that we need to make that happen but we want to work with you to come up with some ideas and suggestions for getting that done.

Ms. NORTON. I think we have it now everywhere in the United States at the State level and city levels as well. One of the things we might look to is to see whether or not any jurisdiction has found a way to get a hold of this problem. Perhaps that could be a model for all of us.

Ms. DAVIS OF VIRGINIA. Thank you so much, Director James, and thank you, Ms. Norton, for bringing up that important subject.

Ms. JAMES. Thank you.

Ms. DAVIS OF VIRGINIA. I will now ask our second panel of witnesses to come forth. We have already sworn you in, so we will first hear from Mr. Chris Mihm, Managing Director, Strategic Issues, U.S. General Accounting Office. Then we will hear from Dr. Reginald Wells, Chief Human Capital Officer and Deputy Commissioner, Human Resources, Social Security Administration and Mr. Kevin Simpson, executive vice president and general counsel, Partnership for Public Service.

Again, thank you all for joining us here today. I am going to recognize the panel for an opening statement in the order I called you but I would ask that you summarize your testimony in 5 minutes and any more complete statement you have, we will enter into the record.

We will begin first with you, Mr. Mihm.

STATEMENTS OF CHRIS MIHM, MANAGING DIRECTOR, STRATEGIC ISSUES, U.S. GENERAL ACCOUNTING OFFICE; REGINALD WELLS, DEPUTY COMMISSIONER, HUMAN RESOURCES, SOCIAL SECURITY ADMINISTRATION; AND KEVIN SIMPSON, EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL, PARTNERSHIP FOR PUBLIC SERVICE

Mr. MIHM. Thank you, Madam Chairwoman. It is always an honor and a pleasure to appear before you and the subcommittee.

I am pleased to be here to discuss the progress in implementing the Chief Human Capital Officers Act. As you know and as you have discussed with Director James, Congress recently sought to modernize Federal human capital policies by allowing certain agencies, most notably Defense and Homeland Security, to adopt more flexible approaches to their human capital management. At the same time, Congress has provided agencies across the executive branch with additional tools and authorities needed to strategically manage their work forces. The success of these and related initiatives will depend in large measure on the existence of high quality Human Capital Officers and a strategic and effective Human Capital Officers Council.

My written statement describes the different approaches that agencies used in selecting their officers, creating the position and the key responsibilities of those officials. In the interest of time this afternoon, I will focus my comments on the third issue covered in my written statement, the initial steps taken by the Chief Human Capital Officers Council and some suggested next steps.

As you observed in your opening statement, Madam Chairwoman, an effective and strategic Human Capital Officers Council is vital to meeting Congress' goals under the CHCO Act as well as addressing the Federal Government's human capital challenges. Recent experience has shown us that interagency councils can be important leadership strategies in both developing policies that are sensitive to implementation concerns and gaining consensus and consistent follow through within the executive branch.

The Chief Financial Officers and Chief Information Officers Councils have been particularly effective in this regard. The Chief

Human Capital Officers Council can play an equally useful role. Director James discussed many of the Council's activities over the last year. However, the Council does not yet have a strategic plan to help guide its work and to serve as a benchmark for measuring progress, although we understand that there is a draft. The shared understandings that can be developed as part of the planning process are particularly important to councils since they play a vital leadership and coordination role. This I believe is exactly the point that Mr. Davis was making when he discussed with the Director the importance of stakeholder involvement.

Thus, the timely completion of the Council's strategic plan is important to provide a sense of direction for the Council as well as to communicate to Congress and other stakeholders the role the Council will play and how it will meet its responsibilities. The Council has created five subcommittees as Director James discussed covering the hiring process, performance management, leadership development, succession planning, employee conduct and poor performers and finally emergency preparedness.

We understand that three of those five subcommittees, those dealing with hiring process, leadership development and succession planning and employee conduct and poor performers have drafted their first reports for review by the Council's executive committee. However, these reports have not released to the public. At the request of the chairwoman, Mr. Davis and others in Congress, we have undertaken a large body of work in recent years that should prove helpful to the council and its subcommittees as they develop their initiatives. This work which includes the five areas covered by the Council's subcommittees, is detailed in my written statement along with suggestions on the specific issues for the subcommittee to pursue.

In addition to the important areas covered by the Council's subcommittees, our work in GAO suggests the Council should ensure that its efforts address agencies' need for guidance, assistance, knowledge and leading practice in other key, cross-cutting areas including developing the capabilities for successful use of the flexibilities that were discussed earlier, strategic human capital planning, looking into the future and making sure we win the war on talent as Ms. Norton was discussing, and transforming human capital or HR offices to be able to be true strategic partners with business with program managers rather than just transactional organizations.

In conclusion, the need to transform the way the Government does business will only increase the importance of integrating human capital or people approaches with agencies program plans and strategies. While the initial steps taken over this first year have shown important progress, this coming year will be especially critical to leveraging the progress that has already been made and achieving significant accomplishments and facilitating lasting change. A strong and effective Chief Human Capital Officers Council can serve an instrumental role in helping Federal agencies

transform their operations and dramatically improve their performance.

This concludes my statement. I will be happy to take any questions you may have.

[The prepared statement of Mr. Mihm follows:]

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Civil Service and Agency Organization, Committee on Government Reform, House of Representatives

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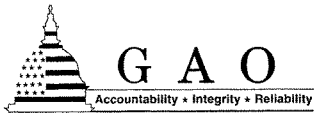
HUMAN CAPITAL

Observations on Agencies' Implementation of the Chief Human Capital Officers Act

Statement of J. Christopher Mihm
Managing Director, Strategic Issues



GAO-04-800T

May 18, 2004

HUMAN CAPITAL

Observations on Agencies' Implementation of the Chief Human Capital Officers Act

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Highlights

Highlights of GAO-04-800T, a testimony before the Subcommittee on Civil Service and Agency Organization, Committee on Government Reform, House of Representatives

Why GAO Did This Study

Congress recognized the critical leadership role the agency Chief Human Capital Officers (CHCOs) and the CHCO Council must play in the fundamental changes that need to take place across the executive branch. A range of 21st century challenges are driving the need for a fundamental transformation of the federal government. People strategy must be a key element of this overall transformation effort. People define an organization's culture, drive its performance, and embody its knowledge base. Congress has provided agencies across the executive branch with additional tools and authorities needed to strategically manage their workforces. The success of these and related initiatives will depend in large measure on the existence of high-quality CHCOs and a strategic and effective CHCO Council.

At the request of the subcommittee, GAO discussed (1) the different approaches agencies used in selecting CHCOs and creating the CHCO position, (2) the key responsibilities of the CHCOs, and (3) the initial steps taken by the CHCO Council and some suggested next steps.

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To view the full product, including the scope and methodology, click on the link above. For more information, contact J. Christopher Mihm at (202) 512-6806 or mihmj@gao.gov.

What GAO Found

The inaugural CHCOs appointed since May 2003 varied in the positions they were holding prior to their selection by the agency head, the responsibilities assigned to them when they became CHCOs, whether they were political appointees or career executives and whether they reported directly to the agency head.

According to the CHCOs, their efforts are primarily focused on the human capital efforts needed to address the President's Management Agenda (PMA). In our discussions with the CHCOs, they cited strategic human capital management and, to a lesser extent, competitive sourcing as the two primary PMA initiatives on which they are focusing.

The CHCO Council's activities during its first year have largely revolved around start-up activities including organizing the council and establishing subcommittees. For example, the Council created subcommittees to address and recommend change for five key areas–the hiring process, performance management, leadership development and succession planning, employee conduct and poor performers, and emergency preparedness.

At the request of this subcommittee and others in Congress, we have undertaken a large body of work in recent years that should prove helpful to the Council and its subcommittees as they develop their initiatives in the five areas. For example, as we reported in May 2003, there is widespread recognition that the current federal hiring process does not meet the needs of agencies in achieving their missions, managers in filling positions with the right talent, and applicants for a timely, efficient, transparent, and merit-based process. We made a number of recommendations to the Office of Personnel Management (OPM) to address various parts of the hiring process. In addition, in March 2004, GAO issued a guide for assessing strategic training and development efforts in the federal government.

In addition to the important areas already receiving priority attention by the Council, our work suggests that the Council should ensure that as it moves forward, its efforts address agencies' need for guidance, assistance, knowledge, and leading practices in several other key crosscutting areas such as:

- developing the capabilities required for successful implementation of human capital reform,
- strategic human capital planning, and
- transforming the human capital office and its processes to more fully contribute to key agency decisions.

We believe that our work should prove helpful to the Council as they address these and other areas.

Chairwoman Davis, Mr. Davis, and Members of the Subcommittee:

I am pleased to be here today to discuss the actions taken to implement the Chief Human Capital Officers (CHCO) Act of 2002 and our preliminary observations on the role of both the agency CHCOs and the CHCO Council, as we approach the completion of the first year in which these senior agency leadership positions and this council were created. As you know, Congress created the CHCO position in 24 agencies to advise and assist the head of the agency and other agency officials in their strategic human capital management efforts; the CHCO Council was created to advise and coordinate the activities among the agencies.

Congress recognized the critical leadership role the agency CHCOs and the CHCO Council must play in the fundamental changes that need to take place across the executive branch. The nation's large and growing long-term fiscal imbalance and a range of other 21st century challenges are driving a fundamental transformation of the federal government. This transformation requires a comprehensive reexamination of what the government does, how it does business, and in some cases, who does its business. Ultimately, to successfully transform, the federal government must change its culture to become more results-oriented, customer-focused, and collaborative in nature.

People strategy must be a key element of this overall transformation effort. People define an organization's culture, drive its performance, and embody its knowledge base. Over the past couple of years, Congress has sought to modernize federal human capital policies by allowing certain agencies, most notably the Departments of Defense and Homeland Security, to adopt more flexible approaches to their human capital management. At the same time, Congress has provided agencies across the executive branch with additional tools and authorities needed to strategically manage their workforces. The success of these and related initiatives will depend in large measure on the existence of high-quality CHCOs and a strategic and effective CHCO Council.

My statement today will describe first, the different approaches agencies used in selecting CHCOs and creating the CHCO position, second, the key responsibilities of the CHCO's, and third, the initial steps taken by the CHCO Council and some suggested next steps.

My comments today are based on our interviews with each of the agency CHCOs and the Executive Director of the CHCO Council; available

documents on the start-up efforts of the CHCO Council such as the agenda and plans for its initial meetings; our experiences in evaluating the implementation of other major management reforms, such as the Chief Financial Officers (CFO) Act, the Government Performance and Results Act of 1993, and the Clinger-Cohen Act of 1996; and our broad body of work and resultant knowledge of human capital management issues.

CHCOs Vary in Their Prior Role, Designated Duties, Employment Status, and Reporting Relationships

The 24 agency CHCOs appointed since May 2003 varied in the position they were holding prior to their selection by the agency head, the responsibilities assigned to them when they became CHCOs, whether they were political appointees or career executives, and whether they reported directly to the agency head:

- The inaugural CHCOs at most federal agencies were executives who were already in positions leading their agency's human capital management. Of the 21 agency CHCOs selected from within the agency, 14 have been the human capital director for their agency and 7 have been the executive to whom the agency's human capital director reported. OPM selected its CHCO from within the agency, but the individual has been a senior policy advisor, not an internal OPM human capital manager. Two of the 24 agencies—the Departments of Homeland Security and Treasury—selected CHCOs from outside their agencies.

- The 24 CHCOs positions were evenly split between those whose designated duties focus solely on human capital management and those who have significant additional responsibilities. For example, the Departments of Commerce, Interior, and Veterans Affairs have vested CHCO and CFO responsibilities in one person. The CHCOs at the Departments of Education, Housing and Urban Development, and Labor are also the Chief Information Officer (CIO) for those agencies. The additional responsibilities of various other CHCOs include administrative services, facilities management, and procurement.

- The CHCOs were evenly split between career executives and political appointees. Of the 24 CHCOs, 12 were career senior executives and 12 were political appointees. Since the inaugural CHCO appointments, two agencies--the Departments of Agriculture and Health and Human Services--have changed their CHCO designation from the incumbent career executive to a higher-level political appointee. Most of the career

executives (8 of the 12) focus solely on human capital management, while the political appointees generally had additional responsibilities.

- More than half (15 of 24) of the inaugural CHCOs reported directly to the agency head. While some CHCOs who report directly to the agency head told us this gives them an important "seat at the table" where key decisions are made, some CHCOs who do not report to their agency head said having all or most of the agency chief management positions do so may impede efficient management coordination within the agency. Most of the political appointees (9 of 12) report directly to the agency head, while half of the career executives (6 of 12) report to another agency official.

Agencies' appointments of CHCOs represent an important achievement considering the challenges agencies faced in filling the CFO and the CIO positions. For example, 5 years after the enactment of the law creating the agency CFO position, we found that some agencies had yet to fill the position or the Deputy CFO position.[1]

The diversity of approaches that agencies are taking suggests that it is unlikely that there will be a single model for the CHCO position that will fit all agencies. Several CHCOs told us that agency size, available leadership talent and the agency's existing executive leadership structure were all considered in designating the CHCO position and determining the qualifications of those who should fill it. However, ensuring that the CHCO can provide the leadership necessary to do the job well in those situations where they also have additional direct management responsibilities should be closely monitored in the coming years. We have also raised similar concerns regarding the CFOs and CIOs who have direct leadership

[1]U.S. General Accounting Office, *Financial Management: Momentum Must Be Sustained To Achieve the Reform Goals of the Chief Officers Act*, GAO/T-AIMD-95-204 (Washington, D.C.: July 25, 1995).

responsibilities for a variety of management areas.[2] While some CHCOs with key responsibilities in multiple areas have said they believe this enables them to achieve quicker decision-making on strategic human capital issues, other CHCOs said they prefer devoting all their attention to human capital issues.

More generally, we have suggested that Congress consider establishing Chief Operating Officer (COO) or equivalent positions in selected agencies as one element of an overall strategy to address certain systemic federal governance and management challenges. These COOs would be part of a broader effort to elevate attention to management and transformation issues, integrate various key management and transformation efforts, and institutionalize accountability for addressing management issues leading a transformation.[3] By their very nature, the problems and challenges facing agencies are crosscutting and thus require coordinated and integrated solutions. However, the risk is that management responsibilities (including, but not limited to information technology, financial management, and human capital) will be "stovepiped" and thus will not be implemented in a comprehensive, ongoing, and integrated manner. While officials with management responsibilities often have successfully worked together, there needs to be a single point within agencies with the perspective and responsibilities—as well as the authority—to ensure successful implementation of functional management initiatives and, if appropriate, transformation efforts.

[2]U.S. General Accounting Office, *Financial Management: CFO Act Is Achieving Meaningful Progress*, GAO/T-AIMD-94-149 (Washington, D.C.: June 21, 1994), and *Chief Information Officers: Ensuring Strong Leadership and an Effective Council*, GAO/T-AIMD-98-22 (Washington, D.C.: Oct. 27, 1997).

[3]For additional information on the COO concept and how it might apply to federal agencies, see U.S. General Accounting Office, *Highlights of a GAO Roundtable: The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges*, GAO-03-192SP (Washington D.C.: October 2002).

CHCOs Are Giving Priority Attention to the Strategic Human Capital Initiative of the President's Management Agenda

According to the CHCOs, their efforts are primarily focused on the human capital efforts needed to address the President's Management Agenda (PMA). The President's Management Agenda identified five crosscutting management initiatives: the strategic management of human capital, competitive sourcing, improved financial performance, expanded electronic government, and budget and performance integration. We collaborated with OMB and OPM regarding the broad standards of success for the strategic human capital management PMA initiative. The resulting standards are consistent with the need for agencies to address the challenges they face in four key areas outlined in our report on strategic human capital management as a government-wide high risk area:

- leadership, continuity and succession planning;
- strategic human capital planning and organizational alignment;
- acquiring and developing staffs whose size, skills and deployment meet agency needs; and
- creating results-oriented organizational cultures.[4]

We have noted that the PMA initiatives are intended to be mutually reinforcing and must be addressed in an integrated way to ensure that there is the needed management capacity to drive a broader transformation of the cultures of federal agencies.[5] In our discussions with the CHCOs, they have cited strategic human capital management and, to a lesser extent, competitive sourcing as the two primary PMA initiatives where they are focusing their efforts.

As such, work on the PMA provides an early opportunity for the CHCOs to play an active integrating role with other key agency leaders. For example, the Environmental Protection Agency's (EPA) CHCO told us EPA is in the midst of phased implementation of a workforce planning methodology that EPA believes will enable EPA's line managers to make decisions on

[4]U.S. General Accounting Office, *High-Risk Series: An Update*, GAO-01-263 (Washington, D.C.: January 2001).

[5]U.S. General Accounting Office, *Management Reform: Continuing Progress in Implementing Initiatives in the President's Management Agenda*, GAO-03-556T (Washington, D.C.: Mar. 26, 2003).

deploying employees with mission-critical skills and competencies both programmatically and geographically to fulfill EPA's mission. Similarly, the National Aeronautics and Space Administration's (NASA) CHCO told us NASA is refining an agencywide competency management system that will be used to identify, manage, and report workforce competencies, which NASA believes will be capable of capturing competencies for every employee, every position, and every budgeted program or project.

In the area of performance management, according to the Department of Justice's CHCO, the agency contracted with consultants to identify problems, issues, and barriers and suggest ways to transform the existing "paperwork exercise" performance management program into a results-oriented performance culture. In the area of aligning the human capital office for improved strategic contribution, the Department of Energy's (DOE) CHCO told us that the agency's Office of Human Resources Management completed a study of the organization resulting in a recommendation to transform it into "One HR,"—a more unified approach to developing and aligning HR activities, programs, services and staff with the strategic direction of DOE.

While we have not assessed these specific actions, they illustrate the kinds of agency human capital initiatives that position the agencies to move forward in the coming years. However, as our experience with major management reform efforts has demonstrated, achieving the goals of major reform requires a long-term sustained effort. We have noted that major reforms can take at least 5 to 7 years until such initiatives are fully implemented and the related cultures are transformed in a sustainable manner.[6]

CHCO Council Taking Initial Steps to Improve Human Capital Management

The CHCO Act calls for the establishment of a CHCO Council consisting of the Director of OPM as Chair, the Deputy Director for Management of OMB as Vice Chair, and the CHCOs of executive departments and any other members who are designated by the Director of OPM. An effective and strategic CHCO Council is vital to meeting the goals of the CHCO Act as well as addressing the federal government's crosscutting strategic human

[6]U.S. General Accounting Office, *Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, GAO-03-293SP (Washington, D.C.: Nov. 14, 2002). For a specific discussion of this point in relation to financial management, see GAO/T-AIMD-95-204.

capital challenges. We have reported that interagency councils, such as the CFO and CIO councils, have emerged as important leadership strategies in both developing policies that are sensitive to implementation concerns and gaining consensus and consistent follow-through within the executive branch.[7] For example, the CFO Council has played a lead role in creating goals for improving federal financial management practices, providing sound advice to OMB on revisions to executive branch guidance and policy, and building a professional community of governmentwide financial management expertise.

The CHCO Council can play another similarly useful role. As stated in its charter, the Council's purposes include (1) advising OPM, OMB, and agency leaders on human capital strategies and policies, as well as on the assessment of human capital management in federal agencies, (2) informing and coordinating the activities of its member agencies on such matters as modernization of human resources systems, and (3) providing leadership in identifying and addressing the needs of the government's human capital community.

The Council's activities during its first year have largely revolved around three major areas: organizing the council, creating a CHCO Academy, and establishing subcommittees.

Council Organization

The Council meets periodically, currently averaging a meeting every other month, with the meetings attended by the CHCOs as well as by the Council's Chair, Vice Chair, Executive Director, and representatives of other organizations that may be invited or approved by the Chair. The Council has formed an executive committee consisting of the Chair, Vice Chair, and seven Council members. When votes are taken, each Council member has one vote, and members must be present to vote.

The Council does not yet have a strategic plan to help guide its work and serve as a benchmark for measuring progress, although according to the Council's Executive Director, the Chair is reviewing the Council's draft strategic plan for FY 2004, which then has to be approved by the executive committee and by the full Council. The Executive Director told us the strategic plan would have some details on the priority items and target

[7]U.S. General Accounting Office, *Government Management: Observations on OMB's Management Leadership Efforts*, GAO/T-GGD/AIMD-99-65 (Washington, D.C.: Feb. 4, 1999).

that three of the five subcommittees—hiring process, leadership development and succession planning, and employee conduct and poor performers—have submitted their first reports for review by the executive committee. However, these reports have not been released.

The executive committee is expected to review these reports at its May meeting and, depending on that review, the full Council could review these reports at its scheduled July meeting.

At the request of this subcommittee and others in Congress, we have undertaken a large body of work in recent years that should prove helpful to the Council and its subcommittee as they develop their initiatives. For example:

Hiring Process

As we reported in May 2003, there is widespread recognition that the current federal hiring process does not meet the needs of agencies in achieving their missions, of managers in filling positions with the right talent, and of applicants for a timely, efficient, transparent, and merit-based process.[10] We made a number of recommendations to OPM to address various parts of the hiring process including:

- studying how to simplify, streamline, and reform the classification process;
- assisting agencies in automating their hiring processes;
- continuing to assist agencies in making job announcements and Web postings more user-friendly and effective;
- helping agencies develop improved hiring assessment tools; and
- reviewing the effectiveness of the Outstanding Scholar and Bilingual/Bicultural Luevano Consent Decree hiring authorities.

At the request of this subcommittee we are assessing actions taken to improve the hiring process and plan to issue a report early next month. Agencies and OPM need to work together to improve the hiring process,

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

dates on which the Council is working this year. As we saw in the case of the CFO Council, achieving accomplishments that have strategic impact requires well-defined goals and measures.[8] The timely completion of the CHCO Council's plan is therefore important to help provide a sense of direction for the Council as well as to communicate to Congress and other stakeholders the role the Council will play and how it will meet its responsibilities. The shared understandings that can be developed as part of the planning process are particularly important to councils since they play vital leadership and coordination roles. As just one illustration of the importance of their leadership and coordination role, OPM agreed with our May 2003 recommendation to work with and through the Council to more thoroughly research, compile, and analyze information on the effective and innovative use of human capital flexibilities and more fully serve as a clearinghouse in sharing and distributing information about when, where, and how the broad range of flexibilities are being used, and should be used, to help agencies meet their human capital management needs.[9]

CHCO Academy

OPM has created the Chief Human Capital Officers Academy as part of the CHCO Council. OPM created the academy as an outreach vehicle to educate CHCOs about current human capital management issues and available human resources flexibilities, with an emphasis on how they fit within an overall merit-based civil-service system. The academy has scheduled one-day monthly training and discussion sessions with CHCOs throughout 2004. Past sessions have focused on topics such as Title 5 and outsourcing human resources services.

Subcommittees

The Council created subcommittees to address and recommend changes for five key areas identified by the Council's leadership as critical to the success of the strategic management of the human capital initiative outlined in the PMA: the hiring process, performance management, leadership development and succession planning, employee conduct and poor performers, and emergency preparedness. The five subcommittees are examining their issues and developing recommendations for review by the executive committee and, subsequently, the Council. We understand

[8]GAO/T-AIMD-98-22.

[9]U.S. General Accounting Office, *Human Capital: OPM Can Better Assist Agencies in Using Personnel Flexibilities*, GAO-03-428 (Washington, D.C.: May 9, 2003).

and the CHCO Council should be a key vehicle for this needed collaboration.

Performance Management

There is little question that modernizing agency performance management systems and creating a clear linkage between individual performance and organizational success is a governmentwide strategic human capital challenge. Even though an explicit alignment of individuals' daily activities with broader results is one of the defining features of effective performance management, it is still a work in progress at the federal level. For example, in three governmentwide surveys we conducted in 1997, 2000, and 2003, an increasing but still less than 50 percent of federal managers reported that employees in their agencies received positive recognition to a great or very great extent for helping agencies accomplish their strategic goals.[11]

High performing organizations have found that an effective performance management system can be a strategic tool to drive internal change and achieve desired results. These systems are not merely used for a once or twice-yearly individual expectation setting and rating process but are tools to help the organization manage on a day-to-day basis and to facilitate two-way communication throughout the year so that discussions about individual and organizational performance are integrated and ongoing.

In that regard, we have reported extensively on public sector organizations in the United States and abroad that have implemented a selected, and generally consistent set of key practices as part of their performance management systems that in turn help create the line of sight between individual performance and organizational success.[12] These practices should be helpful to the CHCO Council's performance management subcommittee as it develops recommendations and strategies to assist agencies implementing effective performance management systems.

[11]U.S. General Accounting Office, *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results*, GAO-04-38 (Washington, D.C.: Mar. 10, 2004).

[12]U.S. General Accounting Office, *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success*, GAO-03-488 (Washington, D.C.: Mar. 14, 2003).

Leadership Development and Succession Planning

In March 2004, GAO issued a guide for assessing strategic training and development efforts in the federal government.[13] This guide introduced a framework, consisting of a set of principles and key questions that agencies can use to ensure that training and development investments are targeted strategically and not wasted on efforts that are irrelevant, duplicative, or ineffective. Using the principles in this framework, we reported on some agencies' experiences and lessons learned related to a) assessing agency skill requirements and identifying training needs, b) developing strategies and solutions, and c) determining evaluation methods.[14] Some of the experiences and lessons learned that the agencies identified were from their leadership development programs. For example, the Internal Revenue Service (IRS) interviewed top agency leaders and benchmarked with leading practices in the public and private sector to develop its leadership competency model. This model forms the basis for IRS' leadership development efforts, as well as how IRS selects, evaluates, and recognizes its leaders. IRS also analyzed data from 360-degree feedback instruments and used this information in customizing its programs to build employees' strengths in areas that IRS has identified as key to providing effective leadership within its organizational culture and operating environment.

More generally, we have also reported that leading organizations engage in broad, integrated succession planning and management efforts that focus on strengthening both current and future organizational capacity. As part of this approach, these organizations identify, develop, and select their people to ensure that successors are the right people, with the right skills, at the right time for leadership and other positions. Based on our review of leading practices in selected public sector organizations in Australia, Canada, New Zealand, and the United Kingdom, we identified a set of succession planning and management practices that should prove helpful to the Council and individual agencies in their efforts to protect and

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

[14]U.S. General Accounting Office, *Human Capital: Selected Agencies' Experiences and Lessons Learned in Designing Training and Development Programs*, GAO-04-291 (Washington, D.C.: Jan. 30, 2004).

enhance organizational capacity.[15] Among these practices we found that these organizations address specific human capital challenges, such as diversity, leadership capacity, and retention.

Employee Conduct and Poor Performers

OPM and the Merit Systems Protection Broad have both done employee surveys and related important work on conduct and poor performers issues. Our work has focused on the broader issue of mechanisms and strategies that agencies can use to reduce workplace conflict, including those associated with conduct and performance issues. For example, our work has shown that alternative dispute resolution (ADR) processes are a way of dealing with workplace conflict.[16] ADR is a resource to employees and supervisors alike and, in our view, can help prevent conflicts manifested as poor conduct or performance from arising in the first place or can facilitate resolution of problems. In short, we believe that a key part of the CHOC subcommittee's agenda should be to explore, validate, and disseminate mechanisms and strategies that can be used to address problems efficiently, effectively, and fairly, as well as keep them from occurring in the first place.

Emergency Preparedness

As we recently reported, federal continuity planning guidance has appropriately been given priority to the human capital considerations associated with the immediate aftermath of a crisis that is securing the safety of all employees and addressing the needs of employees who perform essential operations.[17] However, we found that additional human capital considerations, especially those associated with the majority of an organization's employees who do not perform essential operations yet would be needed to resume all other agency operations, are also crucial and have not been well developed in federal guidance. To more fully address these considerations, we identified two human capital principles that should guide all continuity efforts—demonstrating sensitivity to individual employee needs and maximizing the contribution of all

[15]U.S. General Accounting Office, *Human Capital: Insights for U.S. Agencies from Other Countries' Succession Planning and Management Initiatives*, GAO-03-914 (Washington, D.C.: Sept. 15, 2003).

[16]U.S. General Accounting Office, *Human Capital: The Role of Ombudsmen in Dispute Resolution*, GAO-01-466 (Washington, D.C.: Apr. 13, 2001) and *Alternative Dispute Resolution: Employers' Experiences With ADR in the Workplace*, GAO/GGD-97-157 (Washington, D.C.: Aug. 12, 1997).

[17]U.S. General Accounting Office, *Human Capital: Opportunities to Improve Federal Continuity Planning Guidance*, GAO-04-384 (Washington, D.C.: Apr. 20, 2004).

employees—and six key organizational actions designed to enhance these efforts:

- Demonstrate top leadership commitment.
- Seek opportunities for synergy.
- Maintain effective communication.
- Target investments in training and development.
- Leverage the flexibility of human capital.
- Build a process to identify and share lessons.

We made recommendations to the Federal Emergency Management Administration (FEMA) and OPM to more fully address human capital considerations in emergency preparedness guidance by incorporating the key actions listed above. We also recommended to OPM that they clearly define the role Federal Executive Boards play in improving emergency preparedness coordination in areas outside of Washington, D.C. Both FEMA and OPM need to work together to improve the federal continuity planning guidance, and the CHCO Council can be a key vehicle for this needed collaboration.

Council's Important Role in Other Areas

In addition to these important areas, our work suggests that the Council should ensure that its efforts address agencies' need for guidance, assistance, knowledge, and leading practices in several other key crosscutting areas:

Developing the Capabilities Required for Successful Implementation of Human Capital Reform: As highlighted previously, the Council can play a central role in helping agencies build the internal capabilities needed to effectively use the authorities that Congress has provided. In that regard, our work has identified a set of capabilities that are central to the effective use of human capital authorities:[18]

[18]U.S. General Accounting Office, *Human Capital: Effective Use of Flexibilities Can Assist Agencies in Managing Their Workforces*, GAO-03-2 (Washington, D.C.: Dec. 6, 2002).

- Plan strategically and make targeted investments.
- Ensure stakeholder input in developing policies and procedures.
- Educate managers and employees on the availability and use of flexibilities.
- Streamline and improve administrative processes.
- Build transparency and accountability into the system.
- Change the organizational culture.

Strategic Human Capital Planning: Strategic human capital planning is an essential element of the institutional infrastructure to ensure that an agency's human capital program optimizes its workforce's strengths and addresses related challenges in a manner that is clearly linked to achieving the agency's mission. While each agency needs to tailor the strategic workforce planning process to the agency's particular needs and mission, our work has found that there are certain principles that should be addressed irrespective of the particular planning approach or model that is used.[19]

These include:

- Involve top management, employees and other stakeholders in developing, communicating and implementing the strategic workforce plan.
- Determine the critical skills and competencies that will be needed to achieve current and future programmatic results.
- Develop strategies that are tailored to address gaps in number, deployment, and alignment of human capital approaches for enabling and sustaining the contributions of all critical skills and competencies.
- Build the capability needed to address administrative, educational, and other requirements important to support workforce strategies.

[19]U.S. General Accounting Office, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, GAO-04-39 (Washington, D.C.: Dec. 11, 2003).

- Monitor and evaluate the agency's progress toward its human capital goals and the contribution that human capital results have made toward achieving programmatic goals.

The provisions of the CHCO Act recognize the critical importance of strategic human capital planning and require each CHCO to prepare the portion of the agency annual performance plan and describe how the performance goals and objectives are to be achieved, including the operation processes, training, skills and technology, and the human, capital, information, and other resources and strategies required to meet those performance goals and objectives. In addition, the agency performance reports are to include a review of the performance goals and evaluation of the performance plan relative to the agency's strategic human capital management. These provisions will give additional impetus to improve agencies' strategic human capital planning.

Transforming the Human Capital Office and Its Processes to More Fully Contribute to Key Agency Decisions: The need to more closely integrate the agency human capital approaches with agencies' strategies for accomplishing organizational missions places responsibility on the CHCO to develop the human capital office to fulfill enlarged roles, such as, partner with line managers, human capital expert, leader and change agent to meet current and future programmatic needs. To shift the resources of the human capital office from being providers of largely transaction-based services to better align with its role of integrating human capital approaches in agency plans and strategies, the CHCO will often be compelled to restructure its human capital office.

The pressures on human capital professionals to assume new roles present a significant learning and development challenge for human capital staff members. For human capital professionals to begin acting in their new capacities CHCOs must ensure that they develop the competencies through a systematic investment in training and development[20] and gain the experience to effectively take on the expected roles. The CHCOs' personal leadership in providing the vision and the systematic approach to engaging the human capital staff in a positive transition from narrowly-focused specialists to larger roles, such as partners, human capital experts, leaders, and change agents, and assure the staff have all the skills necessary to play an active role in helping to determine the overall strategic direction of the

[20]GAO-04-546G.

organization will be a significant long-term challenge. The CFO and CIO experiences at a similar point in their histories recognized the need to build their staff's skills and capabilities.

In conclusion, the need to transform the way government does its business and the long-term fiscal challenges facing the government will only increase the importance of integrating human capital approaches that are linked to the agency's plans and strategies. While the initial steps taken over this first year have shown progress, the coming year is critical to leveraging that progress to achieve significant accomplishments and facilitate lasting change. This progress will come from aligning the agency human capital approach with program goals and integrating the human capital initiatives and organization as part of a comprehensive systematic approach to transforming the agency and dramatically improving its performance.

Madam Chairwoman and Mr. Davis, this completes my statement. I would be pleased to respond to any questions that you may have.

Contacts and Acknowledgments

For further information regarding this testimony, please contact J. Christopher Mihm, Director, Director, Strategic Issues, on (202) 512-6806 or at mihmj@gao.gov. Individuals making key contributions to this testimony included William Doherty, Clifton G. Douglas, Tony Lofaro, Jeffery McDermott, Susan Ragland, Lisa Shames, and Edward H. Stephenson, Jr.

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Ms. DAVIS OF VIRGINIA. Thank you very much, Mr. Mihm.

Dr. Wells, it is good to have you before our committee again. You are recognized for 5 minutes.

Mr. WELLS. Thank you, very much, Madam Chairwoman.

Thank you for the opportunity to appear before you today to discuss my role as SSA's Chief Human Capital Officer, and how the Chief Human Capital Officers Act, enacted as an act that is part of the Homeland Security Act, provides valuable assistance in meeting some of the human capital challenges that the Social Security Administration faces.

As you know, the Chief Human Capital Officers Act of 2002 was signed into law with the promulgation of the Homeland Security Act of 2002. This act established the Chief Human Capital Officer and the Chief Human Capital Officers Council. I am proud to serve as SSA's Chief Human Capital Officer and as a member of the Chief Human Capital Officers Council. The Chief Human Capital Officer position and the formation of a national Chief Human Capital Officers Council have renewed focus on management of human resources as a form of capital investment and accountability for the use of that investment.

As SSA's Deputy Commissioner for Human Resources and CHCO, I am responsible for providing leadership on the agency's work force development strategies, recruiting, succession planning, diversity strategies and other human capital initiatives. I am actively engaged in those activities on a daily basis. In this dual role, I advise the Commissioner and senior staff in carrying out SSA's responsibilities for selecting, developing, training and managing a high-quality, productive work force in accordance with merit system principles. As such, I have a seat at the table that allows me to discuss human capital goals at the executive level.

The CHCO position and the formation of a National Chief Human Capital Officers Council are important to our agency because of our mission at SSA. Our mission is to ensure that Social Security and Supplemental Security Income claims are processed quickly and accurately and that over 45 million Social Security beneficiaries and Supplemental Security Income recipients receive their benefits in correct amounts and on time every month of the year. As of January 2004, over 64,000 SSA employees were delivering services through a network of over 1,500 district and hearing offices throughout the country in 10 regions.

SSA recognizes that it is the dedication and hard work of its employees that enables this agency to meet its commitments to the public. These commitments require that we continue effective human capital planning to ensure that we are successful in our mission. The Chief Human Capital Officers Act of 2002 is an important tool in our efforts to fulfill our goals. Effective human capital planning in our environment presents unique challenges. We face increasing retirement and disability claims, workloads resulting from our aging national population. As the baby boomers reach their peak retirement years, we must plan carefully to ensure that trained employees will be in place to do the work, and at the same time, maintain our quality standards.

The same time as our agency faces dramatically increasing workloads, we also face the fact that many of our dedicated employees

are baby boomers themselves. SSA's employee retirement wave will not only affect our ability to deliver service to the American public but it will also result in a significant drain of institutional knowledge. SSA will be faced with the continuing challenge of hiring and retaining a highly-skilled and diverse work force in what is expected to be a very competitive job market.

At SSA, we are fortunate that we have been planning for quite some time how to address many of these human capital challenges. The Chief Human Capital Officers Act is Congress' recognition of the fact that human resources are another form of capital investment that we make in order to carry out our mission. I am confident that SSA will meet the challenges we face through effective human capital planning. To this end, I am pleased to report that SSA has implemented a comprehensive human capital plan which provides a high-level focus for human planning efforts. It is directly linked to the SSA strategic plan. The human capital plan closely tracks outcomes and helps us to focus on the results of our human capital initiatives.

I would also like to point out the importance of the Chief Human Capital Officers Council which provides a valuable forum for our agency to discuss a wide range of human resources issues, such as modernization of human resources systems, the impact of legislation affecting human resources operations and organizations, recruitment and retention strategies, emergency preparedness guidelines and safety measures, work force flexibilities and competitive sourcing. Collectively, the members of the Council use their insights and experiences to address government-wide work force issues.

Thank you again, for holding this hearing. The enactment of the Chief Human Capital Officers Act will support SSA and other participating Government agencies as we face the human resource challenges presented in the 21st Century.

I would be happy to answer any of your questions.

[The prepared statement of Mr. Wells follows:]

For Release on Delivery

Hearing before
the House Government Reform Committee
Subcommittee on Civil Service and Agency Organization
First Year on the Job: Chief Human Capital Officers

Oral Statement
Reginald F. Wells
Deputy Commissioner of Human Resources
Social Security Administration
May 18, 2004

For Release on Delivery

Oral Statement
Reginald F. Wells
Deputy Commissioner of Human Resources
Social Security Administration

May 18, 2004

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to appear before you today to discuss my role as SSA's Chief Human Capital Officer, and how the Chief Human Capital Officer's Act, enacted as part of the Homeland Security Act, provides valuable assistance in meeting some of the human capital challenges that Social Security Administration (SSA) faces.

As you know, the Chief Human Capital Officers Act of 2002 was signed into law with the promulgation of the Homeland Security Act of 2002. This Act established the Chief Human Capital Officer (CHCO) and the Chief Human Capital Officer's Council. I am proud to serve as SSA's CHCO and as a member of the Chief Human Capital Officer's Council. The CHCO position and the formation of a national Chief Human Capital Officer's Council have renewed focus on management of human resources as a form of capital investment and accountability for use of that investment.

As SSA's Deputy Commissioner for Human Resources (DCHR) and

CHCO, I am responsible for providing leadership on the Agency's workforce development strategies, recruiting, succession planning, diversity strategies and other human capital initiatives, and I am actively engaged in these activities. In this dual role, I advise the Commissioner and Senior staff in carrying out SSA's responsibilities for selecting, developing, training, and managing a high quality productive workforce in accordance with merit system principles. As such, I have a "seat at the table" that allows me to discuss Human Capital goals at the Executive level.

The CHCO position and the formation of a national Chief Human Capital Officer's Council are important to our agency because of our mission at SSA. Our mission is to ensure that Social Security and Supplemental Security Income claims are processed quickly and accurately, and that the over 45 million Social Security beneficiaries and Supplemental Security Income recipients receive their benefits in correct amounts and on time every month of the year. As of January 2004, over 64,000 SSA employees were delivering services through a network of over 1,500 district and hearing offices throughout the country in 10 regions. SSA recognizes that it is the dedication and hard work of its employees that enables this Agency to meet its commitments to the public.

These commitments require that we continue effective human capital planning to ensure that we are successful in our mission. The Chief Human Capital Officers Act of 2002 is an important tool in our efforts to fulfill our goals. Effective human capital planning in our environment

Testimony of

Kevin Simpson
Executive Vice-President and General Counsel
Partnership for Public Service

Before the

Subcommittee on Civil Service and Agency Organization
Committee on Government Reform
House of Representatives

on

First Year on the Job: Chief Human Capital Officers

May 18, 2004

Chairwoman Davis and Congressman Davis, thank you very much for the opportunity to appear before your Subcommittee today. I am Kevin Simpson, Executive Vice-President and General Counsel of the Partnership for Public Service, a non-partisan, nonprofit organization dedicated to revitalizing the federal civil service. I appreciate your invitation to discuss the challenges facing the federal workforce today and to offer the Partnership's perspectives on the fledgling institution of the Chief Human Capital Officers.

In the fall of 2001, one of the Partnership's first legislative initiatives was to advocate for the creation of a Chief Human Capital Officer in all 24 CFO Act agencies. From our perspective, the creation of such a position was needed to accelerate the growing sophistication and professionalization of the federal HR function – similar to what the creation of Chief Financial Officers and Chief Information Officers had accomplished in the 90s.

Since the position was created, the Partnership has had numerous opportunities to work closely with many of the Chief Human Capital Officers, with the community of federal HR directors, with OPM Director Kay Coles James and her team, and with the Executive Director of the CHCO Council, Mike Dovilla. We applaud the achievements of the CHCOs to date and we are especially heartened by the continued commitment to effective congressional oversight that this hearing represents.

Ms. DAVIS OF VIRGINIA. Thank you very much, Dr. Wells.

Mr. Simpson, thank you for being here with us today and you are recognized for 5 minutes.

Mr. SIMPSON. Thank you very much for the opportunity to appear before your subcommittee today.

I serve as the executive vice president and general counsel of the Partnership for Public Service, a non-partisan, non-profit organization dedicated to revitalizing the Federal Civil Service.

Since the position of the Chief Human Capital Officer was created, the Partnership has had many opportunities to work closely with those officers, with the community of Federal HR directors, with OPM Director, Kay Coles James, and her team and with the executive director of the Council, Mike Dovilla. We applaud their accomplishments to date and we are especially heartened by the continued commitment to effective congressional oversight that this hearing represents.

In our work with the Federal Government agencies, we have noted many positive developments in connection with the Chief Human Capital Officers. The level of discourse about human capital management issues in the Federal space has increased. Agency managers are being integrated more tightly into the discussion. There is greater collaboration among agencies and more energy around the issues of strategic planning. NASA has become the first agency to go to green on OMB's human capital management score card followed by Labor. OPM Director James has rightly and consistently championed the successes of those two agencies and encouraged other agencies to model their best practices. More importantly, I can report to you that the Chief Human Capital Officers feel well supported by this committee and its staff.

As the committee considers its oversight role going forward, it is worth recalling two of the key underlying goals of the original legislation, one, to improve strategic planning and two, to encourage the development of metrics to gauge progress on work force management issues. On the first issue, strategic human capital planning, the Chief Human Capital Officers should be responsible for identifying the talent needs that exist now as well as those that will predictively arise in the future, given attrition and other factors. Once those needs have been identified, then proactive strategies have to be developed by the Chief Human Capital Officers to meet those needs.

On this topic I would commend to your attention the Partnership's recent report on bioterrorism which outlines some of the serious work force challenges being faced by agencies responsible for our bioterror defense. The basic conclusion of the report was that we can't get the people we need and we can't keep the people we have. One reason for that was a lack of adequate work force planning.

In the face of increasing difficulties in recruiting the technical expertise they needed, agencies did not necessarily have plans in place to overcome these difficulties. I would suggest this subcommittee should look for the CHCOs to be proactive in responding to work force challenges, especially where the data is showing a downward trend. The Chief Human Capital Officer Council in particular is an institution that is well suited to coordinate a strategic

response across agencies in situations like these where several agencies are pursuing the talent pool.

The second goal was to try to develop a series of metrics that gave progress on human capital goals. If you measure it, it can change. This is an explicit charge of the Chief Human Capital Officer legislation and it is central to the effectiveness of your own congressional oversight. The Chief Human Capital Officers should be able to explain to Congress which measures they regularly track and most importantly, how that information is then used to shape agency policy, planning and results. In our view, the administration's Presidential management agenda and the accompanying balanced score card have already laid the groundwork for the HR metrics that should be adopted by the Government. Having established this important conceptual framework, the priority for the next year should be to safeguard the consistency of these benchmarks to ensure their interpretation is consistent and transparent to the agencies that will be required to live by them and to show progress by them.

The other crucial aspect of the Chief Human Capital Officer legislation was the creation of the Chief Human Capital Officer Council, which really represented a profound congressional commitment to a collaborative approach to work force issues across government agencies. To date, as described by Director James, the Chief Human Capital Officer Council has begun to fulfill that promise by forming subcommittees and developing responses to the major challenges all of the offices face, such as the need for transformation of the HR function and performance management. The Chief Human Capital Officer for the Department of Education, for example, leads one subcommittee that has done some great work on leadership development.

This progress, however, could be undermined by changes in agency leadership that invariably accompany every Presidential transition, regardless of who is elected. The Partnership would make two suggestions in this regard. First, the subcommittee might consider asking the Council to develop a point of view on the continuity issue and to offer its own recommended solutions. It would be instructive, for example, to learn how the CFO and the CIO communities deal with transition issues.

Second, it may be appropriate to review the staffing resources available to the Director of OPM for the Council. The Executive Director of the Council, for example, could benefit from dedicated staff that would allow him to expand his coordinating function. The committee might also examine where the newly appointed officers are receiving consistent guidance and orientation about how to fulfill the responsibilities of their position. I would also humbly suggest that good government groups such as the Partnership have a considerable interest in this issue that could be leveraged to support the Council's planning and transition efforts.

In closing, there is no doubt in my mind that the creation of the Chief Human Capital Officers was an important pre-condition to the broader transformations that will be necessary to improve the Government's ability to deliver results. Congress has signaled the seriousness of its intent by demanding accountability, measures of progress and increased collaboration. You have the ingredients to

drive organizational change on an incredibly large scale and you and the Chief Human Capital Officers have our support in that enterprise.

[The prepared statement of Mr. Simpson follows:]

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In the fall of 2001, one of the Partnership's first legislative initiatives was to advocate for the creation of a Chief Human Capital Officer in all 24 CFO Act agencies. From our perspective, the creation of such a position was needed to accelerate the growing sophistication and professionalization of the federal HR function – similar to what the creation of Chief Financial Officers and Chief Information Officers had accomplished in the 90s.

Since the position was created, the Partnership has had numerous opportunities to work closely with many of the Chief Human Capital Officers, with the community of federal HR directors, with OPM Director Kay Coles James and her team, and with the Executive Director of the CHCO Council, Mike Dovilla. We applaud the achievements of the CHCOs to date and we are especially heartened by the continued commitment to effective congressional oversight that this hearing represents.

In our work with federal government agencies, we have noted many positive developments in connection with the CHCOs and the CHCO Council. The level of discourse about human capital management issues in the federal space has improved. Agency managers are being integrated more tightly into the discussion. There is greater collaboration among agencies and more energy around issues of strategic planning. People are asking the right questions and, perhaps not coincidentally, NASA became the first agency to "go to green" on the human capital management scorecard followed by Labor. OPM Director James has consistently championed the successes of these two agencies, and encouraged others to model their best practices. Most importantly, I can report to you that the CHCO community feels well-supported by this committee and its staff.

As the Subcommittee crafts its oversight role going forward, it is important to remember that these positions were designed with three goals in mind: (i) to ensure that considerations about human capital and workforce management have an opportunity to influence agency strategic planning at the highest levels; (ii) to create clear accountability within agencies for the responsibilities of workforce planning, leadership development and strategic recruiting; and (iii) the development of metrics to gauge the progress of agencies on workforce management issues. The Partnership would like to suggest to this Subcommittee ways that it can ensure that the CHCOs continue to evolve to fulfill their original promise.

On the first issue – strategic human capital planning – CHCOs have been assigned the important role of setting workforce development strategy and assessing future needs base don the agency's mission. Simply planning to hire more people to staff new homeland security responsibilities, for example, is not sufficient. CHCOs should be responsible for identifying the talent needs that exist now as well as those that will predictably arise in the future given attrition rates and other factors. Once the needs have been identified, proactive strategies can be developed to meet those needs.

Questions that should be asked by the Subcommittee and answered by the CHCO community include the following: Will existing recruitment techniques really suffice to attract the skills, quality and talent needed to meet agency challenges? Will agencies have to step up the effectiveness of their recruitment and, if so, how? Are current resources adequate to meet federal workforce challenges? How will current employees be impacted? What are agencies doing to further develop and train the existing workforces?

I commend to your attention the Partnership's recent report on bioterrorism, which outlined the serious workforce challenges being faced by those agencies charged with defending our country from bioterrorism. In summary, we can't get the people we need and we can't keep the people we got. The other major finding of the report was that workforce planning was deficient. In the face of increasing difficulties in recruiting the technical expertise they needed, agencies did not necessarily have plans to overcome these difficulties. This Subcommittee should look for the CHCOs to be more proactive in

responding to workforce challenges, especially where the data is showing a downward trend. The CHCO Council, in particular, is very well-situated to coordinate a strategic response across agencies in situations like these when several agencies are all pursuing similar talent pools.

The second goal was to institute clear lines of accountability for agencies on the crucial responsibilities of human resources management – things like leadership development and maintaining high levels of employee commitment and dedication. The vesting of this accountability in the office of the CHCO has helped to integrate HR into the broader management functions of government agencies. More work remains to be done, however, to ensure that the HR community in each agency aligns itself with the goals of the CHCO and feels it is part of the overall solutions being pursed by the CHCO.

The third goal was to develop a series of metrics that gauge progress on human capital goals. If you measure it, it can change. This is an explicit charge of the CHCO legislation and central to the effectiveness of your own congressional oversight. CHCOs should be able to explain to Congress which measures they regularly track and how that information is used to shape agency policy, planning and results. The question of how agencies plan to deal with anticipated attrition over the next few years is one to which Congress should pay especially close attention.

The committee should be alive to the facts that government-wide metrics can be extraordinarily useful in driving change. The CHCO Act specifically charges OPM with

developing metrics to assess agency HR management. Last year, the Partnership and the Institute for the Study of Public Policy Implementation at American University published the first-ever Best Places to Work in the Federal Government rankings, which were developed based on a government-wide survey administered by the Office of Personnel Management. For the first time, employee satisfaction could be compared across government and we have been gratified by the response from the federal HR community. Some agencies now feature the Best Places logo on their websites as a recruiting aid that reflects their relatively high levels of employee satisfaction. Other agencies have resolved to improve their rankings score as one measure of their progress toward their strategic goals. This is only one example, but being able to compare agencies on certain key metrics can be an extremely powerful tool.

In our view, this administration's Presidential Management Agenda and the accompanying balanced scorecard have already laid the groundwork for the HR metrics that should be adopted by the government. Having established this important conceptual framework, the priority for the next year should be to safeguard the consistency of these benchmarks and to ensure that their interpretation is consistent and transparent to the agencies that have to live by them.

The other crucial aspect of the CHCO legislation was the creation of the CHCO Council, which represented a profound congressional commitment to a collaborative and coordinated approach to cross-cutting workforce issues across government agencies and to a community where best practices could be shared. To date, the CHCO Council has

begun to fulfill that promise by taking the lead on developing solutions to the problems of the need for transformation of the hr function, recruiting and performance management. The CHCO for Education, for example, has done some great work on leadership development. Several other Subcommittees have been constituted to develop recommended solutions and important work is being done in this space. This progress, however, could be undermined by the changes in agency leadership that invariably accompany a presidential transition, regardless of who is elected.

When the CHCO legislation was first being debated, there was considerable discussion about whether CHCOs should be political appointees or career employees. While career employees offered continuity and stability, the countervailing consideration was that political appointees would have a greater ability to argue for the importance of human capital considerations at the highest levels. Ultimately, Congress left it up to each agency to decide the matter and the result has been that some CHCOs are career employees while others are political. We believe the current structure is working well and would not advocate changing it at this point, but clearly the limited tenure of some political appointees may threaten to derail much of the significant work being done right now by the CHCO Council.

The Partnership would make two suggestions in this regard. First, this Subcommittee might consider asking the CHCO Council to develop a point of view on the continuity issue and to offer its own recommended solutions. It would be instructive, for example, whether agencies with career deputy CHCOs are able to manage transition activities more

successfully. Second, it may be appropriate to review the staffing resources available to the Director of OPM for the CHCO Council. The Executive Director of the Council, for example, could benefit from dedicated staff that would allow him to expand his coordinating function. The Committee might also examine whether newly-appointed CHCOs are receiving consistent guidance and orientation about how to fulfill the responsibilities of their position. I would also humbly suggest that good government groups such as the Partnership have a considerable interest in this issue that could be leveraged to support the CHCO Council's planning and transition efforts.

In closing, the Partnership would suggest that this Subcommittee reflect on the role that CHCOs will play over the coming years. Both the legislation creating the Department of Homeland Security and the recently-enacted DOD personnel reforms granted agencies broad new flexibilities and authorities in the hope of improving the government's ability to recruit and retain the talent and skills that it desperately needs. I suspect the trend will continue as more agencies seek greater latitude to innovate to meet their challenges. I would urge the members of this Subcommittee to think of the Chief Human Capital Officers as indispensable agents of change who are equipped with the authority and the expertise to ensure that these new authorities are deployed efficiently, strategically and to maximum effect. There is no doubt in my mind that the creation of the CHCOs was an important precondition to the broader transformations that will be necessary to improve the government's ability to deliver results. Congress has signaled the seriousness of its intent by demanding accountability, measures of progress and increased collaboration.

You have the ingredients to drive organizational change on an incredibly large scale and you, and the CHCOs, have our support in that enterprise.

Ms. DAVIS OF VIRGINIA. Thank you very much, Mr. Simpson.

Mr. Wells, I want to ask you a question. In the November 2002 law that President Bush signed into legislation for the Department of Homeland Security, it contained several resource reforms including the ability for agencies to use category ranking hiring method instead of the rule of three. It also provided governmentwide authority for voluntary separation incentive payments and voluntary early retirement. More recently, we in Congress enacted the Student Loan Repayment Program. Is the Social Security Administration using these flexibilities and are there any other personnel flexibilities that you need to help transform your work force? I know you are having a bit of a difficult time there.

Mr. WELLS. Yes, Madam Chairwoman, we are using a number of those flexibilities, however, not all. There are reasons why we have decided not to use them all. I think where flexibilities are concerned, you really do have to consider the particular culture, institutional aspects of the organization, size, a lot of dimensions and variables.

With regard to early retirement, that is something we have actually used very strategically to help flatten the retirement wave. We analyzed some 6 to 7 years ago that we would in fact have a certain number of retirements hitting us in the beginning of the decade and we started using early retirement as a mechanism for having those retirements happen at a little more steady pace than might have happened had we not offered it as an option.

With regard to tuition reimbursement, that is not a flexibility we are currently using. The ability to administer that in a way that would not create other issues for us and given the resource limitations, it makes it very difficult to consider that one as we have looked at it from various angles. It has not been one of the things we have had to resort to for purposes of recruitment. I will knock on wood here that we have actually done quite well. We have had, I guess, last year something like 3,500–3,700 retirements or people leaving the agency and we were able to replenish without a tremendous amount of difficulty at this stage.

One of the other flexibilities you mentioned, categorical ranking, is something we are studying right now. We have to think through all the nuances of it as it relates to how we are accustomed to doing business and we should have some results on how we are going to use it very shortly. I can report back to the committee on its use. I think we are certainly viewing it as a very favorable option over the rule of three.

Ms. DAVIS OF VIRGINIA. Are there other personnel flexibilities you can think of that you need we might be able to help you with?

Mr. WELLS. There are a number that we have put together and we would be more than happy to submit those to the committee as well.

Ms. DAVIS OF VIRGINIA. If you would do that, we would certainly appreciate it. I am going to ask one more quick question and go to my colleagues.

Mr. Simpson, it is going to be you because my ears perked up when Director James said that some of the CHCOs were political appointees. I know that the Partnership for Public Service has said

that shouldn't be, something to that effect. Could you elaborate on that?

Mr. SIMPSON. Early on during the initial legislative debate about the Chief Human Capital Officer legislation, I believe we did express a preference that perhaps the Chief Human Capital Officers should all be career but we are very sensitive to the other side of the argument and it really was important to us that the Officers have a seat at the table as it were and sometimes a political appointee is really the best candidate for the job for that reason.

I think actually the way it is working right now as Director James described, it is a good mix from everything that I have heard, from my understanding. There is a lot of synergy and give and take between the different experiences these two different categories of officers bring. I would not suggest what we have heard and the input we have received means that we ought to revise the act itself to require career officers. It is a little too soon for that but I do think Director James was quite candid and forthright in suggesting that even some of the political appointees need to focus their attention and energies on the substantial responsibilities of the position itself.

Ms. DAVIS OF VIRGINIA. Thank you.

I am going to yield back my time and go to our Ranking Member, Mr. Davis.

Mr. DAVIS OF ILLINOIS. Mr. Simpson and Mr. Mihm, how important do you think it is for the CHCOs to report directly to their agency heads? They must directly to the agency director. How important do you think that is?

Mr. SIMPSON. To my mind, it is very important. It signals a commitment from the very top of the agency to the importance of human capital as a matter of critical importance to the agency. Your agency mission is not going to be accomplished unless you have your human capital shop in order. Jack Welch, the head of GE, used to say we spend 70 percent of our time on the people thing and the day we get the people thing wrong, we have really messed up. I think that is a model that should be emulated in the Government space.

Mr. MIHM. I would agree Mr. Davis. It is important that they report to the highest level of the organization. The thing we need to keep in mind is that a number of management positions now report to the head of the agency, CFO, CIO, CHCOs. This fact has been given some impetus of the notion of creating Chief Operating Officers within agencies often at the deputy level or an equivalent through which the various management functions could report up so they are able to have the high level of attention they deserve but it is not necessarily all going into the Office of the Secretary. My understanding is the Select Committee on Homeland Security is considering that model with the Department of Homeland Security creating a Chief Operating Officer, basically elevating the entire management function up to the next level.

Mr. DAVIS OF ILLINOIS. Let me ask each of you do you think one can do this effectively on a part-time basis, that is with other duties and responsibilities as well? I will start with you, Mr. Mihm.

Mr. MIHM. I would take Director James' point that I think it will be exceedingly difficult over time to devote the necessary time and

attention if it is dual-headed or even triple-headed with other functions. The key differences she was pointing out between a HR Director and a Chief Human Capital Officer and it is characterized by Dr. Wells' comments about a seat at the table is that it is much more than responsibility for the traditional HR categories which are important enough. It is being able to be a real leader in much of the transformation that is going on within an organization. If we are vesting with these top officials technology, financial management, administration, other management functions, it gets exceedingly difficult to see when they are going to be able to sleep.

Mr. WELLS. Mr. Davis, I am very happy that I wear both hats, that is I am the Deputy Commissioner for Human Resources and the Chief Human Capital Officer, so I am probably a little biased. I struggle with doing a really good job at it with that full responsibility. I think it is a full-time job. I appreciated the Director's forthright remarks about some of the challenges that some of my colleagues face, and from talking to some of them, I can certainly appreciate that they do.

I think some of it depends, frankly, on the agency. I can see where that may play a role and the amount of support a particular executive may have surrounding them, but I certainly feel that having direct access to the head of the agency is critical. If you don't have the seat at the table, if you are not able to have that direct access, it would strike me, as you indicated earlier in your remarks, that we do things well, that we pay attention to and put effort into. I would certainly agree with that.

Mr. SIMPSON. My own sense, Congressman Davis, is it is a big portfolio, it is a substantial portfolio of responsibility that each Chief Human Capital Officers needs to focus on. If you look into the private sector and look at comparable positions, a chief people officer at a large corporation for example, I doubt you would find many models where those responsibilities are shared, one person has those responsibilities as well as significant other portfolios.

Mr. DAVIS OF ILLINOIS. I have no further questions. Thank you, Madam Chairwoman.

Ms. DAVIS OF VIRGINIA. Thank you, Mr. Davis.

We have four votes but I believe we have time for 5 minutes for Ms. Norton to ask questions.

Ms. NORTON. Let me quickly ask Mr. Mihm a question. You have indicated that in addition to essential operations, there should be some focus on border agency operations. I wonder if you saw any indication that the Emergency Preparedness Subcommittee or any part of CHCOs is looking beyond emergency matters? I ask that in light of what happened here. When anthrax occurred here in the Senate, there were many, many employees who simply couldn't work at all. Nobody had arranged for them to work from home, a lot of government waste occurred during that time. How will we avoid that under the present CHCO situation?

Mr. MIHM. In fact we have done quite a bit of work on this. The issue first arose in the mind of members here in Congress in terms of requesting our work, is that they had been noticing a lot of the work on continuity of operations and there had been discussions of critical infrastructure and the need to protect critical infrastructure and they noted their chiefs were not considering people as part of

our critical infrastructure. We are worried about protecting technology, desks and office buildings but we are not so much worried about people. So we were asked to look at the people considerations within continuity of operations plans. Here is the essential issue.

Emergency preparedness and response at the Federal level with both FEMA guidance and the existing OPM guidance is actually pretty good from the standpoint of worrying about immediate health and safety issues of employees. That is obviously our overriding immediate concern. We were identifying a large set of issues that I think are exactly on point of what you are suggesting. Once we have had an incident and we have an emergency response team that is kind of restanding up the agency, how do we reengage the broader group of employees that may be out there whether through distributed workplaces or technology or alternative work locations or all the rest? We don't really know yet what the Emergency Preparedness Subcommittee and the CHCO Council is coming up with, although as I mentioned in my statement we are making available to them our work and our suggestions on what they should look at. We have been working with OPM in terms of giving them the earlier report and have been working very closely with FEMA and FEMA did accept our recommendations about the need to expand guidance on continuity of operations plans.

Ms. NORTON. I certainly would like to see people able to work from home. Talking about backup, we really do need particularly since essential is very narrowly defined.

Mr. MIHM. Yes, Ma'am.

Ms. NORTON. You say in your testimony, Mr. Simpson, you humbly suggest a good government group such as your own be considered in this issue and could be leverage to support. Are you saying you haven't been consulted?

Mr. SIMPSON. We were just trying to make it clear that we were willing to be helpful to the administration.

Ms. NORTON. I am asking, have you been consulted? Have you had any input?

Mr. SIMPSON. We feel that we have had input into the process, yes. We consult regularly with the Chief Human Capital Officers and with the HR community. We think it is a very free and open exchange. One of the reasons we formed our perspective is that in fact transition is going to present some real challenges, and we wanted to offer to be helpful if somebody thought we could be helpful in that way.

Ms. NORTON. It looks like it is already happening, Mr. Simpson. Thank you very much.

Ms. DAVIS OF VIRGINIA. Thank you, Ms. Norton.

We are going to have to break for four votes, so rather than holding the panel, if members have additional questions for our witnesses, they can submit them for the record and we will get the witnesses to agree to get them back to us for the record.

I would like again to thank each and every one of you for being here and for your patience.

With that, the hearing is now adjourned.

[Whereupon, at 3:20 p.m., the subcommittee was adjourned, to reconvene at the call of the chair.]

[Additional information submitted for the hearing record follows:]

"FIRST YEAR ON THE JOB: CHIEF HUMAN CAPITAL OFFICERS"
Subcommittee on Civil Service and Agency Organization
Chairwoman Jo Ann Davis
Questions Submitted for the Record
June 2, 2004

PANEL 1

Honorable Kay Coles James, Director, United States Office of Personnel Management

PANEL 2

Mr. Chris Mihm, Managing Director of Strategic Issues, U.S. General Accounting Office;
Dr. Reginald Wells, Chief Human Capital Officer, Social Security Administration; and
Mr. Kevin Simpson, Partnership for Public Service

QUESTIONS

PANEL 1

OPM

- In your testimony, you discussed the effectiveness of the CHCO Council and how it has improved the management of the federal government in the last year, but could you assess the impact you anticipate for it in future years?

- In regard to recruitment, what ideas do the Subcommittee on the Hiring Process have to draw in young people given that so many of our young people these days are indifferent to the notion of public service?

- Other than in the areas of recruitment, training and retention, what are the biggest opportunities you see for the Council to aid the development of policies that will shape the federal government and improve the quality of its workforce?

- As indicated in your testimony, the Council's Subcommittee on the Hiring Process is exploring ways to expedite the recruitment, evaluation and appointment of top talent to Federal positions. Given the government-wide concern about the amount of time it takes to hire people, what specific ideas does the subcommittee have to reduce the amount of time it takes to hire employees?

- You indicated in your testimony that OPM will soon launch a website containing key information about the Council. Could you provide an estimated date of when that website will be up and running?

- You expressed a concern that some of the Chief Human Capital Officers are stretched far too thin given that some "wear multiple hats" (i.e., as Chief Financial Officer, Undersecretary, etc…) aside from only serving as Chief Human Capital Officer for his or her agency. How might adjustments be made to balance these multiple responsibilities and avoid burnout?

- Is OPM's CHCO wearing another hat? If so, does such additional time/responsibility inhibit her ability to be an effective CHCO for OPM?

- I would like to commend you and the rest of the CHCO Council for taking a retreat last November at the Federal Executive Institute. My hope is that this will become a useful and regular practice of the Council. Do you plan on leading annual retreats for CHCOs in the future?

- GAO indicated the importance of a strategic plan to provide a sense of direction for the Council and that a draft plan has been prepared. Do you anticipate a timely completion of the plan?

- Are CHCOs becoming integrated into the leadership teams of the agencies in which they now exist? If not, is this the direction in which they are moving?

PANEL 2

GAO, Chris Mihm

- You indicated the importance of a strategic plan to provide a sense of direction for the Council and that a draft plan has been prepared. Do you anticipate a timely completion of the plan?

- Aside from winning the war on talent as alluded to in your testimony, what, in your view, are other pressing human capital issues facing the federal government today and how should the CHCO Council address those issues?

- Where do you think the CHCO Council should most focus their oversight attention?

- In your research, are CHCOs becoming integrated into the leadership teams of the agencies in which they now exist? If not, is this the direction in which they are moving?

- As you stated in your report, many CHCOs are currently holding multiple positions, in addition to their CHCO title. Is this a good thing for the future of the position and the agencies?

- To follow up on the last question, what other positions are compatible with the CHCO such that one could hold that title along with another position?

- Do you anticipate the CHCO Council playing a key role in making government-wide recommendations for improving personnel policy?

- Are there any notable successes or glaring weaknesses that the CHCO Council should address as it enters into its second year of activity?

SSA, Dr. Reginald Wells

- You stated that you were happy wearing two hats as Deputy Commissioner for Human Resources and the Chief Human Capital Officer, but also indicated that you struggle with doing a really good job at it with that full responsibility. Given this challenge, do you think that the position of Chief Human Capital Officer should be a full-time job without competing responsibilities?

- Since assuming the role as Chief Human Capital Officer at the Social Security Administration, could you assess the overall effectiveness of how your position has aided the improvement of management and performance of the workforce within your agency?

- In your role as Chief Human Capital Officer, what do you view as the most critical management tool(s) necessary for effective management?

- In what significant ways does the CHCO Council assist individual officers with goals unique to each agency?

Partnership for Public Service, Kevin Simpson

- You indicated that in a recent report on bioterrorism by the Partnership, outlining some of the serious workforce challenges being faced by agencies responsible for our bioterror defense, it was concluded that "we can't get the people we need and we can't keep the people we have." Could you comment on how the Council might address this concern given the apparent lack of adequate workforce planning in place to meet this challenge?

- Given that information is a critical and effective management tool, how best can CHCOs develop and implement metrics (or measurements) to effectively measure success, i.e., to measure such things as time-to-hire, success for recruitment efforts and employee development?

- Given that agencies are increasingly asked to be flexible and accept new challenges, how has the appointment and designation of a Chief Human Capital Officer aided that process?

- What are your recommendations for ensuring that the right person is selected to fill the role of CHCO?

- How has the CHCO Act improved the management of the federal government and/or augmented government's performance?

"FIRST YEAR ON THE JOB: CHIEF HUMAN CAPITAL OFFICERS"
Subcommittee on Civil Service and Agency Organization
Chairwoman Jo Ann Davis
Questions Submitted for the Record
June 2, 2004

PANEL 1

The Honorable Kay Coles James, Director, United States Office of Personnel Management

OPM

- In your testimony, you discussed the effectiveness of the CHCO Council and how it has improved the management of the federal government in the last year, but could you assess the impact you anticipate for it in future years?

As with any body composed of a diverse group of individuals who possess a variety of professional experiences and represent different entities – in this case, Federal agencies – the CHCO Council is necessarily dynamic. Its members, leadership, and staff will change from time to time. Its policy agenda will develop as determined by the needs of a Federal civil service that will continue to undergo dramatic transformation in the coming years.

As the Council's first chairman, I am cognizant that my actions in leading this new interagency body have the potential to set a precedent for the manner in which future OPM Directors act as chairmen. Among other actions noted in my testimony, we have established an executive committee to help steer the Council, created five initial subcommittees to explore several important areas for the strategic management of human capital, and designated an executive director to manage the Council's daily operations. These actions are indicative of the significant impact on human resources (HR) management we anticipate the Council having both in the near term and years from now.

The Council is on the leading edge of HR transformation, making policy recommendations for legislative and administrative reforms. Council members were involved in reviewing the regulations to implement the new performance-based compensation system for the Senior Executive Service (SES), and OPM has given an important role to the Council in making an annual recommendation about the number of Presidential Management Fellows (PMFs) and Senior PMFs that should be appointed under the revamped PMF Program. As the Council's subcommittees report their findings and recommendations for specific reforms in the coming months, our body will be in a position to provide policy options for the Administration and the Congress to consider.

- In regard to recruitment, what ideas does the Subcommittee on the Hiring Process have to draw in young people given that so many of our young people these days are indifferent to the notion of public service?

In responding to this question, I must first disagree with the premise that America's young people are indifferent to serving their Nation. Despite the occasional negative survey cited to support this assertion, the facts prove otherwise. During the past three years, President George W. Bush and his Administration have taken important steps to reinvigorate the Federal civil service and

encourage young Americans to consider devoting a portion of their careers to working for America. Examples of such initiatives include the following:

- *In November 2003 President Bush signed Executive order 13318, overhauling the prestigious Presidential Management Intern Program for the first time in 20 years. The new PMF Program reinvigorates this long-standing initiative to bring top talent into the Federal Government and creates a new Senior PMF Program for high-potential candidates within 2-3 years of entry into the Senior Executive Service.*

- *In addition, OPM has undertaken a dramatic overhaul of the USAJOBS Web site, making it more user-friendly and attractive to young people who increasingly use the Internet as a resource for career information.*

- *Since 2002, OPM has worked with the Partnership for Public Service, 60 Federal agencies, and nearly 500 colleges and universities across the United States in advancing the* Call to Serve *initiative, which is designed to attract a new generation of Americans to public service.*

- *During the last year, OPM conducted 11 "Working for America" recruitment fairs around the Nation, attracting 53,000 job seekers with an interest in Federal employment.*

Unfortunately, the Subcommittee on the Hiring Process has not fully engaged in developing recommendations for improving Federal hiring. The Subcommittee's initial report currently is being considered by the Executive Committee, and it is my hope that our dialogue on that draft ultimately will yield a fruitful set of policy recommendations from the Subcommittee. The hiring process will be an issue that continues to receive the attention of the full Council.

- Other than in the areas of recruitment, training and retention, what are the biggest opportunities you see for the Council to aid the development of policies that will shape the federal government and improve the quality of its workforce?

The Chief Human Capital Officers Act of 2002 *charged the CHCO Council with "meet[ing] periodically to advise and coordinate the activities of the agencies of its members on such matters as modernization of human resources systems, improved quality of human resources information, and legislation affecting human resources operations and organizations." These responsibilities imply substantial involvement by the Council on a wide range of human capital issues.*

The Council's mission statement reflects the breadth of those important duties: "[to] support the Office of Personnel Management in leading Federal agencies in the strategic management of human capital, providing a forum for senior management officials to exchange human resources best practices, and informing the dialogue on civil service reform in order to build and maintain an outstanding Federal workforce for the Nation."

Fundamentally, however, improving the quality of the Federal workforce is an agency-specific responsibility. OPM provides consistent leadership and guidance on workforce flexibilities and tools. CHCOs, as the top HR officials in Federal agencies, have the opportunity to exercise a positive influence over the culture of their workforces. The Council serves as a monthly forum for the discussion of best practices that have proven successful in those agencies. The CHCO Academy is an additional monthly roundtable for dialogue on various aspects of the civil service. As a result, there are opportunities to develop new policies on a wide range of HR issues in our

continuing efforts to reshape how the Federal Government manages its most important asset – people.

- As indicated in your testimony, the Council's Subcommittee on the Hiring Process is exploring ways to expedite the recruitment, evaluation and appointment of top talent to Federal positions. Given the government-wide concern about the amount of time it takes to hire people, what specific ideas does the subcommittee have to reduce the amount of time it takes to hire employees?

The Council's Subcommittee on the Hiring Process, chaired by Dr. David S. C. Chu, Under Secretary of Defense for Personnel and Readiness, submitted in April a draft report, which is being reviewed by the Executive Committee. Unfortunately, the report did not address the issue of expediting the hiring process. Members of the Executive Committee are in the process of providing comments on the report, and OPM will offer constructive feedback as well, in an effort to refocus the Subcommittee on the important issue of developing a more streamlined, transparent hiring process for the Federal Government.

- You indicated in your testimony that OPM will soon launch a website containing key information about the Council. Could you provide an estimated date of when that website will be up and running?

The website is still under development. We hope to have it operational, including links to other important sites, by the end of the year.

- You expressed a concern that some of the Chief Human Capital Officers are stretched far too thin given that some "wear multiple hats" (i.e., as Chief Financial Officer, Undersecretary, etc...) aside from only serving as Chief Human Capital Officer for his or her agency. How might adjustments be made to balance these multiple responsibilities and avoid burnout?

During the hearing, I mentioned that burnout was one of my only concerns with the implementation of the Chief Human Capital Officers Act of 2002 *at this time. Given the importance of HR management, it is conceivable that each CHCO could have a full-time job managing only his or her agency's HR portfolio. Many CHCOs currently are responsible for a variety of agency management functions, and this could dilute the attention they pay to the strategic management of human capital.*

In drafting the statute, however, Congress determined – and the Administration concurred – that flexibility was a key to success in these new positions. Each agency head has the discretion to designate or appoint a CHCO, and most Cabinet departments have assigned this important role to an assistant secretary. Other Executive agencies have selected career employees with HR responsibilities as CHCOs, and in those cases there is a great deal of overlap in duties that may actually help promote better understanding of HR issues and superior performance in these newer, high visibility positions.

Although it is too early to determine what adjustments might be made to balance CHCOs' multiple responsibilities in agencies where that is necessary – and I would emphasize that striking this balance ultimately will be an agency-specific management issue – OPM will continue to monitor CHCOs' engagement in driving their agencies' HR functions.

- Is OPM's CHCO wearing another hat? If so, does such additional time/responsibility inhibit her ability to be an effective CHCO for OPM?

Yes, OPM's CHCO also serves as the Director's Senior Policy Advisor. In the latter capacity, she advises me on the full range of policy issues relating to human capital management in the Federal Government, an extremely challenging job all by itself. However, serving in both these capacities is not tantamount to holding two separate and unrelated full-time positions simultaneously. Obviously, there is a great deal of subject-matter overlap between the two sets of responsibilities. It is clear to me that her work as Senior Policy Advisor greatly informs her work as OPM's CHCO, and vice versa. Because of her dual roles, Doris Hausser is in a position to ensure that OPM practices what we preach and that we, in turn are offering agencies realistic and effective solutions to their human capital challenges. In other words, there is an enormous amount of cross-fertilization between the two roles, which only enriches the tremendous contribution she makes as both my Senior Policy Advisor and OPM's CHCO.

- I would like to commend you and the rest of the CHCO Council for taking a retreat last November at the Federal Executive Institute. My hope is that this will become a useful and regular practice of the Council. Do you plan on leading annual retreats for CHCOs in the future?

The Council's retreat in November 2003 was a productive endeavor that allowed CHCOs to set aside a dedicated amount of time in a venue away from Washington for a discussion of the Council's initial direction and several of the key HR challenges facing the Federal Government. At this time, the Council does not have specific plans for an annual retreat, although an annual meeting, such as the event at Walter Reed Army Medical Center in May 2004, is anticipated. As the Council's subcommittees produce their initial reports, additional time at monthly meetings will be devoted to the development of policy recommendations, for which the groundwork was laid at the Federal Executive Institute retreat. It is possible that an occasional future retreat may be needed to supplement these monthly discussions.

- GAO indicated the importance of a strategic plan to provide a sense of direction for the Council and that a draft plan has been prepared. Do you anticipate a timely completion of the plan?

The Council has adopted a tactical plan for Fiscal Year 2004 that includes goals to (1) improve the public's perception of Federal service, (2) lead agency reform of performance management and compensation systems, and (3) ensure the safety of Federal employees. Each goal includes a series of measurable tactics. The plan also features a set of management issues, which primarily address the establishment of protocols and standard operating procedures as the Council continues to develop.

- Are CHCOs becoming integrated into the leadership teams of the agencies in which they now exist? If not, is this the direction in which they are moving?

One of the first duties I assigned to the Executive Director was to visit individually with each CHCO. These visits served as an opportunity for the Council's key players to become acquainted with one another. In addition, the meetings allowed OPM to gauge how the CHCO position was being integrated into agencies' management structures. The overall response from CHCOs about the roles they play on their agencies' leadership teams was a positive one. Agency heads demonstrated a seriousness of purpose by designating as CHCOs individuals in top political or career senior executive positions – employees who are "plugged in" and meet with other top

agency officials on a regular basis. Most CHCOs also enjoy a direct reporting relationship to their agency heads. In those few instances where an agency head could have appointed a more senior individual as CHCO but initially chose not to do so, the trend has been positive as well. Two Cabinet departments in which the HR Director originally had been named CHCO have since elevated the position and given its responsibilities to an assistant secretary.

United States General Accounting Office
Washington, DC 20548

June 18, 2004

The Honorable Jo Ann Davis
Chairwoman
Subcommittee on Civil Service and Agency
Organization
Committee on Government Reform
House of Representatives

Subject: *Posthearing Questions Related to Agencies' Implementation of the Chief Human Capital Officers (CHCO) Act*

Dear Madam Chairwoman:

On May 18, 2004, I testified before your Subcommittee at a hearing entitled "First Year on the Job: Chief Human Capital Officers."[1] This letter responds to your request that I provide answers to follow-up questions from the hearing. Your questions, along with my responses, follow.

1. You indicated the importance of a strategic plan to provide a sense of direction for the Council and that a draft plan has been prepared. Do you anticipate a timely completion of the plan?

We have not identified any barriers or obstacles that would prevent the Council from completing its strategic plan, which is in draft, in a timely manner, although the Council has not established a target date for completion. The strategic plan is an organization's starting point and foundation for defining what the organization seeks to accomplish, identifying the strategies it will use to achieve desired results, and then determining how well it succeeds in reaching results-oriented goals and achieving objectives. Developing a strategic plan can help the Council clarify organizational priorities and unify the Council's members in the pursuit of shared goals.

2. Aside from winning the war on talent as alluded to in your testimony, what, in your view, are other pressing human capital issues facing the federal government today and how should the CHCO Council address those issues?

The nation's large and growing long-term fiscal imbalance and a range of other 21st century challenges are driving a fundamental transformation of the federal

[1] U.S. General Accounting Office, *Human Capital: Observations on Agencies' Implementation of the Chief Human Capital Officers Act*, GAO-04-800T (Washington, D.C.: May 18, 2004).

government. This transformation requires a comprehensive reexamination of what the government does, how it does business, and in some cases, who does its business. Ultimately, to successfully transform, the federal government must change its culture to become more results-oriented, customer-focused, and collaborative. Specifically, agencies continue to face pervasive human capital challenges in four key areas:

- **Leadership**: Top leadership in agencies must provide the committed and inspired attention needed to address human capital and related organization transformation issues.
- **Strategic human capital planning**: Agencies' human capital planning efforts need to be more fully and demonstrably integrated with mission and critical program goals.
- **Acquiring, developing, and retaining talent**: Additional efforts are needed to improve recruiting, hiring, professional development, and retention strategies to ensure that agencies have the needed talent.
- **Results-oriented organizational cultures**: Agencies continue to lack organizational cultures that promote high performance and accountability and empower and include employees in setting and accomplishing programmatic goals.

The Council can play an important leadership role in developing policies that are sensitive to implementation concerns and gain consensus and consistent follow-through within the executive branch. In addition to working to streamline hiring and recruitment, we believe that the Council has the opportunity to address several immediate and significant needs of the government's human capital community. These needs include the following:

- Modernizing agency performance management systems and creating a clear linkage between individual performance and organizational success.

- Developing the capabilities required for successful implementation of human capital reform.

- Implementing strategic human capital planning to ensure that an agency's human capital program optimizes its workforce's strengths.

- Transforming the human capital office and its processes to more fully contribute to key agency decisions.

3. Where do you think the CHCO Council should most focus their oversight attention?

The Council can play a key role in helping agencies implement human capital policies and facilitating the oversight responsibilities of OPM. For example, we recently testified that agencies appear to be making limited use of new hiring flexibilities.[2] According to OPM, the agencies have not as fully embraced the new tools and

[2] U.S. General Accounting Office, *Human Capital: Status of Efforts to Improve Hiring*, GAO-04-796T (Chicago, Ill.: June 7, 2004).

flexibilities as OPM had hoped.[3] In our prior work, we recommended that OPM work with and through the CHCO Council to more thoroughly research, compile, and analyze information on the effective and innovative use of human capital flexibilities. We noted that sharing information about when, where, and how the broad range of personnel flexibilities is being used, and should be used, could help agencies meet their human capital management challenges. OPM and agencies need to continue to work together to improve the hiring process, and the CHCO Council should be a key vehicle for this needed collaboration. To accomplish this effort, agencies need to provide OPM with timely and comprehensive information about their experiences in using various approaches and flexibilities to improve their hiring processes. OPM—working through the CHCO Council—can, in turn, help by serving as a facilitator in the collection and exchange of information about agencies' effective practices and successful approaches to improved hiring. Such additional collaboration between OPM and the agencies could go a long way in helping the government as a whole and individual agencies to improve the processes for quickly hiring highly qualified candidates to fill important federal jobs.

4. In your research, are CHCOs becoming integrated into the leadership teams of the agencies in which they now exist? If not, is this the direction in which they are moving?

The successful integration of CHCOs into the leadership teams of the agencies is best evidenced and evaluated by how well they help the agency achieve strategic results and pursue its mission. Because the CHCOs have only been in place a little over a year, it is too early to assess results. However, agency CHCOs told us that the CHCO Act has lent support to their efforts by establishing a single point within the agencies with the perspective, responsibility, and authority to ensure the successful implementation of strategic human capital initiatives. They indicated that their designation as Chief Human Capital Officer has strengthened agencies' human capital direction by providing strategic human capital management attention at the highest level of the agencies and the opportunity to advance issues directly to the head of the agency.

In addition, the CHCOs identified different strategies the agencies employed to integrate the CHCO position into their leadership teams, underscoring that there is no single best model for all agencies and all circumstances. The significant differences included:

- **Significant additional management responsibilities or focused scope of responsibility for human capital**: As we testified, half of the CHCOs have major responsibilities in addition to human capital management. These responsibilities include financial management, information management, administrative services, facilities management, and procurement. According to CHCOs who occupy positions that oversee significant management functions in addition to human capital, they already have a "seat at the table," and have a voice in the strategic activities of their agency. However, a number of CHCOs who are responsible only for human capital matters also reported

[3] U.S. Office of Personnel Management, Statement of the Honorable Dan G. Blair, Deputy Director, Office of Personnel Management (Chicago, Ill.: June 7, 2004).

that they fully participate in the strategic decision making of their agency. While the CHCO Act provides for agencies integrating the position into the leadership team as best fits their needs, we have previously reported that agency leaders are including human capital leaders in key agency strategic planning and decision making and, as a result, the agencies are engaging the human capital organization as a strategic partner in achieving desired outcomes relating to the agency's mission.[4]

- **Reporting directly to the agency head or reporting to another senior leadership position:** Underscoring the CHCOs statements that they are functioning as an integral part of the agency's senior leadership team, more than half (15 of 24) of the CHCOs report directly to the agency head. OPM's guidance to agencies urged agency leaders to ensure that if the CHCO did not report directly to the agency head, the CHCO should serve as an integral part of the agencies' leadership team, participating fully in its deliberations and decisions and sharing accountability with the other members of that team for the agency's bottom line performance and mission results. Such a role clearly provides the opportunity to integrate the human capital initiatives with the other key processes and decisionmaking in the agency.

- **Career executive or political appointee:** The CHCOs were evenly split between career executives and political appointees. Since the inaugural CHCO appointments, two agencies have changed their CHCO designation from the incumbent career executive to a higher-level political appointee, although this is not sufficient to draw conclusions as to the general direction of appointments.

Although the so-called "seat-at-the-table" is significant, CHCOs are ultimately valued not by place, but by the value they add to the agencies' strategic human capital approaches in attaining organizational goals. We have found that CHCOs are positioned in roles where they have the opportunity to more directly affect agency decisions and achievement of goals.

5. As you stated in your report, many CHCOs are currently holding multiple positions, in addition to their CHCO title. Is this a good thing for the future of the position and the agencies?

We believe as time passes and agency CHCOs become more established in their roles and responsibilities, it will become exceedingly difficult for CHCOs to devote the necessary time and attention to the CHCO role if CHCOs are "dual-headed" with other key functions. As we testified, half of the CHCOs have significant management responsibilities in multiple areas. A number of these CHCOs told us that they believe such multiple responsibilities work well for them in their agency. For example, some CHCOs with key responsibilities in multiple areas told us they believe this enables them to achieve quicker decisionmaking on strategic human capital issues. On the other hand, other CHCOs said they prefer devoting all their attention to human capital issues.

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[4] U.S. General Accounting Office, *Human Capital: Selected Agency Actions to Integrate Human Capital Approaches to Attain Mission Results*, GAO-03-446 (Washington, D.C.: Apr. 11, 2003).

6. To follow up on the last question, what other positions are compatible with the CHCO such that one could hold that title along with another position?

Early in the federal experience of establishing the CFO and CIO positions, we testified that the challenges facing most agencies in financial and information management required full-time leadership by separate individuals with appropriate talent, skills, and experience in these two areas. For smaller agencies, an executive wearing several management hats may be appropriate. There is not necessarily any one model that is either the most appropriate for or that will guarantee success at every federal department and agency. The mission, size, and culture unique to each federal agency make it unwise to prescribe any single approach. This concern will be best considered in light of the progress CHCOs demonstrate in moving forward on their human capital strategies and plans.

More generally, we have suggested that Congress consider establishing Chief Operating Officer (COO) or equivalent positions in selected agencies as one element of an overall strategy to address certain systemic federal governance and management challenges. These COOs would be part of a broader effort to elevate attention to management and transformation issues, integrate various key management and transformation efforts, and institutionalize accountability for addressing management issues leading a transformation.[5] By their very nature, the problems and challenges facing agencies are crosscutting and thus require coordinated and integrated solutions. However, the risk is that management responsibilities (including, but not limited to information technology, financial management, and human capital) will be "stovepiped" and thus will not be implemented in a comprehensive, ongoing, and integrated manner. While officials with management responsibilities often have successfully worked together, there needs to be a single point within agencies with the perspective and responsibilities—as well as the authority—to ensure successful implementation of functional management initiatives and, if appropriate, transformation efforts.

7. Do you anticipate the CHCO Council playing a key role in making government-wide recommendations for improving personnel policy?

We anticipate the CHCO Council will play a key role in leading the federal government's human capital reform efforts. Our experience with the CFO Act shows the importance of having a central advisory group to help promote the implementation of financial management reform. The CFO has played a lead role in creating goals for improving federal financial management practices, providing sound advice to OMB on revisions to executive branch guidance and policy, and building a professional community of governmentwide financial management expertise. The CHCO Council can play a similarly useful role.

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[5]For additional information on the COO concept and how it might apply to federal agencies, see U.S. General Accounting Office, *Highlights of a GAO Roundtable: The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges*, GAO-03-192SP (Washington D.C.: October 2002).

Our past work has found that approaches to interagency collaboration, such as the CHCO council, have emerged as an important central leadership strategy in both developing policies that are sensitive to implementation concerns and gaining consensus and consistent follow through within the executive branch. In effect, agency collaboration can serve to institutionalize many management policies initiated by either Congress or OMB. We believe it is reasonable that the success that OMB has achieved with other interagency councils in fostering communication across the executive branch, building commitment to reform efforts, tapping the talents that exist within agencies, keeping management issues in the forefront, and initiating improvement projects can be expected of the CHCO Council under the leadership of OPM.

8. Are there any notable successes or glaring weaknesses that the CHCO Council should address as it enters into its second year of activity?

As we testified, the Council has successfully set an agenda by creating five subcommittees to address and recommend change for five key areas identified by the Council's leadership as critical to the success of the strategic management of the human capital initiative outlined in the President's Management Agenda. Several of the issues coincide with the four key areas: leadership; strategic human capital planning; acquiring, developing, and retaining talent; and results-oriented organizational cultures, which we identified in our high-risk series on strategic human capital management.[6]

Identifying priority human capital issues, organizing the leadership and talent to analyze them, proposing actions to be taken, and frequently meeting to share information and perspectives are good first steps. We understand that the full Council will meet over the coming months to consider the recommendations of the subcommittees and advance an agenda of needed improvements to better address the issues.

The urgency of addressing the key human capital challenges the government faces will require the CHCO Council to become very active in providing input to OPM on the results of its activities and OPM to effectively use the Council to enhance the ability of agencies to strategically manage their human capital to accomplish transformational change.

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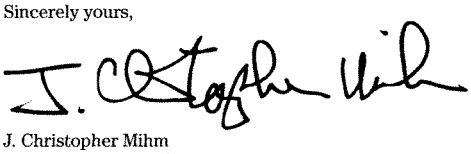
[6] U.S. General Accounting Office, *High-Risk Series: Strategic Human Capital Management*, GAO-03-120 (Washington, D.C.: January 2003).

For additional information on our work on governmentwide human capital issues, please contact me on 512-6806 or at mihmj@gao.gov.

Sincerely yours,



J. Christopher Mihm
Managing Director, Strategic Issues

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Hearing before the Committee on Government Reform: May 18, 2004

"First Year on the Job: Chief Human Capital Officers"

Questions for the Record

Dr. Reginald Wells, SSA

1. You stated that you were happy wearing two hats as Deputy Commissioner for Human Resources and the Chief Human Capital Officer, but also indicated that you struggle with doing a really good job at it with that full responsibility. Given this challenge, do you think that the position of Chief Human Capital Officer should be a full-time job without competing responsibilities?

At the Social Security Administration (SSA), the positions of Deputy Commissioner for Human Resources and Chief Human Capital Officer are closely interrelated, thus I serve a dual role. Although the roles and responsibilities for each is challenging, in my case, they are manageable because of the interrelationship. I believe that, at SSA, we have taken the right approach in assigning both positions to one executive. However in some other agencies individuals with positions not directly related to Human Resources have been assigned the role of CHCO. I admire those who can wear multiple and distinct "hats" and still fulfill their responsibilities under each one. For such agencies, it may be appropriate to make the CHCO position a single full-time job or possibly consider modeling themselves after our approach.

2. Since assuming the role as Chief Human Capital Officer at the Social Security Administration, could you assess the overall effectiveness of how your position has aided the improvement of management and performance of the workforce within your agency?

As Deputy Commissioner for Human Resources, I am responsible for the operations of our human resource activities. As CHCO, I have had the opportunity for more one-on-one consultation with executives throughout the Agency in order to ensure effective workforce planning and to ensure that the tools and programs that we provide meet the needs of our components and employees. I believe that this closer consultation and communication has heightened the visibility and importance of workforce tools and planning and has enabled components to make better use of the services that we provide.

3. In your role as Chief Human Capital Officer, what do you view as the most critical management tool(s) necessary for effective management?

The Social Security Administration currently uses the wide range of personnel flexibilities available to us. Senator Voinovich recently asked Commissioner Barnhart to elaborate on the need for additional flexibilities to allow us to recruit and retain the staff needed to maintain SSA's tradition of excellence in serving the American public. The Commissioner is sending him a letter that identifies the most critical tools necessary to improve SSA's management of Human Capital as:

- **Expanded "direct-hire" authority for mission-critical positions.** We use the Outstanding Scholar Program, which is a direct hire authority, to fill GS-5/7 positions. However, this is limited to those with a cumulative undergraduate grade point average of 3.5 or better or who graduate in the top 10 percent of their class. The ability to make direct offers to all college graduates who attain a grade point average of 3.0 would substantially improve our recruitment position by broadening the applicant pool.
- **Authority to convert certain temporary employees to permanent employment without a second round of competition.** Currently, we select applicants for term/temporary appointments competitively, they then must compete again to be converted to a permanent appointment in the position they have been performing. This is time-consuming and does not add value to the process. We need the authority to non-competitively convert employees who have already been trained and have demonstrated their worth.
- **Increasing the initial probationary period from 1 year to 2 years.** Because of the complexity of many of our positions, new employees undergo lengthy periods of intensive technical training. Often, managers must make a decision whether to retain an employee when there has been little time to observe real performance outside of the training environment. A 2-year probationary period would afford managers the time needed to realistically assess a new employee's potential.

4. In what significant ways does the CHCO Council assist individual officers with goals unique to each agency?

The most significant assistance that we gain through the CHCO Council is involvement in the development of governmentwide policy. The Council provides CHCOs with an opportunity to discuss policy issues in an open forum, in addition to the traditional methods of coordinating and commenting on proposed policy changes.

RESPONSES TO QUESTIONS FOR THE OFFICIAL RECORD
"First Year on the Job: Chief Human Capital Officers"
Kevin Simpson, Executive Vice President and General Counsel
Partnership for Public Service

You indicated that in a recent report on bioterrorism by the Partnership, outlining some of the serious workforce challenges being faced by agencies responsible for our bioterror defense, it was concluded that "we can't get the people we need and we can't keep the people we have." Could you comment on how the CHCO Council might address our nation's biodefense staffing challenges given the apparent lack of workforce planning in place to meet this challenge?

Ultimately, the responsibility for effectively identifying, recruiting and retaining the medical and scientific experts needed to strengthen our biodefense rests with individual agency leaders. Even as the agencies complete their strategic human capital plans – an essential step to ensuring an agency's success – the CHCO Council can play a significant role in encouraging these individual agencies to:

- Identify any immediate actions needed to improve federal human capital management government-wide;
- Learn from other agencies' best practices in workforce planning, hiring and other aspects of human capital management; and,
- Work collaboratively to address their specific, targeted human capital needs in the fields of medicine and science.

Already, the CHCO Council is working through its subcommittees to identify the government-wide civil service reforms needed to more effectively hire the critical talent needed to maintain and further improve government performance. Even if their strategic human capital plans are incomplete, our federal biodefense agencies could at the very least recruit and hire the critical biodefense experts more quickly – right now – with different civil service rules and regulations dictating federal hiring processes and pay, and by using existing recruitment and retention tools more effectively.

The CHCO Council could also serve as a forum for agencies to share their best human capital management practices with one another. Human capital management success varies among agencies for any variety of factors – e.g., leadership interest, the competence of the HR function, rules and regulations pertaining to some agencies and not others – but too often agencies are unable to adopt and adapt the management innovations occurring in other agencies because they are simply unaware of those innovations. When faced with critical and specific staffing challenges like those affecting our biodefense

agencies – approximately one-third of the agencies on the CHCO Council – the group should make sharing innovations likely to improve their abilities to recruit and retain mission critical employees a priority until the trends being improving.

Last, the CHCO Council should provide agencies with an opportunity to work more collaboratively with one another to address their shared human capital challenges. Disparate agencies including USDA, DOD, HHS, DHS, DOJ/FBI, State, CIA and EPA all share some commonalities – they are members of the CHCO Council, they have some responsibility for our nation's biodefense, and they undoubtedly need medical and scientific experts to support their activities. Rather than each individual agency working in a vacuum, the agencies should collaborate with one another and their relevant members of Congress to pursue the reforms likely to improve their success recruiting and hiring biodefense experts. We have encouraged civil service reform that leaves no agency behind – one place to start would be on an issue like biodefense where several agencies' interests are clearly aligned and critical to our nation's homeland security. The CHCO Council could allow agencies to present a "unified front" when asking Congress for legislative reforms needed to address their shared human capital challenges.

Given that information is a critical and effective management tool, how best can CHCOs develop and implement metrics (or measurements) to effectively measure success, i.e., to measure such things as time-to-hire, success for recruitment efforts and employee development?

We think it would be extremely beneficial for the CHCO Council to agree upon a core set of metrics that might be helpful across government and might assist them in benchmarking their efforts against high performing organizations within and without the public sector. That would provide a framework for common discussion and efforts across government.

But, to make metrics a valuable tool for Congressional and Administration leaders, they must be aligned with individual agency strategic priorities. If not, we will be measuring for the sake of the exercise and not to advance agency performance. Through their strategic human capital plans, CHCOs and agency leaders should identify the highest priority management requirements for their agencies and related metrics. They may be elements from the CHCO Council core metrics framework or measures unique to that agency. Those metrics should be shared as part of the annual performance plans and reporting that every Agency produces.

Given that agencies are increasingly asked to be flexible and accept new challenges, How has the appointment and designation of a Chief Human Capital Officer aided that process?

The most significant impact of the appointment and designation of a Chief Human Capital Officer is that it has reinforced that addressing the people equation is fundamental to achieving a results-oriented organization. Agency CHCOs are now working in an

integrated fashion with senior agency program and management officials to ensure that human capital and workforce management influence strategic planning at the highest levels. The elevated stature of CHCOs has enabled them and the human resource staff to work in partnership with senior program officials in addressing key human capital issues, such as: (a) assessing the current workforce to ensure they have the right skills, (b) identifying future workforce and skill needs, (c) developing proactive, leading edge recruitment and retention strategies, (d) focusing on succession planning and leadership development; and (e) establishing greater performance accountability.

We fully agree with the General Accounting Office that addressing the people strategy is a fundamental element in overall transformation efforts. The CHCOs, working in partnership with senior management in addressing the above listed key human capital issues, enable organizations to be better positioned to meet current and future challenges, including changing mission priorities.

What are your recommendations for ensuring that the right person is selected to fill the role of CHCO?

A one year period may not be sufficient to guide us in identifying what criteria should be used by federal agencies in designating the CHCO. However, there are a number of general attributes and considerations that we believe are fundamental in determining who should be designated into these positions. First and foremost, it is essential that the person designated as CHCO have the trust and confidence of the agency leadership team. It is also important that these individuals possess a level of knowledge, expertise, and interest sufficient to address a broad range of human capital issues, as well as sufficient time to focus their energies to these issues. Continuity, as I stated in my testimony, is an area of concern that also needs to be considered and addressed in the designation of the CHCO. Whoever is designated to serve as CHCO, he/she needs to assess and determine whether there is adequate human resource staff and skills to meet the human capital challenges that confront all agencies since their approaches will define whether they succeed in the future.

How has the CHCO Act improved the management of the federal government and/or augmented government's performance?

Through our work with Agencies and discussions with many federal leaders, we have noted several promising signs:

- Several HR Directors have shared that their CHCOs have clearly elevated the discussion of and planning for human capital issues. Human capital issues and progress in resolving them have become part of the weekly, monthly and other periodic meetings of senior leaders – moving human capital from an HR only responsibility to leadership accountability.

- The CHCO subteams have been collaborating on resolving the very complex issues facing government. At the Partnership, we have had the opportunity to interact with the leadership subteam, led by Bill Leidinger, and were very impressed with the efforts that group expended to both diagnose the leadership development problems of government and produce actionable recommendations.

During transition to the new management structures and information sharing/decision making processes that the CHCO legislation produced, there will be bumps in the road. One of the earliest bumps that should be an area of focus this year – is the potential for continued disenfranchising the HR community. Based on the feedback that we hear from this community, communications between CHCOs and their HR communities is not always consistent and comprehensive. While some HR Directors report strong partnerships and communications with their CHCOs, others feel less "in the loop" than they were prior to the legislation. This is obviously a new relationship and will be improved over time, we simply point to it as an early concern.

An additional concern is the lack of formal networks and communities across government for the HR operating leaders and resources. We understand that the HRMC was dissolved in anticipation of the CHCO Council sessions which would be understandable. But, as a result, many senior leaders who manage major organizations, business processes and millions of dollars in budgets, now lack a formal opportunity to interact with their peers and provide important input into government wide decisionmaking. We would encourage OPM to find a way to link this important community together and create an effective intersection with the CHCO council.