



Highlights of [GAO-07-556T](#), a testimony before the Subcommittee on Financial Services and General Government, Committee on Appropriations, House of Representatives

## Why GAO Did This Study

The federal government is facing new and more complex challenges in the 21st century because of long-term fiscal constraints, changing demographics, evolving governance models, and other factors. Strategic human capital management, which remains on GAO's high-risk list, must be the centerpiece of any serious change management and transformation effort to meet these challenges. However, federal agencies do not consistently have the modern, effective, economical, and efficient human capital programs, policies, and procedures needed to succeed in their transformation efforts. In addition, the Office of Personnel Management (OPM) must have the capacity to successfully guide human capital transformations. This testimony, based on a large body of GAO work over many years, focuses on strategic human capital management challenges that many federal agencies continue to face.

## What GAO Recommends

This testimony underscores recommendations made to OPM in January 2007 to improve its capacity for future reforms. OPM has said it has made progress toward achieving its operational and strategic goals. In addition, this testimony serves as a guide to Congress as it scrutinizes agencies' transformation plans, capabilities, and measurable results to make informed funding decisions during a period of likely sustained budget constraints.

[www.gao.gov/cgi-bin/getrpt?GAO-07-556T](http://www.gao.gov/cgi-bin/getrpt?GAO-07-556T).

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](mailto:mihmj@gao.gov).

# HUMAN CAPITAL

## Federal Workforce Challenges in the 21st Century

### What GAO Found

Federal agencies continue to face strategic human capital challenges in:

**Leadership:** Top leadership in agencies across the federal government must provide committed and inspired attention needed to address human capital and related organizational transformation issues. However, slightly less than half of respondents to the *2006 Federal Human Capital Survey* reported a high level of respect for senior leaders while only 38 percent agreed or strongly agreed that leaders in their organizations generate high levels of motivation and commitment in the workforce.

**Strategic Human Capital Planning:** Strategic human capital planning that is integrated with broader organizational strategic planning is critical to ensuring agencies have the talent they need for future challenges, especially as the federal government faces a retirement wave. Too often, agencies do not have the components of strategic human capital planning needed to address their current and emerging human capital challenges.

**Acquiring, Developing, and Retaining Talent:** Faced with a workforce that is becoming more retirement eligible and finding gaps in talent, agencies need to strengthen their efforts and use of available flexibilities to acquire, develop, motivate, and retain talent. Agencies are not uniformly using available flexibilities to recruit and hire top talent and to address the current and emerging demographic challenges facing the government.

**Results-Oriented Organizational Culture:** Leading organizations create a clear linkage—"line of sight"—between individual performance and organizational success and, thus, transform their cultures to be more results-oriented, customer-focused, and collaborative. However, in many cases, the federal government does not have these linkages and has not transformed how it classifies, compensates, develops, and motivates its employees to achieve maximum results within available resources and existing authorities.

Agencies are facing strategic human capital challenges in a period of likely sustained budget constraints. Budget constraints will require agencies to plan their transformations more strategically, prioritize their needs, evaluate results, allocate their resources more carefully, and react to workforce challenges more expeditiously in order to achieve their missions economically, efficiently, and effectively.

OPM will continue to play a key role in fostering and guiding strategic human capital management improvements in the executive branch and in helping agencies meet transformation challenges. Although making commendable efforts in transforming itself to more a consultant, toolmaker, and strategic partner in leading and supporting agencies' human capital management systems, OPM has itself faced challenges in its capacity to assist, guide, and certify agencies' readiness to implement reforms.