



Highlights of [GAO-05-616T](#) a testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Did This Study

Strategic human capital is the centerpiece of agencies' efforts to transform into high-performing organizations poised to meet the challenges of the 21<sup>st</sup> Century. Congress, recognizing that the federal human capital management systems designed in the past are outmoded, has provided agencies with exemptions from the old rules and new flexibilities to more strategically manage their workforce. Congress has already granted statutory exemptions and new authorities affecting more than 1.2 million civilian federal employees. The momentum is building to continue to reform the policies, processes, and systems that govern federal human capital management. Congress is interested in taking stock of how agencies have implemented the new flexibilities they have been granted, especially as it considers the future steps to be taken to achieve human capital reform.

At the request of the subcommittee, this statement provides an update of GAO's work on the progress agencies have made in implementing these flexibilities to better accomplish their missions and achieve their goals. In addition, it provides information on GAO's experiences with human capital reform and also highlights a set of consistent principles, criteria, and processes that can help to guide future reforms, whether they are new flexibilities granted to individual agencies or applied governmentwide.

[www.gao.gov/cgi-bin/getrpt?GAO-05-616T](http://www.gao.gov/cgi-bin/getrpt?GAO-05-616T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Eileen Larence at (202) 512-6806 or [larencee@gao.gov](mailto:larencee@gao.gov).

## HUMAN CAPITAL

# Agencies Need Leadership and the Supporting Infrastructure to Take Advantage of New Flexibilities

## What GAO Found

To take full advantage of the flexibilities provided, agencies need leaders committed to taking a more strategic approach to managing their people in order to improve mission results, and must have the necessary infrastructure in place to make effective use of the flexibilities. This infrastructure includes a human capital planning process that integrates human capital policies, strategies, and programs with its program goals, mission, and desired outcomes; the capabilities to effectively develop and implement a new human capital system; and importantly, the existence of a modern, effective, and credible performance management system that includes adequate safeguards to help ensure consistency. GAO's work shows that, to date, agencies are using the flexibilities to varying degrees but continue to face barriers. In the future, agencies should have to demonstrate they have the required infrastructure and safeguards in place before using any new human capital authorities.

- Accountable Leadership:** Effective performance management systems first align leadership's performance expectations, appraisal systems, and compensation programs with organizational goals and results, then cascade this approach through all levels in the organization. Accordingly, agencies now have authority to increase senior executive pay levels, but only if they have an effective performance management system—one that links individual and organizational results and makes meaningful distinctions in performance. Recent data show, however, that agencies face a challenge in meeting the criteria for qualifying for the new executive pay flexibilities. GAO also continues to see opportunities for Chief Human Capital Officers and their Council to help agencies better implement various flexibilities and share best practices, while providing strategic leadership for reform.
- Strategic human capital planning:** Identifying current and future workforce gaps and ways to use flexibilities to fill them would help agencies remain competitive and achieve their missions. Some agencies do not have all the components of a strategic human capital planning process in place to help them resolve workforce challenges. GAO identified five key principles that could help guide and inform agencies' efforts to build this process.
- Capabilities to use new tools:** Agencies have not used some of the flexibilities designed to help them recruit and hire top talent as much as possible because of a lack of policy and guidance, among other things. OPM has since reported taking a number of initiatives to better educate agencies on the tools and encourage their use.

Agencies need to continue implementing new tools, evaluating their impact, and making adjustments. Congress' interest in monitoring agency progress is a critical ingredient to the success of these reforms.