



Highlights of [GAO-04-976T](#), a testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Governmental Affairs, U.S. Senate

## Why GAO Did This Study

The federal government is in a period of profound transition, forcing agencies to transform their cultures to enhance performance, ensure accountability, and position the nation for the future. Strategic human capital management is the centerpiece of this government transformation. Federal agencies will need the most effective human capital systems to succeed in their transformation efforts.

At the request of the subcommittee, this statement summarizes GAO's findings to date on agencies' use of human capital flexibilities, provides an overview of the most relevant human capital management efforts, and discusses GAO's recently enacted human capital flexibilities.

[www.gao.gov/cgi-bin/getrpt?GAO-04-976T](http://www.gao.gov/cgi-bin/getrpt?GAO-04-976T).

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

# Building on the Current Momentum to Transform the Federal Government

## What GAO Found

While more progress in addressing human capital challenges has been made in the last few years than in the last 20 years, much more needs to be done to ensure that agencies' cultures are results oriented, customer focused, and collaborative in nature. For example, an essential element in acquiring, developing, and retaining high-quality federal employees is agencies' effective use of flexibilities. Congress provided governmentwide hiring flexibilities—category rating and direct hire—but agencies appear to be making limited use of them. The agencies and the Office of Personnel Management can use the Chief Human Capital Officers Council as a vehicle to help address crosscutting human capital challenges, such as hiring.

The following efforts to foster a strategic approach to human capital management are under way.

- **Conducting Strategic Workforce Planning:** In the wake of extensive downsizing during the early 1990s, agencies are experiencing significant challenges to deploying the right skills, in the right places, at the right time. Succession planning and management is particularly important given the demographic realities and transformation challenges agencies face.
- **Strengthening Federal Employee Training and Development:** Officials at selected agencies emphasized that they are transitioning to more formal and comprehensive planning approaches to assess skill and competency requirements and identify related training and development needs—primarily as part of broader efforts to incorporate workforce planning into ongoing strategic planning and the budgeting process.
- **Implementing Pay for Performance:** Emphasizing performance-based pay is critical at all levels of government. GAO strongly supports the need to expand pay for performance in the federal government. Recently, Congress has sought to modernize senior executive performance management systems. However, data show that more work is needed to make meaningful distinctions based on relative performance. In addition, the experiences of several personnel demonstration projects show that linking pay to performance is very much a work in progress.
- **Creating Strategic Human Capital Offices:** Congress has recognized the need for human capital offices that contribute to achieving missions and goals. Some agencies are shifting the focus of their human capital offices from primarily compliance to consulting activities for line managers. Agencies are also using alternative service delivery—the use of other than internal staff to provide a service or to deliver a product—to free staff to focus on core activities.

GAO's has begun to implement some of its recently enacted flexibilities that are collectively designed to help attract, retain, motivate, and reward a top quality and high-performing workforce.