



Highlights of [GAO-06-142T](#), a testimony before the Subcommittee on the Federal Workforce and Agency Organization, Committee on Government Reform, U.S. House of Representatives

Why GAO Did This Study

The federal government must have the capacity to plan more strategically, react more expeditiously, and focus on achieving results. Critical to the success of this transformation are the federal government's people—its human capital. We have commended the progress that has been made in addressing human capital challenges in the last few years. Still, significant opportunities exist to improve strategic human capital management to respond to current and emerging 21st century challenges. A key question, for example, is how to update the federal government's classification and compensation systems to be more market-based and performance-oriented.

The Administration's draft proposed "Working for America Act" is intended to ensure that agencies are equipped to better manage, develop, and reward their employees. Under this proposal, the Office of Personnel Management (OPM) is to design a new core classification and pay system, among other things. In addition, the draft proposal amends some provisions of Title 5 covering labor management relations and adverse actions and appeals.

This testimony presents preliminary observations on the draft proposal; presents the principles, criteria, and processes for human capital reform; and suggests next steps for selected and targeted actions.

www.gao.gov/cgi-bin/getrpt?GAO-06-142T.

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

HUMAN CAPITAL

Preliminary Observations on the Administration's Draft Proposed "Working for America Act"

What GAO Found

GAO supports moving forward with appropriate human capital reforms and believes that implementing more market-based and performance-oriented pay systems is both doable and desirable. Importantly, broad-based human capital reform must be part of a broader strategy of change management and performance improvement initiatives and cannot be simply overlaid on existing ineffective performance management systems. In addition, organizations need to build up their basic management capacity and must have adequate resources to properly design and effectively implement more market-based and performance-oriented systems.

Before implementing dramatic human capital reforms, executive branch agencies should follow a phased approach that meets a "show me" test. That is, each agency should be authorized to implement a reform only after it has shown it has met certain conditions, including an assessment of its related institutional infrastructure and an independent certification by OPM that such infrastructure meets specified statutory standards. In any event, OPM's and agencies' related efforts should be monitored by Congress.

Given the above, GAO has the following observations on the draft proposal.

- Congress should make pay and performance management reforms the first step in governmentwide reforms. The draft proposal incorporates many of the key principles of more market-based and performance-oriented pay systems and requires that OPM certify that each agency's pay for performance system meets prescribed criteria. Going forward, OPM should define in regulation what it will take in terms of fact-based and data-driven analyses for agencies to demonstrate that they are ready to receive this certification and implement new authorities.
- OPM should play a key leadership and oversight role in helping individual agencies and the government as a whole work towards overcoming a broad range of human capital challenges. OPM's role would be expanded in several areas under the draft proposal. It is unclear whether OPM has the current capacity to discharge these new responsibilities.
- Congress should move more cautiously in connection with labor management relations and adverse actions and appeals reforms. Selected federal agencies have been implementing more market-based and performance-oriented pay systems for some time and thus they have built a body of experience and knowledge about what works well and what does not that allows the sharing of lessons learned. On the other hand, the federal government has had far less experience in changes regarding labor management relations and adverse actions and appeals. Congress may wish to monitor the Departments of Homeland Security's and Defense's implementation of related authorities, including lessons learned, before moving forward in these areas for the rest of the federal government.