United States General Accounting Office

GAO

Report to the Ranking Minority Member, Subcommittee on Readiness, Committee on Armed Services, House of Representatives

March 2003

DOD PERSONNEL

DOD Actions Needed to Strengthen Civilian Human Capital Strategic Planning and Integration with Military Personnel and Sourcing Decisions

GAO-03-475

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Highlights

Highlights of GAO-03-475, a report to the Ranking Minority Member, Subcommittee on Readiness, House Committee on Armed Services

Why GAO Did This Study

The Department of Defense's (DOD) civilian employees play key roles in such areas as defense policy, intelligence, finance, acquisitions, and weapon systems maintenance. Although downsized 38 percent between fiscal years 1989 and 2002, this workforce has taken on greater roles as a result of DOD's restructuring and transformation. Responding to congressional concerns about the quality and quantity of, and the strategic planning for the civilian workforce, GAO determined the following for DOD, the military services, and selected defense agencies: (1) the extent of top-level leadership involvement in civilian strategic planning; (2) whether elements in civilian strategic plans are aligned to the overall mission, focused on results, and based on current and future civilian workforce data; and (3) whether civilian and military personnel strategic plans or sourcing initiatives were integrated.

What GAO Recommends

GAO recommends DOD improve the departmentwide plan to be mission aligned and results-oriented; provide guidance to align component- and department-level human capital strategic plans; develop data on future civilian workforce needs; and set milestones for integrating military and civilian workforce plans, taking contractors into consideration. DOD comments were too late to include in this report but are included in GAO-03-690R.

www.gao.gov/cgi-bin/getrpt?GAO-03-475.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Derek B. Stewart at (202) 512-5559 or stewartd@gao.gov.

What GAO Found

Generally, civilian personnel issues appear to be an emerging priority among top leaders in DOD and the defense components. Although DOD began downsizing its civilian workforce more than a decade ago, it did not take action to strategically address challenges affecting the civilian workforce until it issued its civilian human capital strategic plan in April 2002. Top-level leaders in the Air Force, the Marine Corps, the Defense Contract Management Agency, and the Defense Finance Accounting Service have initiated planning efforts and are working in partnership with their civilian human capital professionals to develop and implement civilian strategic plans; such leadership, however, was increasing in the Army and not as evident in the Navy. Also, DOD has not provided guidance on how to integrate the components' plans with the department-level plan. High-level leadership is critical to directing reforms and obtaining resources for successful implementation.

The human capital strategic plans GAO reviewed for the most part lacked key elements found in fully developed plans. Most of the civilian human capital goals, objectives, and initiatives were not explicitly aligned with the overarching missions of the organizations. Consequently, DOD and the components cannot be sure that strategic goals are properly focused on mission achievement. Also, none of the plans contained results-oriented performance measures to assess the impact of their civilian human capital initiatives (i.e., programs, policies, and processes). Thus, DOD and the components cannot gauge the extent to which their human capital initiatives contribute to achieving their organizations' mission. Finally, the plans did not contain data on the skills and competencies needed to successfully accomplish future missions; therefore, DOD and the components risk not being able to put the right people, in the right place, and at the right time, which can result in diminished accomplishment of the overall defense mission.

Moreover, the civilian strategic plans did not address how the civilian workforce will be integrated with their military counterparts or sourcing initiatives. DOD's three human capital strategic plans-- two military and one civilian--were prepared separately and were not integrated to form a seamless and comprehensive strategy and did not address how DOD plans to link its human capital initiatives with its sourcing plans, such as efforts to outsource non-core responsibilities. The components' civilian plans acknowledge a need to integrate planning for civilian and military personnel—taking into consideration contractors—but have not yet done so. Without an integrated strategy, DOD may not effectively and efficiently allocate its scarce resources for optimal readiness.

Contents

Letter 1

Results in Brief 2
Background 4
Leadership Involvement in Strategic Planning for Civilian Personnel Not Extensive in the Past, but Is Increasing 8
Key Elements of Strategic Plans for DOD Civilian Personnel Not in Place 15
Strategic Plans for Civilian Personnel Not Yet Integrated with Plans for Military Personnel or Sourcing Initiatives 22
Conclusions 26
Recommendations for Executive Action 27
Agency Comments 28

Appendix I **Scope and Methodology** 29

Appendix II **Key Events Related to Strategic Planning for DOD Civilian Personnel** 33

Appendix III **GAO Contacts and Staff Acknowledgments** 34

Figures

Figure 1: Civilian Employment by DOD Component as of September 30, 2002 (670,166 Direct Hires) 6
Figure 2: Relationships among Several Key Elements of a Human Capital Strategic Plan 16
Figure 3: Key Events Related to Strategic Planning for DOD Civilian Personnel 33

Abbreviations

DCMA	Defense Contract Management Agency
DFAS	Defense Finance and Accounting Service
DOD	Department of Defense
GPRA	Government Performance and Results Act
OMB	Office of Management and Budget
OPM	Office of Personnel Management
QDR	Quadrennial Defense Review

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Accountability * Integrity * Reliability

United States General Accounting Office
Washington, DC 20548

March 28, 2003

The Honorable Solomon P. Ortiz
Ranking Minority Member
Subcommittee on Readiness
Committee on Armed Services
House of Representatives

Dear Mr. Ortiz:

With almost 700,000 civilian employees on its payroll, the Department of Defense (DOD) is the second largest federal employer of civilians in the nation. Defense civilian personnel, among other things, develop policy, provide intelligence, manage finances, and acquire and maintain weapon systems. Given the global war on terrorism, the role of DOD's civilian workforce is expanding, such as participation in combat support functions that free military personnel to focus on warfighting duties for which they are uniquely qualified. Civilian personnel are also key to maintaining DOD's institutional knowledge because of frequent military personnel rotations. However, since the end of the cold war, the civilian workforce has undergone substantial change, due primarily to downsizing, base realignments and closures, competitive sourcing initiatives, and changing missions. For example, between fiscal years 1989 and 2002, DOD reduced its civilian workforce by about 38 percent, with an additional reduction of about 55,000 personnel proposed through fiscal year 2007. Some DOD officials have expressed concern about a possible shortfall of critical skills because downsizing has resulted in a significant imbalance in the shape, skills, and experience of its civilian workforce and more than 50 percent of the civilian workforce becoming eligible to retire in the next 5 years. As a result, the orderly transfer of DOD's institutional knowledge is at risk.

These factors, coupled with the Secretary of Defense's significant transformation initiatives, make it imperative for DOD to strategically manage its civilian workforce within a total force perspective, which includes civilian personnel as well as active duty and reserve military personnel and contractor personnel. This strategic management approach will enable DOD to accomplish its mission by putting the right people, in the right place, at the right time and at a reasonable cost.

In April 2002, DOD published a strategic plan for civilian personnel.[1] In response to your request, we reviewed strategic planning efforts for civilian personnel at DOD and selected defense components, including the four military services and two defense agencies (the Defense Contract Management Agency and the Defense Finance and Accounting Service).[2] Specifically, we determined (1) the extent to which top-level leadership is involved in strategic planning for civilian personnel and (2) whether strategic plans for civilian personnel are aligned with the overall mission, results oriented, and based on data about the future civilian workforce. In addition, we determined whether the strategic plans for civilian personnel are integrated with plans for military personnel or sourcing initiatives.[3] (See app. I for a description of our scope and methodology.)

Results in Brief

Until recently, top-level leadership[4] at the department and the component levels has not been extensively involved in strategic planning for civilian personnel; however, civilian personnel issues appear to be a higher priority for top-level leaders today than in the past. Although DOD began downsizing its civilian workforce more than a decade ago, top-level leadership has not, until recently, developed and directed reforms to improve planning for civilian personnel. With the exception of the Army and the Air Force, neither the department nor the components in our review had developed strategic plans to address challenges affecting the

[1]*Civilian Human Resources Strategic Plan 2002-2008*. At this time, DOD also published two strategic plans for military personnel (one addressing military personnel priorities and one addressing quality of life issues for servicemembers and their families). In a December 2002 report (*Military Personnel: Oversight Process Needed to Help Maintain Momentum of DOD's Strategic Human Capital Planning*, GAO-03-237), we addressed aspects of the two plans concerning benefits for active duty military personnel, noting that the plans were incomplete and that DOD needed a process to oversee the plans' implementation.

[2]Throughout this report, the term "component" refers to all services and agencies in DOD. The term "service" refers to the Air Force, the Army, the Marine Corps, and the Navy. The term "agency" refers to the Defense Contract Management Agency and the Defense Finance and Accounting Service.

[3]Sourcing initiatives, which are undertaken to achieve greater operating efficiencies, include such efforts as public-private competitions under the Office of Management and Budget Circular A-76 for commercial activities and functions; direct conversions (converting positions from one sector to another without public-private competition); public-private partnerships; and privatization, divestiture, and reengineering.

[4]Top-level leaders include the Secretary of Defense, under or deputy secretaries, service secretaries, chiefs of staff of the services, and other DOD senior executive service personnel.

civilian workforce until 2001or 2002, which is indicative of civilian personnel issues being an emerging priority. In addition, top-level leaders in the Air Force, the Marine Corps, the Defense Contract Management Agency, and the Defense Finance and Accounting Service have been or are working in partnership with their civilian human capital professionals to develop and implement civilian strategic plans; such partnership is increasing in the Army and not as evident in the Navy. Moreover, DOD's issuance of its departmentwide civilian human capital plan[5] begins to lay a foundation for strategically addressing civilian human capital issues; however, DOD has not provided guidance on aligning the component-level plans with the department-level plan to obtain a coordinated focus to carry out the Secretary of Defense's transformation initiatives in an effective manner. High-level leadership attention is critical to developing and directing reforms because, without the overarching perspective of such leaders, reforms may not be sufficiently focused on mission accomplishment, and without their support, reforms may not receive the resources needed for successful implementation.

The human capital strategic plans we reviewed for the most part were not fully aligned with the overall mission of the department or respective components, results oriented, or based on data about the future civilian workforce. For example, the goals and objectives contained in strategic plans for civilian personnel were not explicitly aligned with the overarching missions of the organizations. Consequently, it is difficult to determine whether DOD's and the components' strategic goals are properly focused on mission achievement. In addition, none of the plans contained results-oriented performance measures that could provide meaningful data critical to measuring the results of their civilian human capital initiatives (i.e., programs, policies, and processes). Thus, DOD and the components cannot gauge the extent to which their human capital initiatives contribute to achieving their organizations' mission. Also, for the most part, the civilian human capital plans in our review did not contain detailed information on the skills and competencies needed to successfully accomplish future missions. Without information about what is needed in the future workforce, it is unclear if DOD and its components are designing and funding initiatives that are efficient and effective in accomplishing the mission, and ultimately contributing to force readiness.

[5]DOD and its components use the term human resources whereas we use the term human capital.

Lastly, the civilian strategic plans we reviewed did not address how the civilian workforce will be integrated with their military counterparts or with sourcing initiatives. At the department level, the strategic plan for civilian personnel was prepared separately from corresponding plans for military personnel and not integrated to form a seamless and comprehensive strategy and did not address how DOD plans to link its human capital initiatives with its sourcing plans, such as efforts to outsource non-core responsibilities. For the most part, at the component level, plans set goals to integrate planning for the total workforce, to include civilian, military, and contractor personnel. The Air Force and the Army, in particular, have begun to integrate their strategic planning efforts for civilian and military personnel, taking contractor responsibilities into consideration. Without integrated planning, goals for shaping and deploying civilian, military, and contractor personnel may not be consistent with and support each other. Consequently, DOD and its components may not have the workforce with the skills and competencies needed to accomplish tasks critical to readiness and mission success.

We are making recommendations to the Secretary of Defense to strengthen civilian human capital planning, including integration with military personnel and sourcing initiatives. We received comments from the Department of Defense too late to include them in the final report. These comments and our evaluation of them, however, were incorporated into a subsequent report (*DOD Personnel: DOD Comments on GAO's Report on DOD's Civilian Human Capital Strategic Planning*, GAO-03-690R).

Background

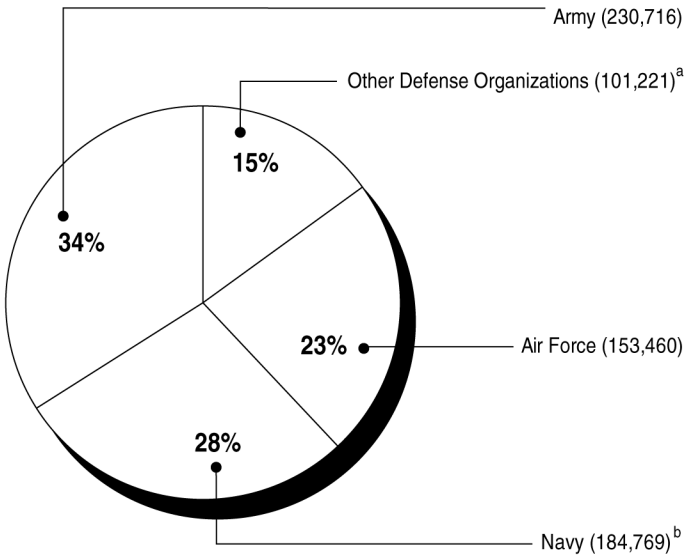
DOD's civilian workforce has undergone a sizeable reduction but remains critical to DOD's mission success. Strategic human capital management provides a framework for maximizing the value added by the civilian workforce through aligning its civilian human capital initiatives to support DOD's overarching mission.

Current Size, Distribution, and Changing Roles of DOD's Civilian Workforce

Since the end of the cold war, DOD has undergone sizable reductions in its civilian workforce. Between fiscal years 1989 and 2002, DOD's civilian workforce shrank from 1,075,437 to 670,166—about a 38 percent reduction.[6] DOD accomplished this downsizing without proactively shaping the civilian workforce to have the skills and competencies needed to accomplish future DOD missions. As a result, today's workforce is older and more experienced, but 58 percent will be eligible for early or regular retirement in the next 3 years. Moreover, the President's fiscal year 2003 budget request projects that DOD's civilian workforce will be further reduced by about 55,000 through fiscal year 2007. As shown in figure 1, at the end of fiscal year 2002, the military departments employed 85 percent of DOD's civilians; 15 percent were employed by the other defense organizations.

[6]These numbers do not include indirect hire employees, for example, persons rendering service to the federal government under agreements or contracts with a foreign government.

Figure 1: Civilian Employment by DOD Component as of September 30, 2002 (670,166 Direct Hires)



Source: DOD.

Note: GAO's analysis of DOD data.

[a]Other defense organizations include defense agencies, DOD field activities, the Joint Chiefs of Staff, Office of the Inspector General, U.S. Court of Appeals for the Armed Forces, and the Office of the Secretary of Defense.

[b]Department of the Navy includes Navy and Marine Corps personnel.

Furthermore, the 2000 Defense Science Board Task Force report[7] observed that the rapid downsizing during the 1990s led to major changes in the roles of and balance between DOD's civilian and military personnel and contractor personnel. The roles of the civilians and private-sector workforce are expanding, including participation in combat functions—as a virtual presence on the battlefield—and in support duties on both the domestic and international scenes. These changing roles call for greater attention to shaping an effective civilian workforce to meet future demands within a total force perspective. This perspective includes a clear understanding of the roles and characteristics of DOD's civilian and military personnel and the most appropriate source of capabilities—military, civilian, or contractor.

[7]The *Defense Science Board Task Force on Human Resources Strategy*, February 2000. The Defense Science Board is a federal advisory committee established to provide independent advice to the Secretary of Defense.

The Under Secretary of Defense for Personnel and Readiness is the principal staff assistant and advisor to the Secretary and Deputy Secretary of Defense for total force management as it relates to readiness, personnel requirements and management, and other matters. The Under Secretary's office develops policies, plans, and programs for recruitment, training, equal opportunity, compensation, recognition, discipline, and separation of all DOD personnel, including active, reserve, and retired military and civilian personnel. This office also analyzes the total force structure as it relates to quantitative and qualitative military and civilian personnel requirements. Within this office is the Office of the Deputy Under Secretary of Defense for Civilian Personnel Policy, which formulates plans, policies, and programs to manage the DOD civilian workforce. Policy leadership and human resource programs and systems are provided through the Civilian Personnel Management Service.

Strategic Human Capital Management

Strategic human capital management involves long-term planning that is fact based, focused on program results and mission accomplishment, and incorporates merit principles. Studies by several organizations, including GAO, have shown that highly successful performance organizations in both the public and private sectors employ effective strategic management approaches as a means to prepare their workforce to meet present and future mission requirements as well as achieve organizational success. In our 2001 High-Risk Series and Performance and Accountability Series and again in 2003, we designated strategic human capital as a high-risk area and stated that serious human capital shortfalls are threatening the ability of many federal agencies to economically, efficiently, and effectively perform their missions.[8] We noted that federal agencies, including DOD and its components, needed to continue to improve the development of integrated human capital strategies that support the organization's strategic and programmatic goals.

In March 2002, we issued an exposure draft of our model of strategic human capital management to help federal agency leaders effectively lead

[8]U.S. General Accounting Office, *High-Risk Series: An Update*, GAO-01-263 (Washington, D.C.: Jan. 2001); *Performance and Accountability Series—Major Management Challenges and Program Risks: A Governmentwide Perspective*, GAO-01-241 (Washington, D.C.: Jan. 2001); and *Major Management Challenges and Program Risks: A Governmentwide Perspective*, GAO-03-95 (Washington, D.C.: Jan. 2003).

and manage their people.[9] The model is designed to help agency leaders effectively use their people and determine how well they integrate human capital considerations into daily decision making and planning for the program results they seek to achieve. Similarly, the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM) have developed tools that are being used to assess human capital management efforts. In October 2001, OMB developed standards for success for strategic human capital management—one of five governmentwide reform initiatives in the President's Management Agenda. In December 2001, OPM released a human capital scorecard to assist agencies in responding to the OMB standards for success; later, in October 2002, OMB and OPM developed—in collaboration with GAO— revised standards for success. To assist agencies in responding to the revised standards, OPM released the Human Capital Assessment and Accountability Framework. In April 2002, the final report of the Commercial Activities Panel,[10] mandated by Congress and chaired by the Comptroller General, sought to elevate attention to human capital considerations in making sourcing decisions. Federal organizations are increasingly concerned with sourcing issues because they are being held accountable for addressing another President's Management Agenda initiative that calls for determining their core competencies and deciding how to build internal capacity or contract out for services.

Leadership Involvement in Strategic Planning for Civilian Personnel Not Extensive in the Past, but Is Increasing

Until recently, top-level leadership at the department and component levels has not been extensively involved in strategic planning for civilian personnel; however, it is of higher priority to top-level leadership today than it has been in the past. With the exception of the Air Force, leadership at the component level has not been proactive, but is becoming more involved in responding to the need for strategic planning, providing guidance, or supporting and working in partnership with civilian human capital professionals.

We have previously emphasized that high-performing organizations need senior leaders who are drivers of continuous improvement and also stimulate and support efforts to integrate human capital approaches with

[9]U.S. General Accounting Office, *Exposure Draft: A Model of Strategic Human Capital Management*, GAO-02-373SP (Washington, D.C.: Mar. 15, 2002).

[10]Commercial Activities Panel, *Improving the Sourcing Decisions of the Government: Final Report* (Washington, D.C.: Apr. 2002).

organizational goals. There is no substitute for the committed involvement of top leadership.[11]

Department-level Leadership Involvement in Strategic Planning for Civilian Personnel Has Increased in Recent Years

Strategic planning for the Department of Defense civilian workforce is becoming a higher priority among DOD's senior leadership, as evidenced by direction given in 2001 in the Quadrennial Defense Review (QDR) and the Defense Planning Guidance and by the Under Secretary of Defense for Personnel and Readiness to develop a civilian and military human resources strategic plan. We previously reported that a demonstrated commitment to change by agency leaders is perhaps the most important element of successful management reform and that leaders demonstrate this commitment by developing and directing reform.[12] OMB and OPM have similarly advocated the need for top leadership to fully commit to strategic human capital planning. The Defense Science Board reported in 2000 that senior DOD civilian and military leaders have devoted "far less" attention to civilian personnel challenges than the challenges of maintaining an effective military force.[13]

In 1992, during the initial stages of downsizing, DOD officials voiced concerns about what they perceived to be a lack of attention to identifying and maintaining a balanced basic level of skills needed to maintain in-house capabilities as part of the defense industrial base. In our 2000 testimony, *Strategic Approach Should Guide DOD Civilian Workforce Management*,[14] we testified that DOD's approach to civilian force reductions was less oriented toward shaping the makeup of the workforce than was the approach it used to manage its military downsizing. In its approach to civilian workforce downsizing, the department focused on mitigating adverse effects (such as nonvoluntary reductions-in-force) through retirements, attrition, hiring freezes, and base closures. (See app. II for a time line of key events related to DOD's civilian workforce downsizing.)

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

[12]GAO-02-373SP.

[13]*The Defense Science Board Task Force on Human Resources Strategy*. The report also stated that DOD must give greater priority to the management of its civilian workforce in order to create the proper civilian force structure for the future.

[14]GAO/T-GGD/NSIAD-00-120 (Washington, D.C.: Mar. 9, 2000).

DOD initiated a more strategic approach when it published its first strategic plan for civilian personnel (*Civilian Human Resources Strategic Plan, 2002-2008*) in April 2002. In developing the departmentwide plan, the Office of the Under Secretary of Defense for Personnel and Readiness made efforts to work in conjunction with defense components' civilian human capital communities by inviting their leaders to contribute to working groups and special meetings and reviewing the services' civilian human capital strategic plans. However, DOD has yet to provide guidance on how to integrate component-level civilian human capital strategic plans with its departmentwide civilian strategic plan. DOD officials said that full integration would be difficult because of the wide array of human capital services and mission support provided at the component level. However, one of the lessons learned in our previous work on strategic planning in the defense acquisition workforce was the need for leadership to provide guidance for planning efforts.[15] Without guidance, defense components may not be able to effectively function together in support of the departmentwide plan. For example, DOD's goal to provide management systems and departmentwide force planning tools may not be fully or efficiently achieved without a coordinated effort among all defense components. The component-level plans we reviewed included goals, objectives, or initiatives to improve analysis or forecasting of workforce requirements, but they did not indicate coordination with the departmentwide effort or with one another.

Civilian human capital planning has emerged as an issue in another DOD-related forum for top leaders. In November 2002, the Human Resources Subcommittee of the Defense Business Practice Implementation Board released its report to DOD's Senior Executive Council recommending, among other things, the establishment of a "Human Capital Transformation Team" to help implement agreed upon changes to transform human capital management in DOD's civilian workforce.[16]

[15]U.S. General Accounting Office, *Acquisition Workforce: Status of Agency Efforts to Address Future Needs*, GAO-03-55 (Washington, D.C.: Dec. 18, 2002).

[16]Defense Business Practice Implementation Board, *Report to the Senior Executive Council, Department of Defense: Human Resources Task Group Report FY02-1*, November 15, 2002.

Component-level Leadership Involvement in Strategic Planning for Civilian Personnel Varies

Leadership participation in strategic planning varies among the defense components we reviewed. High-level leaders in the Air Force, the Marine Corps, the Defense Contract Management Agency (DCMA), and the Defense Finance and Accounting Service (DFAS) have provided the impetus for strategic planning and are partnering with civilian human capital professionals to develop and implement their strategic plans. Such partnership is increasing in the Army and not as evident in the Department of the Navy.

Air Force Leadership Increasingly Proactive on Strategic Planning for Civilian Personnel

Since the mid-1990s, Air Force leadership has been relatively active in strategic planning for civilian human capital. In 1999, high-level Air Force leadership recognized the need for strategic human capital planning to deal with the significant downsizing that had occurred over the last several years. For the civilian workforce, this recognition culminated in the publication in 2000 of the *Civilian Personnel Management Improvement Strategy White Paper*; the Air Force produced an update of this document in 2002.[17] Air Force leadership also has recognized that it must further enhance its efforts with greater attention to integrated, total force planning. Air Force leadership has demonstrated this commitment by incorporating civilian human capital leaders into broader Air Force strategic planning and resource allocation processes. Air Force leaders created a human resources board (the Air Force Personnel Board of Directors) composed of 24 senior civilian and military leaders. The board convenes semi-annually to address military and civilian human capital issues in an integrated, total force context. It is fostering integrated planning with the intent of developing an overarching strategy—holistic, total force strategy—designed to meet Air Force workforce demands for the present and the future and intended to encompass the needs of active, reserve, civilian, and contractor personnel by 2004. Furthermore, the Air Force began to allocate resources for civilian human capital initiatives in fiscal year 2002 due to the strong support from Air Force leaders.

Strategic Planning for Civilian Personnel Is an Emerging Priority in the Marine Corps, DCMA, DFAS, and the Army

In recent years, strategic human capital planning has generally received increasing top-level leadership support in the Marine Corps, DCMA, DFAS, and the Army. A Marine Corps official told us that the Commandant of the Marine Corps and other top Marine Corps leaders became involved with civilian human capital strategic planning in 2001. The Commandant, in October 2002, endorsed the civilian human capital strategic plan, which

[17]Air Force officials told us that this document and the *Vision Implementation Plan* together represent the Air Force's civilian human capital strategic plan.

outlines the Corps' vision, intent, core values, expected outcomes, and strategic goals for civilian human capital. Officials are currently developing an implementation plan, which is expected to contain specific objectives, milestones, points of accountability, resource requirements, and performance measures. DCMA began strategic human capital planning in 2000 in response to guidance from the Office of the Under Secretary of Defense, Acquisition, Technology, and Logistics, and issued its first human capital strategic plan in 2002. DCMA officials told us that their human resources director is a member of DCMA's broader executive management board and that human capital—civilian and military—is a standing agenda issue at the board's monthly meetings. DFAS officials told us their director includes human capital professionals in DFAS's management decision-making processes. Further, human capital is a key element in the DFAS agencywide strategic plan. DFAS initiated its human capital strategic planning efforts in 2002, but it has not yet published its plan.

Within the Army, top-level leadership involvement in strategic planning efforts for civilian human capital has been limited but increasing. The bulk of such efforts has instead originated in the Army's civilian human capital community. The Army's civilian human capital community recognized the need for strategic civilian human capital planning in the mid-1990s and developed strategic plans. The Army's civilian human capital community also initiated, in 2000, an assessment of the civilian workforce situation and developed new concepts for human resource systems and workforce planning.[18] Since 2002, Army top-level leadership has become more explicitly involved in their civilian human capital community's initiatives. For example, in January 2003, the Vice Chief of Staff of the Army formally endorsed the Army's human capital strategic plan. Also, in January 2003, Army top leaders endorsed the recommendations of a study to improve the development and training of the Army's civilian workforce, which followed three companion studies with similar objectives for military personnel. Additionally, as of March 2003, Army top leaders accepted the rationale and validated the requirement for another initiative to centrally manage senior civilian leaders by basing selection and retention decisions on long-term Army needs rather than on the short-term needs of local commanders. The Army plans to establish a management office to begin this effort in fiscal year 2004. Army officials told us that all of these efforts

[18]The Army refers to this effort as the Civilian Personnel Management System XXI (CPMS XXI). See The Wexford Group International, *Army CPMS XXI Transforming Civilian Workforce Management White Paper* (Vienna, Va., revised May 11, 2001).

have not yet been fully funded. Without the commitment and support of Army top leaders, the Army's civilian human capital community has limited authority to carry out reforms on its own and limited ability to ensure that its reforms are appropriately focused on mission accomplishment.

In addition, Army civilian human capital officials' contributions to broader strategic planning efforts have been increasing. Specifically, officials told us that while the Army's civilian human capital community has a voice in the Army's resource allocation deliberations, getting civilian personnel issues included in top-level Army planning and budgeting documents is sometimes challenging. Within the past year, however, civilian human resource issues have been included in the Army-wide strategic readiness system (a balanced scorecard) and an Army well-being initiative (balancing the demands and expectations of the Army and its people).

Navy Leadership Involvement in Strategic Planning for Civilian Personnel Is Limited

Within the Department of the Navy, top-level leadership involvement in strategic planning efforts for civilian human capital has been limited. Department of the Navy leadership invested in studies related to strategic planning for its civilian workforce, but it has been slow to develop a strategic plan for its civilian human capital. Two documents published in August 2000 and May 2001 reported the results of work sponsored by a personnel task force established by the Secretary of the Navy to examine facets of the Department of the Navy's human resources management. One, a study conducted and published by the National Academy of Public Administration's Center for Human Resources Management, focused on Department of the Navy civilian personnel issues; the other reported on the rest of the findings of the task force.[19] Department of the Navy human capital officials told us that they have not implemented the recommendations of those studies because (1) many require new legislation and (2) the studies were future oriented, looking as far ahead as 2020, and it will take time to implement the recommendations. These officials said that although the Department of the Navy had not yet developed a strategic plan for its civilian human capital, the Navy major commands (referred to as claimants) did their own human capital strategic planning as necessary, adding that they believed these efforts were

[19]The 2000 National Academy of Public Administration, *Civilian Workforce 2020: Strategies for Modernizing Human Resources Management in the Department of the Navy* (Washington, D.C.: Aug. 18, 2000), and the 2001 Department of the Navy: *A Strategic Human Resource Management System for the 21st Century, Vols. I and II* (Washington, D.C.: May 2001).

sufficient. More recently, however, these officials told us that they are developing (on their own initiative) a strategic plan for the Department of the Navy's civilian workforce.

In addition, the Navy has very recently undertaken other strategic planning efforts. In July 2002, the Navy established a new organization to develop a consolidated approach to civilian workforce management that centers on 21 core competency functional areas. Navy officials view this recent initiative, which involves senior military and civilian leaders, as the first step in developing a total force concept (civilian, active and reserve military, and contract employees). In March 2003, the Department of the Navy established (1) a new position that will provide a liaison for the Navy and Marine Corps strategic planning processes and (2) a Force Management Oversight Counsel, co-chaired by top Navy and Marine Corps officials, which will develop an overarching framework for Navy and Marine Corps strategic planning.

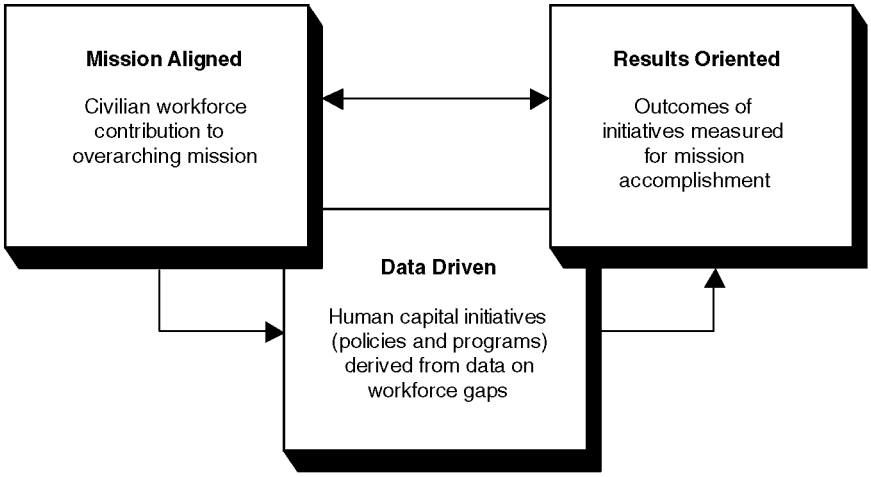
With the looming uncertainty of continued downsizing, anticipated retirements, and increased competitive sourcing of non-core functions, strategic planning for the civilian workforce will grow in importance. If high-level leaders do not provide the committed and inspired attention to address civilian human capital issues (that is, establish it as an organizational priority and empower and partner with their human capital professionals in developing strategic plans for civilian human capital), then future decisions about the civilian workforce may not have a sound basis.

Key Elements of Strategic Plans for DOD Civilian Personnel Not in Place

For the most part, the strategic plans we reviewed lacked such key elements as mission alignment, results-oriented performance measures, and data-driven workforce planning.[20] Mission alignment is demonstrated by clearly showing how the civilian workforce contributes to accomplishing an organization's overarching mission. It is also evident in descriptions of how the achievement of human capital initiatives will improve an organization's performance in meeting its overarching mission, goals, and objectives. Results-oriented performance measures enable an organization to determine the effect of human capital programs and policies on mission accomplishment. Finally, data on the needed knowledge, skills, competencies, size, and deployment of the workforce to pursue an organization's missions allow it to put the right people, in the right place, at the right time. The interrelationships of these three key elements are shown in figure 2. Without adequate alignment, performance measures, and workforce data, DOD and its components cannot be certain their human capital efforts are properly focused on mission accomplishment.

[20]This review primarily focused on aspects of leadership and strategic human capital planning—two of four cornerstones in our model for strategically managing human capital (GAO-02-373SP). We did not focus on aspects of the other two important cornerstones—(1) acquire, develop, retain, and deploy the best talent and elicit the best performance for mission accomplishment and (2) results-oriented organizational cultures that promote high performance and accountability (such as individual performance management that is fully integrated with the organization's mission and is used as the basis for managing the organization) and empower and include employees in setting and accomplishing programmatic goals.

Figure 2: Relationships among Several Key Elements of a Human Capital Strategic Plan



Source: GAO.

Previously, we emphasized that high-performing organizations align their human capital initiatives with mission and goal accomplishment. Organizations' strategic human capital planning must also be results oriented and data driven, including, for example, information on the appropriate number and location of personnel needed and their key competencies and skills. High-performing organizations also stay alert to emerging mission demands and human capital challenges and reevaluate their human capital initiatives through the use of valid, reliable, and current data.[21]

Strategic Plans for Civilian Personnel Are Not Mission Aligned and Results Oriented

The human capital goals and objectives contained in strategic plans for civilian personnel were not, for the most part, explicitly aligned with the overarching missions of the organizations we reviewed. Moreover, none of the plans fully reflected a results-oriented approach to assessing progress toward mission achievement. Human capital strategic plans should be aligned with (i.e., consistent with and supportive of) an organization's overarching mission. Alignment between "published and approved human capital planning documents" and an organization's overarching mission is advised in OPM's Human Capital Assessment and Accountability

[21] GAO-03-120.

Framework. With regard to assessing progress, programs can be more effectively measured if their goals and objectives are outcome-oriented (i.e., focused on results or impact) rather than output-oriented (i.e., focused on activities and processes), in keeping with the principles of the Government Performance and Results Act (GPRA). Congress anticipated that GPRA would be institutionalized and practiced throughout the federal government; federal agencies are expected to develop performance plans that are consistent with the act's approach.

Based on the above criteria, we analyzed the human capital strategic plans that five of the seven organizations in our review have published[22] for the following:

- Human capital goals and objectives that explicitly describe how the civilian workforce helps achieve the overarching mission, goals, and objectives.
- Results-oriented measures that track the success of the human capital initiatives in contributing to mission achievement.

All of the civilian human capital plans we reviewed referred to their respective organizations' mission; however, the human capital goals, objectives, and initiatives did not explicitly link or describe how the civilian workforce efforts would contribute to the organizations' overarching mission achievement, and more importantly how the extent of contribution to mission achievement would be measured. Aspects of DCMA's plan, however, demonstrate alignment by including a general explanation of the overarching mission inclusive of human capital goals, objectives, and initiatives that further define how its civilian workforce contributes to achieving the overarching mission. For example:

- DCMA's overarching mission is to "Provide customer-focused acquisition support and contract management services to ensure warfighter readiness, 24/7, worldwide." DCMA's human capital plan demonstrates the alignment of the agency's workforce by stating that the agency will accomplish its overarching mission by "Partner[ing], or strategically team[ing] with customers to develop better solutions, and ensur[ing] warfighter success on all missions" and "Providing expertise

[22]DOD, Air Force, Army, Marine Corps, and DCMA have published civilian human capital strategic plans. DFAS and Department of the Navy are in the process of developing such plans.

and knowledge throughout the acquisition life cycle, from cradle to grave; from factory to foxhole and beyond".[23]

- DCMA's plan contains one human capital goal, among other agency-wide goals, directed at aligning workforce efforts with mission accomplishment. The goal is to enable DCMA people to excel by building and maintaining a work environment that (1) attracts, (2) develops, and (3) sustains a quality workforce.
- Several objectives and initiatives in DCMA's plan demonstrate a link to this human capital goal and to the overarching mission. Examples of these initiatives include determining ways to (1) making DCMA employment attractive, (2) establishing a professional development framework that is integrated and competency-based as well as developing an advanced leadership program, and (3) sustaining a quality workforce by ensuring recognition and awards to high-performing personnel. This alignment of DCMA's workforce, initiatives, and goals to the overarching mission helps DCMA ensure that its civilian workforce has the necessary expertise and knowledge to provide customer-focused acquisition support and contract management services.

The other plans in our review generally did not demonstrate this degree of alignment. For example, in the Army civilian human capital strategic plan, four of the six human resource goals are more narrowly directed toward the role played by the human resource community and only indirectly tie the civilian workforce to the achievement of the Army's overall mission. However, two goals—"systematic planning that forecasts and achieves the civilian work force necessary to support the Army's mission" and "diversity through opportunity"[24] —link more explicitly to the Army's overarching mission. Also, DOD's departmentwide civilian human capital plan refers to the overarching mission by including broad references to DOD's overarching strategic plan. However, the plan is silent about what role DOD's civilian workforce is expected to play in achievement of the mission. The plan recognizes the need for aligning the civilian workforce with the overarching mission by proposing to develop a human resource management accountability system to guarantee the effective use of human resources in achieving DOD's overarching mission.

[23]*DCMA Human Capital Strategic Plan.*

[24]The Army's goal for diversity through opportunity states: "A civilian force that is as richly diverse as America itself, and a work environment that promotes individual respect and encourages collaboration through sharing of different views and perspectives to improve effectiveness and quality."

Moreover, none of the plans in our review contained results-oriented goals and measures. For example, DOD's strategic goal to "promote focused, well-funded recruiting to hire the best talent available" is not expressed in measurable terms (i.e., it does not define "focused, well-funded, and best talent available"), and the measures for this goal are process oriented (i.e., developing or publishing a policy or strategy; reviewing programs) rather than results oriented. DOD's plan, however, indicates that mission achievement measures are being developed. At the component level, the Army, in particular, has developed metrics related to its personnel transaction processes; although these measures are important, they are not focused on measuring outcomes related to mission accomplishment. Army officials recognize the importance of relating outcomes to mission accomplishment and are presently working to develop such measures. Without results-oriented measures, it is difficult for an organization to assess the effectiveness of its human capital initiatives in supporting its overarching mission, goals, and objectives.

Officials at DOD and the defense components in our review told us they recognize the importance of alignment and results-oriented measures in strategic human capital planning. In fact, the Air Force has recently undertaken an initiative to develop a planning framework aligning strategy, vision, execution, measurement, and process transformation. Many human capital officials we spoke with noted they have only recently begun to transition from their past role of functional experts—focused primarily on personnel transactions—to partners with top leadership in strategically planning for their civilian workforce. In their new role, they expect to make improvements in strategically managing civilian personnel, including identifying results-oriented performance measures in future iterations of their plans. Until such elements are in place, it is difficult to determine if the human capital programs DOD and its components are funding are consistent with overarching missions or if they are effectively leading to mission accomplishment.

Strategic Plans for Civilian Personnel Generally Lack Data on Workforce Needs

The civilian human capital strategic plans for DOD and its components include goals focused on improving their human capital initiatives, but only two components include workforce data that supported the need for those particular initiatives. GAO and others[25] have reported that it is important to analyze future workforce needs to (1) assist organizations in tailoring initiatives for recruiting, developing, and retaining personnel to meet its future needs and (2) provide the rationale and justification for obtaining resources and, if necessary, additional authority to carry out those initiatives. We also stated that to build the right workforce to achieve strategic goals, it is essential that organizations determine the critical skills and competencies needed to successfully implement the programs and processes associated with those goals. To do so, three types of data are needed: (1) what is available—both the current workforce characteristics[26] and future availability, (2) what is needed—the critical workforce characteristics needed in the future, and (3) what is the difference between what will be available and what will be needed—the gap. Without this information, DOD cannot structure its future workforce to support the Secretary of Defense's initiatives or mitigate the risk of shortfalls in critical personnel when pending civilian retirements occur.

Of the five organizations in our review that had civilian human capital strategic plans,[27] two—the Air Force and DCMA—included some information about the future workforce and indicated the gaps to be addressed by its civilian human capital initiatives. The Air Force's plan includes a chart that illustrates, in terms of years of federal service, the current workforce compared to a 1989 baseline (prior to the downsizing of its civilian workforce) and a target workforce for fiscal year 2005. This information was generally based on data that were readily available but considered to be a less-than-adequate indicator for level of experience, and it is not clear how the target workforce data were derived. According

[25]GAO-02-373SP; National Academy of Public Administration, *Building Successful Organizations: A Guide to Strategic Workforce Planning* (Washington, D.C.: May 2000); International Personnel Management Association, W*orkforce Planning Resource Guide for Public Sector Human Resource Professionals* (Summer 2002); and RAND, *An Operational Process for Workforce Planning* (Forthcoming).

[26]Workforce characteristics are concrete and measurable aspects of a group of workers that are critical for organizational success and can be influenced by policy decisions. Examples include occupation; grade level; experience; academic degree or discipline; certification; leadership; multifunctional skills; deployment; or military, civilian, and contractor mix.

[27]The Department of the Navy and DFAS do not yet have plans.

to the Air Force, its analysis illustrated the shortfall in the number of civilians with less than 10 years of service when compared to the Air Force's long-term requirements. Using this and other analyses, the Air Force initially developed workforce-shaping activities in four areas—accession planning, force development, retention/separation management, and enabling activities, which included 27 separate initiatives.

DCMA's plan describes the agency's workforce planning methodology, which focuses on identifying gaps between its current and future workforce. DCMA's strategic workforce planning team analyzes quantitative data on the current workforce and employs an interview protocol to gather and analyze information from DCMA managers and subject matter experts pertaining to future work and workforce requirements.[28] According to DCMA, this methodology allows it to link the desired distribution of positions, occupational series, and skills to organizational outcomes, processes, and customer requirements and to DOD's transformation guidance, goals, and initiatives. Although DCMA has not completely identified or quantified its future workforce requirements, it identified the following: requirements for new technical skills, especially software acquisition and integration; upgrading general skills and maintaining the existing skill base; correcting imbalances in geographic locations; requirements for hiring about 990 employees per year through 2009; and obtaining additional positions to support anticipated increasing procurements.

In contrast to the Air Force and DCMA plans, the DOD, Army, and Marine Corps plans lack information about future workforce needs. For example, DOD's civilian human capital plan contains data on those civilians eligible for retirement by grade level and by job category. However, the plan does not address key characteristics such as skills and competencies that will be needed in the future workforce to support changes being undertaken by DOD.[29] Without this information and a methodology to analyze and identify the gaps that exist between what will be available and what will be

[28]DCMA developed this qualitative approach because it does not have (1) workforce modeling or projection tools that can be used as a basis to establish the number of future positions and types of future competencies required and (2) data on current workforce competencies to establish the baseline needed to assess future competency gaps.

[29]Changes include such initiatives as DOD's transformation to a capabilities-based organization and competitive sourcing under OMB Circular A-76.

needed, it is not clear that the human capital initiatives in DOD's plan will result in the desired future workforce.

All of the plans we reviewed acknowledge strategic workforce planning shortfalls by setting goals or initiatives to improve in this area. For example, DOD's plan includes a goal to obtain management systems and tools that support total force planning and informed decision making. DOD has begun adopting the Army's Civilian Forecasting System and the Workforce Analysis Support System for departmentwide use, which will enable it to project the future workforce by occupational series and grade structure. However, the systems (which are based on a regression analysis of historical data) are not capable of determining the size and skill competencies of the civilian workforce needed in the future. Also, DOD has not yet determined specifically how this new analytic capability will be integrated into programmatic decision-making processes. DOD officials stated that its first step was to purchase the equipment and software, which was accomplished in 2002. DOD is now analyzing users' needs. As of December 2002, DOD officials were testing the systems, but they expressed concerns that the Army systems may not serve the needs of a complex and diverse organization such as DOD.

Strategic Plans for Civilian Personnel Not Yet Integrated with Plans for Military Personnel or Sourcing Initiatives

The civilian human capital strategic plans we reviewed did not address how the civilian workforce would be integrated with their military counterparts or sourcing initiatives to accomplish DOD's mission. The 2001 QDR states that future operations will not only be joint but also depend upon the total force—including civilian personnel as well as active duty and reserve personnel. The QDR also emphasizes that DOD will focus its "owned" resources in areas that contribute directly to warfighting and that it would continue to take steps to outsource and shed its non-core responsibilities. The 2000 Defense Science Board Task Force report states that DOD needs to undertake deliberate and integrated force shaping of the civilian and military forces, address human capital challenges from a total force perspective, and base decisions to convert functions from military to civilian or to outsource functions to contractors on an integrated human resource plan.[30] In addition, the National Academy of Public Administration, in its report on the Navy civilian workforce 2020, notes that as more work is privatized and more traditionally military tasks require support of civilian or contractor personnel, a more unified

[30]*The Defense Science Board Task Force on Human Resources Strategy.*

approach to force planning and management will be necessary; serious shortfalls in any one of the force elements will damage mission accomplishment.[31] The Academy's report also states that the trend towards greater reliance on contractors necessitates a critical mass of civilian personnel expertise to protect the government's interest and ensure effective oversight of contractors' work. Further, the 2002 Commercial Activities Panel final report indicates that sourcing and human capital policies should be inextricably linked together, and it calls for federal sourcing policies to be "consistent with human capital practices designed to attract motivate, retain, and reward a high performing workforce."[32]

DOD's overall human capital strategy, however, consists of three separate plans: one for civilians, one for military personnel, and one for quality of life issues for servicemembers and their families. DOD has not integrated the contractor workforce into these plans. Although DOD officials maintain that these plans are intended to complement each other, the plans are not integrated to form a seamless and comprehensive strategy. The civilian plan was prepared separately from the other two military plans with little direct involvement of key stakeholders, such as representatives from military personnel and manpower requirements communities.

Although not reflected in its departmentwide civilian human capital strategic plan, DOD acknowledged—in its response to the President's Management Agenda to accomplish workforce restructuring, reorganizations, delayering, outsourcing, and reengineered and streamlined processes—that these efforts could only be accomplished through coordinating and integrating civilian and military components. The departmentwide civilian plan includes a longer-term objective to assess the need for and the capabilities of automated information management tools to primarily integrate civilian and military personnel and transaction data. We believe these tools can also provide information for planning and analysis, but they may not provide DOD with the information needed to proactively shape the total DOD workforce in response to current changes (i.e., the Secretary's transformation of the department, increasing joint operations, and competitive sourcing initiatives) because (1) contractor data are not included and (2) the

[31]*Civilian Workforce 2020: Strategies for Modernizing Human Resources Management in the Department of the Navy.*

[32]*Improving the Sourcing Decisions of the Government: Final Report.*

projected date for accomplishing this objective, September 2008, may be too late to effect near-term decisions. In addition, officials in the Office of the Under Secretary of Defense for Personnel and Readiness recognize that integration of the military and civilian plans is important and are developing an umbrella document that will encompass all three components of the human capital strategy, but it has not established a time frame for completion.

Furthermore, DOD's civilian human capital strategic plan does not address the role of civilian vis-à-vis contractor personnel or how DOD plans to link its human capital initiatives with its sourcing plans, such as efforts to outsource non-core responsibilities. The plan notes that contractors are part of the unique mix of DOD resources, but none of the goals and objectives discusses how DOD will shape its future workforce in a total force (civilian, military, and contractor) context.[33] We believe that effective civilian workforce planning cannot be accomplished in isolation from planning for military personnel or sourcing initiatives. As the Commercial Activities Panel report notes, it is particularly important that sourcing strategies support, not inhibit, the government organization's efforts to recruit and retain a high-performing in-house workforce.[34] We also noted in our High Risk report that careful and thoughtful workforce planning efforts are critical to making intelligent competitive sourcing decisions.[35]

At the service level, the Air Force's strategic plans for civilian personnel were not initially developed in a total force context, but the current plans acknowledge the need to integrate strategic planning for civilians with their military counterparts, as well as taking into account contractors. For example, the Air Force has set a goal and taken steps to integrate planning for active, reserve, civilian, and contractor personnel by 2004.[36] Air Force officials stated concerns about the significant budgetary consequences when planning does not take place in a total force context. For example, when civilian or contractor personnel perform functions previously

[33]Officials in the Office of the Under Secretary of Defense for Personnel and Readiness described a parallel effort to define civilian and contractor roles as part of identifying activities that are not inherently governmental as required by the Federal Activities Inventory Reform Act (P.L. 105-270).

[34]*Improving the Sourcing Decisions of the Government: Final Report.*

[35]GAO-03-120.

[36]*Air Force Personnel Vision Implementation Plan 2002.*

conducted by military personnel, the defense component involved must obtain additional funds because payment for civilians and contractors cannot come from military personnel funds.[37] The Air Force estimates that these costs could be $10 billion to $15 billion over the next 5 years.

Although a proposed time frame is not provided, the Marine Corps' civilian plan states the need to forecast military and civilian levels and workforce requirements based on strategic mission drivers, stratified workload demand, and business process changes; the requirements for its civilian marines will take into account the appropriate redistribution of work among the military, civilian, and contractor communities.[38] The Army's civilian human capital plan states that it will have to acquire, train, and retain its total force in an operational environment that will place different demands on human capital management. The Army's human capital community has an objective to support the Army-wide "Third Wave" initiative, which focuses on privatization of non-core functions to better allocate scarce resources to core functions.[39] (The Department of the Navy does not yet have a civilian human capital strategic plan.)

The defense agencies we reviewed, which have relatively few military personnel compared to the military services, are taking or plan to take an integrated approach to strategic planning for their civilian and military workforces, but they do not indicate how they will integrate these efforts with their sourcing initiatives. DCMA's human capital strategic plan includes both civilian and military personnel. For example, the plan includes a goal to address the underassignment of military personnel,[40] because their absence further compounds the difficulties caused by the downsizing of civilian positions and the increasing workload. DFAS is planning to include both civilian and military personnel in the human

[37]U.S. General Accounting Office, *DOD Competitive Sourcing: Some Progress, but Continuing Challenges Remain in Meeting Program Goals*, GAO/NSIAD-00-106 (Washington, D.C.: Aug. 8, 2000).

[38]*U.S. Marine Corps Civilian Workforce Campaign Plan 2003.*

[39]*The Department of the Army's Fiscal Year 02-07 Civilian Human Resources Strategic Plan* and *FY03 Army Civilian Human Resources Operational Plan.*

[40]In 2002, DCMA was authorized 630 military positions, but it filled 480. This chronic problem occurs because the services lack military personnel trained in the acquisition career fields and, therefore, do not have enough qualified military personnel to fill the DCMA positions. Currently, this shortage affects the Administrative Contracting and Acquisition Manager functions.

capital strategic plan that it is developing. Like DCMA, military personnel are a small but important part of the overall DFAS workforce, but they are projected to be less available in the future. For example, the Air Force has announced that it is reducing its military personnel presence at DFAS over the next several years.

Without integrated planning, goals for shaping and deploying military, civilian, and contractor personnel may not be consistent with and support each other. Consequently, DOD may not have the workforce it needs to accomplish tasks critical to readiness and mission success.

Conclusions

DOD has made progress in establishing a foundation for strategically addressing civilian human capital issues by developing its departmentwide civilian human capital strategic plan. However, the alignment of human capital goals with the overarching mission is unclear in DOD's and the components' strategic plans for civilian human capital, and results-oriented performance measures linked to mission accomplishment are lacking. Without these key elements, DOD and its components may miss opportunities to more effectively and efficiently increase workforce productivity. Also, without greater commitment from and the support of top leaders, civilian human capital professionals in DOD and the defense components may design strategic planning efforts that are not appropriately focused on mission accomplishment and that do not have adequate support to carry out.

Moreover, DOD top leadership has not provided its components with guidance on how to align component-level strategic plans with the departmentwide plan. Without this alignment, DOD's and its components' planning may lack the focus and coordination needed (1) to carry out the Secretary of Defense's transformation initiatives in an effective manner and (2) to mitigate risks of not having human capital ready to respond to national security events at home and abroad.

Although DOD and component officials recognize the critical need for ensuring that the future workforce be efficiently deployed across their organizations and have the right skills and competencies needed to accomplish their missions, their strategic plans lack the information needed to identify gaps in skills and competencies. As a result, DOD and its components may not have a sound basis for funding decisions related to human capital initiatives and may not be able to put the right people in the right place at the right time to achieve the mission.

Furthermore, as personnel reductions continue and DOD carries out its transformation initiatives, integrating planning in a total force context—as mentioned in the QDR—becomes imperative to ensure that scarce resources are most effectively used. However, military and civilian human capital strategic plans—both DOD's and the components'—have yet to be integrated with each other. Furthermore, the civilian plans do not address how human capital policies will complement, not conflict with, the department-level or component-level sourcing plans, such as competitive sourcing efforts.

Recommendations for Executive Action

To improve human capital strategic planning for the DOD civilian workforce, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Personnel and Readiness, to undertake the following:

- Improve future revisions and updates to the DOD departmentwide strategic human capital plan by more explicitly aligning with DOD's overarching mission, including results-oriented performance measures, and focusing on future workforce needs. To accomplish this, the revisions and updates should be developed in collaboration with top DOD and component officials and civilian and military human capital leaders.

- Direct the military services and the defense agencies to align their strategic human capital plans with the mission, goals, objectives, and measures included in the departmentwide strategic human capital plan and provide guidance to these components on this alignment.

- Define the future civilian workforce, identifying the characteristics (i.e., the skills and competencies, number, deployment, etc.) of personnel needed in the context of the total force and determine the workforce gaps that need to be addressed through human capital initiatives.

- Assign a high priority to and set a target date for developing a departmentwide human capital strategic plan that integrates both military and civilian workforces and takes into account contractor roles and sourcing initiatives.

Agency Comments

We received comments from the Department of Defense too late to include them in the final report. These comments and our evaluation of them, however, were incorporated into a subsequent report (*DOD Personnel: DOD Comments on GAO's Report on DOD's Civilian Human Capital Strategic Planning*, GAO-03-690R).

We are sending copies of this report to the appropriate congressional committees; the Secretary of Defense; the Secretaries of the Air Force, Army, and Navy; the Commandant of the Marine Corps; and the Directors of DCMA and DFAS. We will also make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov.

Please contact me at (202) 512-5559 if you or your staff have any questions concerning this report. Key contributors are listed in appendix III.

Sincerely yours,

Derek B. Stewart
Director, Defense Capabilities
and Management

Appendix I: Scope and Methodology

As requested by the Ranking Minority Member of the House Committee on Armed Services, Subcommittee on Readiness, we reviewed civilian human capital strategic planning in the Department of Defense (DOD). Specifically, the objectives of this report were to assess (1) the extent to which top-level leadership is involved in strategic planning for civilian personnel and (2) whether strategic plans for civilian personnel are aligned with the overall mission, results oriented, and based on data about the future civilian workforce. We also determined whether the strategic plans for civilian personnel are integrated with plans for military personnel or sourcing initiatives. We focused primarily on civilian human capital strategic planning undertaken since 1988, when DOD began downsizing its civilian workforce. Our analyses were based on the documents that each organization identified as its civilian human capital strategic planning documents. Several documents had been published or updated either just prior to or during the time of our review (May 2002 to March 2003). Also, DOD and component strategic planning for civilian personnel is a continuous process and involves ongoing efforts. We did not review the implementation of the human capital strategic plans because most plans were too recent for this action to be completed.

The scope of our review included examining the civilian human capital strategic planning efforts undertaken by DOD, its four military services, and two of its other defense organizations—the Defense Finance and Accounting Service (DFAS) and the Defense Contract Management Agency (DCMA). We selected the military services since they account for about 85 percent of the civilian personnel in DOD. To understand how civilian human capital strategic planning is being undertaken by other defense organizations, which account for the other 15 percent of the DOD civilian workforce, we determined the status of the human capital strategic planning efforts of 21 other defense organizations through a telephone survey. We judgmentally selected two defense agencies, DFAS and DCMA, because of their large size and because they perform different functions; therefore, they could offer different perspectives on strategic planning for civilians. DFAS and DCMA account for about 26 percent of the civilian personnel in other defense organizations. DFAS has about 15,274 civilian employees and more than 1,000 military personnel, performs finance and accounting activities, and does not have a civilian human capital strategic plan, although it does have an overall agency strategic plan that includes human capital as a key element. DCMA has about 11,770 civilian employees and about 480 military personnel, performs acquisition functions, and has a civilian human capital strategic plan.

To assess the extent to which top-level leadership is involved in strategic planning for civilian personnel, we reviewed the civilian human capital strategic plans for discussions of the methodology used in developing them that indicated leadership involvement. Further, we compared the civilian human capital strategic plans publication dates to key events, such as the issuance of the President's Management Agenda, which advocates strategic human capital planning. We discussed top leadership involvement in the development of human capital strategic plans with the applicable civilian human capital planning officials. These officials included representatives from the following offices:

- Department of Defense: Under Secretary of Defense for Personnel and Readiness, including Deputy Under Secretary of Defense for Civilian Personnel Policy and Director, Civilian Personnel Management Service.
- Department of Air Force: Assistant Secretary of the Air Force for Manpower and Reserve Affairs; Assistant Deputy Chief of Staff for Personnel Headquarters; Director of Strategic Plans and Future Systems, and Director, Air Force Personnel Operations Agency, Deputy Chief of Staff for Personnel; and Directorate of Personnel, Air Force Materiel Command.
- Department of the Army: Deputy Chief of Staff, G-1.
- Department of the Navy: Deputy Assistant Secretary of the Navy for Civilian Personnel Policy and Equal Employment Opportunity; Deputy Chief of Naval Operations for Manpower and Personnel; and Deputy Commandant of the Marine Corps for Manpower and Reserve Affairs.
- Defense Contract Management Agency: Executive Director, Human Resources; and Director, Strategic Planning, Programming, and Analysis.
- Defense Finance and Accounting Service: Human Resources Directorate and Resource Management Directorate.

To assess whether strategic plans for civilian personnel are aligned with the overall mission, results oriented, and contained data about the future civilian workforce, we compared each plan with the concepts articulated in our model for strategically managing human capital and similar guidance provided by the Office of Budget and Management and the Office of Personnel Management (which are discussed in greater detail in the Background section of this report). Among the numerous sources we reviewed, we used the criteria described in our reports on *Exposure Draft: A Model of Strategic Human Capital Management; Human Capital: A Self-Assessment Checklist for Agency Leaders; High-Risk Series: An*

Update; and Performance and Accountability Series – Major Management Challenges and Program Risks.[41] Specifically, we looked for (1) the alignment of human capital approaches to meet organizational goals, (2) the presence of results-oriented performance measures, and (3) the references to use of workforce planning data to justify human capital initiatives (i.e., policies and programs). To ensure consistency with our application of the criteria in other GAO engagements, we also reviewed approximately 100 of our reports that addressed their application within DOD and other federal agencies. Also, to better understand the existing human capital framework and its relationship to the strategic planning efforts, we gathered information about policies, programs, and procedures. Finally, we validated the results of our analyses of the plans with appropriate agency officials.

To assess whether the strategic plans for civilian personnel are integrated with plans for military personnel or sourcing initiatives, we analyzed the civilian human capital strategic plans for (1) references to military personnel or a total force perspective and (2) discussions about competitive and strategic sourcing efforts being undertaken in a total force context. We also collaborated with other GAO staff who reviewed (1) DOD's strategic plans for military personnel and quality of life issues for servicemembers and their families,[42] (2) sourcing initiatives,[43] and (3) DOD's acquisition workforce.[44] In addition, we discussed integration between civilian and military personnel plans with the applicable civilian human capital planning officials previously mentioned.

[41]U.S. General Accounting Office, *Exposure Draft: A Model of Strategic Human Capital Management*, GAO-02-373SP (Washington, D.C.: Mar. 2002); *Human Capital: A Self-Assessment Checklist for Agency Leaders*, GAO/OCG-00-14G (Washington, D.C.: Sept. 2000, Version 1); *High-Risk Series: An Update*, GAO-01-263 (Washington, D.C.: Jan. 2001); and *Performance and Accountability Series—Major Management Challenges and Program Risks: Department of Defense*, GAO-03-98 (Washington, D.C.: Jan 2003).

[42]U.S. General Accounting Office, *Military Personnel Oversight Process Needed to Help Maintain Momentum of DOD's Strategic Human Capital Planning*, GAO-03-237 (Washington, D.C.: Dec. 2002).

[43]Commercial Activities Panel, *Improving the Sourcing Decisions of the Government: Final Report* (Washington, D.C.: Apr. 2002).

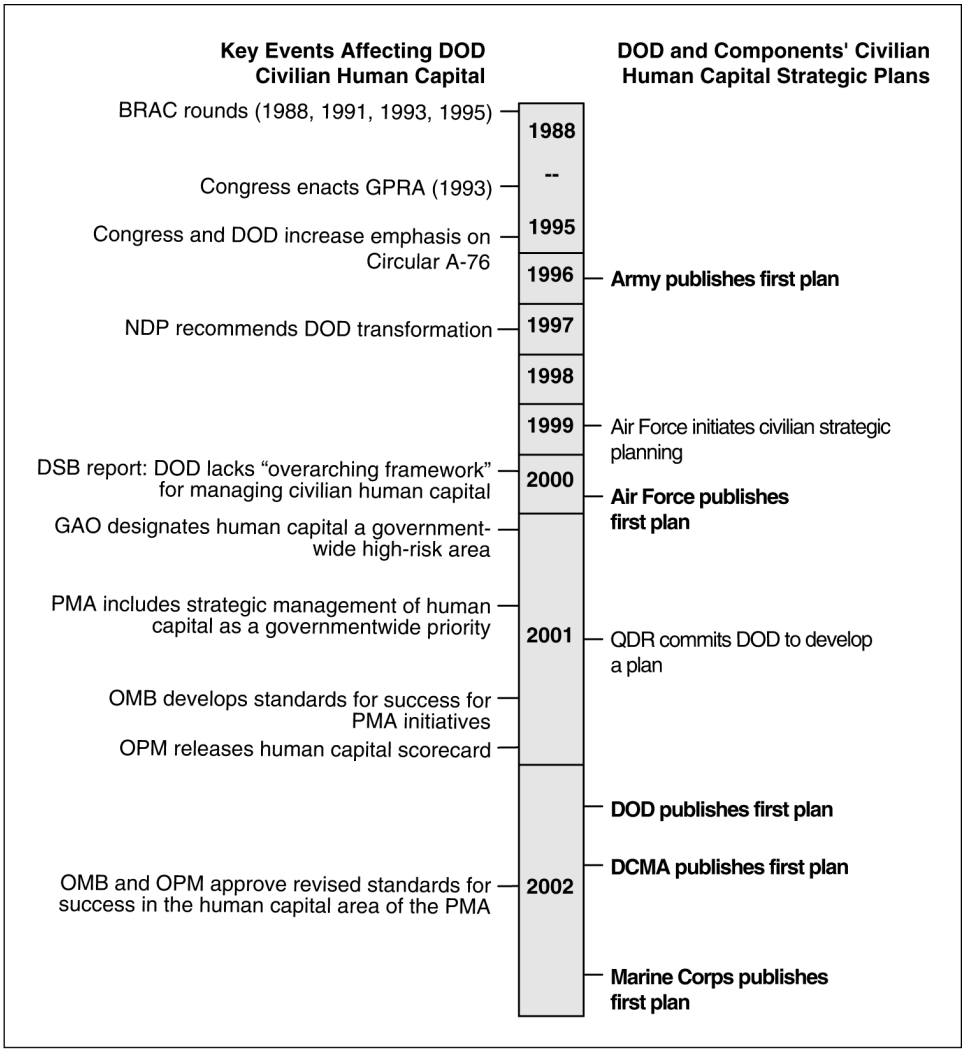
[44]U.S. General Accounting Office, *Acquisition Workforce: Department of Defense's Plans to Address Workforce Size and Structure Challenges*, GAO-02-630 (Washington, D.C.: Apr. 30, 2002).

We conducted our review from May 2002 to March 2003 in accordance with generally accepted government auditing standards.

Appendix II: Key Events Related to Strategic Planning for DOD Civilian Personnel

Figure 3 provides a time line of several key events and dates that affected DOD's civilian workforce between 1988 and 2002. It also shows when DOD and its components published their human capital strategic plans.

Figure 3: Key Events Related to Strategic Planning for DOD Civilian Personnel



Source: GAO.

Note: Base Realignment and Closure (BRAC); Government Performance and Results Act (GPRA); National Defense Panel (NDP); Defense Science Board (DSB); Department of Defense (DOD); President's Management Agenda (PMA); Office of Management and Budget (OMB); Office and Personnel Management (OPM); Defense Contract Management Agency (DCMA); and Quadrennial Defense Review (QDR).

Appendix III: GAO Contacts and Staff Acknowledgments

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Acknowledgments

In addition to the name above, Daniel Chen, Joel Christenson, Barbara Joyce, Janet Keller, Shvetal Khanna, Dan Omahen, Gerald Winterlin, Dale Wineholt, and Susan Woodward made key contributions to this report.

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