

CHIEF HUMAN CAPITAL OFFICERS COUNCIL FISCAL YEAR 2004

ANNUAL REPORT TO THE CONGRESS

Working for America



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
MAY 2005



“Government likes to begin things – to declare grand new programs and causes. But good beginnings are not the measure of success. What matters in the end is completion. Performance. Results. Not just making promises, but making good on promises.”

—President George W. Bush



“The Chief Human Capital Officers Council continues to realize significant progress in the Strategic Management of Human Capital, a key initiative of President George W. Bush's Management Agenda. By tackling critical human resources challenges, such as those involving technology and the streamlining of human resources functions across government, the members of the CHCO Council are offering meaningful contributions to the dialogue on the future of America's Civil Service.”

—OPM Acting Director Dan G. Blair
CHCO Council Chairman

TABLE OF CONTENTS

| | |
|---|----|
| A Message from OPM Acting Director Dan G. Blair, Council Chairman | 2 |
| I. Executive Summary | 3 |
| II. Background | 4 |
| III. Council Activities | 5 |
| ▪ Council Retreat | |
| ▪ Meetings of the Council | |
| ▪ Meetings of the Executive Committee | |
| ▪ Activities of the Subcommittees | |
| ▪ Involvement of CHCOs in Key Strategic Human Capital Management Issues | |
| ▪ Chief Human Capital Officers Academy | |
| ▪ Interaction with the Congress | |
| ▪ Outreach to External Stakeholders | |
| IV. Conclusion | 14 |
| Appendix 1: Members of the Chief Human Capital Officers Council | |
| Appendix 2: Members of the Executive Committee | |
| Appendix 3: Members of the Subcommittees | |
| Appendix 4: Chief Human Capital Officers Council Charter | |
| Appendix 5: Testimony of Chairman James before the Subcommittee on Civil Service and Agency Organization, Committee on Government Reform, U.S. House of Representatives | |

**A MESSAGE FROM OPM ACTING DIRECTOR DAN G. BLAIR
CHAIRMAN, CHIEF HUMAN CAPITAL OFFICERS COUNCIL**

I am pleased to present to Congress the second annual report of the Chief Human Capital Officers (CHCO) Council, detailing activities during Fiscal Year (FY) 2004. This report was prepared in response to the statutory requirement that the CHCO Council submit annually to Congress a report on the activities of the Council. Section 1401 [note] of title 5, United States Code, establishes a Chief Human Capital Officers Council to advise and coordinate the activities of the agencies of its members on such matters as the modernization of human resources systems, improved quality of human resources information, and legislation affecting human resources operations and organizations.

The CHCO Council continues to be actively engaged in assisting agencies in the implementation of the first Government-wide initiative of the President's Management Agenda: the Strategic Management of Human Capital. During this first full fiscal year since the Council's establishment, the Council and Executive Committee each met on six occasions, the newly established CHCO Academy held five sessions, and three of five subcommittees issued initial reports with detailed findings and recommendations on their issue areas. I am confident that, through its ongoing activities, this important body of key policy advisors will continue to raise the profile of human resource management issues envisioned by President George W. Bush and the Congress.

This report can be found on the CHCO Council's Web site at www.chcoc.gov.

(S)

Dan G. Blair
Chairman

EXECUTIVE SUMMARY

The *Chief Human Capital Officers Act of 2002* (Act), enacted as part of the *Homeland Security Act of 2002* on November 25, 2002,¹ required the heads of 24 Executive departments and agencies to appoint or designate Chief Human Capital Officers (CHCOs). In addition, the Act established a Chief Human Capital Officers Council (Council) “to advise and coordinate the activities of the agencies of its members on such matters as modernization of human resources systems, improved quality of human resources information, and legislation affecting human resources operations and organizations.”²

The 25-member Council is composed of the Director of the Office of Personnel Management (OPM), who serves as chairman; the Deputy Director for Management of the Office of Management and Budget (OMB), who acts as vice chairman; the CHCOs of the 15 Executive departments; and the CHCOs of eight additional agencies designated by the OPM Director.

The Council pursued a proactive agenda during the first full fiscal year since its establishment on May 24, 2003. On November 20-21, 2003, OPM Director Kay Coles James, Chairman of the CHCO Council, convened a retreat of the Council at OPM’s Federal Executive Institute in Charlottesville, Virginia. CHCOs took advantage of the opportunity to discuss briefings from senior OPM staff on critical issues, and identify and review the work of the Council’s five subcommittees during the Fiscal Year (FY).

Chairman James convened six meetings of the full CHCO Council during FY 2004 in the months of January, February, April, May, July, and September. The Executive Committee met on six occasions in December, January, February, April, May, and July.

In FY 2004, the Council’s five subcommittees began their work in earnest on some of the more pervasive and complex challenges confronting the Federal human resources (HR) community and issued three reports. The subcommittees focused on the Hiring Process, Leadership Development and Succession Planning, Performance Management, Employee Conduct and Poor Performers, and Emergency Preparedness.

Carrying out the legislative intent of the *Chief Human Capital Officers Act of 2002*, Chairman James encouraged CHCOs to become involved in shaping the Federal Government’s efforts to reform America’s civil service for the 21st century through a variety of outreach events. Two important human capital initiatives advanced by OPM and supported by CHCOs during the year were fixing the hiring process and promoting agency use of telework programs.

At the Council’s inaugural meeting in June 2003, Chairman James announced the establishment of a Chief Human Capital Officers Academy, a forum for Council members to share best practices in the strategic management of human capital. During FY 2004, the Chairman convened the Academy on five occasions.

¹ Pub. L. No. 107-296.

² 5 U.S.C. §1401 note.

During FY 2004, the Council engaged in extensive outreach to key stakeholders inside and outside of Government. On May 18, 2004, the Subcommittee on Civil Service and Agency Organization of the House Committee on Government Reform convened a hearing entitled “First Year on the Job: Chief Human Capital Officers.” Chairman James and others testified before the Subcommittee on the Council’s progress. In addition, throughout the year, Mr. Michael D. Dovilla, the Council’s Executive Director represented Chairman James at a variety of conferences, meetings, or other events organized by external stakeholders.

As the Chief Human Capital Officers Council approaches its second anniversary, it continues to make a contribution to the public policy discourse on the future of America’s civil service. In the coming year, the Council will maintain its central role in the development of human resources policy, dedication to the American civil service, and attention to results in the strategic management of human capital.

BACKGROUND

The *Chief Human Capital Officers Act of 2002* (Act), enacted as part of the *Homeland Security Act of 2002* on November 25, 2002,³ required the heads of 24 Executive departments and agencies to appoint or designate Chief Human Capital Officers (CHCOs). In addition, the Act established a Chief Human Capital Officers Council (Council) “to advise and coordinate the activities of the agencies of its members on such matters as modernization of human resources systems, improved quality of human resources information, and legislation affecting human resources operations and organizations.”⁴

The 25-member Council is composed of the Director of the Office of Personnel Management (OPM), who serves as chairman; the Deputy Director for Management of the Office of Management and Budget (OMB), who acts as vice chairman; the CHCOs of the 15 Executive departments; and the CHCOs of eight additional agencies designated by the OPM Director.

The Act’s effective date, 180 days after enactment, was May 24, 2003.

³ Pub. L. No. 107-296.

⁴ 5 U.S.C. §1401 note.

COUNCIL ACTIVITIES

Council Retreat

On November 20-21, 2003, OPM Director Kay Coles James, Chairman of the CHCO Council, convened a retreat of the Council at OPM's Federal Executive Institute in Charlottesville, Virginia. The offsite, originally scheduled for September but postponed due to Hurricane Isabel, demonstrated the high priority Council members place on their new roles. CHCOs took advantage of the opportunity to become better acquainted with one another and discuss briefings from senior OPM staff on such critical issues as adjudication of security clearances and Executive branch detailees to Congress. In addition, the chairmen of the Council's five subcommittees partnered with OPM staff to research and present detailed briefings on each of their issues areas, forming a solid foundation for the subcommittees and the full Council to present findings and recommendations on some of the Federal Government's more complex HR challenges.

Meetings of the Council

The Chairman convened six meetings of the full CHCO Council during FY 2004.

January 13, 2004

The Council's first meeting of the calendar year was also the first of FY 2004. At the meeting, the Council received briefings on OPM's biennial Federal Human Capital Survey, the Federal Government's emergency procedures, and the Council's efforts to secure a portion of funds collected from agencies to support the initiatives of the various Federal interagency councils. The Council also discussed the newly established CHCO Academy, and Chairman James announced the topics of the first three sessions: (1) using current title 5 flexibilities; (2) examining HR competitive sourcing; and (3) continuing the dialogue on pay reform. Finally, the Council engaged in a detailed discussion of the new statutory performance-based pay system for the Senior Executive Service (SES).

February 10, 2004

The Council met in February and received briefings on OPM's *Working for America* recruitment fairs and activities of the Chief Information Officers Council. Chairman James and the Executive Committee named Executive Director Dovilla the Council's liaison to other Federal interagency councils and charged him with providing periodic updates on the activities and actions of the several councils. In addition, Council members participated in a comprehensive dialogue on the proposed principles and process for agency certification in conjunction with the new SES performance-based pay system.

April 13, 2004

At the Council's first of two spring meetings, CHCOs received briefings on three surveys: OPM's second emergency survey of Federal agencies; the 2004 Federal Human Capital Survey; and the employee survey requirement contained in the *National Defense Authorization Act for Fiscal Year 2004*.⁵ Executive Director Dovilla also provided a brief update on the status of the CHCO Academy and the Council's tactical plan for FY 2004. Finally, OPM staff briefed CHCOs on the new Presidential Management Fellows (PMF) Program, in which the Council will play the important role of recommending to the OPM Director the annual number of PMFs and Senior PMFs needed by the Federal Government.

May 25, 2004

Chairman James consolidated the Council's regularly scheduled May and June meetings into a major event celebrating the Council's first anniversary and focusing on the importance of veterans' preference in the Federal hiring process. The meeting, convened at Walter Reed Army Medical Center in Washington, D.C., was held in conjunction with a meeting of Veterans Service Organizations and a joint training session on veterans' preference. The Council received an update on the status of employee surveys as well as briefings on the Human Resources Line of Business and associated e-Government initiatives, and proposed regulatory changes related to the Student Career Experience Program and appointing authorities for people with disabilities. The meeting featured participation by the representatives of two Federal employee labor organizations, as required annually by statute – the American Federation of Government Employees and the National Treasury Employees Union. The Federal Managers Association and Senior Executives Association also were represented at the meeting.

July 13, 2004

Chairman James convened a summer meeting of the Council at which CHCOs discussed telework opportunities for Federal employees and the status of regulations related to the new SES performance-based compensation system. OPM staff also briefed CHCOs on the 2004 Federal Workforce Conference, an e-training workforce development roadmap tool for Federal HR professionals, and OPM's continuing efforts to improve the Federal hiring process.

September 9, 2004

The Council's last meeting of FY 2004 was held in conjunction with OPM's Federal Workforce Conference in Baltimore, Maryland. The Council received briefings on information technology (IT) special salary rates, the Human Resources Line of Business, and the HealthierFeds Physical Activity Challenge. In addition, the Council received and approved the report of the Subcommittee on Leadership Development and Succession Planning. Finally, Dr. John Boudreau, professor of management and organization at the University of Southern California, made a presentation to the Council on increasing human capital accountability, noting that the President's Management Agenda and its associated Scorecard send an important signal on the importance of results to those engaged in the HR profession.

⁵ Pub. L. No. 108-136.

Meetings of the Executive Committee

The Chairman convened six meetings of the Council's Executive Committee during FY 2004.

December 12, 2003

The Executive Committee's first meeting featured reports of the five subcommittees, a discussion of possible legislative proposals for the President's FY 2005 Budget, and a briefing by senior OPM staff on SES compensation. In addition, the Committee decided (1) to allow Technical Assistants to the CHCOs to attend full Council meetings on an *ad hoc* basis when deemed necessary by the Committee and (2) to direct the Executive Director to request a portion of the Quad Council's budget for the purpose of developing and maintaining a Council Web site, among other initiatives.

January 29, 2004

The Executive Committee convened for the first time in 2004 to discuss the Council's relationship with other Federal interagency councils, OPM's survey of Federal workforce security and safety measures, and the SES performance-based pay system. The Committee designated Executive Director Dovilla the Council's liaison to the other management councils.

February 26, 2004

Chairman James and the Executive Committee met to receive briefings on the SES Senior Opportunity and Resume System (SOARS), the maximum uniform allowance rate for Federal firefighters, and OPM's *Working for America* recruitment fairs. The Committee also discussed the process for managing external requests for CHCO participation in surveys and received the initial reports of the Subcommittee on Employee Conduct and Poor Performers and the Subcommittee on Leadership Development and Succession Planning. Chairman James requested that input on the reports be provided to the respective subcommittee chairmen before further action would be taken by the Executive Committee.

April 7, 2004

The Executive Committee received a briefing from the Gallup Organization on the Q-12 survey instrument and the possible application of the polling corporation's methodology to the annual employee survey mandated by Section 1128 of the *National Defense Authorization Act for Fiscal Year 2004*. The Committee also reviewed the Council's "principals only" attendance policy, which Chairman James implemented to fulfill the legislative intent of elevating the institutional profile of the strategic management of human capital in Federal agencies. Finally, members discussed the Council's tactical plan for FY 2004 and comments on subcommittee reports received in February.

May 19, 2004

Executive Committee members met to discuss several pending human capital surveys, the Human Capital Performance Fund, and subcommittee reports. The Committee approved the initial report of the Subcommittee on Employee Conduct and Poor Performers and recommended that it be reviewed by the full Council at a future meeting. The chairman of the Subcommittee on Leadership Development and Succession Planning also reported that efforts continued on the revised draft of his panel's initial report. The Executive Committee also discussed the agenda of the full Council's upcoming first anniversary meeting at Walter Reed Army Medical Center.

July 29, 2004

Chairman James convened the final Executive Committee meeting of FY 2004 to receive a briefing on candidate and employee assessment products from Aon Consulting. The Committee also approved the revised initial report of the Subcommittee on Leadership Development and Succession Planning and received the draft report of the Subcommittee on the Hiring Process.

Activities of the Subcommittees

During FY 2004, the Council's five subcommittees began their work in earnest on some of the more pervasive and complex challenges confronting the Federal human resources community. The working groups realized substantial progress, and three issued initial reports for the Council's consideration. All five subcommittees exhibited considerable engagement on their issues, complementing OPM's efforts by serving as policy sounding boards, partners in promoting various seminars and events for HR staff and line managers, and forums for the advancement of reform options on a variety of human capital matters.

Subcommittee on the Hiring Process

The Subcommittee on the Hiring Process met on several occasions during FY 2004 and issued its initial report in March 2004. Chairman James reviewed the report and recommended changes in a July letter to the subcommittee chairman, Dr. David S. C. Chu, Chief Human Capital Officer of the Department of Defense. The Executive Committee also reviewed the initial report at its July meeting. Chairman James suggested several hiring related topics the subcommittee could examine, including (1) the development of attractive job announcements; (2) the use of hiring flexibilities; (3) Federal agencies' internal decision processes; (4) time to hire; (5) training and capacity in the professional HR community; and (6) the use of strategic succession planning. Dr. Chu said he believed the report represented a starting point and accepted the Chairman's challenge to delve deeper into hiring issues in FY 2005.

Subcommittee on Leadership Development and Succession Planning

The Subcommittee on Leadership Development and Succession Planning conducted extensive research of the issues under its jurisdiction, convening a series of meetings with a variety of public, private, and non-profit sector experts and issuing its initial report in February 2004. Chairman James reviewed the report and recommended changes in a March letter to the subcommittee chairman, Mr. William D. Leidinger, Chief Human Capital Officer of the Department of Education. After meeting with OPM senior staff in May, the subcommittee revised its initial report and issued a second draft in June. The Executive Committee reviewed the revised report at its July meeting and approved its presentation to the full Council. At the final meeting of the full Council in September, the subcommittee briefed CHCOs on its recommendations, which the Council discussed and cleared for implementation.

Subcommittee on Performance Management

The Subcommittee on Performance Management met numerous times at OPM during FY 2004. Members of the subcommittee served as a review panel for options pursued in OPM's development of regulations to implement the new statutory Senior Executive Service performance-based compensation system. The subcommittee also received OPM briefings on the new personnel systems being developed for the Departments of Homeland Security and Defense in order to gain a better understanding of options for performance-based compensation at other Federal agencies.

Subcommittee on Employee Conduct and Poor Performers

The Subcommittee on Employee Conduct and Poor Performers submitted its initial findings and recommendations in a memorandum for Executive Director Dovilla on February 18, 2004. The Executive Committee reviewed the report and discussed its contents on February 26, 2004, recommending its presentation to the full Council. Due to scheduling difficulties, the subcommittee's report to the Council did not occur until December 2004, at which time Chairman James directed its recommendations and those of the Subcommittee on Leadership Development and Succession Planning to be carried out utilizing a robust implementation strategy to be developed by key OPM staff. At the time of this report's publication, that process was well underway. Implementation progress will be outlined in the Council's FY 2005 Report to the Congress.

Subcommittee on Emergency Preparedness

The Subcommittee on Emergency Preparedness held a forum to prepare agencies for the Forward Challenge exercise in May 2004. The subcommittee also distributed the Government Accountability Office (GAO) report, “Human Capital: Opportunities to Improve Federal Continuity Planning Guidance,” to the full CHCO Council. The working group partnered with OPM’s Division for Human Capital Leadership and Merit System Accountability to ensure Federal Executive Boards across the Nation were aware of their important roles in emergency management. This was of particular importance during the national political conventions in Boston and New York City during the summer of 2004. The subcommittee also co-hosted with OPM two emergency preparedness forums on May 21, 2004 (topic: shelter-in-place and evacuation drills) and June 11, 2004 (topic: use of telework during emergencies).

Involvement of CHCOs in Key Strategic Human Capital Management Issues

Carrying out the legislative intent of the *Chief Human Capital Officers Act of 2002*, Chairman James encouraged CHCOs to become involved in shaping the Federal Government’s efforts to reform America’s civil service for the 21st century through a variety of outreach events. Two important human capital initiatives advanced by OPM and supported by CHCOs during the year were fixing the hiring process and promoting agency use of telework programs.

OPM “Working for America” Recruitment Fair

On April 20, 2004, CHCOs from the Departments of Commerce and Justice and the Central Intelligence Agency accompanied Chairman James to the last in a series of OPM “Working for America” recruitment fairs conducted across the United States. The fair, conducted at Madison Square Garden in New York City, attracted more than 15,000 candidates interested in Federal employment. In addition to providing job information and opportunities from over 40 federal agencies and departments, the fair featured computer linkups to www.usajobs.opm.gov, and provided individual interview areas for career assessments, on-the-spot hiring, and workshops on interviewing, resume writing and the application process. There was also special outreach to veterans, including an educational seminar explaining veterans’ preference. Staff for several Members of Congress and alumni of the Presidential Management Fellows Program also attended the event.

Telework Center Site Visit

On July 6, 2004, Chairman James invited Council members and their designees to the Fairfax Telework Center in Fairfax, Virginia to see firsthand how telework centers operate and how they contribute to the effectiveness and the quality of the Federal workforce. The visit provided key representatives from 16 Federal agencies the opportunity to learn how to better implement their own telework programs. The event included presentations by representatives of Lockheed Martin and George Mason University and featured information on NoCommute.org, an umbrella organization that operates several of the 16 Washington metropolitan telework centers.

Chief Human Capital Officers Academy

At the Council's inaugural meeting in June 2003, Chairman James announced the establishment of a Chief Human Capital Officers Academy, a forum for Council members to discuss Federal human resources issues, learn from one another in an informal setting, and share best practices in the strategic management of human capital. During FY 2004, the Chairman convened the Academy on five occasions.

February 19, 2004

The Academy's inaugural session focused on the use of human resources flexibilities contained in title 5, United States Code. The session, facilitated by Dr. Doris Hausser, Senior Advisor to the OPM Director and CHCO, Dr. Ronald Sanders, OPM's Associate Director for Strategic Human Resources Policy (SHRP), and several other SHRP staff members, focused on flexibilities including direct hire authority, streamlined category rating in lieu of the "Rule of Three," the Federal Career Intern Program, and the Veterans' Recruitment Authority. While outlining these and other flexibilities available to agencies, the meeting also emphasized the Bush Administration's commitment to established title 5 principles, such as preserving the Merit System, applying veterans' preference, protecting employees and the public from prohibited personnel practices, and maintaining whistleblower protections.

March 18, 2004

The second Academy session addressed the issue of human resources competitive sourcing. Ms. Marta Perez, OPM's Associate Director for Human Capital Leadership and Merit System Accountability (HCLMSA), and other HCLMSA staff members facilitated the session, which reviewed OPM's role in Federal HR competitive sourcing, as well as compliance issues, history, trends, results, and the advantages and disadvantages of competitive sourcing in the public and private sectors.

April 22, 2004

The Academy met in April to continue the dialogue on pay reform that Director James began with the release of an OPM White Paper, *A Fresh Start for Federal Pay: The Case for Modernization*, at an executive session convened by Harvard University's John F. Kennedy School of Government in April 2002. Dr. Hausser and Dr. Sanders were joined by Mr. Steven Cohen, OPM's senior advisor for homeland security, in leading the discussion of possible future reforms to Federal compensation. CHCOs discussed the dramatic changes that have taken place in the Federal workforce since the passage of the *Classification Act of 1949*,⁶ which established the General Schedule that governs the pay of most Federal employees and considered the thesis that the strategic management of human capital requires the strategic use of compensation in order to attract and retain the best and the brightest Federal employees. Mr. Cohen provided insights on the compensation system being developed by the Department of Homeland Security and OPM, a possible model for future reforms.

⁶ Pub. L. No. 81-429.

June 17, 2004

Prior to a summer recess, the Chairman convened the Academy for a discussion of Federal hiring flexibilities. Staff from OPM's Center for Talent and Capacity Policy led CHCOs in a dialogue on issues such as appointing authorities for veterans, direct hire authority, category rating, student employment, and excepted service employment authorities.

September 23, 2004

The Academy resumed in the fall for its final FY 2004 session, which addressed presidential transitions at Federal agencies. CHCOs Gail Lovelace and John Surina of the General Services Administration (GSA) and Department of Agriculture, respectively, briefed their colleagues on the transition services GSA provides (e.g., support to the presidential transition team, presidential inaugural, appointee orientation, office of the former president, presidential library) and additional sources of information on transitions that agencies can utilize in preparing for this quadrennial process. OPM staff also provided information on the *United States Government Policy and Supporting Positions* (i.e., the "Plum Book") and regulations governing appointments and bonuses during the 2004 election period.

Interaction with the Congress

Oversight Hearing of the House Subcommittee on Civil Service and Agency Organization

On May 18, 2004, the Subcommittee on Civil Service and Agency Organization, House Committee on Government Reform, convened a hearing entitled, "First Year on the Job: Chief Human Capital Officers." The purpose of the hearing was to review federal agencies' implementation of the *Chief Human Capital Officers Act of 2002*. The Subcommittee sought to learn what the CHCO Council and agency CHCOs had accomplished in modernizing and coordinating human resource systems and identifying problems requiring legislative attention.

Chairman James testified before the Subcommittee with Dr. Reginald Wells, Deputy Commissioner, Human Resources, and CHCO, Social Security Administration, Mr. J. Christopher Mihm, Managing Director, Strategic Issues, General Accounting Office; and Mr. Kevin M. Simpson, Executive Vice President and General Counsel, Partnership for Public Service. Ms. Vicki Novak, Assistant Administrator for Human Resources and CHCO, National Aeronautics and Space Administration, was unable to attend the hearing but submitted a statement for the record. The Chairman's testimony appears in Appendix 5 of this report.

Oversight Hearing of the House Subcommittee on Civil Service and Agency Organization

On July 13, 2004, the Subcommittee on Civil Service and Agency Organization, House Committee on Government Reform, convened a hearing entitled, “The Federal Hiring Process II: The Long and Winding Road.” The purpose of the hearing was to follow up on several key issues raised during the Subcommittee’s June 7, 2004, Chicago, Illinois field hearing on the same subject. The hearing also provided a forum for the House Subcommittee to examine the efforts of the Council’s Subcommittee on the Hiring Process.

OPM Deputy Director Dan G. Blair testified before the Subcommittee with Dr. David S. C. Chu, Under Secretary Personnel and Readiness and CHCO, Department of Defense; Ms. Claudia Cross, Director of the Office of Human Resource Management and CHCO, Department of Energy; Dr. Ed Sontag, Assistant Secretary for Administration and CHCO, Department of Health and Human Services; and Mr. J. Christopher Mihm, Managing Director, Strategic Issues, Government Accountability Office.

Oversight Hearing of the Senate Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia

On July 20, 2004, the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia, Senate Committee on Governmental Affairs, convened a hearing entitled, “Building the 21st Century Federal Workforce: Assessing Progress in Human Capital Management.” The purpose of the hearing was to review Governmentwide workforce flexibilities available to Federal agencies, with a focus on those enacted in the *Homeland Security Act of 2002*. The hearing examined the flexibilities’ implementation, use by agencies, and related training and education.

CHCO Council Vice Chairman Clay Johnson, III testified before the Subcommittee along with OPM Deputy Director Dan G. Blair; Dr. Ed Sontag, Assistant Secretary for Administration and CHCO, Department of Health and Human Services; Ms. Joanne Simms, Deputy Assistant Attorney General for Human Resources, Department of Justice; Ms. Vicki Novak, Assistant Administrator for Human Resources and CHCO, National Aeronautics and Space Administration; and Mr. J. Christopher Mihm, Managing Director, Strategic Issues, Government Accountability Office.

Outreach to External Stakeholders

During FY 2004, Executive Director Dovilla represented Chairman James at a variety of conferences, meetings, or other events organized by external stakeholders, including

- American Society for Training and Development
- Aon Consulting (“Ask the CHCO” radio program)
- Coalition for Effective Change
- Council for Excellence in Government
- Federal Office Systems Expo (FOSE)
- Franklin Covey
- Gulf States Federal Human Resources Council
- Industry Advisory Council
- Interagency Resources Management Conference (IRMCO)
- Logistics Management Institute
- National Academy of Public Administration
- Partnership for Public Service
- Performance Institute
- Senior Executives Association (“FEDtalk” weekly radio program)

CONCLUSION

As the Chief Human Capital Officers Council approaches its second anniversary, it continues to make a strong contribution to the public policy discourse on the future of America’s civil service. The position of Chief Human Capital Officer has elevated the institutional profile of the strategic management of human capital within Federal agencies. The Council is involved in setting the course the Federal Government takes in its efforts to modernize how it manages people in this new century. Its subcommittees are fulfilling the intent of the statute, formulating policy recommendations for regulatory and statutory reforms. The CHCO Academy is serving as a beneficial forum for the exchange of best practices in human resources. In the coming year, the Council will maintain its central role in the development of human resources policy, dedication to the American civil service, and attention to results in the strategic management of human capital.

CONTACTS

For further information on this report, please contact Mr. Michael D. Dovilla, Executive Director, Chief Human Capital Officers Council, on (202) 606-1000, or visit the Council’s Web site: www.chcoc.gov.



**CHIEF HUMAN CAPITAL OFFICERS COUNCIL
FULL COUNCIL
MAY 2005**

MR. DAN G. BLAIR, CHAIRMAN

Acting Director
Office of Personnel Management

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Department of Agriculture

MR. OTTO J. WOLFF

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Assistant Secretary for Management
Department of Education

MS. CLAUDIA CROSS

Director of Human Resources Management
Department of Energy

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Deputy Assistant Secretary for Human Resources
Department of Health and Human Services

MR. RONALD JAMES

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Department of Housing and Urban Development

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Deputy Assistant Secretary for
Performance, Accountability, and Human Resources
Department of the Interior

MS. DEBRA M. TOMCHEK

Acting Chief Human Capital Officer
Department of Justice

MR. PATRICK PIZZELLA

Assistant Secretary for
Administration and Management
Department of Labor

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Director General of the Foreign Service
and Director of Human Resources
Department of State

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Office of Management and Budget

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Department of the Treasury

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Department of Veterans Affairs

MR. H. MICHAEL MEARS

Chief Human Resources Officer
Central Intelligence Agency

MR. DAVID J. O'CONNOR

Deputy Assistant Administrator for
Administration and Resources Management
Environmental Protection Agency

MS. GAIL T. LOVELACE

Chief People Officer
General Services Administration

MS. VICKI A. NOVAK

Assistant Administrator for Human Resources
National Aeronautics and Space Administration

MR. ANTHONY ARNOLIE

Director of Information and Resource Management
National Science Foundation

MR. PAUL E. BIRD

Director, Office of Human Resources
Nuclear Regulatory Commission

MR. ROBERT F. DANBECK

Associate Director for Management Services
and Chief Human Capital Officer
Office of Personnel Management

DR. REGINALD WELLS

Deputy Commissioner, Human Resources
Social Security Administration

MR. JOHN SEAL

Chairman, Small Agency Council
Chief Management and Human Capital Officer
Pension Benefit Guaranty Corporation

MR. MICHAEL D. DOVILLA

Executive Director
Chief Human Capital Officers Council



**CHIEF HUMAN CAPITAL OFFICERS COUNCIL
EXECUTIVE COMMITTEE
MAY 2005**

**MR. DAN G. BLAIR
CHAIRMAN**

Acting Director
Office of Personnel Management

**MR. CLAY JOHNSON, III
VICE CHAIRMAN**

Deputy Director for Management
Office of Management and Budget

MR. OTTO J. WOLFF

Assistant Secretary for Administration
Department of Commerce

DR. DAVID S. C. CHU

Under Secretary for Personnel and Readiness
Department of Defense

MR. WILLIAM LEIDINGER

Assistant Secretary for Management
Department of Education

MR. RONALD JAMES

Chief Human Capital Officer
Department of Homeland Security

MR. PATRICK PIZZELLA

Assistant Secretary for Administration and Management
Department of Labor

MR. VINCENT TAYLOR

Assistant Secretary for Administration
Department of Transportation

MR. R. ALLEN PITTMAN

Assistant Secretary for Human Resources and Administration
Department of Veterans Affairs

MS. GAIL T. LOVELACE

Chief People Officer
General Services Administration

MR. MICHAEL D. DOVILLA

Executive Director
Chief Human Capital Officers Council



CHIEF HUMAN CAPITAL OFFICERS COUNCIL
SUBCOMMITTEES
MAY 2005

Subcommittee on the Hiring Process

David Chu, Department of Defense, *Chairman*
Robert Hosenfeld, Department of Health and Human Services
R. Allen Pittman, Department of Veterans Affairs
David O'Connor, Environmental Protection Agency

Subcommittee on Leadership Development and Succession Planning

William Leidinger, Department of Education, *Chairman*
Claudia Cross, Department of Energy
W. Robert Pearson, Department of State
H. Michael Mears, Central Intelligence Agency
Paul Bird, Nuclear Regulatory Commission

Subcommittee on Performance Management

Otto Wolff, Department of Commerce, *Chairman*
Michael Harrison, Department of Agriculture
Scott Cameron, Department of the Interior
Robert Danbeck, Office of Personnel Management
Reginald Wells, Social Security Administration
John Seal, Small Agency Council

Subcommittee on Employee Conduct and Poor Performers

Patrick Pizzella, Department of Labor, *Chairman*
Darlene Williams, Department of Housing and Urban Development
Debra Tomchek, Department of Justice
Patricia Pointer, Department of the Treasury
Vicki Novak, National Aeronautics and Space Administration

Subcommittee on Emergency Preparedness

Gail Lovelace, General Services Administration, *Chairman*
Ronald James, Department of Homeland Security
Vincent Taylor, Department of Transportation
John Seal, Small Agency Council



Charter

UNITED STATES GOVERNMENT CHIEF HUMAN CAPITAL OFFICERS COUNCIL

*Adopted:
June 11, 2003
The White House*

INTRODUCTION

In his Management Agenda, the President has stated that the Federal Government's workforce is one of its most valuable assets. Our employees are a national resource, and the American public expects the Federal workforce to be managed effectively and efficiently on their behalf. The Congress, through law, also supports this goal and has required that agencies establish a system of human capital management with plans that are strategically developed, leadership that has authority and accountability, and performance that is measured and continuously improved.

Chief Human Capital Officers (CHCOs) are essential to the success of human capital management throughout the Federal Government. They are vested with stewardship responsibilities for Federal employees and agencies and also share a collective accountability with OPM for improving the strategic management of human capital throughout the executive branch. They exercise that accountability in part through the CHCO Council, as strategic partners with the Office of Personnel Management (OPM) and the Office of Management and Budget (OMB).

AUTHORITY

The CHCO Council (Council) is formally established by the Chief Human Capital Officers Act of 2002 (Act), which was enacted as part of the Homeland Security Act, Public Law 107-296, on November 25, 2002. The provisions are effective May 24, 2003.

PURPOSES

The purposes of the Council are to:

- Advise OPM, OMB, and agency leaders on human capital strategies and policies, as well as on the assessment of human capital management in Federal agencies.
- Inform and coordinate the activities of its member agencies on such matters as modernization of human resources systems, improved quality of human resources information, and legislation affecting human resources management operations and organizations.
- Assist member CHCOs and other officials with similar responsibilities in fulfilling their individual responsibilities to:
 - (1) Implement the laws governing the Federal civil service, as well as the rules and regulations of the President, OPM, and other agencies with regulatory authority that affects Federal employees;
 - (2) In accordance with those laws and regulations, advise and assist agency heads and other senior officials in carrying out their responsibilities for selecting, developing, training, and managing a high-quality, productive workforce in accordance with merit system principles;
 - (3) Assess workforce characteristics and future needs and align the agency's human resources policies and programs with the agency's mission, strategic goals, and performance objectives;
 - (4) Advocate and assure a culture of continuous learning and high performance, developing and implementing effective strategies to attract, develop, manage, and retain employees with superior abilities;
 - (5) Identify human capital best practices and benchmarks, and apply those exemplars to their agencies and the Federal Government as a whole.
- Provide leadership in identifying and addressing the needs of the Federal Government's human capital community, including training and development.

MEMBERSHIP

The Act establishes as permanent members of the Council:

- (1) the Director of OPM;
- (2) the Deputy Director for Management of OMB; and
- (3) the Chief Human Capital Officers of Executive departments.

The Act also provides that the Director of OPM may designate other members of the Council. Such additional members may include, but are not limited to:

- (1) the Chief Human Capital Officers of other Executive agencies; and
- (2) members who are designated on an *ex officio* basis and who may be invited to contribute to projects, as particular skills and expertise are needed.

The Act provides that the Director of OPM serves as Chairperson of the Council, and the Deputy Director for Management of OMB serves as Vice Chairperson.

OTHER ATTENDEES

As required by the Act, at least once a year, representatives of employee labor organizations will be invited to attend a Council meeting. At the discretion of the Chair, representatives of other organizations may be invited to attend Council meetings.

MEETINGS

Meetings will be scheduled at the direction of the Chair. Attendance will generally be limited to principals and members, as described above, and to others who are specifically invited or approved by the Chair.

When votes are taken, each Council member (other than *ex officio* members) will have one vote. Members must be present to vote.

Invited guests who are not Federal employees may express their views, but will not participate in deliberations or decisions on policy matters, unless the meeting has been opened to the public in accordance with the Federal Advisory Committee Act (FACA). Note in this regard that FACA does not normally apply to Council meetings.

Minutes of meetings will be prepared by the Secretary/Treasurer, and copies will be provided to all members. The Secretary/Treasurer will maintain an official archive of all minutes and other official Council documents.

COMMITTEES

The Chair may establish standing committees of the Council and appoint committee chairs and members. The Chair may also establish one or more *ad hoc* committees to deal with specific issues or initiatives.

ANNUAL REPORT

The Act requires that the Council submit each year to Congress a report on the activities of the Council.

**STATEMENT OF
THE HONORABLE KAY COLES JAMES
DIRECTOR
U.S. OFFICE OF PERSONNEL MANAGEMENT**

before the

**SUBCOMMITTEE ON CIVIL SERVICE AND AGENCY ORGANIZATION
COMMITTEE ON GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES**

on

“FIRST YEAR ON THE JOB: CHIEF HUMAN CAPITAL OFFICERS”

MAY 18, 2004

Madam Chairwoman and Members of the Subcommittee:

I am pleased to be able to appear before you today to discuss the Office of Personnel Management’s (OPM) implementation of the *Chief Human Capital Officers (CHCO) Act of 2002*.

The passage of this important legislation as part of the *Homeland Security Act* reconfirms a goal we all share: providing a government of service to the American people envisioned by President George W. Bush in his Management Agenda. That strategy, released in August 2001, includes as its first Governmentwide initiative the Strategic Management of Human Capital. OPM is the agency responsible for driving this key management initiative, advising Federal departments and agencies on human resources flexibilities, and holding them accountable for their human capital management practices. Under the President’s leadership, agencies are focused, like never before, on strategically managing the civil servants in their workforce – their human capital. The CHCO Act provides additional conduits for advancing this important agenda.

First, the statute requires the heads of Cabinet level departments and nine major agencies to appoint or designate a Chief Human Capital Officer to “advise and assist the head of the agency in carrying out...responsibilities for selecting, developing, training, and managing a high-quality, productive workforce in accordance with merit system principles.” In April 2003, OPM issued a memo to agency heads on the appointment or designation of these important new positions. The memo noted that the CHCO will require qualities and competencies that differ from those traditionally found in a Federal agency’s typical personnel or human resources staff function. We emphasized that a CHCO is above all else a leader and someone very results oriented. In addition, we advised agency heads that, although not required by statute, the spirit of the law would best be fulfilled by designating individuals as CHCOs who serve as integral members of agencies’ leadership team.

When the Act took effect on May 23, 2003, all 24 agencies had designated CHCOs. I am pleased to report that the individuals selected are talented professionals who bring a wealth of experience to their positions. The majority of CHCOs hold other significant responsibilities within their agencies, from assistant secretaries for administration to directors of human resources management. Many

have served the Federal Government with distinction as career members of the Senior Executive Service (SES), while others have earned the trust of the President and the confirmation of the Senate to serve as top-level political appointees. Demonstrating a long-standing need for attention to be focused on human resources issues at the highest levels of management, several agencies not listed in the Act embraced the spirit of the legislation and designated CHCOs as well. These agencies include the Central Intelligence Agency, Federal Labor Relations Authority, Internal Revenue Service, and Peace Corps.

Second, the Act establishes a Chief Human Capital Officers Council to advise and coordinate agencies' activities on the "modernization of human resources systems, improved quality of human resources information, and legislation affecting human resources operations and organizations." As OPM Director, I am honored to serve as chairman of the Council, and the Deputy Director for Management of the Office of Management and Budget (OMB) acts as the vice chairman.

Under the statute, the Council is composed of Cabinet department CHCOs and others designated by the OPM Director. Employing this authority, I designated the CHCOs of several large Executive agencies as members of the Council. Not all statutory CHCOs are members of the Council, while some non-statutory CHCOs are members. We sought to achieve a representative sample of small agencies on the Council. Accordingly, I selected for membership several statutory CHCOs from small agencies. In addition, to highlight the necessity of excellent strategic human capital management in the Intelligence Community and the Federal Government's myriad small agencies, I designated as Council members the CIA CHCO and a representative of the Small Agency Council, the voluntary management association of approximately 80 sub-Cabinet, independent agencies.

The Chief Human Capital Officers Council has had an active first year. Less than three weeks after the Act took effect, I convened the Council for its inaugural meeting. To emphasize the importance President Bush places on the Strategic Management of Human Capital, we met in the Indian Treaty Room of the Eisenhower Executive Office Building at the White House. In calling the meeting to order, I described the Council as an additional body through which to drive the implementation of Federal personnel flexibilities within agencies. I told members that this would be a "make-stuff-happen" Council. And it has been just that.

Since last June, the Council has met six times, adopted a charter, established an Executive Committee to help steer the Council and five initial subcommittees to address important Governmentwide human capital issues, conducted a two-day retreat at OPM's Federal Executive Institute in Charlottesville, Virginia, drafted a tactical plan for the current Fiscal Year, created a CHCO Academy as a forum for Council members to learn from one another and share best practices in an informal setting, and appointed an Executive Director to oversee the Council's daily operations. Let me highlight a few of these accomplishments.

The Council's five subcommittees, established shortly after our inaugural meeting, are focused on some of the key areas for Federal civil service modernization.

- To complement OPM's efforts to encourage agencies to adopt a successful 45-day hiring model, the Council's Subcommittee on the Hiring Process is exploring ways to expedite the recruitment, evaluation, and appointment of top talent to Federal positions.

- We established the Subcommittee on Emergency Preparedness to help ensure agencies are doing everything possible to protect our Federal workforce in the post-9/11 environment. Two upcoming training sessions at OPM will highlight further these important CHCO responsibilities. These sessions are cosponsored by OPM and the Council's subcommittee. In addition, CHCOs have been involved in emergency surveys of their workforces and have been serving as the nexus between human capital teams and security teams within their agencies.
- The Subcommittee on Performance Management has played an integral role in developing regulations for the new SES performance-based compensation system and considering how best to employ the Human Capital Performance Fund, both of which also have been discussed extensively by the full Council.
- Individual training and development and strategic workforce planning in light of projected retirements are being considered by the Subcommittee on Leadership Development and Succession Planning.
- Finally, the Subcommittee on Employee Conduct and Poor Performers is reviewing statutes and regulations for ways to streamline the process needed to counsel and, if necessary, terminate employees who are not performing at an acceptable level.

The Council's two-day retreat at the Federal Executive Institute – originally scheduled for last September, but postponed until November due to Hurricane Isabel – demonstrates the high priority that Council members place on their new roles. For nearly two dozen top officials, many with wide-ranging management responsibilities in their departments and agencies, to spend two full days away from their offices makes a clear statement about CHCOs' dedication to have a positive impact on how we manage our Federal workforce.

Our CHCO Academy, launched in February, is already proving to be a productive forum for discussing human resources issues among small groups of CHCOs. The Academy, which meets on a monthly basis, has considered topics such as (1) current workforce flexibilities in title 5, United States Code, and associated regulations; (2) human resources competitive sourcing, and (3) compensation reform. Next month, I will be leading a session that explores possible options for the next wave of reform in OPM's continuing effort to modernize America's civil service.

My decision to appoint an Executive Director represented a departure from the management of other interagency councils. I wanted to ensure the Chief Human Capital Officers Council had a dedicated staff to manage its day-to-day activities, serve as a central point of contact for Council members, and report directly to me on our progress.

In addition to these accomplishments, the Council already has become more than a body that simply discusses issues. OPM is actively including the Council in considering and making recommendations on policy issues, including the following:

- The new SES pay regulations not only were discussed at length by the Council at its January and February meetings but distributed among members for vetting prior to review by OMB.

- Draft regulations to implement the President's recent Executive order establishing the Presidential Management Fellows (PMF) Program include language that will give the Council an important role in determining the number of PMFs needed annually by agencies.
- CHCOs are assisting agency heads in enforcing OPM's policy that there is no place in Federal employment for degrees or credentials from diploma mills. Over the past year, more than 750 agency officials have been trained on the issue of bogus degrees, and CHCOs are working closely with OPM's Division for Human Capital Leadership and Merit System Accountability on this matter.
- CHCOs are communicating internally OPM's policies on the adjudication of background investigations and security clearances. Under Executive order 10450, agencies are required to notify in a timely manner OPM's Center for Investigations Services of such actions.
- CHCOs are playing an integral role in observing veterans' preference statutes and regulations as they hire new employees. Next week, the Council will hold a meeting that includes a training session held in conjunction with veterans' service organizations on the importance of veterans' preference and hiring. This event will take place at Walter Reed Army Medical Center, an appropriate location to reflect on the valuable contributions many of our Nation's veterans have made in the civil service after completing their military service.

Looking ahead, there are many exciting initiatives on the horizon for the CHCO Council.

- Next week's meeting at Walter Reed will celebrate the body's first anniversary. Prominently featured on our agenda is a dialogue with representatives of several Federal employee labor organizations, fulfilling an annual statutory requirement and providing the Council valuable input from these stakeholders.
- Our first annual report to Congress is forthcoming, and this document will contain information about the Council's progress during Fiscal Year 2003.
- To enhance communication among CHCOs and with external stakeholders, OPM will soon launch a website containing key information about the Council.
- Subcommittees are advancing their issues and will be making recommendations for possible reforms to the Executive Committee and full Council in the near future.

The *Chief Human Capital Officers Council Act of 2002* is adding value to the public policy dialogue on the future of America's civil service. The appointment of CHCOs across the Federal Government has elevated the institutional profile of the Strategic Management of Human Capital as never before. As the Council approaches its first anniversary next week, it already has assumed a prominent place among the interagency management councils that are helping to drive the initiatives of the President's Management Agenda. In short, this important law is having a positive effect on how we manage the Government's most important resource – people.

In a letter to the Council on the occasion of its inaugural meeting, the author of the Act, Senator George Voinovich, remarked on the new body's role, "Yours is an important task, as the quality of taxpayer services delivered by the Federal Government depends on the quality of our workforce....Working together to bring our civil service system into the 21st century is an endeavor of which to be proud."

The members of the CHCO Council take seriously these important responsibilities. With continued attention to the President's charge to achieve results, the American civil service will only grow stronger as it continues to provide the Nation with the critical services our citizens expect.

Thank you again for this opportunity to discuss OPM's progress in implementing the *Chief Human Capital Officers Act of 2002*. I would be pleased to respond to any questions the Subcommittee may have.

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