GAO

Testimony

Before the Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, Committee on Oversight and Government Reform, House of Representatives

HUMAN CAPITAL

Sustained Attention to Strategic Human Capital Management Needed

Statement of Yvonne D. Jones
Director, Strategic Issues

GAO
Accountability ★ Integrity ★ Reliability

HUMAN CAPITAL

Sustained Attention to Strategic Human Capital Management Needed

Why GAO Did This Study

In 2001, GAO identified human capital management as a governmentwide high-risk area because federal agencies lacked a strategic approach to human capital management that integrated human capital efforts with their missions and program goals. Progress has been made. However, the area remains high-risk because of a continuing need for a governmentwide framework to advance human capital reform.

The importance of a top-notch federal workforce cannot be overstated. The federal government is facing new and growing challenges coupled with a retirement wave and the loss of leadership and institutional knowledge at all levels. The issues facing agencies are complex and require a broad range of technical skills that are also highly sought after by the private sector.

This testimony, based on a large body of completed work issued from January 2001 through March 2009, focuses on executive branch agencies' and the Office of Personnel Management's (OPM) progress in addressing strategic human capital management challenges in four key areas: (1) leadership; (2) strategic human capital planning; (3) acquiring, developing, and retaining talent; and (4) results-oriented organizational culture. In prior reports, GAO has made a range of recommendations to OPM and agencies in the four areas. GAO is reporting on progress in addressing these recommendations and is making no new recommendations.

What GAO Found

Congress, executive branch agencies, and OPM have taken action to reform federal human capital management, but federal agencies are facing new challenges. The recent need to quickly hire staff to carry out and oversee the Troubled Asset Relief Program and expanded agency responsibilities under the American Recovery and Reinvestment Act of 2009 point to the need for sustained attention to help ensure that agencies have the right people with the right skills to meet new challenges.

Leadership: Top leadership in agencies across the federal government must provide committed and inspired attention needed to address human capital and related organizational transformation issues. OPM has made strides in transforming itself as a strategic partner to help lead human capital reform efforts. For example, at the agency level, OPM works with the Chief Human Capital Officers council to develop and disseminate human capital guidance and relies upon the council members to communicate OPM policy and other human capital information throughout their agencies.

Strategic human capital planning: Integrating succession planning and management efforts that focus on strengthening both current and future organizational capacity to obtain or develop the knowledge, skills, and abilities agencies need to meet their missions continues to be important. For example, GAO has reported on a challenge in the acquisition workforce where the workload and complexity of responsibilities have been increasing without adequate attention to the workforce's size, skills and knowledge, and succession planning.

Acquiring, developing, and retaining talent: Faced with a workforce that is becoming more retirement eligible and the need for a different mix of knowledge, skills, and competencies, it is important that agencies strengthen their efforts and use available flexibilities. Agencies have developed strategies to recruit needed talent, including turning to older experienced workers to fill knowledge and skills gaps. For example, the National Aeronautics and Space Administration has used a combination of techniques to recruit workers with critical skills, including targeted recruitment activities, educational outreach programs, improved compensation and benefits packages, and streamlined hiring authorities.

Results-oriented organizational culture: In addition to promoting high performance and accountability to foster results-oriented cultures, it is important for agencies to develop and maintain inclusive and diverse workforces that reflect all segments of society. Agencies can benefit from strategies that offer a diverse pool of talent for selecting the agencies' future leaders and recruiting new employees so that agencies can get a wider variety of perspectives and approaches.

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to be here today to discuss the state of the federal workforce and challenges in managing today's workforce and planning for tomorrow's. The importance of a top-notch federal workforce cannot be overstated. The issues facing agencies are complex and require a broad range of technical skills that are also highly sought after by the private sector. The nation is facing new and more complex challenges in the 21st century, including a large and growing long-term fiscal imbalance, evolving national and homeland security threats, increasing global interdependence, and the need to rethink relevant regulatory oversight structures in light of the turmoil in worldwide financial markets. The recent need to quickly hire staff to carry out and oversee the Troubled Asset Relief Program and expanded agency responsibilities under the American Recovery and Reinvestment Act of 2009 (Recovery Act) point to the need for sustained attention to help ensure that agencies have the right people with the right skills to meet new challenges.[1] Specifically, the Department of the Treasury has the monumental task of managing and overseeing the government's efforts to stabilize the nation's financial system and restore the functioning of the nation's credit markets, which involves expediting the hiring of critical staff needed to carry out and oversee the Troubled Asset Relief Program.[2] At the same time, the federal government faces the challenges of developing guidance and overseeing the implementation of the $787 billion Recovery Act, in partnership with the states, localities, and territories.

To address these challenges, it will be important for federal agencies to change their cultures and create the institutional capacity to become high-performing organizations. This includes recruiting and retaining employees able to create, sustain, and thrive in organizations that are flatter, results-oriented, and externally focused and that collaborate with other governmental entities as well as with the private and nonprofit sectors to achieve desired outcomes. It will also be important for federal agencies to focus attention on management practices that increase the level of employee engagement as they seek to improve their operations within budget constraints and to compete for talent with the private sector.

---

[1]Pub. L. No. 111-5, 23 Stat. 115 (Feb. 17, 2009).

[2]GAO, *Troubled Asset Relief Program: March 2009 Status of Efforts to Address Transparency and Accountability Issues*, GAO-09-504 (Washington, D.C.: Mar. 31, 2009).

In 2001, we identified human capital management as a governmentwide high-risk area because federal agencies lacked a strategic approach to human capital management that integrated human capital efforts with their missions and program goals.[3] Progress has been made. However, the area remains high-risk because of a continuing need for a governmentwide framework to advance human capital reform.[4] This framework is vital to avoid further fragmentation within the civil service, ensure management flexibility as appropriate, allow a reasonable degree of consistency, provide adequate safeguards, and maintain a level playing field among agencies competing for talent.

Today and in the near term, the federal workforce is facing a variety of a capacity challenges that could affect the ability of agencies to cost-effectively carry out their missions. For example, the federal government is facing a retirement wave and with it the loss of leadership and institutional knowledge at all levels. Governmentwide, about one-third of federal employees on board at the end of fiscal year 2007 will become eligible to retire by 2012. Proportions of workers eligible to retire are projected to be especially high in certain occupations—some are mission critical, such as customs and border protection agents—as well as in key leadership positions. About 64 percent of career executives may be eligible to retire by 2012.[5] In the current economic situation, projections of how many federal workers will actually retire upon becoming eligible remain unclear; however, these workers will eventually retire and the federal government needs to have the right people in the right jobs at the right time to meet the challenges it faces.

Congress and the executive branch have taken steps to address the federal government's human capital shortfalls. For example, Congress provided agencies across the executive branch with additional human capital flexibilities, such as specific hiring authorities. While much progress has been made in the last few years to address human capital challenges, ample opportunities continue to exist for agencies to improve their strategic human capital management and for the Office of Personnel

---

[3]GAO, *High-Risk Series: An Update*, GAO-01-263 (Washington, D.C.: January 2001).

[4]GAO, *High-Risk Series: An Update*, GAO-09-271 (Washington, D.C.: January 2009).

[5]GAO, *Older Workers: Enhanced Communication among Federal Agencies Could Improve Strategies for Hiring and Retaining Experienced Workers*, GAO-09-206 (Washington, D.C.: Feb. 24, 2009).

Management's (OPM) continued leadership in fostering and guiding improvements in these areas.

My remarks today will focus on executive branch agencies' and OPM's progress in addressing strategic human capital management challenges in four key areas: (1) leadership; (2) strategic human capital planning; (3) acquiring, developing, and retaining talent; and (4) results-oriented organizational culture. This testimony is based on a large body of our completed work issued from January 2001 through March 2009. We conducted our work in accordance with all sections of GAO's Quality Assurance Framework that were relevant to the objectives of each engagement.[6]

Sustained Leadership Is Essential to Successful Human Capital Management

Top leadership in agencies across the federal government must provide committed and inspired attention needed to address human capital and related organizational transformation issues. Leaders must not only embrace reform, they must integrate the human capital function into their agencies' core planning and business activities. Senior executive leadership is especially key today as the federal government faces significant efforts to transform to address key challenges. OPM's *2008 Federal Human Capital Survey* results showed that the government needs to establish a more effective leadership corps.[7] Specifically, of the employees responding to the survey, a little over half reported a high level of respect for their senior leaders and a little less than half are satisfied with the information they receive from management on what is going on in the organization. The percentage of positive results for these questions has increased slightly since the last survey was conducted in 2006.

OPM plays a key role in fostering and guiding improvements in all areas of strategic human capital management in the executive branch. As part of its key leadership role, OPM can assist in—and, as appropriate, require—the building of infrastructures within agencies needed to successfully implement and sustain human capital reforms and related initiatives. OPM

---

[6]The framework requires that we plan and perform each engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analyses conducted, provided a reasonable basis for the findings and conclusions in each report.

[7]Office of Personnel Management, *2008 Federal Human Capital Survey: Results from the 2008 Federal Human Capital Survey* (Washington, D.C.: Jan. 8, 2009).

can do this in part by encouraging continuous improvement and providing appropriate assistance to support agencies' efforts in areas such as acquiring, developing, and retaining talent. We have reported that OPM has made commendable efforts in transforming itself from less of a rule maker, enforcer, and independent agent to more of a consultant, toolmaker, and strategic partner in leading and supporting executive agencies' human capital management systems.[8] However, OPM has faced challenges in its internal capacity to assist and guide agencies' readiness to implement change, such as the certification process for the senior executive performance-based pay system, and will need to address these challenges. Specifically, in October 2007, we reported that OPM has strategies in place, such as workforce and succession management plans, that are aligned with selected leading practices relevant to the agency's capacity to fulfill its strategic goals.[9] However, at the time, OPM lacked a well-documented agencywide evaluation process of some of its workforce planning efforts. In response to our recommendation, OPM recently developed an automated tracking system to monitor training so that agency officials could target it on priority areas.

OPM also faces challenges in modernizing the paper-intensive processes and antiquated information systems it uses to support the retirement of civilian federal employees through the retirement modernization program. This modernization program is important because OPM estimates a growing volume of retirement processing over the next several years given projected retirement trends. In January 2008, we reported that the agency's management of this initiative in areas that are important to successful deployment of new systems had not ensured that components would perform as intended.[10] For example, at that point in time, OPM had not addressed weaknesses in its approaches to testing system components and managing system defects to ensure that the new system components will perform as intended. In addition, OPM had yet to develop a reliable program cost estimate and the measurement baseline against which program progress can be determined. To date, the agency continues to

---

[8]GAO, *Office of Personnel Management: Key Lessons Learned to Date for Strengthening Capacity to Lead and Implement Human Capital Reforms*, GAO-07-90 (Washington, D.C.: Jan. 19, 2007).

[9]GAO, *Office of Personnel Management: Opportunities Exist to Build on Recent Progress in Internal Human Capital Capacity*, GAO-08-11 (Washington, D.C.: Oct. 31, 2007).

[10]GAO, *Office of Personnel Management: Improvements Needed to Ensure Successful Retirement Systems Modernization*, GAO-08-345 (Washington, D.C.: Jan. 31, 2008).

have retirement modernization planning and management shortcomings that need to be addressed. The results of our most recent review of the modernization program are expected to be released by the end of April 2009.

To help support federal agencies with expanded responsibilities under the Recovery Act, OPM has provided information, tools, and training to federal agencies to help address these new human capital challenges and ensure that agencies acquire the talent they need. For example, in March 2009, OPM held an interagency forum on approaches to meet the Recovery Act's human capital management support requirements. At that event, OPM provided information on the various human capital flexibilities available to agencies for hiring the necessary employees, such as 30-day emergency appointments, and on how OPM can provide assistance. In addition, OPM has begun facilitating coordination with the Federal Executive Boards across the nation to share agency plans and activities for the Recovery Act implementation. Areas of coordination include shared approaches to filling human capital needs and ensuring coordination of agency programs to avoid duplication.

Congress also recognized that increased attention to strategic human capital management was needed in federal agencies. In 2002, Congress created the chief human capital officer (CHCO) position in 24 agencies to advise and assist the head of the agency and other agency officials in their strategic human capital management efforts.[11] The CHCO Council—chaired by the OPM Director—advises and coordinates the activities of members' agencies, OPM, and the Office of Management and Budget (OMB) 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 council, which has been in operation for nearly 6 years, has organized itself to address key current and emerging human capital issues. For example, in its fiscal year 2008 annual report to Congress, the council identified three emerging issues: (1) managing the public expectations of the federal response to highly complex issues, (2) building and sustaining federal employee leadership, and (3) transforming the human resources profession to meet challenges. Its subcommittee structure is intended to align with the overarching strategic human capital initiatives affecting the federal

---

[11]Chief Human Capital Officers Act of 2002, Title XIII of the Homeland Security Act of 2002. Pub. L. No. 107-296 (Nov. 25, 2002).

government and includes subcommittees on hiring and succession planning, the human capital workforce, and human resources line of business.

OPM works with the CHCO Council to develop and disseminate human capital guidance and relies upon the council members to communicate OPM policy and other human capital information throughout their agencies.[12] For example, we recently reported that inquiries from the council about how to request a waiver to rehire annuitants without reducing their salaries led OPM officials to develop a template for agencies to use in submitting these requests. OPM officials see their relationship with the council and the agencies it represents as a partnership and shared responsibility to ensure that the latest guidance and practices are disseminated throughout the agencies. In addition to the council meetings, the CHCO Council Training Academy is a forum for CHCOs and other agency officials to discuss human capital issues and share best practices. OPM has invited all levels of agency officials—not just CHCOs—to attend the academy sessions when relevant topics were featured. For example, over the last 2 years, the council has held several academy sessions related to Senior Executive Service (SES) performance management and pay systems and lessons learned from the governmentwide SES survey results.

Strategic Human Capital Planning Is Critical to Addressing Workforce Challenges

Strategic human capital planning that is integrated with broader organizational strategic planning is critical to ensuring that agencies have the talent and skill mix they need to address their current and emerging human capital challenges, especially as the federal government faces a retirement wave.[13] Agencies must determine the critical skills and competencies necessary to achieve programmatic goals and develop strategies that are tailored to address any identified gaps. Further, agencies are to develop strategic human capital plans with goals, objectives, and measures and report their progress toward these goals and objectives in annual reports to OPM as required by OPM's Human Capital Assessment and Accountability Framework.

We have found that leading organizations go beyond a succession planning approach that focuses on simply replacing individuals and instead engage

---

[12]GAO-09-206.

[13]For more information, see GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, GAO-04-39 (Washington, D.C.: Dec. 11, 2003).

in broad, integrated succession planning and management efforts that focus on strengthening both current and future organizational capacity to obtain or develop the knowledge, skills, and abilities they need to carry out their missions.[14] For example, we recently reported on the Social Security Administration's (SSA) use of information technology in projecting future retirements and identifying the necessary steps to fill these gaps.[15] Specifically, SSA developed a complex statistical model that uses historical data to project who is likely to retire, and SSA uses these projections to estimate gaps in mission-critical positions and to identify what components of the agency could be most affected by the upcoming retirements. With these estimates, the agency develops action plans focused on hiring, retention, and staff development. As a result of using these models, SSA has developed targeted recruitment efforts that extend to a broad pool of candidates. To create this pool, SSA is also beginning to reach out to older workers in order to achieve one of its diversity goals—attracting a multigenerational workforce—by developing recruiting material featuring images of older and younger workers and offering a phased retirement program, among other things.

An example of the federal government's strategic human capital planning challenges involves its acquisition workforce. In 2007, we testified that much of the acquisition workforce's workload and complexity of responsibilities have been increasing without adequate attention to the workforce's size, skills and knowledge, and succession planning.[16] Over the years, a strategic approach had not been taken across government or within agencies to focus on workforce challenges, such as creating a positive image essential to successfully recruit and retain a new generation of talented acquisition professionals.[17] In addition, we recently reported that the Department of Defense (DOD) lacks critical departmentwide information to ensure its acquisition workforce is sufficient to meet its national security mission.[18] As a result, we made several recommendations

---

[14]GAO, *Human Capital: Succession Planning and Management Is Critical Driver of Organizational Transformation*, GAO-04-127T (Washington, D.C.: Oct. 1, 2003).

[15]GAO-09-206.

[16]GAO, *Federal Acquisitions and Contracting: Systemic Challenges Need Attention*, GAO-07-1098T (Washington, D.C.: July 17, 2007).

[17]GAO, *Highlights of a GAO Forum: Federal Acquisition Challenges and Opportunities in the 21st Century*, GAO-07-45SP (Washington, D.C.: Oct. 6, 2006).

[18]GAO, *Department of Defense: Additional Actions Are Needed to Effectively Manage and Oversee DOD's Acquisition Workforce*, GAO-09-342 (Washington, D.C.: Mar. 25, 2009).

to DOD aimed at improving DOD's management and oversight of its acquisition workforce, including the collection of data on contractor personnel. The challenges agencies are facing with managing acquisitions, including sustaining a capable and accountable acquisition workforce, contributed to GAO's designation of the management and use of interagency contracting as a governmentwide high-risk area in 2005.[19] Further, in our most recent high-risk update, acquisition and contract management remains a high-risk area at three agencies—DOD, the Department of Energy, and the National Aeronautics and Space Administration (NASA)—as does DOD's weapon system acquisition. Addressing these challenges will require sustained management attention and leadership at both the agency level and from organizations such as OMB and its Office of Federal Procurement Policy.

In May 2008, we reported that the Centers for Disease Control and Prevention (CDC) had made improvements in its strategic human capital planning, but the agency should take a more strategic view of its contractor workforce—more than one-third of its workforce.[20] For example, CDC conducted a preliminary workforce analysis to determine the skills and competencies needed to achieve the agency's mission and goals, including identifying skill and competency gaps. While the agency had not completed its analyses of skill and competency gaps for the occupations it deemed most critical when the strategic human capital management plan was developed, at the time of our report, the agency was completing these analyses. CDC's strategic human capital management plan did not address the challenge of managing a blended workforce with a large percentage of contractors working with federal staff. We reported that without addressing this challenge CDC's plan would not give the agency a strategic view of its governmental and contractor workforce and thus might not be as useful as it could be in assisting the agency with strategic human capital planning for its entire workforce. In response to our recommendation to address this challenge in its plan, CDC's most recent update to its strategic human capital management plan includes an effort to develop, implement, and evaluate strategies to address management of contractors as part of a blended workforce.

---

[19]GAO-09-271.

[20]GAO, *Centers for Disease Control and Prevention: Human Capital Planning Has Improved, but Strategic View of Contractor Workforce Is Needed*, GAO-08-582 (Washington, D.C.: May 28, 2008).

Acquiring, Developing, and Retaining Talent Remains a Federal Workforce Challenge

Faced with a workforce that is becoming more retirement eligible and the need for a different mix of knowledge, skills, and competencies, it is important that agencies strengthen their efforts and use of available flexibilities from Congress and OPM to acquire, develop, motivate, and retain talent. For years it has been widely recognized that the federal hiring process all too often does not meet the needs of (1) agencies in achieving their missions; (2) managers in filling positions with the right talent; and (3) applicants for a timely, efficient, transparent, and merit-based process. In short, the federal hiring process is often an impediment to the very customers it is designed to serve in that it makes it difficult for agencies and managers to obtain the right people with the right skills, and applicants can be dissuaded from public service because of the complex and lengthy procedures.

In recent years, Congress and OPM have taken a series of important actions to improve recruiting and hiring in the federal sector. For example, Congress has provided agencies with enhanced authority to pay recruitment bonuses and with the authority to credit relevant private sector experience when computing annual leave amounts.[21] In addition, Congress has provided agencies with hiring flexibilities that (1) permit agencies to appoint individuals to positions through a streamlined hiring process where there is a severe shortage of qualified candidates or a critical hiring need, and (2) allow agency managers more latitude in selecting among qualified candidates through category rating.[22]

As the federal government's central personnel management agency, OPM has a key role in helping agencies acquire, develop, retain, and manage their human capital. In the areas of recruiting and hiring, OPM has, for example, done the following.

- Authorized governmentwide direct-hire authority for veterinarian medical officer positions given the severe shortage of candidates for these positions. Recently, we reported that despite a growing shortage of veterinarians, the federal government does not have a comprehensive understanding of the sufficiency of its veterinarian workforce for routine

---

[21]Federal Workforce Flexibility Act of 2004, Pub. L. No. 108-411 (Oct. 30, 2004).

[22]Pub. L. No. 107-296.

program activities.[23] In response to our findings, OPM granted direct-hire authority for these positions governmentwide.

- Launched an 80-day hiring model to help speed up the hiring process, issued guidance on the use of hiring authorities and flexibilities, and developed a Hiring Tool Kit to assist agency officials in determining the appropriate hiring flexibilities to use given their specific situations.

- Established standardized vacancy announcement templates for common occupations, such as secretarial, accounting, and accounting technician positions, in which agencies can insert summary information concerning their specific jobs prior to posting for public announcement.

- Developed a guide called *Career Patterns* that is intended to help agencies recruit a diverse, multigenerational workforce. This guide presents career pattern scenarios that characterize segments of the general labor market according to career-related factors, such as commitment to a mission and experience, and lists characteristics of the work environment that some cohorts may find particularly attractive and related human capital policies that agencies could use to recruit and retain potential employees.

- Updated and expanded its report *Human Resources Flexibilities and Authorities in the Federal Government,* which serves as a handbook for agencies in identifying current flexibilities and authorities and how they can be used to address human capital challenges.

Individual federal agencies have also taken actions to meet their specific needs for acquiring the necessary talent, while other agencies have faced difficulties. For example, NASA has used a combination of techniques to recruit workers with critical skills, including targeted recruitment activities, educational outreach programs, improved compensation and benefits packages, professional development programs, and streamlined hiring authorities.[24] Many of NASA's external hires have been for entry-level positions through the Cooperative Education Program, which provides NASA centers with the opportunity to develop and train future

---

[23]GAO, *Veterinarian Workforce: Actions Are Needed to Ensure Sufficient Capacity for Protecting Public and Animal Health,* GAO-09-178 (Washington, D.C.: Feb. 4, 2009).

[24]GAO, *NASA: Progress Made on Strategic Human Capital Management, but Future Program Challenges Remain,* GAO-07-1004 (Washington, D.C.: Aug. 8, 2007).

employees and assess the abilities of potential employees before making them permanent job offers.

Further, the Nuclear Regulatory Commission (NRC) has endeavored to align its human capital planning framework with its strategic goals and identified the activities needed to achieve a diverse, skilled workforce and an infrastructure that supports the agency's mission and goals.[25] NRC has used various flexibilities in recruiting and hiring new employees, and it has tracked the frequency and cost associated with the use of some flexibilities. While there was room for further improvement, NRC has been effective in recruiting, developing, and retaining a critically skilled workforce.

We have reported in recent years on a number of human capital issues that have hampered the Department of State's (State) ability to carry out U.S. foreign policy priorities and objectives, particularly at posts central to the war on terror.[26] In August 2007, we testified that State has made progress in addressing staffing shortages over the last few years, but it remains a problem. To help address the shortages, State has implemented various incentives particularly at critical hardship posts, including offering extra pay to officers who serve an additional year at these posts and allowing employees to negotiate shorter tours of duty. Further, State has made progress in increasing its foreign language capabilities, but significant language gaps remain. In response to our recommendations to enhance the language proficiency of State's staff, officials told us that the department has placed an increased focus on language training in critical areas. State has also implemented a new initiative that would provide additional pay incentives for staff if they chose to be reassigned to use existing Arabic language skills.

The Partnership for Public Service (Partnership) recently reported that governmentwide, agencies were not using the student intern hiring flexibility to the full extent possible.[27] Governmentwide, agencies have the

---

[25]GAO, *Human Capital: Retirements and Anticipated New Reactor Applications Will Challenge NRC's Workforce*, GAO-07-105 (Washington, D.C.: Jan. 17, 2007).

[26]GAO, *State Department: Staffing and Foreign Language Shortfalls Persist Despite Initiatives to Address Gaps*, GAO-07-1154T (Washington, D.C.: Aug. 1, 2007), and *Department of State: Staffing and Foreign Language Shortfalls Persist Despite Initiatives to Address Gaps*, GAO-06-894 (Washington, D.C.: Aug. 4, 2006).

[27]Partnership for Public Service, *Leaving Talent on the Table: The Need to Capitalize on High Performing Student Interns* (Washington, D.C.: April 2009).

authority to hire student interns through the Student Career Experience Program with the option of a noncompetitive conversion to the competitive service upon a student's satisfactory completion of diploma, degree, or certificate of program requirements and work experience.[28] In its recent interagency forum on human capital management under the Recovery Act, OPM highlighted this hiring flexibility as a useful tool for bringing potential employees on board. The Partnership found that about 7 percent of student interns employed by federal agencies in 2007 were hired into permanent jobs.[29] The Partnership suggested that the federal government should, among other things, prioritize student internships as key talent sources for entry-level jobs and then recruit accordingly and provide adequate resource to these programs; and collect data enabling a clear evaluation of all intern programs and ensure that agencies are making the best use of their authority to build their critical workforce pipelines.

Further, agencies have a variety of options to tap older, experienced workers to fill workforce needs, including retaining workers past initial retirement eligibility, hiring new older workers, and bringing back retired federal annuitants. Recently, we reported on selected federal agencies' approaches to using older workers to address future critical gaps in leadership, skills, and institutional knowledge.[30] For example, the United States Agency for International Development tends to bring back its retirees, many of whom have specialized knowledge and skills, as contractors to fill short-term job assignments and to help train and develop the agency's growing number of newly hired staff.

As for retention, in many ways, the federal government is well positioned to retain the people it needs to carry out its diverse roles and responsibilities. Importantly, federal employment offers rewards, such as interesting work and opportunities to make a difference in the lives of others, as well as a variety of tangible benefits and work-life flexibilities that make an organization an employer of choice. We have stated that agencies need to reexamine the flexibilities provided to them under

---

[28]5 C.F.R. 213.3202 (b).

[29]The Partnership analyzed data from two student intern programs—Student Career Experience Program and Student Temporary Experience Program. The temporary program is not designed for student conversion to permanent government employment, in which the majority of the interns in this study were enrolled.

[30]GAO-09-206.

current authorities—such as monetary recruitment and retention incentives; special hiring authorities, including student employment programs; and work-life programs, including alternative work schedules, child care assistance, telework opportunities, and transit subsidies—and identify those that could be used more extensively or more effectively to meet their workforce needs.[31] In using telework and other flexibilities, it is important for agencies to have clear goals so that they can assess their programs and develop and implement changes necessary to improve their success.[32]

We have found instances where agency officials cited their telework programs as yielding positive work-life and other benefits.[33] For example, according to U.S. Patent and Trademark Office (USPTO) management officials, one of the three most effective retention incentives and flexibilities is the opportunity to work from remote locations.[34] In fiscal year 2006, approximately 20 percent of patent examiners participated in the agency's telework program, which allows patent examiners to conduct some or all of their work away from their official duty station 1 or more days per week. In addition, USPTO reported in June 2007 that approximately 910 patent examiners relinquished their office space to work from home 4 days per week. The agency believes its decision to incorporate telework as a corporate business strategy and for human capital flexibility will help recruitment and retention of its workforce, reduce traffic congestion in the national capital region, and, in a very competitive job market, enable USPTO to hire approximately 6,000 new patent examiners over the next 5 years.

---

[31]GAO, *Human Capital: Transforming Federal Recruiting and Hiring Efforts*, GAO-08-762T (Washington, D.C.: May 8, 2008), and GAO, *Human Capital: Effective Use of Flexibilities Can Assist Agencies in Managing Their Workforces*, GAO-03-2 (Washington, D.C.: Dec. 6, 2002).

[32]GAO, *Human Capital: Telework Programs Need Clear Goals and Reliable Data*, GAO-08-261T (Washington, D.C.: Nov. 6, 2007).

[33]GAO-08-261T.

[34]GAO, *U.S. Patent and Trademark Office: Hiring Efforts Are Not Sufficient to Reduce the Patent Application Backlog*, GAO-07-1102 (Washington, D.C.: Sept. 4, 2007).

Results-Oriented Organizational Culture Is Key to Successful Transformations

Leading organizations have found that to successfully transform themselves they must often fundamentally change their cultures so that they are more results-oriented, customer-focused, and collaborative in nature. An effective performance management system is critical to achieving this cultural transformation. Having a performance management system that creates a "line of sight" showing how unit and individual performance can contribute to overall organizational goals helps individuals understand the connection between their daily activities and the organization's success. Similarly, in its September 2008 report on employee engagement, the Merit Systems Protection Board recommended that managers establish a clear line of employee-to-agency sight as a means to increase employee engagement, recognizing that employees are more engaged if they find more meaning in their work.[35]

The federal government's senior executives need to lead the way in transforming their agencies' cultures. Credible performance management systems that align individual, team, and unit performance with organizational results can help manage and direct this process. The performance-based pay system for members of the SES, which seeks to provide a clear and direct linkage between individual performance and organizational results as well as pay, is an important step in governmentwide transformation. In November 2008, we reported that selected agencies had designed their SES performance appraisal systems to address OPM's and OMB's certification requirements of aligning individual performance expectations with organizational goals and factoring organizational performance into senior executive performance appraisal decisions.[36] For example, in setting expectations for individual performance plans, the Department of Energy requires senior executives and supervisors to identify key performance requirements with metrics that the executive must accomplish in order for the agency to achieve its strategic goals. Weighted at 60 percent of the summary rating, the performance requirements are to be specific to the executive's position and described in terms of specific results with clear, credible measures (e.g., quality, quantity, timeliness, cost-effectiveness) of performance, rather than activities. For each performance requirement, the executive is

---

[35]Merit Systems Protection Board, *The Power of Federal Employee Engagement* (Washington, D.C.: September 2008).

[36]GAO, *Results-Oriented Management: Opportunities Exist for Refining the Oversight and Implementation of the Senior Executive Performance-Based Pay System*, GAO-09-82 (Washington, D.C.: Nov. 21, 2008).

to identify the applicable strategic goal in the performance plan. While many agencies across the government are doing a good job overall of aligning executive performance plans with agency mission and goals, according to OPM, some of the plans do not fully identify the measures used to determine whether the executive is achieving the necessary results, which can affect the executive's overall performance appraisal. This challenge of explicitly linking senior executive expectations to results-oriented organizational goals is consistent with findings from our past work on performance management.[37]

In addition to promoting high performance and accountability to foster results-oriented cultures, leading organizations develop and maintain inclusive and diverse workforces that reflect all segments of society. Such organizations typically foster a work environment in which people are enabled and motivated to contribute to continuous learning and improvement as well as mission accomplishment and provide both accountability and fairness for all employees. As with any organizational change effort, having a diverse top leadership corps is an organizational strength that can bring a wider variety of perspectives and approaches to bear on policy development and implementation, strategic planning, problem solving, and decision making. We recently reported on the diversity of the SES and the SES developmental pool, from which most SES candidates are selected, noting that the representation of women and minorities in the SES increased governmentwide from October 2000 through September 2007, but increases did not occur in all major executive branch agencies.[38]

In helping to ensure diversity in the pipeline for appointments to the SES as well as recruitment at all levels, it is important that agencies have strategies to identify and develop a diverse pool of talent for selecting the agencies' potential future leaders and to reach out to a diverse pool of talent when recruiting. For example, to recruit diverse applicants, agencies will need to consider active recruitment strategies such as widening the selection of schools from which to recruit, building formal relationships with targeted schools to ensure the cultivation of talent for

[37]GAO, *Human Capital: Senior Executive Performance Management Can Be Significantly Strengthened to Achieve Results*, GAO-04-614 (Washington, D.C.: May 26, 2004).

[38]GAO, *Human Capital: Diversity in the Federal SES and Processes for Selecting New Executives*, GAO-09-110 (Washington, D.C.: Nov. 26, 2008).

future applicant pools, and partnering with multicultural organizations to communicate their commitment to diversity and to build, strengthen, and maintain relationships.[39] We reported, for example, that NASA developed a strategy for recruiting Hispanics that focuses on increasing educational attainment, beginning in kindergarten and continuing into college and graduate school, with the goal of attracting students into the NASA workforce and aerospace community. NASA said it must compete with the private sector for the pool of Hispanics qualified for aerospace engineering positions, which is often attracted to more lucrative employment opportunities in the private sector in more preferable locations.[40] NASA centers sponsored, and its employees participated in, mentoring, tutoring, and other programs to encourage Hispanic and other students to pursue careers in science, engineering, technology, and mathematics.

Mr. Chairman and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions you or others may have at this time.

Contacts and Acknowledgments

For further information regarding this statement, please contact Yvonne D. Jones, Director, Strategic Issues, at (202) 512-6806 or jonesy@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this testimony include Belva Martin, Assistant Director; Karin Fangman; Janice Latimer; and Jessica Thomsen.

---

[39]GAO, *Diversity Management: Expert-Identified Leading Practices and Agency Examples*, GAO-05-90 (Washington, D.C.: Jan. 14, 2005).

[40]GAO, *The Federal Workforce: Additional Insights Could Enhance Agency Efforts Related to Hispanic Representation*, GAO-06-832 (Washington, D.C.: Aug. 17, 2006).

GAO's Mission	The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.
Obtaining Copies of GAO Reports and Testimony	The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday afternoon, GAO posts on its Web site newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to www.gao.gov and select "E-mail Updates."
Order by Phone	The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's Web site, http://www.gao.gov/ordering.htm.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information. |
| To Report Fraud, Waste, and Abuse in Federal Programs | Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm
E-mail: fraudnet@gao.gov
Automated answering system: (800) 424-5454 or (202) 512-7470 |
| Congressional Relations | Ralph Dawn, Managing Director, dawnr@gao.gov, (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, DC 20548 |
| Public Affairs | Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548 |