**Attention to Leading Human Capital Management Practices
Can Help Drive Federal Agency Performance**

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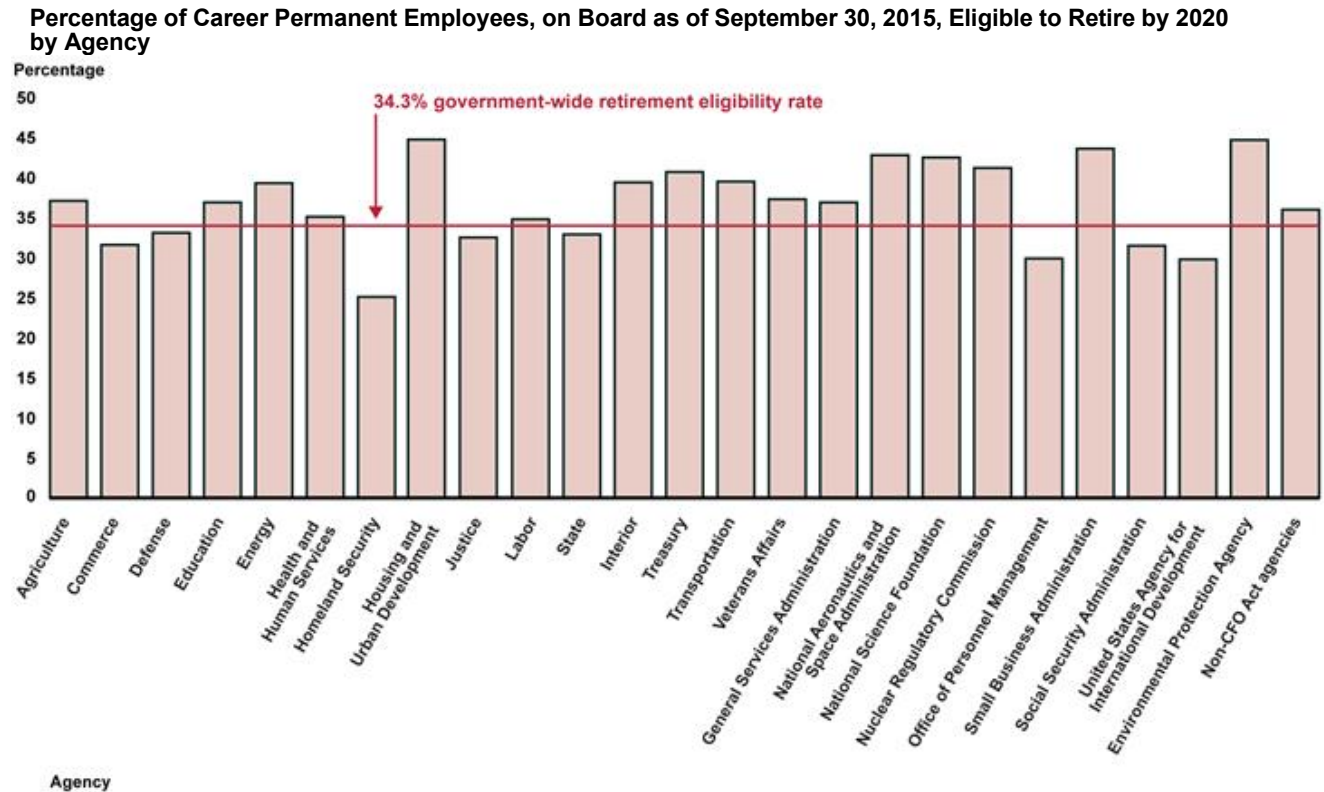goldenkoffr@gao.gov; 202.512.2757

Summary: Strategic human capital management plays a critical role in maximizing the government's performance and assuring its accountability. The direct link between personnel management and mission outcomes can be seen, for example, in a number of GAO's recent studies that identified operational and other problems at various federal agencies such as patient wait times and the turnover of clinical staff at the Veterans Health Administration. These problems share a common theme: a breakdown of one or more human capital management functions. Going forward, the adoption of leading human capital management practices can help agencies carry out their missions in an era of highly constrained resources.

**Federal Human Capital Efforts Face Key Demographic
and System Challenges**

OPM and Agencies Need to Address Mission Critical Skills Gaps

- Mission-critical skills gaps within the federal workforce pose a high risk to the federal government.

- Shortfalls are occurring in government-wide occupations such as cybersecurity, human resources, and acquisitions, as well as in agency-specific occupations such as nurses at the Veterans Health Administration (VHA).

- Of the 34 areas on GAO's 2017 High Risk List, skills gaps played a contributory role in 15.

- The Office of Personnel Management (OPM), the Chief Human Capital Officers (CHCO) Council, and individual agencies have strengthened their leadership over this area, but more work is needed e.g. OPM needs to strengthen its approach and methodology for addressing skills gaps.

Agencies Need to Address a Wave of Potential Retirements

Percentage of Career Permanent Employees, on Board as of September 30, 2015, Eligible to Retire by 2020 by Agency

Source: GAO analysis of Office of Personnel Management's Enterprise Human Resources Integration (EHRI) database. | GAO-17-317

Key Personnel Functions Need to Better Align
With Agencies' Requirements

- GAO's prior work has found:
  - Classification system: The General Schedule system has not kept pace with the government's evolving requirements-it must modernize and become more effective at meeting the needs of the workforce.

  - Recruiting and hiring: OPM needs to improve the management and oversight of hiring authorities. Federal agencies need a hiring process that is applicant-friendly, flexible, and meets policy requirements.

  - Pay system: Does not align well with modern compensation principles.

  - Performance management: Developing modern, credible, and effective employee performance management systems and dealing with poor performers have been long-standing challenges for federal agencies.

  - Employee engagement: Additional analysis and sharing of promising practices could improve employee engagement and performance.

**Leading Human Capital Management
Practices Can Help Agencies Achieve
Their Missions in an Era of Highly Constrained
Resources**

<u>Strategic Workforce Planning</u>

1. Approach workforce planning strategically, basing decisions on mission needs, customer expectations, workload, and skills and competencies of the workforce. Human capital strategies should avoid excess organizational layers and redundant operations, and maintain a balance between supervisory and non-supervisory positions.

2. Have linkages between the strategic workforce plan and the agency's strategic plan.

3. Have a system in place to continually assess and improve human capital planning and investment and assess the system's impact on mission accomplishment, and hold managers accountable for implementing human capital plans and overall human capital management.

4. Determine the critical skills and competencies its workforce needs to achieve current and future agency goals and missions and identify gaps, including those that training and development strategies can help address.

5. Establish and maintain an inventory of employee skills and competencies; have a process to address skills/competency gaps; and have succession plans for leadership and other critical positions.

6. Identify external resources, such as contractors, or consult with others, such as Congressional decision-makers, when developing human capital strategies.

7. Involve human resources professionals and key stakeholders in strategic and workforce planning efforts, as well as in any agency-wide restructuring efforts.

8. Ensure HR staff have the competencies and resources to proactively partner and consult with line managers.

<u>Recruitment and Hiring</u>

1. Develop customized strategies to recruit highly specialized and hard-to-fill positions.

2. Use vacancy announcements and Web postings that are clear, user friendly, and comprehensive.

3. Have an automated hiring process which uses computerized systems to prescreen, rate, and rank applicants.

4. Conduct regular surveys to gauge applicant and hiring manager satisfaction levels with the hiring process and its results.

Workforce Development

1. Incorporate the results of its workforce planning efforts into its planning and front-end analysis of training and development strategies.

2. Conduct formal analysis to choose between centralized and decentralized management of training programs; between designing training programs internally and using an external source; and among different mixes of training delivery mechanisms (e.g. classroom, computer-based, on the job, etc.).

3. Have leaders who communicate the importance of training and encourage employees to participate in training activities.

4. Have a training and development unit that is held accountable, along with the line executives, for the enhanced performance of the workforce.

5. Use measures of quantitative and qualitative performance data as part of a systematic process to assess the results achieved through training and development efforts. Measures should clearly link to organizational goals.

6. Track cost, benefit, delivery, and performance data for training programs consistently across the organization.

Performance Management

1. Align individual performance expectations that identify specific levels of performance or targets with organizational and crosscutting goals.

2. Provide and routinely use objective performance information to track progress toward achieving organizational priorities and to compare individuals' performance against organizational goals and other individuals.

3. Require and track follow-up actions on performance gaps (e.g. to address organizational priorities and hold individuals responsible for making progress on their priorities).

4. Define competencies that individuals need to effectively contribute to organizational results.

5. Link pay increases, awards, and bonuses to organizational unit and individual performance, using a performance management system that makes meaningful distinctions in individual performance (e.g. through ratings and/or bonuses).

6. Involve employees and other stakeholders in the development, modification, and periodic evaluation of the performance management system.

7. Maintain continuity during transitions through a performance management system that reinforces individual leaders' accountability for organizational goals.

8. Have safeguards that ensure the transparency or fairness (e.g. independent reasonableness reviews, internal grievance processes) of the performance management system.

<u>Engaging Employees</u>

1. Have constructive performance conversations with employees.

2. Provide opportunities for career development and training.

3. Provide work-life balance programs.

4. Foster inclusive work environments.

5. Encourage employee involvement in decisions affecting their work.

6. Ensure effective communication from management.

<u>Diversity Management</u>

1. Develop a diversity strategy and plan in alignment with the organization's strategic plan.

2. Use quantitative and qualitative measures to assess the impact of various aspects of an overall diversity program.

3. Hold top managers accountable for diversity by linking their performance assessment and compensation to the progress of diversity initiatives.

4. Have an ongoing succession planning process for identifying and developing a diverse pool of talent for an organization's potential future leaders.

5. Have a recruitment process for attracting a supply of qualified, diverse applicants for employment.

6. Involve employees in supporting diversity throughout the organization (e.g. through mentoring programs, advisory groups).

7. Provide training in areas such as teambuilding, communications styles, decision making, and conflict resolution to management and staff to educate them and inform them about the benefits and challenges of diversity.