

Recommendations to Congress and the Administration

# Transforming the Governance of Federal Human Capital Management

## Creating Capacity to Enable Effective Change

Summer 2020



**3 Recommendations**  
**16 Major Actions**



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## Foreword

This document is the result of an extensive effort on the part of a broad number of experts to provide actionable recommendations to the Executive and Legislative Branches. Its intent is to guide quick and systematic action to dramatically improve federal Human Capital Management (HCM) governance and functions across government.

For years, federal employees, executives, Congress, and experts have complained about the state of federal Human Capital (HC) systems and its capacity to meet the needs of agencies and employees, as well as those who desire to enter federal service. A 2019 study released by the Senior Executives Association (SEA) and university researchers found declines in the federal workforce's capabilities, putting the entire government at risk<sup>1</sup>. In the Office of Personnel Management's (OPM) FY19 Human Capital Review<sup>2</sup>, OPM stated, **"Agencies are advocating for a sea change in federal human capital management."**

By understanding the HCM landscape and implementing the recommendations contained herein, the federal government will experience significant improvements in HCM efficiency, effectiveness, credibility, and cost savings. It will improve the experience and abilities of the workforce, the ability of agencies to manage talent needs, and return dividends to the taxpayer through improved service. It will dramatically strengthen OPM's capacity to be a strategic governor of HCM.

This is the reason the SEA and The Center for Organizational Excellence (COE) undertook this effort to advocate for and clearly define the specific actions necessary to transform the governance and functions of HCM across the government.

The recommendations provided in this report are a culmination of a number of activities during 2019 and 2020. This includes research, expert review, obtaining input from Chief Human Capital Officers (CHCOs), and convening a group of

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<sup>1</sup> [https://cdn.ymaws.com/seniorexecs.org/resources/resmgr/government\\_at\\_the\\_risk\\_of\\_fa.pdf](https://cdn.ymaws.com/seniorexecs.org/resources/resmgr/government_at_the_risk_of_fa.pdf)

<sup>2</sup> OPM FY19 Human Capital Management Report, March 2020.

HCM thought leaders from academia, unions, state governments, corporations, non-profits, and former federal senior leaders.

These experts concluded that quick fixes will not solve this problem. It is a challenge that took serious study of the root causes of how the federal government's HCM system failed, using data, analysis, and expert judgment. They concluded that the remedies require **bold action** by the Executive and Legislative Branches.

*The central theme of this report is creating capacity to enable effective change.*

This necessary transformation will be possible only by first building the capacity for change. This includes putting the leadership, expertise, and functions in place first in order to enable the design and implementation of process, systems, regulations, and program change. This is a logical and necessary step to ensure efficient, effective, and credible HCM across the federal government.

While changes have been called for by experts over many years, the government has little to no current capacity to affect these changes. That is why they have not been designed, developed, tested, and implemented. These changes have only been complained about, causing people to position away from government service, inefficient and costly practices to continue, and HCM to be far less effective than it could be. Building the capacity first, will ensure the federal government can address all needs and realize effective HCM. Centralized functions are the role of OPM (and a major focus of this report), but agencies must also shoulder responsibility for effective HR leadership, culture, and practice.

We invite you to read, discuss, and challenge yourselves to act. Actions should and can begin immediately as it will be a multi-year process requiring dramatic changes to leadership, structure, methods, and technology. This report includes a clear demonstration of why change is necessary and a set of comprehensive

recommendations designed to ensure an efficient, effective, and credible HCM function and governance across government.

We stand ready to support you in your decision-making process.



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“ Capacity is the new skills and competencies you need to develop in order to take the actions necessary to bring about the change you want. ”

—Still Point Leadership

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## Executive Summary

This document is the result of an extensive effort on the part of a broad number of experts to provide actionable recommendations to the Executive and Legislative Branches so they may take quick and systematic action to dramatically improve federal Human Capital Management (HCM) functions and governance across government.

We are asking Congress and the Administration to act now and implement a set of legislative and administrative recommendations that begins with the passage of a Human Capital Reform Act. This is necessary to have the capacity to enact much needed HCM system reforms.

### Why We Made These Recommendations

For years, and through many studies, experts have decried the state of HCM within the federal government and recommended reforms. Yet little change has taken place. In March 2020, OPM issued its FY19 Human Capital Management Report indicating, “Agencies are advocating for a sea change in federal human capital management.”

Those expert recommendations focused primarily on civil service modernization such as a more modern pay system, performance management, closing skill gaps, staff and manager training, improved hiring, etc. They are correct: The federal government desperately needs all this and more.

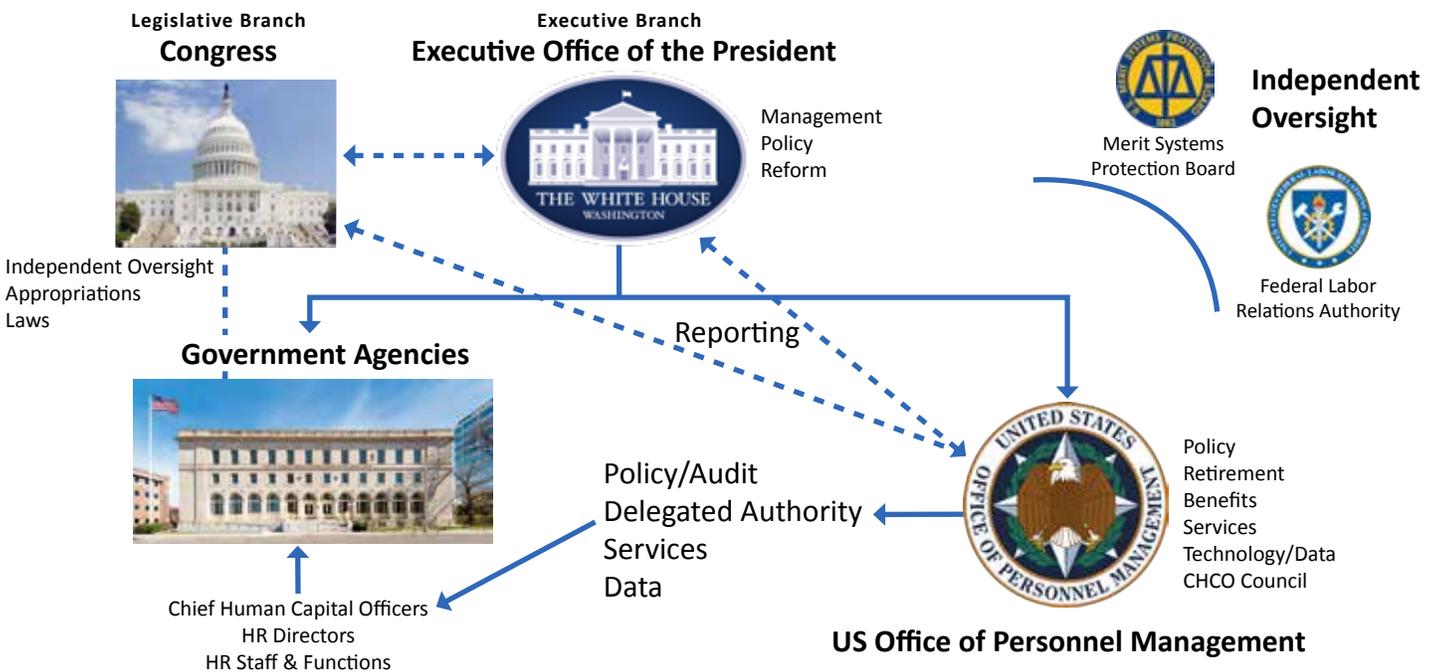
However, we had to ask, why after so many years and many detailed studies, highly publicized issues, and high-risk designations have these needs not been addressed? The answer is that the government does not have the capacity to take on and address these needs. Therefore, our focus is on first developing this capacity so the federal government can address these reforms to systemically strengthen HCM.

This report demonstrates a case for change across five areas to support three recommendations and 16 major actions. These actions, when implemented, will provide the leadership, strategic and functional capacity, and technology to support a highly effective, government-wide HCM system.

## The Case for Change

In 1978 the Civil Service Reform Act sought to make federal human resources (HR) more responsive with delegated authorities. It created the Office of Personnel Management (OPM) and certain regulatory changes. While appropriate for its time, HCM is no longer fully aligned with agency needs, lacks strategic capacity, and is slow to respond to changing conditions. It does not meet employee needs, and issues are often only addressed at the Legislative or Administration levels with a quick fix aimed at a specific agency or issue when a highly visible problem arises. As a result, the system has become fragmented and uncoordinated, lacking strategic intent (Exhibit A).

### Exhibit A. The Federal Human Capital Management Ecosystem is Fragmented and Uncoordinated



It was clear that changes to this system to better support agencies, employees, and mission achievement was needed based on five supported business cases for change.

**Case #1****Despite being the world's largest employer, federal HCM is inefficient, lacks credibility, is not investment- or future-oriented, and lacks a government-wide perspective.**

The speed of change in the world of work is here and the government must be able to respond. While the private-sector is able to pivot quickly, the federal government turns slowly to respond to new ways of instituting work, mission shifts, emergency situations, skills or pay gaps, or staffing levels; attracting and retaining skilled workers; or providing flexible work arrangements.

The federal government **lacks a central entity that has the capacity to envision and address the future** of work, shared services, civil service modernization, and technology needs in the HCM workplace.

Current HCM is weighed down with a plethora of antiquated regulations and multiple pay and personnel systems (that are not all controlled by OPM). For example, the job classification process has not changed since 1949.

OPM has not had long-term permanent leadership to drive strategy, policy reform, and HCM priorities since 2013. On top of this there is little effective collaboration between OPM, OMB, and Congress causing underfunding of critical initiatives, slow or conflicting responses to policy shifts, and often confusion in applying new rules.

OPM provides HR services that distract from its core mission and establishes a conflict of interest. It focuses more on compliance than innovation and does not effectively use the CHCO Council. There is currently no central strategy for civil service modernization, shared services, employee reskilling, or technology enabled HCM. In fact, the federal government HCM relies highly on paper forms rather than technology. The private-sector shifted to technology enabled HCM long ago, including the use of employee self-service, which reduces cost and increases efficiency and satisfaction.

As the largest employer in the world, the federal government's HCM systems should be leading the world in efficiency and effectiveness with the capacity to honor the workforce and meet the diverse and changing needs of agencies.

**Case #2****Federal HCM is significantly more costly than the private-sector.**

**No one really knows what HCM costs across the government** to include policy, process, people, systems, technology, and lost opportunity. As with most mission-support functions there appears to be tremendous cost, duplication, fragmentation, and inconsistency with little to no overall focus. For example, there is a government-wide shared services initiative led by GSA, however, agencies are still redesigning their own processes, buying technology, and developing their own data standards.

Within government an array of hiring authorities and processes, technology, staffing levels, contractor support, and other factors lead to a high cost of HC transactions.

**Exhibit B. Federal/Private Sector Cost Comparisons**

	Federal Government	Private Sector
Cost per HR Transaction	\$2,683	\$594–\$1,087
Cost to Hire	\$10,561	\$4,100
Cost for Technology per Person	\$800+	\$310
HR Staff to Employee Ratio	1:53	1:75–100
HR Specialist Salary	\$89,000 <sup>1</sup>	\$53,000

HR Specialist grade levels increased with the advent of the National Performance Review (NPR) in the early 90s with the expectation of a more strategic workforce, which was never realized. Since then the size of the workforce combined with staff augmentation has grown along with an increase in the size of the federal workforce rather than identifying ways to streamline services. And while no one expects the government to have costs as low as the private-sector, there is significant room for efficiency and cost reduction if HCM is transformed.

<sup>1</sup> FedScope Cubes, January 2020.

### Case #3

#### **The world of work is changing — HCM must be prepared to meet the needs of agencies and employees.**

Both **agencies and federal employees need more agility to address the fast-paced changing world** and adapt to the way people prefer to work and contribute. Abilities that do not currently exist in a bureaucratic, seniority-based, and regulatory laden system.

Agencies require more “burstable” capacity to flex up and down to meet the staffing and skill requirements, as well as changing program and mission requirements. Beyond contractors, they need the capacity to hire part-time, full-time, or project-based workers. They need to be able to quickly re-train people for emerging roles, unnecessary skills, functions replaced by technology, or quick response to epidemics or national emergencies. CHCOs have stressed the need for a more adaptive workforce, to flex up and down and encourage people to move to other agencies or in and out of government without penalty and with easy adaptive HCM tools as needs dictate. There is a need to focus on a “career for life” rather than a “job for life” and provide the guidance and regulations quickly to do so. The current system is not adaptive; it is slow moving and includes many barriers.

Pay systems do not differentiate between high and low performers, **nor are they sensitive to the market or occupations** resulting in some comparatively underpaid or overpaid positions. The federal government must use current pay demonstration projects and market analysis to remodel this structure.

People want to work differently. They want to be respected and treated fairly. They want to **contribute, improve their skills, and have flexibility** regarding alternative work arrangements, project-based work, and ability to move from agency to agency or in and out of government with ease. This requires more simplified records transfer, retirement system portability, work/life integration, pay comparability, and elimination of barriers such as time-in-grade rules, technology access, etc. While there are often pilot and demonstration projects

within agencies, they rarely make it into the mainstream without a central coordinating and funding mechanism.

HCM **data exists but is far from being usable and exploitable for decision-making, strategy, workforce planning, and more.** OPM's current Enterprise Human Resources Integration (EHRI) data system is arcane and has never met its intended purpose. It is not accessible by agencies, technology is outdated, the data is often inaccurate, and there are no longer any software tools applied to exploit the data. OPM has abandoned plans for its successor system, the Employee Digital Record (EDR). This is preventing necessary reforms in retirement processing, employee transfers, analysis and reporting, skills-gap identification, or developing self-service capacity. It is unable to support the requirements of the Government Performance and Results Modernization Act (GPRAMA), DATA Act, Evidence-Based Policymaking Act, and Administration reform initiatives.

Artificial intelligence (AI), machine learning, and robotics are infiltrating the workplace and the HR suite. However, again, **there is no central HCM entity that can guide its use**, making government wholly unprepared for the future of work. These are the tools that would allow HCM to be more strategic in its undertaking as the tools execute transactions and streamline processes. Some initiatives, such as the Department of Health and Human Services (HHS), HRx system, include many of these functional capacities but has no central government entity to help it mainstream.

As technology takes hold, some jobs will become vulnerable and **upskilling and reskilling will be required.** OMB estimates at least 600,000 federal workers will require reskilling and there is a need to have the capacity with which to do so.

Agency agility, people-centered work environments, and adoption of technology require effective analysis, planning, and execution to realize significant government-wide benefits. **Leadership and management capacity will need to be strengthened** to sustain the new ways of working, and, with change, OPM will lead the way.

## Case #4

### The federal government is no longer an inspirational employer.

The government has evolved to take on much more complex problems and **requires top talent** to achieve, yet according to a PEW survey, only 20% of Americans trust the government to do the right thing. As time has evolved, so has the needs of agencies and the workforce. Yet HCM is still mired in antiquated policies and systems. The workforce is mature and understands market-based pay, fair and equitable policy, and the need for effective leadership. They would like to contribute to the government's mission, yet agencies and managers do not have the wide range of employment flexibilities to compete with the private sector or shape their workforce in an evolving environment. Based on a GAO study, 60% of new agency employees leave their job within 2 years.

There is a clash of values that has made government an undesirable employer.

This is clearly demonstrated in the fact that **less than 6% of the federal workforce is under the age of 30** compared to 24% of the private-sector and other countries, which are well into the double digits. Also critical is the fact that the under age 30 demographic is **less than 2% of the federal IT workforce**, and the demographic over age 55 has increased 83% over the past 20 years. Clearly government needs to attract and retain a pipeline of younger workers to support innovation, supply new talent, and **fuel the leadership** and management ranks. The recent National Commission on Military, National, and Public Service report lays out a set of actions to better attract and retain younger Americans to the government workforce by creating flexibilities, competitiveness, and skills-gap closure, and by developing a new personnel system.

Without people and critical skills, government will not be able to properly serve the nation.

<b>6%</b>	Federal workforce under age 30
<b>24%</b>	Private sector under age 30
<b>2%</b>	Federal IT workforce under age 30
<b>83%</b>	Growth in Federal Workforce over age 55

## Case #5

### The budget, oversight, and management processes place significant strain on HCM.

The budget and management process has challenged the government workforce with budget uncertainty, change, and a **lack of attention on government-wide HCM**. In the past 45 years, Congress only approved all budgets four times, none since 2001, and shut down government operations four times since 2008 due to a lack of a fiscal year budget.

During shutdowns and continuing resolutions, **agencies cannot plan or execute HCM**, and they are unable to fill vacancies or hire for new positions. In fact, with every shutdown, all federal employees were paid in arrears causing a tremendous loss in performance and productivity.

Federal spending is organized around 20 major programmatic functional areas, such as national defense or health, but HCM and other mission-support functions **have no cross-government organizational focus**. In fact, government rarely can answer basic questions about its mission-support functions, their cost, or how effective they are. With almost \$300 billion spent each year on compensation (excluding the U.S. Postal Service) and with no accounting for costs of training, technology, productivity, etc., it is unclear what the HCM investment is or if there is a return on that investment. In fact, current HCM practices are reactionary — they are neither proactive in preparing for the future nor are they cost effective in execution.

Laws like GPRAMA provide strong requirements for measuring, reporting, and holding leaders accountable on program performance. It requires the development of a Human Capital Operating Plan (HCOP) and strategically aligning budget and the workforce. However, while this and other laws provide solid requirements, **their impact and leverage are not fully realized**.

Budget and management systems need to come together to contribute to an efficient, effective, and credible government.

## Recommendations

All have agreed that civil service modernization is necessary but is has not been accomplished due to a lack of capacity. Three recommendations and their supporting actions address the Case for Change and provide the capacity necessary for an efficient, effective, and credible government-wide HCM system.

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### Recommendation #1

**Develop a new framework for the Legislative and Executive Branches to work together on critical mission and mission support requirements.**

#### Action 1.1 Create a leadership focus on the government workforce

- Establish a select Committee on the Federal Workforce
- Establish a cross-leadership working group to establish the tenants of HCM reform including the House, Senate, OPM, OMB, GAO, CHCO Council and HCM experts

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#### Action 1.2 Plan, Measure, Report

- Require OMB and the OPM Director to create a transformation plan
- Require OMB and the OPM Director to develop a technology and data strategy plan
- Implement an HCM Scorecard tool (similar to the Federal Information Technology Acquisition Reform Act)
- Leverage existing laws to promulgate accountability (GPRAMA, DATA Act, Evidence-Based Policy Making Act)
- Reestablish the use of HRStats
- Profile all HCM spending across the government

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#### Action 1.3 Prepare HC Professionals

- Develop an advanced and modern certification program for government HC Professionals

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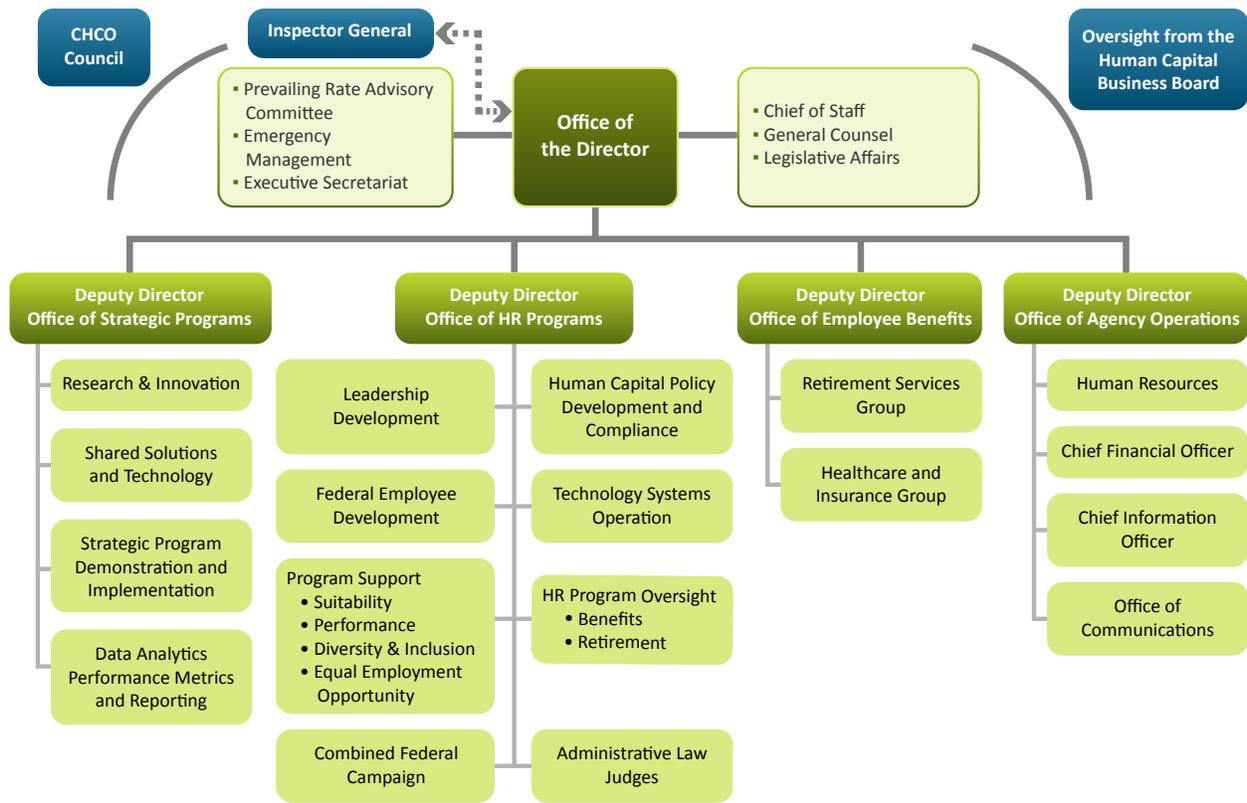
### Recommendation #2

**Reform the US Office of Personnel Management (OPM) into an efficient, effective, strategic, and credible governor of government-wide human capital that supports both mission-delivery and meeting the future needs of government.**

#### Action 2.1 Reorganize OPM into four primary functional areas as depicted in Exhibit B

- Office of Strategic Programs
  - Office of Human Resources Programs
  - Office of Federal Employee Benefits
  - Office of Agency Operations
-

## Exhibit C. A More Effective OPM Structure and Capability



### Action 2.2 Change the OPM Director position to a term appointment and provide effective oversight

- Change to 5-8 year Presidentially nominated Senate confirmed term position
- Create four career executive positions to oversee each of the four functional areas
- Establish a Human Capital Business Board
- Review the OMB Deputy Director for Management (DDM) position to ensure it is properly resourced and has the appropriate authorities and accountabilities

### Action 2.3 Rename OPM and modify its mission

- Create a new name to signal a shift in mission and services
- Change the mission to include more strategic and government wide requirements

### Action 2.4 Streamline and simplify the personnel regulations

- Complete an end-to-end review to modernize all regulations
- Ensure agencies have appropriate personnel authorities
- Include OPM oversight over all personnel and pay systems

### Action 2.5 Establish the Office of Strategic Programs within OPM to include:

- Research and Innovation Group
- Shared Solutions and Technology Group
- Strategic Program Demonstration and Implementation Group
- Data Analytics, Performance Metrics, and Reporting Group

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**Action 2.6 Establish a new Office of Human Resources Programs within OPM to include:**

- Human Capital Policy and Compliance Group
- Technology Systems Operations Group
- HR Program Oversight Group
- Administrative Law Judges
- Combined Federal Campaign
- Leadership Development Group
- Federal Employee Development Group
- Program Support Group

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**Action 2.7 Reengineer, Eliminate, or Move Existing Functions**

- Sunset Human Resources Solutions services and move the technology functions
- Transform retirement services, automate and determine if it should remain in OPM or be moved
- Reengineer Healthcare and Insurance if needed and determine if it should remain in OPM or be moved
- Move the Merit System Accountability function under HR Programs
- Move facilities management and procurement to GSA
- Develop and realign skills and skill levels within OPM

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**Action 2.8 Invest in and develop critical HCM technology**

- Based on the technology and data strategy developed by OMB/OPM
- Assess and enhance the suite of USA tools
- Replace EHRI with the Employee Digital Record (EDR)
- Review, enhance, or sunset legacy systems
- Review the impact on HR Specialists and prepare them for the new way of work

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**Action 2.9 Enhance the capacity of the CHCO Council**

- Serve as an advisory group for HCM
- Be self-governed with rotational leaders
- Subcommittees reflect the new OPM structure
- Place the OPM Director as member of the President's Management Council

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**Recommendation #3  
Become an inspirational employer and invest in people.**

**Action 3.1 Strengthen the budget process**

- Deliver budgets on time
  - Approve civilian employment levels over two years
  - Consider two-year budgets for certain programs
  - Allow for funding flexibility without penalty
  - Require HC strategies with budget submissions
  - Require workforce analytics
-

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**Action 3.2 Strengthen the workforce**

- Plan for evolving skill needs and reskilling of the workforce
- Develop a strong pipeline of effective leaders and managers through rigorous certification
- Allow for flexible adaptation of the workforce
- Provide a training fund of 1-2% of federal payroll

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**Action 3.3 Modernize the civil service**

- Develop the capacity to hire within 60 days
- Create more hiring flexibilities
- Redesign the job classification system
- Replace the GS and other pay systems with occupation and market-based pay-banding
- Expand direct hiring authority
- Ensure performance management is fair and reasonable and provides managers with the tools to achieve results and take quick action
- Create employee portability across agencies and within and outside of government
- Review and update Merit System Principles
- Provide training for all HCM transformations
- Scrub all regulations for a modern civil service (see recommendation 2.4)

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**Action 3.4 Promote government as a great place to work**

- Establish a central national recruitment capability within OPM
  - Promote civic education
  - Create high school and college entry programs
  - Develop strong recruitment incentive programs
- 

Action is required now to modernize the civil service so it has efficient systems, strong technology, and strong leadership to honor the workforce and provide agencies with what they need to achieve. We know this transformation is not possible without first creating the capacity to make change possible. Many experts, members of Congress, and OPM's own reporting have stated the challenges and the need.

We strongly encourage Congress and the Administration to pass the Human Capital Reform Act as described in detail in this report and take the Administrative action necessary to achieve an efficient, effective, credible, and cost appropriate HCM systems across the government.

***Begin first by developing the capacity so that HCM change is possible.***

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# Why Human Capital Management in the Federal Government Must Change



# A more effective federal human capital strategic management system is needed now!

## Introduction

The current federal Human Capital Management (HCM) system is incapable of meeting the current and future needs of government. There is a strong and well documented consensus that the HCM system is failing and is not structured to meet current and 21st century requirements (see **Exhibit 1**). This includes its governance, budget, policy, processes, and supporting technology. As stated by the National Academy for Public Administration, “We cannot wait to adapt to the changing nature of work. Indeed, technology has already changed work; and unless the federal government launches an aggressive effort now to rebuild its workforce, it will fall father behind in its ability to serve the public. *Government would risk losing its ability to govern.*”<sup>1</sup>

**Exhibit 1. Drivers of Change**



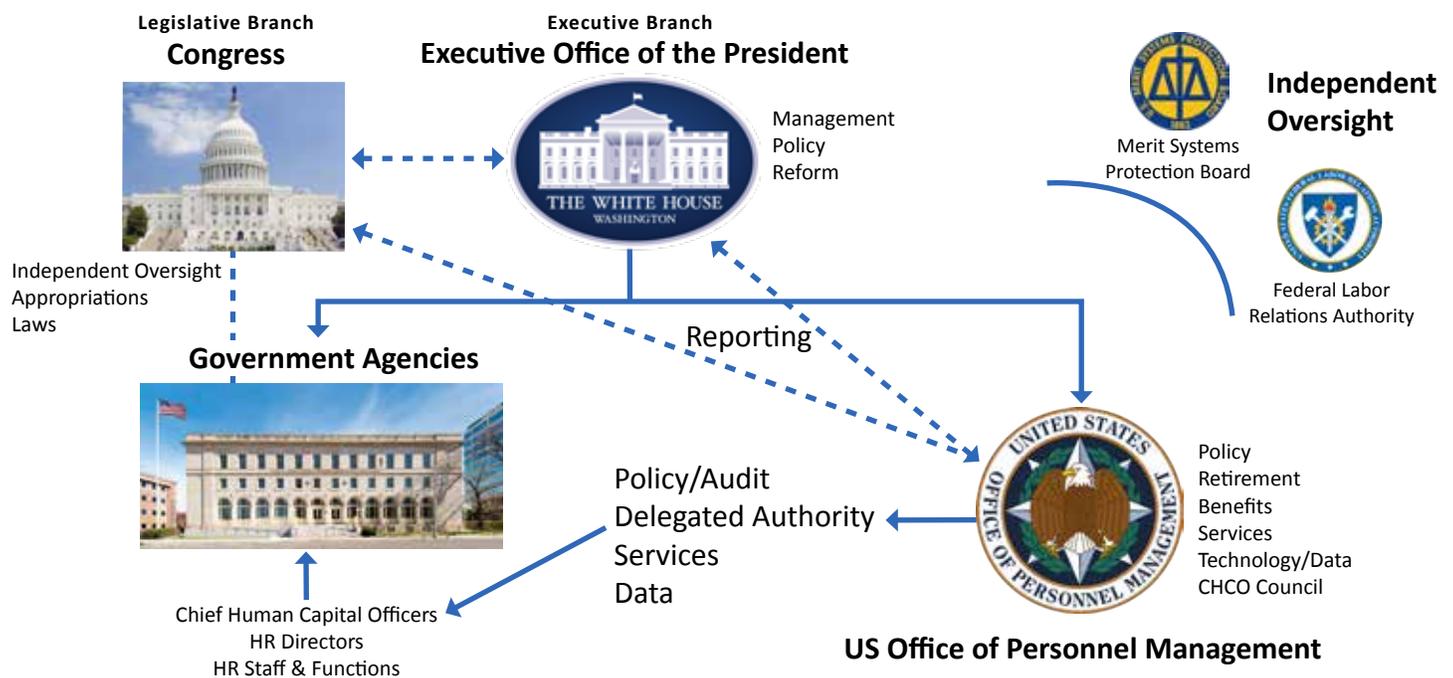
<sup>1</sup> No Time to Wait, Building A Public Service for the 21st Century, National Academy for Public Administration, July 2017.

It has been over 42 years since President Jimmy Carter signed the last piece of comprehensive legislation, the Civil Service Reform Act of 1978 (CSRA) (PL-95-454) addressing HCM. It sought to make federal human resources (HR) more responsive with delegated authorities, designating a central agency, and making policy changes. While appropriate for its time, it is now outdated and does not meet the current needs of government, let alone its rapidly advancing future. Technology is far more advanced, HCM practices have matured, and agency and employee needs are much different today than they were 40 years ago. Federal managers have complained for many years about regulations being too complex and failing to prevent merit system abuses<sup>2</sup>.

Dramatic changes are required by collaboration among Congress and the Administration to meet the workforce needs of today, anticipating the future and leading the world with efficient, effective, and credible HCM practices.

The current HCM ecosystem (**Exhibit 2**) includes multiple entities that influence the policy and execution of HCM across the federal government. Each entity

**Exhibit 2. The Federal Human Capital Management Ecosystem is Fragmented and Uncoordinated**



<sup>2</sup> US Merit System Protection Board, The State of the Federal HR Workforce: Changes and Challenges, May 2020.

influences HCM in different ways, none of which is coordinated. All function under the Merit Systems Principles, which guides how the federal government fairly manages and honors its workforce and serves organizations and the American people (see **Exhibit 3**). However, each entity has its own mission, initiatives, agendas, chain of command, budget, and oversight. While this is to be expected, these same factors can create disincentives for collaboration to achieve HCM goals.

### **Exhibit 3. Merit System Principles 5 U.S.C. 2301(b)**

#### **The Merit System Principles**

1. Recruitment should be from qualified individuals from appropriate sources in an endeavor to achieve a workforce from all segments of society, and selection and advancement should be determined solely on the basis of relative ability, skills, and knowledge, after open and fair competition which assures that all receive equal opportunity.
2. All applicants for employment and employees should receive equitable and fair treatment in all aspects of personnel management without regard to political affiliation, race, color, religion, national origin, sex, marital status, age, or handicapping condition, and with proper regard for their privacy and constitutional rights.
3. Equal pay should be provided for work of equal value, with appropriate consideration of both local and national rates paid by employers in the private sector, and appropriate incentives and recognition should be provided for excellence in performance.
4. All employees should maintain high standards of integrity, conduct, and concern for the public interest.
5. The Federal workforce should be used efficiently and effectively.
6. Employees should be retained on the basis of the adequacy of their performance, inadequate performance should be corrected, and employees should be separated who cannot or will not improve their performance to meet required standards.
7. Employees should be provided effective education and training in cases these would result in better organizational and individual performance.
8. Employees should be protected against arbitrary action, favoritism, or coercion for partisan political purposes and prohibited from using official authority or influence for purposes of interfering with or affecting the result of a nomination for election or an election.
9. Employees should be protected against reprisal for the lawful disclosure of information which the employees reasonably believe evidences a violation of law, regulation, or rule; or mismanagement, a gross waste of funds, an abuse of authority, or a substantial and specific danger to public health or safety.

The inability of the existing HCM system to meet current and future needs runs long and deep and are described herein across five major areas clearly demonstrating the need for immediate action.

- #1** Despite being the world's largest employer, federal HCM is inefficient, lacks credibility, is not investment- or future-oriented, and lacks a government-wide perspective.
- #2** Federal HCM is significantly more costly than the private sector.
- #3** The world of work is changing — HCM must be prepared to meet the needs of agencies and employees.
- #4** The federal government is no longer an inspirational employer.
- #5** The budget, oversight, and management processes place significant strain on HCM.

// Behind the scenes in Washington, there is a clear consensus that the civil service system is broken. It is far too difficult for prospective employees to navigate the application process. Most agencies struggle to hire the people they need for the job to be done—and there is precious little strategic workforce planning to understand what people they need to begin with. //

—Donald F. Kettl  
The Merit Principle in Crisis  
October 2015



# The federal government's HCM systems capability and responsiveness are woefully inadequate for the rapidly evolving world of work.

## The Speed of Change is Here

The private-sector has the enviable capacity to reinvent itself and respond quickly to changing circumstances. For example, many in corporate America were **able to quickly pivot** to meet cybersecurity demands, realign their workforce during the COVID-19 pandemic, adopt advanced technologies, adjust to a gig workforce, outsource non-core functions, or adopt shared services.

This occurred because well-run companies have centrally managed offices that are able to quickly adopt new HC policy, processes, and technologies while also performing regular whole-of-organization data-driven workforce analyses to ensure that they have the right workforce mix, skill alignment, and allocation of resources. Decisions in the private-sector are not steeped in deep regulations, risk aversion, or politics. Further, as new business process drivers emerge, such as Artificial Intelligence (AI)/Robotic Process Automation (RPA) and machine learning, the private-sector can adopt those technologies without going through lengthy contracting and business review processes, or spending years navigating leadership, political, cultural, and budget process barriers.

The federal government, for very good reasons — such as guarding against the misuse of taxpayer dollars and ensuring open competition — doesn't always have the luxury of easy reinvention or agile adaptive behavior.

Francine Katsoudas, chief people officer at Cisco, had to 'break HR' to move from a 'one size fits all' to a 'one size fits one' approach, through a 25-hour 'breakathon'. The panel agreed that organizations need to enable decisions on the basis of knowledge rather than hierarchy, and that the role of an organization's culture is to let talent flow to where it can have the greatest impact. The art is to find a balance between having control, stifling innovation, and total chaos.

—The Economist<sup>1</sup>

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<sup>1</sup> Everything You Need to Know About the Changing World of Work, according to The Economist, June 2016.

However, HCM is hamstrung by complex and outdated regulations, laws and business processes that have been developed over more than two centuries of bureaucratic accretion. It is a compliance and process driven system that is neither customer oriented nor agile. The federal government is risk adverse, and relies on outdated processes and technology that were long ago abandoned by the private-sector. It requires effective workforce planning to provide proper agility, meet employee needs, and justify staffing levels based on skill requirements and workload.

The private-sector moves quickly while the federal government seems unable to fix broken processes (pay, onboarding, hiring, etc.) causing a struggle to recruit and retain the needed talent.

## OPM Is Not Prepared

There is no effective strategic analysis, guidance, or the ability to proactively address the demands of an entire government to guide HCM policies and processes, nor is there always strategic HCM coordination between the centrally managed HCM entity (the Office of Personnel Management (OPM)) and the federal agencies that have been delegated the authority to actually hire and manage the federal government's civil servants. For example, addressing mission-critical skills gaps, creating streamlined hiring processes, or creating flexible work arrangements. Both the Government Accountability Office (GAO)<sup>2 3</sup> and the OPM Inspector General (IG)<sup>4</sup> have cited fiscal uncertainty; government-wide skill gaps and needs; the need for improved employee benefits and leadership attention, IT infrastructure, and timely retirement; and many other issues that require leadership and action.

### OPM As a Leader of HCM

The reader should note that this report is not intended to criticize OPM, but to recognize their important role in HCM across the government and aid them in strengthening and having the necessary improved capacities. For far too long they have not been viewed as a leader of the government's most critical asset and given the necessary resources and attention it needs and deserves.

<sup>2</sup> GAO Testimony, Issues to Consider in the Proposed Reorganization of the Office of personnel Management, May 21, 2019.

<sup>3</sup> GAO High Risk List – Strategic Human Capital Management, March 2019.

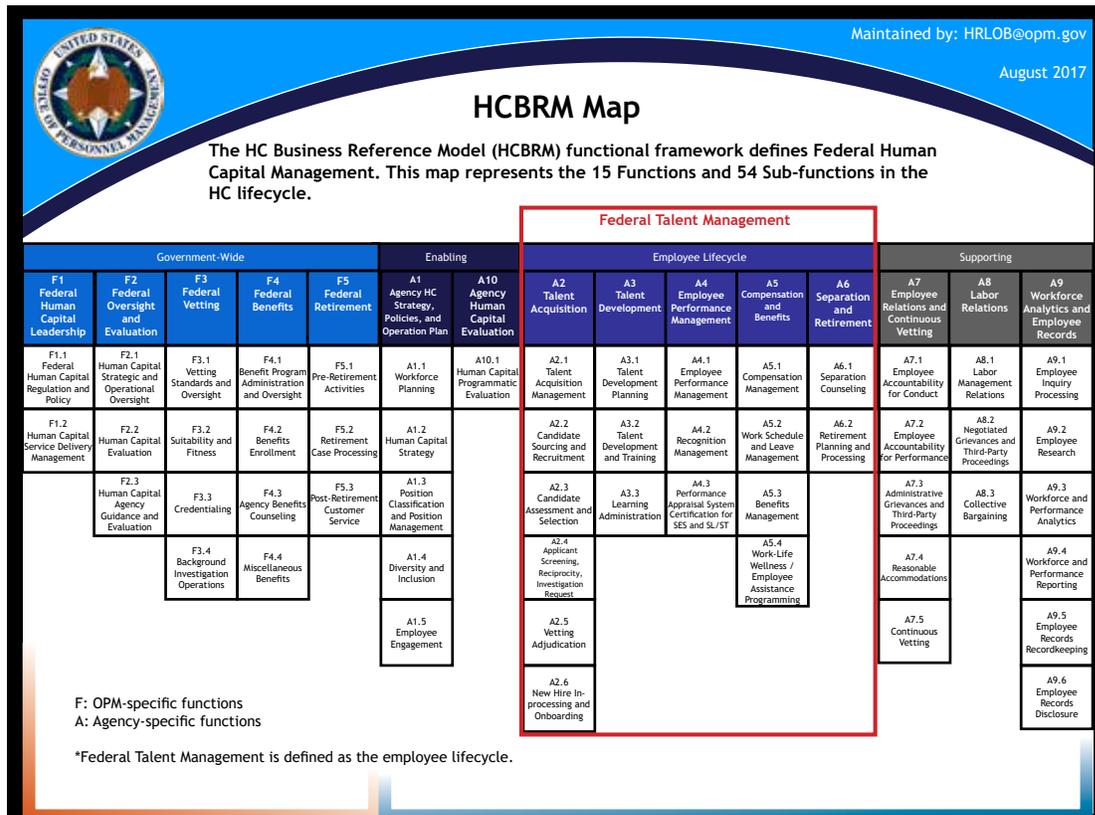
<sup>4</sup> OPM IG, Top Management Challenges: Fiscal Year 2020, November 6, 2019.

The lack of a single entity in government that is strategically addressing the future of work, shifting missions, shared services, civil service modernization, or technology-driven processes is at the center of inefficiency and ineffectiveness of the current federal HCM system.

OPM, which was created as part of the CSRA, was intended as the centrally managed HCM entity for the federal government, but for a variety of reasons, not necessarily its fault, has failed in this role. Some examples include:

- Over the past four decades, OPM has evolved into a regulatory- and compliance-driven organization that has **little capacity to develop HC strategies and responses for a radically changing world**. A framework for an overall strategy exists — the Human Capital Business Reference Model (HCBRM)<sup>5</sup> (**Exhibit 4**) — but it has no implementation plan associated with

**Exhibit 4. Human Capital Business Reference Model (HCBRM)**



<sup>5</sup> <https://www.opm.gov/services-for-agencies/hr-line-of-business/hc-business-reference-model/>

it and has not been fully embraced. OPM does provide services such as leadership training and competency analysis and similar activities, but it has not kept up with current knowledge and practices.

- OPM's authorities devolve from Title 5 of the CSRA and OPM has historically limited its activities to those authorities. This leaves a **huge gap in oversight and policy direction** with other personnel and pay systems that Congress and individual agencies have rushed to fill, resulting in a plethora of hiring authorities and policy direction through vehicles such as the National Defense Authorization Act (NDAA). Since 1978, so many rules have been added to respond to individual issues or crises, it's now extremely difficult to follow and manage.
- Since 2013, OPM has not had **long-term permanent leadership**, which has prevented it from identifying and exercising strategic imperatives to adapt to the rapidly changing agency and HCM landscape. In fact, in the current and previous Administrations, the Acting Directors of OPM were also serving as the OMB Deputy Director for Management, having to perform two jobs. Attempting to execute two highly critical positions simultaneously does not allow sufficient time to address strategic, policy, or operational priorities in HCM.
- OPM has assumed new roles since 1978, such as providing HR services on a fee basis that **distract it from its core mission of being the federal government's regulatory oversight body and HCM strategist**. There has been a reduction in enforcement of compliance actions and OPM struggles with being both a strategic and operational entity. OPM's budget is a mix of appropriated funds and fee-for-service using a revolving fund. This creates **numerous conflicts of interests** and discontinuities at OPM. For example, OPM sets HR policy through its appropriated budget, but charges agencies fees to implement that policy through its fee-for-service and consultative Human Resources Solutions (HRS) services (often at higher than contractor rates). Since OPM attempts to perform oversight of agency HR operations

through its appropriated budget staff, while at the same time other parts of OPM are benefiting through fees that agencies pay for OPM services, there is a well-defined conflict.

- There is very **little effective communication, coordination, and collaboration** between OPM, OMB, Congress, and agencies. It has caused underfunding of critical initiatives, slow or conflicting response in policy shifts and related communication, understanding appropriate reforms, and confusion in how to apply new rules.
- As a compliance driven organization, **OPM culture tends to be driven by regulations, when in reality the needs of customers — agencies, employees, hiring managers — should be the central focus.** For example, a move to hold an agency accountable for inappropriate application of seasonal hire rules almost caused one agency to shut down programs as OPM was more concerned with compliance than with maintaining agency mission delivery. At the same time, there appears to be no OPM official responsible for a defined policy or regulatory agenda. While unlike the private-sector, which depends on laws to ensure compliance, the government has a significant compliance function that, while necessary, may be able to be rightsized with more effective or streamlined regulations and revised practices. In support of this, in 2018 and 2019, SEA convened stakeholders from across the political spectrum and developed consensus that focused on deregulation of federal personnel management as a key to enabling a transformation from a rule-bound bureaucratic workforce into an outcome-oriented professional workforce<sup>6</sup>. These stakeholders were explicit that this must be accomplished while maintaining Merit System Principles as core values.

#### Lesson from the State of Tennessee

The absence of a centrally strategic HR system would be an unacceptable situation in corporate America and increasingly is becoming unacceptable to state/local/international governments. Tennessee's government, for example, became the best place to work in the state after it was able to quickly legislate civil service reform (including market-based pay, among many other things) through strong leadership that collaborated with all executive agencies and the legislature.

<sup>6</sup>The 10 Considerations for Civil Service Modernization. <https://seniorexecs.org/page/www-seniorexecs-org-10considerations>.

- OPM runs few cross-agency forums and the one major forum that exists — the Chief Human Capital Officers Council — is generally believed by members to be ineffective, not for lack of having effective members, but from an **OMB and OPM oversight approach that renders the Council less than effective.**
- OMB and OPM **do not have the capacity** to drive innovative and modern approaches to the efficiency and effectiveness of federal HCM:
  - » The federal government has considered shared services since the Reagan Administration, and has even determined strategy, taken action, and spent money to that end. However, as of this date, **there is no true government-wide effective shared services strategy** for the federal government that has resulted in consistent process application, improved customer satisfaction, or reduced cost, allowing government to focus more resources on mission-centric activity. The leadership of shared services has ebbed and flowed from strong to lacking attention, and back again. In the past several years GSA has taken on a strong focus on shared services, yet still there is no understanding of the government-wide plan, when it will happen, its impact, and its benefits. Congress and the Administration are not coordinated on this effort, and little is resulting from the millions of dollars spent over the years. Both Congress and the Executive Branch need to engage and collaborate to move the shared services ball down the road more rapidly and realize its benefits.
  - » While the private sector adapted years ago, federal HCM processes are **still forms-driven**. Paper-based Special Forms (SF), are used for many practices, transmitted, and stored in file cabinets in agencies and in a mountain in Pennsylvania. Most agencies have multiple HC technology systems that do not communicate with each other and must process paper or duplicate data entry. For example, training is requested on a paper form, and retirements are still processed by hand with paper documents mailed to OPM and processed under thousands of business rules, with a significant backlog, and fraught with errors.

73% of employees expect a self-service for basic HR tasks<sup>7</sup>.

<sup>7</sup> Paychex, At Your Convenience. May 2018.

- There is no single entity in government that is strategically and adequately addressing government-wide recruitment, the future of work, the changing mission, or the HR technological landscape. The need for civil service modernization to improve pay, performance, hiring, and other aspects of the HC Business Reference Model (HCBRM) have been discussed by many experts, recommended in many reports, and shown to deter Americans interest in government, yet there is **no entity that has demonstrated the capacity to address it.**

With a lack of focus, ineffective budget execution, a strained culture, and lack of a coherent strategy, the federal government lacks the HCM strategy and technology capacity it so desperately needs.

- While there are a number of qualified and dedicated HR professionals across government, **reskilling is required** to be more consultative, strategic, and analytical of the workforce. This is necessary to meet the demands of an evolving profession.

- HC technology in the private sector has long ago adopted self-service and is dramatically growing in the use of AI/Machine learning, and engaging process workflow management. **The federal government is not doing this on the scale it needs.**

With a well implemented case management tool, HR customer service representatives can resolve another 20–40% of workforce inquiries<sup>8</sup>.

- In other sectors, there is **significant change in HCM**. Hiring is significantly faster and at a lower cost, classification does not exist (the federal government still functions under the Classification Act of 1949), staff development is considered a critical investment, occupational series are not so onerous, and retirement is accomplished through automation. In the private-sector investment is a means to enhance employee experience, better serve customers, and improve efficiency. In government, it's considered a cost.

*As the world's largest employer, the federal HCM system should be leading the world in efficiency, effectiveness, and capacity to honor and support the workforce, and quickly meet the diverse needs of agencies.*

<sup>8</sup> Modern HR Service Delivery, Gartner, June 2016.

## CASE #2

Federal HCM is significantly more costly than the private sector.



## No one knows what HCM costs across the government.

At a composite level, government leaders do not know what federal HCM costs or what they are getting for the taxpayers money including policy, people, process, systems, technology, and lost opportunity. The government hasn't completed any overarching analysis, nor has it developed a strategy for government-wide HCM encompassing the objectives, spending, and investment to implement it. Instead, individual agencies advocate to OMB for their HR requirements during the annual budget process or before Congress during the appropriations process, receiving responses on an ad hoc and inconsistent basis; none of which is totally accounted for in terms of strategy, action, cost, or outcomes.

### OPM is Not Sufficiently Structured or Resourced

The disparate HCM processes contribute to mixed results and, over time, an inconsistent and costly system with high transaction, staffing, and IT costs; a bewildering array of unique hiring authorities that are often agency-specific; and an uneven distribution of resources and performance issues. In fact, in March 2019, OMB stated, "Despite the criticality of its mission, **OPM is not currently structured or resourced sufficiently to maintain its mission** in a sustainable, secure, and financially stable way...<sup>1</sup>" For example, the benefits of spending on technology and shared services are not realized due to a lack of a central strategy and effective Administration and Congressional support. While some agencies have healthy training budgets, most are starved for funds and cannot

#### Efficiency, Effectiveness, and Credibility<sup>2</sup>

**Efficiency** is using the appropriate amount of resources, time, and money to achieve the result and assumes the resources are strong and capable.

**Effectiveness** is achieving the planned (and meaningful) result.

**Credibility** is being trustworthy, believable, and inspiring.

<sup>1</sup> OMB, OPM Reorganization White Paper, March 2019.

<sup>2</sup> Goodrich, Steve. Transforming Government From Congress to the Cubicle, September 2016.

adequately train and develop their workforces. Still, actual training costs and their benefits cannot be accurately determined.

At a time when discretionary budgets are constrained, there is little sympathy in Congress for what they rightly see as inefficient and bloated HCM systems. Yet, Congress must push through this rhetoric to change the current ways of doing things, and realize the return on investment that a well-run HCM system can deliver for taxpayers.

## Evidence Indicates Federal HC Transactional Costs Are Very High

We do know at a transactional level HC costs are dramatically higher than the private-sector. As the largest employer in the world, one would expect more economy of scale, but this is not the case. Since there are so many decision-making entities that only see one piece of the HCM elephant, the approach to how we strategize, decide, spend, hold accountable, and report must change.

The fact is **federal HC is significantly more costly than private-sector HC**.

With over 41,000 HR Specialists<sup>3</sup> in government (not including substantial contractor staff augmentation — which has not been quantified), the average cost per HR transaction is \$2,683<sup>4</sup> compared to \$594–\$1,087<sup>5</sup> in the private sector. The average cost to hire

in government is \$10,561<sup>6</sup> compared to the private sector of \$4,100<sup>7</sup>. While the federal government spends approximately \$800<sup>8</sup> per year/person on HR technology, the private sector spends an average of \$310<sup>9</sup> per year/person. The federal government has an average HR staff to employee ratio of 1:55 (private sector 1:75–100) and this again does not include the tremendously

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<sup>3</sup> FedScope, December 2019.

<sup>4</sup> OPM, 2017.

<sup>5</sup> SHRM and CompensationForce.com, December 2019.

<sup>6</sup> GSA Benchmark, 2016; The Center for Organizational Excellence, Inc., in its assessment of multiple federal HR functions has quantified hire costs to be \$5,800 to \$8,900 per transaction.

<sup>7</sup> SHRM, 2019.

<sup>8</sup> OPM, 2018.

<sup>9</sup> Bersin, Josh. HR Technology Market 2019, Human Resources Executive, October 2019.

undocumented amount of HR staff augmentation that contractors provide the government.

### Exhibit 5. Federal/Private Sector Cost Comparisons

	Federal Government	Private Sector
Cost per HR Transaction	\$2,683	\$594–\$1,087
Cost to Hire	\$10,561	\$4,100
Cost for Technology per Person	\$800+	\$310
HR Staff to Employee Ratio	1:53	1:75–100
HR Specialist Salary	\$89,000 <sup>10</sup>	\$53,000

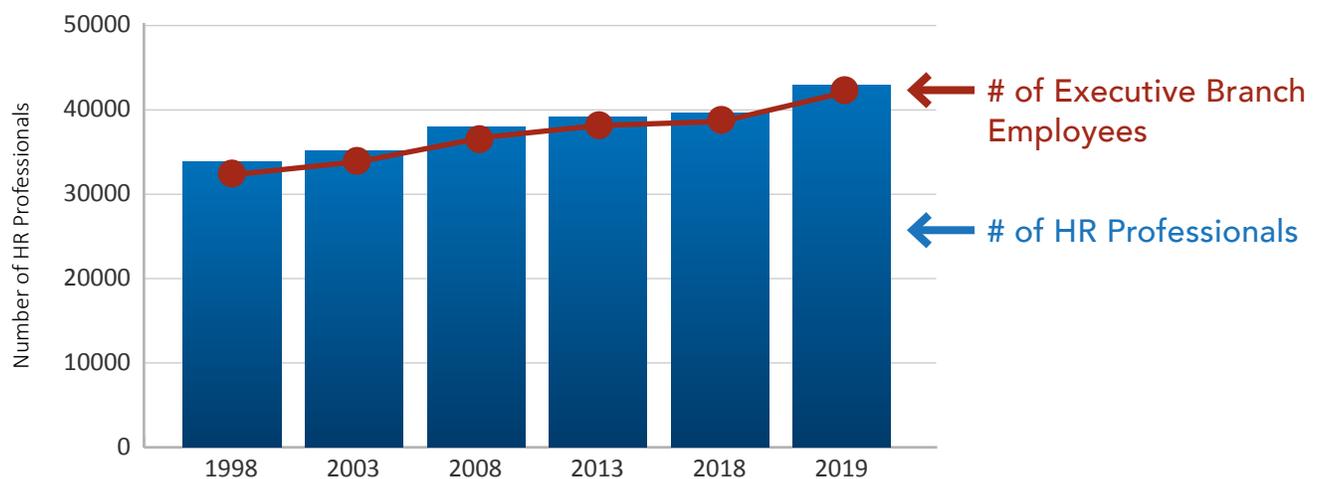
All these costs contribute to an inefficient HCM function across government that is ripe for improvement, strengthened governance, and a more effective focus on the future, including more investment in talent development and consistent technology.

During the implementation of the National Performance Review (NPR) in the 1990s, the HR professional ranks were reduced and consequently struggled to keep up with workload demand. The plan was for HR professionals to become more strategic and less operational, providing more consultative services (more complex work, knowledge and skill); therefore, offices would require fewer HR staff. In fact, grade levels and therefore salaries increased to accommodate this higher order functioning. While average grades increased, the more strategic functioning was never realized and the operational work never reengineered to accommodate, nor were HR staff developed in the new skill requirements. Since the late 1990s, the size of the HR workforce has increased somewhat proportional to the federal workforce (**Exhibit 6**), allowing little time to adjust to changing needs. Yet, today, technology is far more advanced and the needs

<sup>10</sup> FedScope Cubes, January 2020.

of government and employees much more complex, providing a great opportunity to rebalance government-wide HCM to be more effective and strategic.

### Exhibit 6. Growth of HR Staffing Levels Over Time Compared to Growth of Federal Staff Levels<sup>10</sup>



*While perhaps the federal government could not reach the lower cost levels of the private-sector, clearly the current approach is not working and, to expert observers, seems ripe for reform. Government must first understand its total HCM cost and related efficiencies and benefits to develop appropriate reform strategies.*

<sup>10</sup> FedScope Cubes, January 2020.

// The federal government is in a period of profound transition and faces an array of challenges and opportunities to enhance performance, ensure accountability, and position the nation for the future. //

—Government Accountability Office

March 2003



## Federal HCM needs to be more strategic and deliberate.

Federal agencies need more workforce agility to meet critical mission requirements. The way people desire to work necessitates a change in HCM policy to be more flexible and responsive. These two factors need to drive changes in the way organizations attract, use, and manage their workforce, and how people want to associate with their employer. Further, advanced technology is making its way into government and into the HR suite, becoming a driver of change in the way they administer HR functions, achieve results, make data-driven decisions, and reduce costs.

The modern workforce is more diverse in its thinking, and the workplace and the nature of work are rapidly changing, but the federal government is significantly lagging behind the private sector, many non-profits, and many state/local/international governments in its response to these drivers. The use of remote work is expanding with improved technology and facilities are becoming more efficient and employee-friendly. An investment in time, expertise, and funds is required to improve efficiency and reduce cost.

### Agencies Need More Agility

Many private-sector organizations have adapted to shifting needs in a rapidly changing world as they address new environmental, global, technological, personnel, and/or market forces. Some refer to the need to be “burstable”<sup>1</sup>

#### Biggest Changes to the Workplace<sup>1</sup>

- 1. Management without borders**—full-time, freelance, remote work, gig jobs—management skills are needed.
- 2. Blurring the line**—between personal life and work with connectivity anytime anywhere.
- 3. Increase need for agility**—high performance people and teams need to come together, learn, disband, and repurpose.
- 4. Automation**—routine jobs will be adopted by computers causing people to move to higher valued work.
- 5. Engagement**—recognizing high performing talent generates attraction and retention in the workplace.
- 6. Leadership**—coaching employees to meet mission needs and work smarter will be critical.
- 7. Data driven performance**—evidence-based performance will be driven by troves of data and effective tools to both drive and adapt performance.

<sup>1</sup> The Adaptive Workforce, June 2019.

which means **being able to flex up or down with staff and skills**. They respond quicker with a combination of part-time or full-time employment, contract employees, or project-based workers. Of course, advancing technologies are

The culture of a “career for life” rather than a “job for life” is embraced by both organizations and employees. Now government must adapt its systems to accommodate.

changing jobs, eliminating or reducing certain job functions and requiring staff to be reskilled for higher levels and different functions.

Federal Chief Human Capital Officers (CHCOs) have also indicated a need for a more adaptive workforce to meet agency needs, and there has been a tremendous increase in contracting out

to gain expertise in staff augmented roles<sup>2</sup>. For example, the need for more flexibility in seasonal or project-based hires, the need to rapidly address the border crisis, opioid epidemic, forest fires, disaster response, human trafficking, and more; and then ramp down, repurpose, or provide a glide path for employees to move into the private sector or another agency as needs evolve. The culture of a “career for life” rather than a “job for life” is embraced by both organizations and employees. Now government must adapt its systems to accommodate.

New skills are required for advanced technology, and more strategic activity is needed to meet evolving mission needs. As Administrations change and imperatives shift, **agencies need to adapt to shifting priorities** with the right skills at the right time. Whether it is a threat to our cybersecurity, climate change, developing a space force, or

#### Potential HCM Practice Opportunities for Government-Wide Use

- HHS’s HRx system
- Use of AI/BOTS for HR processing at HHS, GSA, DOT and others
- Compensation studies at OPM, HUD, and DOT
- Shared certifications at HHS, DOI and moving to open and continuous announcements
- Extracting from cyber workforce models at DHS and USDA for other series applications
- Recruitment practices at State, IC, and other agencies
- Moving to standardized position descriptions at DOI and DOE
- Mobile access to pay and benefits in the National Guard
- OMB GEAR Center Initiative to improve mission delivery, citizen service, and stewardship
- Occupational Paybanding at China Lake

<sup>2</sup> CHCO roundtable, December 2019.

responding to COVID-19, agencies need to adapt quickly, usually within existing budgets, to meet an evolving mission with critical and timely staff. The federal government needs resources, policy, leadership, and investment, enabling flexibility and a quick response.

To meet these needs, **agencies require greater flexibility** so they can adapt their workforces to new or advancing skills, changes in staffing levels, career advancement, hiring, and more. The current HCM system does not allow for rapid change and effective risk management. It places financial resources in the wrong places, leaving little for talent development.

## Pay and Performance Systems Are No Longer Effective

There are multiple pay systems with a plethora of rules, a broken General Schedule (GS) system, weak performance management, slow hiring and onboarding, and a need to strengthen staff leadership and management. Approximately 1.5 million workers are under the GS system, which has the stated purpose to maintain parity with the private-sector. Yet studies show that **employees are underpaid in some occupations and overpaid in others**. Longevity is currently the driver for within-grade pay increases with no emphasis on increased performance. Over time, in an attempt to maintain comparability, locality pay was introduced and has been greatly expanded. In addition, OPM has had to grant special pay adjustments for unique locations.

Even with all the adjustments, managers often struggle to compete with the private-sector where the pay gap continues to grow. In fact, the Chief Information Officers Council recently called for a special pay system to better attract and retain the IT workforce<sup>3</sup>. Therefore, **the federal government must ensure both merit-based and comparable pay**.

Some pay-band demonstration projects, such as the Lab and Acquisition Demo Pay Systems in the Department of Defense (DoD), China Lake, and the Intelligence Community, have allowed managers to recognize performance within a pay-band

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<sup>3</sup> Future of the Federal IT Workforce Update, CIO Council, May 2020.

and non-competitively raise individual pay within the band giving managers huge flexibility to manage up and down and incentivize their workforce without the cumbersome GS process. These and other demonstrations should be reviewed as part of a government-wide pay study and system redesign.

## People Desire to Work Differently

Generally, people's desire to have more flexibility, make a contribution, increase their skills, and enjoy project-based work is creating a "gig" economy with almost 36% of the workforce in this model and 29% of workers having alternative work arrangements<sup>4</sup>. This is familiar to most as Uber drivers plan their own day and work style to meet customer needs, as well as their own economic and lifestyle needs. In the federal government, one agency is using technology job boards to bring in temporary software developers with unique skills to develop technology tools on a short-term (quick project) basis, working just days and weeks fulfilling the project and saving the government money.

Based on the current President's Management Agenda (PMA) and many civil service modernization reports, most understand that government does not have the modern **HCM practices to provide employees with the flexibility they desire** to apply their skills, move in and out or across government easily, acquire new skills, establish greater work-life integration, receive comparable pay, make retirement systems portable (in and out of government), or eliminate barriers such as time-in-grade rules. Continuous reskilling, adaptive management, and HCM practices will be the key to federal employment and agency success.

Employees want to apply their skills, move in and out or across government easily, acquire new skills, establish greater work-life integration, receive comparable pay, make retirement systems portable (in and out of government), or eliminate barriers such as time-in-grade rules.

Some promising practices pop up in agencies but rarely make their way into the mainstream. For example, the Intelligence Community (IC) is piloting a

<sup>4</sup> McFeely, Shane and Perdell, Ryan, What Workplace Leaders Can Learn from the Real Gig Economy, Gallup, August 2018.

Public-Private Talent Exchange program whereby, through externships, federal employees can acquire private sector experience and vice versa; DoD does something similar. As previously stated regarding pay demonstration projects, they also include flexibility with moving people within a band without competition to meet mission requirements.

The bottom line is, just like with agencies, people desire more flexibility to enjoy their careers and contribute to the government's mission. Federal HCM must make it appealing and easy to do so and hold leaders accountable for mission performance.

## Technology is Advancing and Assuming Job Tasks in HR

Advanced technology that was dreamed of years ago is now a reality, infiltrating governments and the private sector, and now changing the way people work and citizens are served. It is changing the way HC functions and allowing people to have significant flexibility in how and where they work and collaborate with others. It is also unveiling strains on data capacity and potentially eliminating some jobs.

**Technology is Exploding.** The growth in advanced technology means organizations can create agile, flexible workforces that can work from anywhere. It also means that **technology can create more efficient and effective HC business practices and processes.** In HCM, technology supports self-service, or routine task performance such as resume scans, personal security, rapid hiring and onboarding, advanced learning and collaboration, employee alerts, and analytics and reporting.

Government-wide HCM IT systems, however, are antiquated and inhibit everything, from conducting strategic workforce analyses to freeing up

### Other National Governments Are Way Ahead of the US Federal Government

Estonia has gone completely digital with citizen services such as obtaining passports, social insurance, and drivers licenses completely online without forms, with technology supporting each citizen from birth.

Australia is moving to a paperless government centering on information, not forms, allowing its citizens to interact with its government in a much more streamlined and self-service way.

HR Specialists from routine tasks that could be automated or turned into self-service. Some agencies are just now experimenting with just-in-time servicing of HR needs, but this is being done on an ad hoc basis. **Most agencies are unable to use technology to improve** the quality of hiring decisions, performance of employees, and provide digital training because they lack the resources and/or central guidance that would enable success. Most HCM systems within and across agencies do not communicate with each other, which means some best practices do not get shared, appropriately exploited, cost saved, and speed to mission realized. Forbes<sup>5</sup> reported that research among 8,370 global private-sector HR leaders, hiring managers, and employees conducted by Oracle and Future Workplace found that 50% of workers already use some form of AI at work, up from 32% in 2018. As Gartner predicts, by 2021, 25% of workers will use virtual employee assistants (VEAs) daily, an increase from less than 2% in 2019. This includes Amazon Alexa for Business and an array of conversational bots used for all types of HC processes.

#### Examples of HR Engagement of Artificial Intelligence

The Department of Health and Human Services (HHS) is beginning to use AI for screening resumes and hiring, and DBS Bank, the largest bank in southeast Asia, is using chatbots to screen candidates, reducing screening time by 75%. This allows HR staff to perform high level work such as recruiting and engaging with candidates. Other uses of advanced technology in HR include, career development, reporting harassment, and training leaders using virtual reality.

Yet, in a recent federal government study<sup>6</sup>, it was reported that only 12% of respondents agreed that their agency was progressive in the adoption of new technology, most categorizing their agency as reactionary or having spent most of their time trying to fix mistakes. Only 8% believed their agency derived value from technology. A 2017 study by SEA and Deloitte found **huge gaps in technology leadership skills and that the government was not investing in future leaders**<sup>7</sup>. There is a long way to go to building the requisite technology and related management skills in government, and it is a central competency to be built in the HCM community.

<sup>5</sup> Forbes, Top 10 Trends That Matter Most in the 2020 Workplace, January 15, 2020.

<sup>6</sup> Government Business Council, Getting to Ready, A Survey on Trends and Challenges in Government Technology Adoption Initiatives, January 2020.

<sup>7</sup> <https://cdn.ymaws.com/seniorexecs.org/resources/resmgr/state-of-ses-findings.pdf>

### **Example of Technology Investment to Substantially Improve HCM Performance Reducing Errors, Time, and Cost to Honor a Career Well Served**

An example of where technology can significantly serve HCM and save costs is in the servicing of retirement processing.

OPM's Retirement Services (RS) division processes applications for federal retirement annuities, transactions related to those annuities, and fields inquiries from annuitants and their surviving spouses. In FY19, it disbursed more than \$82 billion to nearly 2.7 million federal annuitants covered by the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS)<sup>8</sup>, fulfilling the government's commitments to former civil servants who served this nation.

For FY20, RS has a budget of more than \$105 million and about 1,024 Full-Time Equivalents (FTEs)<sup>9</sup>. The bulk of its workload is processing new retirement applications. In the most recent 12-month period (from May 2019 to April 2020), RS processed more than 98,000 new applications for retirement<sup>10</sup>. But RS also re-determines benefits based on additional information about an employee's employment history, or when an annuitant re-marries or divorces. It also processes Federal Employees Health Benefits (FEHB) Open Season changes for annuitants and maintains accounts when they move or make changes to tax withholdings or life insurance. Additionally, RS responds to customer service inquiries, answering approximately 1.7 million calls, 345,000 emails, and 150,000 letters each year.<sup>11</sup>

While RS manages a sizable workload, it uses antiquated, paper-based systems to process claims, which requires significant time and substantial labor costs. As of April 2020, the Fiscal-Year-to-Date average time to process a new retirement claim was 61 days<sup>12</sup>. Estimates suggest that each legal administrative specialist closes about six claims per day. Currently, RS considers that a success, and given current processes and data accuracy, it may be. But replacing paper-based processes with data-driven automated processes could clearly expedite the process and dramatically reduce costs.

Currently, retirement applications completed by applicants and federal agencies must be mailed to OPM for processing. First, electronic transmission could obviously shorten delivery time. Second, when an employee and agency HR specialist complete the application electronically, there is redundancy through two sets of manual data entry — by the applicant/agency and by OPM. Third, this entails unnecessary printing costs.

Finally, without an online, electronic application, there are also much higher error rates for application files. From November 2019 to April 2020, 13% of claims sent to OPM from agencies were missing necessary information<sup>13</sup>. For example, files often do not contain the necessary documentation to show the employee had five years of continuous coverage under FEHB to qualify for the benefit as an annuitant. Without all the necessary information and documentation, OPM cannot finalize the retirement adjudication. A well-designed electronic, online application would notify the applicant and HR specialist of any missing information or documentation prior to submission, dramatically shorten processing time, reduce cost, and improve accuracy.

<sup>8</sup> FY2021 Congressional Budget Justification, U.S. General Services Administration, [https://www.gsa.gov/cdnstatic/GSA\\_FY2021\\_Congressional\\_Justification.pdf](https://www.gsa.gov/cdnstatic/GSA_FY2021_Congressional_Justification.pdf) ("FY2021 CBJ").

<sup>9</sup> Id.

<sup>10</sup> CSRS/FERS New Claims Processing Time, <https://www.opm.gov/about-us/budget-performance/strategic-plans/retirement-processing-status.pdf> ("Claims Processing").

<sup>11</sup> FY2021 CBJ.

<sup>12</sup> Claims Processing.

<sup>13</sup> Agency Audit Monthly Update, <https://www.opm.gov/about-us/budget-performance/strategic-plans/agency-audit-monthly-update.pdf>.

**Data Exists But is Not Ready for Primetime.** Data is now everywhere and can be overwhelming in its volume. Smart organizations are learning how to harness data to drive organizational change and improve the bottom line by conducting workforce analyses, understanding trends in hiring, managing the workforce to optimize performance, and applying predictive analytics in retention, talent management, and other HCM practices.

Centralized data systems exist but are not accessible by agencies, are not accurate, and do not have the appropriate tools to streamline processes, provide for evidence-based decision-making, employ shared services, or allow for proper analysis and strategy development of the government workforce. **OPM's HCM data system is arcane**, does not have modern capacity, nor does it serve the government effectively. The Enterprise Human Resources Integration (EHRI) system built in 2003 was to be the system of record for all federal employees, allow for easy employee transfer from agency to agency, and have strong government-wide analytical capability. Today, after many budget cuts and mismanagement, it has none of this planned capability that is desperately needed. OPM recently announced abandoning the Employee Digital Record (EDR) initiative, the successor to EHRI, with no plans on how to support cross-government HR data and related functional needs.

Agencies manage their own personnel systems/records and forward them to OPM in electronic, paper, or PDF format that must be uploaded into the EHRI system. Dynamic data transferred every two weeks into EHRI from agencies is incomplete, inconsistent, and filled with errors. In today's world, data transfer every two weeks is not dynamic, real-time data is. The result is a **highly disaggregated personnel record management system** that stifles attempts to analyze government-wide hiring trends, agency workforce critical skills gaps, retirement adjudication, predictive analysis, performance/efficiency, or accurate reports to Congress and the American people.

OPM is responsible for ensuring agencies have the data they need for HCM decision-making. In addition, Congress, audit organizations, academia, and

researchers use workforce data to analyze and report on federal employment policy, practices, and cost. OPM certainly recognizes the need for more effective data capacity when it says "...agencies... describe how data is not uniformly collected or standardized, and how integrating data from legacy systems and limitations of current IT infrastructure often inhibit obtaining reliable, sufficient, and/or meaningful data."<sup>14</sup>

With the enactment of the Government Performance and Results Act of 1993 and Modernization Act of 2010, the DATA Acts of 2014 and 2019, and the Evidence-Based Policymaking Act of 2019, the President's Management Agenda (PMA), OMB Reform Memo M-17-22, among others, **the government has a strong policy foundation to strengthen their capacity surrounding HC data**, and in fact should act on these statutory mandates and Executive direction to achieve effective HC data capacity.

To support technology, quality data systems, effective leadership, and processes are needed. Agencies are eager for an OPM-led EDR to replace EHRI that has been planned for years. But it has yet to be funded and developed so they can easily have a one stop record system, conduct analysis, and easily transition employees from one agency to another (or in and out of government), among other applications.

**Artificial Intelligence, Machine Learning and Robotics is Infiltrating the Workplace.** The introduction of AI, machine learning, and robotics into HCM offers "...an unprecedented opportunity for HCM to play a new and vital role in shaping the way enterprises compete, access talent, and show up in communities where they operate."<sup>15</sup>

Federal HCM systems, however, are wholly unprepared for this future. In addition to the data and technology gaps, OPM is not capable of providing guidance to agencies about how to adopt and manage AI and other new technologies since it currently does not have a functional entity focused on this.

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<sup>14</sup> OPM FY19 Human Capital Management Report, March 2020.

<sup>15</sup> Deloitte, "Reimagining Human Resources: The Future of the Enterprise Demands a New Future of HR," 2019.

This is the role that is being filled piecemeal by agencies through self-funded experimentation and pilots, but government-wide adoption of any best practices is hindered by the absence of OPM playing a convening, governance, and leadership role.

Government-wide adoption of any best practices is hindered by the absence of OPM playing a convening, governance, and leadership role.

A scan of the literature identifies major trends that are changing the workforce and workplace and are creating unprecedented changes in HCM strategy and services. For example, connecting hiring managers directly to the process, Bots are selecting resumes for consideration, or using technology to enable self-service to put HR actions directly into the hands of employees and control in the hands of managers. Imagine a world in which retirement can be enacted through quick online interaction, never having to mail a form or call a person, but by having a system that catalogs an employee's career from beginning to end, making retirement a seamless part of the lifecycle.

Clearly the government has developed strategies for engaging advanced technologies in mission-centric areas. NASA is developing a tool to predict anomalies for unmanned spacecrafts, USDA for predictive crop yields and fertilizer management, and NIH has developed a tool to diagnose age-related macular degeneration. If this is possible, **HCM can certainly move quickly to adapt technology** to ensure dramatically increased performance, improved quality, increased customer satisfaction, and reduced cost.

There are some promising practices. For example, the Department of Health and Human Services (HHS) is developing an HRx system to usher in customer driven HR services. It will provide data at the fingertips of, and with more control by, line managers; AI/RPA tools to support candidate selection; and allow strong data sets for effective decision-making. While all this is important, the more important point is that technology will change the way HCM works, placing the customer at the center of the

Advanced technologies will change the way HC works, placing the customer at the center of the HC function rather than regulatory compliance.

HC function rather than regulatory compliance as the nucleus. The Intelligence Community (IC) and GSA are piloting the use of AI in hiring as well, however, if these types of initiatives are not supported by leaders for government-wide adoption and integration, HC services will continue to suffer and lag behind, cost savings will not be realized, and applications will be ad hoc.

**Jobs Are Vulnerable to Automation and Upskilling Is Required.** Any job that requires routine tasks — processing job applications, accounting data entry, or general administrative tasks — are ripe for automation. We have seen it in banking with the ability to conduct online activity or with grocery stores experimenting with cashierless stores. Private-sector employees conduct many of their own HC actions through self-service tools such as adding a dependent to insurance, retirement account management, changing a W4 deduction, or registering for training.

OMB estimates that in the near future at least 600,000 federal workers will need to be upskilled<sup>16</sup> due to automation or the introduction of new job skills that the government currently does not possess but are required for the effective functioning of government, and the elimination of more rote functions with little to no capacity to execute on this need.

In addition, the composition of the federal workforce is changing. From 1998–2018 the percentage of the federal professional/administrative workforce rose 11% and the blue collar and clerical workers dropped by 10%<sup>17</sup>. Increases are tracking in the medical, science, and legal professions (and showing staffing gaps), while decreases are in library science, accounting, and clerical roles. This actually maps with private-sector research as well with top skill gaps reported in data analytics, science, engineering, and medical professions<sup>18</sup>.

Management capacity and current investment levels in federal training are not equipped to handle challenges with a strategic and robust solution for reskilling.

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<sup>16</sup> Statement of the OMB Deputy Director for Management, March 2020.

<sup>17</sup> Partnership for Public Service, “Fed Figures 2019.”

<sup>18</sup> Society of Human Resources Management, The Skill Gap, 2019.

**This trend will only accelerate as automation and hire order functioning changes the nature of work in the federal government.**

Management capacity and current investment levels in federal training are **not equipped to handle challenges** with a strategic and robust solution for reskilling. For example, a pilot project was recently conducted to upskill federal employees into cybersecurity professionals, but of the 100 graduates of the program, only one found employment in their new field. The reason for this and other federal government failures to upskill employees is a combination of antiquated personnel laws and regulations, bureaucratic inertia, a disconnect between agency workforce requirements and hiring/retention strategies, pay/grade inconsistencies, and an absence of an overall strategic analysis of the government's emergent critical skill gaps.

***Agency agility, people-centered work environments, and the streamlining of work through technology are possible with a strong central entity to lead. With the right investment made against an effective plan, the government can realize great benefit.***

“ Make government  
service cool again. ”

—John Berry  
Former OPM Director  
June 2011

CASE #4

The federal government is no longer an inspirational employer.



“Every decision starts with the decision to try.”

—John F. Kennedy

## The Government Workforce has Evolved

The federal government is being asked to solve society’s most complex problems and **requires top talent** to do so. Yet government is locked in an antiquated pay, classification, advancement, seniority driven system that makes government service undesirable. In fact, GAO recently reported that in a review of 24 Chief Financial Officer (CFO) agencies between 2018 and 2020, 43% of non-disabled hires stayed less than one year on the job and 60% stayed less than two years<sup>1</sup>.

Government is locked in an antiquated pay, classification, advancement, seniority-driven system that makes government service undesirable.

The public’s trust in the federal government is at an all-time low. The Pew Research Center has been tracking public attitudes since 1958 and found that in 2019 just 20% of adults trust the federal government to do the right thing “most of the time” or “just about always,” while 10% say they never trust the government and 71% trust government “only some of the time.”<sup>2</sup>

This is a far cry from the 1960s and ‘70s when legions of young workers joined the federal government after heeding President’s Kennedy’s call to service (“Ask not what your country can do for you — ask what you can do for your country.”) and when he articulated his vision for inspirational federal missions, such as the race to the moon or serving in the Peace Corps. In more recent times, people may be inspired by the focus on curing cancer, advancing military innovations, or increasing crop yield.

Regulatory requirements such as job classification from the 1940s that are still used today mires managers in time consuming activities that do not always add value and create an adversarial relationship between the manager and HR staff

<sup>1</sup> Disability Employment, Hiring Has Increased but Actions Needed to Assess Retention, Training and Reasonable Accommodation Efforts, U.S. Government Accountability Office, Report to the Committee on Oversight and Reform, U.S. House of Representatives, June 2020.

<sup>2</sup> Pew Research Center, <https://www.people-press.org/2019/04/11/public-trust-in-government-1958-2019/>

who sometimes use the job classification system to counter the best judgment of managers. Job classifiers implement what they believe are rigorous OPM standards (when in fact Title 5 USC describes them as guidelines), called Classification Standards, and managers worry about losing their certification. There have been organizations at the point of mission failure because classifiers would not recognize a higher-grade requirement to be competitive. There are examples of discussions between classifiers and managers that have gone on for over a year until senior leaders had to intervene because of mission degradation.

The **workforce of today has significantly evolved** and employees desire to work for organizations with missions they connect to, effective leadership, and respect for employees. They understand things like occupational/market-based pay and want to be treated fairly. Most understand the need for strong performance management and are more than willing to align if it's perceived as fair, reasonable, and consistently applied.

The federal government competes for talent much more than ever before. There is a highly competitive job market and federal managers **do not always have a wide range of options to compete with the private-sector**. Managers have some limited direct hire authority or the ability to make on the spot job offers. There are limitations on what grades can be offered regardless of whether they have hard to fill skill needs. Agencies are required to advertise all positions and they often have challenges in getting the right person for the job. That process can take over 6–12 months to get someone on board while possibly not getting the best talent and coupled with the incumbent leaving before the new employee is brought on, not allowing for any overlap for on-the-job training.

Managers need tools to **help them shape their workforce** outside the normal downsizing process when evolving work requirements demand a different skill set. Agencies do not have clear authority to enact workforce reskilling, early retirements or separations, swapping skill sets, incentives, and the ability to hire quickly when conditions warrant.

## Employees Want Something Different

Some young workers believe the federal government is dysfunctional, cannot be trusted, and is a “bureaucratic swamp.” The government of the 1960s was largely a government of clerks — process oriented and routinized who valued the stability and predictability of government work. The 1970s and ‘80s brought in more science, and the ‘90s more

The government cannot be inspirational just by saying it’s inspirational.

The most effective way to achieve an evolving mission is through an engaged workforce that is hired and supported throughout their career.

“information” workers. Today’s new entrants to government increasingly want

more than just inspiration. They want meaningful work and to be a part of a team that is given freedom to lead, innovate, and be portable.

This clash of values and a lack of trust in government has had a pernicious impact on viewing the federal government as an inspira-

tional employer. If the next generation of civil servants do not trust the federal government, then surveys indicate they are unlikely to seek employment there. According to the Harvard Institute of Politics, interest in public service has been on the decline<sup>3</sup>. A 2019 Deloitte survey of Millennials and Gen-Z’ers found that “... Millennials and Generation Z are feeling increasingly unsettled and pessimistic about their careers, their lives in general, and the world around them. They appear to be struggling to find their safe havens, their beacons of trust.”<sup>4</sup>

The government cannot be inspirational just by saying it’s inspirational. Most see government as an arcane bureaucratic employer that stifles innovation and creativity. While it is perhaps a safe haven for employment, it does not meet the needs of most of the workforce through a desire to contribute and enjoy the world of work and develop the talent needed to evolve. Further, **the federal government is not being an effective role model** based on slow and cumbersome hiring, lack of comparable pay, poor recruiting practices, ineffective onboarding, and shutdowns.

<sup>3</sup> Risher, Howard, Building the Workforce Government Needs, GovExec, May 2020.

<sup>4</sup> Deloitte, <https://www2.deloitte.com/us/en/insights/topics/talent/deloitte-millennial-survey.html>

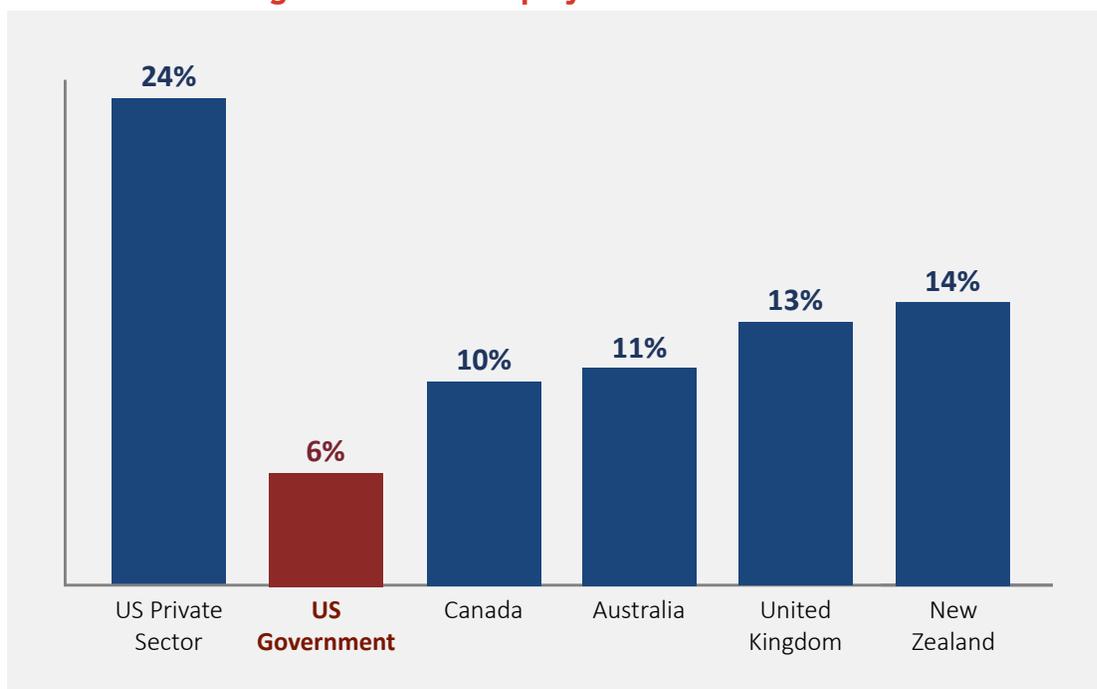
It's not just the American people at large being turned off. Surveys indicated that federal employees have or are considering leaving federal employment given the bureaucracy involved in performing their duties, poor management, the constant budget uncertainty (including CRs), government shutdowns, and the inability to ply their craft unencumbered.

67% of federal workers said the shutdown made them consider leaving government.<sup>5</sup>

With the government's overall Best Places to Work index standing at 61%<sup>6</sup> (which would be a D-), there is real opportunity to change and make government a desired employer of choice.

As a result, the federal government is ossifying. The percentage of those over the age of 60 is increasing (14% now compared to 5.7% in 2000<sup>7</sup>) while those under age 30 continue to decline, with less than 6% of employees under age 30 (see **Exhibit 7**) and approximately 2% of federal IT employees under the age of 30<sup>8</sup>. Compare this with the US private-sector workforce of 24% under age 30

### Exhibit 7. Under Age 30 Federal Employment Profile



<sup>5</sup> Wall Street Journal, "During Shutdown, Federal Employees Consider Leaving Government Work," Sharon Nunn, February 1, 2019.

<sup>6</sup> <http://bestplacestowork.org>

<sup>7</sup> Buble, Courtney, The Aging Federal Workforce Needs New Blood, GovExec, August 30, 2019.

<sup>8</sup> FedScope Cubes, December 2019.

and other governments — Canada 10%, Australia 11%, United Kingdom 13%, and New Zealand 14%<sup>9</sup>— and it is clear that the US federal government is aging and behind the curve. Over the past 20 years, those age 55 and over have grown 83%<sup>10</sup> with an average age in government of 46 compared to the private sector of 42 according to the Congressional Research Service<sup>11</sup>. When it comes to attracting the next generation of skilled workers who can innovate the future and become government leaders and managers, the pool is drying up and there is an urgent need to address this.

This ossification is further supported by the fact that the number of retirements has ebbed and flowed over the years (and dropped in 2019<sup>12</sup>) and the overall government staffing strength has continued an upward trend since the 1990s with approximately 2.7 million employees (including the U.S. Postal Service)<sup>11</sup>.

Older workers certainly provide knowledge and the government needs employees with skills built up over time, in addition to people living and working longer. In fact, government could probably attract and retain more if there were more workplace flexibilities for the older generation. The bottom line is government does need these workers, yet also **needs a pipeline of younger workers** to support innovation, fuel the leadership ranks, and strengthen government operations.

With many studies conducted, government leaders have significant tools to draw on to balance, attract, and retain the right workforce. One such recent study was from the National Commission on Military, National, and Public Service<sup>13</sup>. The Commission report provided a blueprint for reform and investment in national service capability, including a detailed legislative annex of policy proposals. These proposals could form the foundation for action on the issues identified in this report, with some that can be pursued and implemented now while others require further support from Congress.

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<sup>9</sup> Apolitical, October 5, 2018.

<sup>10</sup> America's Government Is Getting Old, Politico, September 2017.

<sup>11</sup> Congressional Research Service, Workforce Statistics, October 24, 2019.

<sup>12</sup> Isaacs, Katelin P., Federal Employee Retirement Systems, January 10, 2020.

<sup>13</sup> Inspired to Serve, The Final Report of the National Commission on Military, National and Public Service, March, 2020.

Specifically in the areas of national and public service, the report recommends that the government:

- Improves awareness and recruitment.
- Increases the value, flexibility, and use of service incentives.
- Modernizes veterans' preference.
- Revamps hiring systems for students and recent graduates.
- Increases competitiveness and benefits.
- Monitors the accessibility and results of AmeriCorps programs.
- Establishes a new model for national service.
- Expands non-competitive eligibility.
- Promotes a high-performing personnel culture.
- Addresses critical-skills challenges.
- Develops and implements a new personnel system.

***Without people and critical and timely skills, we will not be able to effectively serve the nation. Inspiration begins with strong leadership and making it easy, attractive, and respectful for people to engage.***

“ The current budget process does not force policymakers to confront fiscal and economic reality. ”

—James C. Capretta  
Reforming the Budget Process,  
National Affairs  
Spring 2020

## CASE #5

The budget, oversight, and management processes place significant strain on HCM.



## Budget and management accountability systems must change.

The federal workforce and its supporting HCM systems are challenged by the way it strategizes, is accountable for, and manages strategic intent and budgets. This is clearly seen through the appropriation, budget, and government management systems.

### Appropriations and Continuing Resolutions Challenges Government Operations and Strains HCM

The ability of federal agencies in the Executive Branch to deliver effective and efficient government services is constantly challenged by the inability of lawmakers to fulfill their most basic and fundamental constitutional duty.

On-time Budgets	
Since 1977	4
Since 2008	4 Shutdowns

Over the past 45 years, between FY1977 and FY2020, Congress has only approved all appropriations bills, under rules set for itself by itself, by the start of a fiscal year four times<sup>1</sup>. In the last decade alone, the government has shut down four times as a result of funding gaps<sup>2</sup>.

Not only does this uncertainty directly impact vital mission functions, it **adversely impacts the process of strategic HCM governance and talent management**, preventing agencies from taking these activities seriously, and discouraging people from serving their country. GAO's research has "consistently shown the direct link between effective strategic HCM and successful organizational performance<sup>3</sup>." A 2009 GAO study examined the management challenges and workload effects of Continuing Resolutions (CRs) on agency operations<sup>4</sup>. Further, GAO has had strategic human capital on its high-risk list for almost 20 years<sup>5</sup>.

<sup>1</sup> CRS, Continuing Resolutions: Overview of Components and Practices, April 2019. <https://fas.org/sgp/crs/misc/R42647.pdf>

<sup>2</sup> CRS, Federal Funding Gaps: A Brief Overview, February 2019 <https://fas.org/sgp/crs/misc/RS20348.pdf>

<sup>3</sup> GAO Testimony, Federal Workforce: Human Capital Management Challenges and the Path to Reform, GAO-14-723T, 2014 <https://www.gao.gov/assets/670/664772.pdf>

<sup>4</sup> GAO, Continuing Resolutions: Uncertainty Limited Management Options and Increased Workload in Selected Agencies, 2009. <https://www.gao.gov/products/GAO-09-879>

<sup>5</sup> <https://www.gao.gov/highrisk/>

Untimely appropriations limit the capacity to build a strategic workforce plan with defined talent management processes, because agencies are unsure they will be able to fill vacancies or hire for new positions. While operating under CRs, federal agencies cannot recruit or hire new staff, training and travel are curtailed, IT investments are paused, new programs cannot begin, acquisitions are halted, grants are delayed, maintenance is forgone, among other organization stifling limitations. It also consumes a significant amount of HR professionals' time with no value added for the American people. In fact, since all federal employees are always paid during shutdowns, the loss in performance and productivity is enormous.

*“Most recently is the challenge with the ability to hire people fast enough... the Human Resource Professionals have to stop focusing on hiring and assisting hiring managers with getting the right talent on board and prepare furlough letters and update lists of exempt employees and communicate with leaders and staff on what to do. Impacts readiness, morale, and timeliness and effective public sector operations.”*

**— Federal Senior Executive**

## Current Budget Management and Accountability Systems Get in the Way

Federal spending is organized into 20 ‘functions’ around major programmatic areas of focus (national defense, energy, health, etc.)<sup>6</sup>. Congress and agencies are largely organized around these functions. Within OMB are five Resource Management Offices (RMO) that oversee the entire budget and related policy work. The RMOs span five policy domains: national security, natural resources, health, education/labor, and “general government.” Uniquely in the case of civil service agencies, including OPM, until February 2020, the policy and RMO function both resided within the same office at OMB: the Office of Performance and Personnel Management (PPM). An internal reorganization transferred budget oversight responsibility across OMB to multiple areas. The impacts of this change remain unknown.

<sup>6</sup> A Focus on Function: An Introduction. House Budget Committee. <https://budget.house.gov/publications/focus-function-introduction>

As can be expected, most of their activity focused on the “Budget” side of OMB rendering the “Management” side of OMB under resourced and much less effective than it should be as management and budget could unintentionally function at cross purposes. In fact, we believe the OMB Deputy Director for Management (DDM) position is limited in authority and reach given limited resources and so much focus given to the budget side of OMB, harming capacity for affecting change.

The current budget process and setup of Congress and OMB are generally and rightfully conducive to focusing policymakers on mission-centric budget and policy issues within each budget function. Yet there is a downside that prevents the government from holistically viewing common mission-support functions and associated costs like HCM, financial management, acquisition, grants, and information technology horizontally across the entire federal enterprise in such ways that corporations or even many state/local governments in America can. The focus on programs and policy coupled with the absence of visibility into these cost factors, except in the case of IT due to specific laws such as the Federal Information Technology Acquisition Reform Act (FITARA), and the fact that they are divorced from broader policy considerations that understandably take precedence over them and perpetuate inefficiencies. As a result, **the government doesn’t seem to be able to answer basic or consistent questions or make government-wide decisions about its mission-support functions** that are very important to ensuring effective use of taxpayer dollars and the efficiency and effectiveness of government operations. To be effective the government needs to know how much it spends on HCM process, resources, technology, and services. It needs to know where it spends it, what is duplicative or inefficient, or not sustainable into the future, and could be shared for cross-government benefit.

The government doesn’t seem to be able to answer basic questions or make government-wide decisions about its mission-support functions that are very important to ensuring effective use of taxpayer dollars and the efficiency and effectiveness of government operations.

With IT, due to FITARA, we know that there is approximately \$90 billion spent each year. With HR we know there is just under \$300 billion per year spent on payroll and benefits<sup>7</sup> (excluding the U.S. Postal Service). It's unknown what is spent on training, if HCM investments have an appropriate return on investment, where the inefficiencies are, or what the opportunity is for sharing best practices across government. It's unclear what the government spends on any kind of forward thinking, planning, and execution for our most expensive and important asset — people. The government scrambles so much due to changing Administration priorities, new initiatives, or emergency responses, it often doesn't know what is effective or can be improved. Government really doesn't understand how many contractors augment federal staff or work in inherently government functions, nor do we have the capacity to determine the cost and return on federal staff versus contractor performance. We do know **HCM is reactionary, not proactively preparing for the future, and costly in execution.**

With the appropriate budget management, strategic capacity, and collaboration, these and many other questions can be answered. In HCM, since there is a central entity and all agencies have an HR function, it will be intensive but not difficult to determine.

## **GPRAMA Can Be a More Effective Tool**

The Government Performance and Results Act of 1993 (GPRA) (P.L. 103–62) is one of a series of laws designed to improve government performance. GPRA requires agencies to engage in performance management tasks such as setting goals, measuring results, and reporting on their progress. In order to comply with GPRA, agencies produce strategic plans, performance plans, and conduct gap analyses. GPRA established project planning, strategic planning, and sets up a framework of reporting for agencies to show the progress they made toward achieving their goals.

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<sup>7</sup> Budget of the US Government, Fiscal Year 2020, Analytical Perspective, Government Printing Office, 2019.

The GPRAMA Modernization Act of 2010 (GPRAMA) (P.L. 111-352) took the existing requirements of the 1993 law and built in enhanced performance planning, management, and reporting tools designed to elevate and integrate strategic planning, budgeting, and performance management. In the past, agencies have made progress in meeting strategic planning objectives, both at the agency and government-wide level, some progress with budget integration, and very little meaningful progress on integrating HCM planning. However, today **GPRAMA garners little attention**, and many reports are not reviewed.

The law mandates that agencies leverage OPM's Human Capital Framework (HCF), develop a Human Capital Operating Plan (HCOP), and engage agency CXO leadership to tie together priorities, budget, and personnel necessary to achieve goals. These requirements are codified in 5 CFR 250 Part B<sup>8</sup> and supposed to be integrated into the budget process via OMB Circular No. A-11<sup>9</sup>. While agencies report this in tables in their budget requests, there is little strategic management approach to this. They simply show numbers in a table. OPM and OMB are supposed to run an HRStat process (high level review for accountability) to oversee agency compliance with GPRAMA requirements under the law<sup>10</sup>. HRStats have reportedly largely been abandoned as a serious strategic management tool since 2017.

**Existing laws should be leveraged** to rekindle a strategic focus on government-wide HCM systems and hold leaders accountable for results.

***The budget and management systems of government must come together and have a consistent and committed approach to leading cross-government mission-support disciplines to contribute to an efficient, effective, and credible government.***

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<sup>8</sup> <https://www.federalregister.gov/documents/2016/12/12/2016-29600/personnel-management-in-agencies> ; <https://www.opm.gov/policy-data-oversight/human-capital-management/>

<sup>9</sup> <https://www.whitehouse.gov/wp-content/uploads/2018/06/a11.pdf>

<sup>10</sup> <https://www.opm.gov/policy-data-oversight/human-capital-management/hr-stat/hrstat-guidance.pdf>

## In Summary

### The time for change is right now.

This Case for Change provided a lot of detail. And while there could be much more, it was essential to convey both the significant need and the challenge involved in requiring dedicated and deliberate leadership, systems, and programs to overcome this crisis in HCM.

HCM is a significantly important function to government; it is also broken; with many contributing factors. It was important that this message be sent in a compelling way and hopefully received so that federal leaders can act.

While dramatically behind the curve, the federal government has an opportunity to use HCM as a model for how mission-support functions should work strategically, efficiently, effectively, and with credibility.

- Agencies need more agility to meet adaptive mission requirements.
- People desire more flexibility in their work environment and wish to be inspired, engaged, and mobile.
- Technology will assume many rote job functions, saving money, increasing quality, reducing time, and allowing HR professionals to perform high level functions. HCM data systems are badly needed.
- A central HCM entity needs to be more strategic and deliberate in its function.
- It is possible for HCM to cost less and be more effective.
- The budget and accountability processes need to align for effective government.
- The civil service needs to be modernized.

While an investment in leadership, strategy, time, and funding is necessary, the return will be significant. A transformation is possible with the right leadership, structure, and functions in place, and the willingness to take a collaborative approach to dramatic change and improve performance.

The next section of this report provides specific recommendations that will make federal HCM more efficient, effective, and credible.

“ There is no time to wait. The nation’s problems are too urgent. We need to build a human capital system that meets the needs of the nation’s 21st century government and we need to start now. ”

—No Time to Wait  
Building A Public Service for the  
21st Century, National Academy  
for Public Administration  
July 2017

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# Recommendations for a Dramatically More Effective Human Capital Management Capacity Across the Federal Government



# People may doubt what you say, but they will believe what you do!

## Introduction

With evidence-based issues identified, goals are established. Goals drive strategy. From strategy we develop plans. From plans we take action. From action we show results. It's time to act!

Based on the Case for Change documented in this report, we make a series of recommendations that represent the **bold actions required** to create an effective, efficient, and credible HCM function across the federal government. It will take a number of years to succeed with targeted incremental results based on a clear plan, deliberate action, strong leadership, and proper investment. It's time to act now!

Included are three recommendations (and 16 major actions) designed as a comprehensive approach to reforming government-wide HCM governance and functions. By implementing these recommendations, HCM will be prepared to take on the detailed reforms required for a successful government.

Our recommendations are:

- #1** Develop a new framework for the Legislative and Executive Branches to work together on critical mission and mission support requirements.
- #2** Reform the US Office of Personnel Management (OPM) into an efficient, effective, strategic, and credible governor of government-wide human capital that supports both mission-delivery and meeting the future needs of government.
- #3** Become an inspirational employer and invest in people.

Each recommendation will address each of the Cases for Change as shown in **Exhibit 8** below.

**Exhibit 8. The Link Between Cases for Change and Recommendations**

Recommendations	Cases for Change				
	1. Inefficient/Lacks Credibility/future Investment	2. HR is Costly	3. Changing World of Work	4. Not Inspirational	5. Budget Process/Accountability
1. Work Together Across Branches	✓	✓	✓	✓	✓
2. Reform OPM	✓	✓	✓	✓	✓
3. Become An Inspirational Employer and Invest in People	✓	✓	✓	✓	✓

These changes will restructure OPM, strengthen HCM dramatically across agencies, improve talent management, and create stronger leadership capacity. New OPM functions will be created while others will be sunset, moved, or possibly outsourced. Most importantly, it will ensure the capacity exists to begin the journey to enable strategic undertakings such as shared services, regulatory review, civil service modernization, workforce development and alignment, and implementing effective HCM technology.

A number of these recommendations should be codified in a Federal Human Capital Reform Act we recommend be passed by Congress and signed by the President to enact the critical initial changes. Subsequent legislation will be required to change a number of existing laws and regulations as this transformation is undertaken. These additional changes will be based on recommendations from competent leaders with new and more effective capacities. Some can also be implemented administratively with delegated authorities from OPM.

“ Coming together  
is a beginning;  
keeping together  
is progress; working  
together is success. ”

—Henry Ford

## RECOMMENDATION #1

Develop A New Framework for the Legislative and Executive Branches to Work Together on Critical Mission and Mission Support Requirements.



“In any moment of decision, the best thing you can do is the right thing. The worst thing you can do is nothing.”

—Theodore Roosevelt

### Create a New Model for Working Together

We recommend that the Legislative and Executive Branches **create an operating model whereby they work together to align, support, and execute on initiatives that improve the efficiency and effectiveness of government-wide mission support functions.** In the context of this report, this will include transforming OPM, shared services, civil service modernization, technology investment, workforce investment, budgetary alignment, and more. This will result in a more efficient and effective government and an aligned workforce that fulfills current and future needs through consistent methods, flexible regulations, cross-government simplification, and strong and effective leadership. This requires both Branches to work together to establish, agree on, and fund specific strategies and action plans, and to align entities around this plan, eliminating siloed decisions that cause dysfunction, ineffective execution, and unnecessary costs. It also requires alignment of the Budget and Management sides of OMB and ensures the OMB Deputy Director for Management (DDM), has the authority and resources to execute its role. Further it requires Congress to refrain from funding individual agency initiatives that will be otherwise addressed through agreed to government-wide initiatives.

#### Action 1.1

### Create a Leadership Focus on the Government’s Workforce

To help effect this transformation of the federal HCM infrastructure and to recognize the importance of the workforce to government, we recommend Congress **establish a Select Committee on the Federal Workforce** in both Houses.

For too long “federal workforce” issues have been the domain of a select few champions. Congress has lost sight of the value of maintaining the capability and skills of the federal workforce — the workforce that is responsible for the performance in execution of laws enacted by Congress and management of trillions of dollars on behalf of taxpayers. The government could be spending more than \$500 billion per year on HCM (inclusive of compensation, benefits, training, travel, etc.). The Select Committee would serve the purpose of providing the cross-congressional attention necessary to address longstanding and endemic HCM challenges, including informing the budget and appropriations processes. HCM has been one of GAO’s top government risks and management challenges for nearly 20 years. It will also serve to provide the knowledge Congress needs to make decisions to improve government performance, something that is currently lacking.

Based on this report, the anticipated NAPA OPM study and other inputs, the established Select Committee, or perhaps a congressional commission, we recommend Congress develop and pass a Human Capital Reform Act designed to statutorily affect these changes.

We recommend establishing a **cross-leadership working group** to agree on the basic tenants of an overall HCM strategy, assign accountabilities and monitor progress, and determine an appropriate working forum for moving forward. This should include the Director of OPM, the OMB DDM, a representative from the OMB Budget Office, the Senate Homeland Security and Governmental Affairs Committee (HSGAC), the House Committee on Oversight and Reform, appropriate Appropriations Committees’ staff, a representative from the Government Accountability Office (GAO), representatives from the Chief Human Capital Officers Council (CHCO Council), and human capital and efficiency experts. The established Human Capital Business Board will provide additional independent advice and reporting (see Action 2.2).

## Action 1.2

### Plan, Measure, and Report

Using this report, we recommend requiring the OMB DDM and OPM Director to **develop an HCM transformation plan** to include a business case, outcomes, actions, milestones, target metrics, investment and funding requirements, and accountabilities. It should also include a request for staff and contract funding to implement the transformation actions and reporting to the cross-leadership working group. This plan should incorporate the recommendations made in this report, the findings of the OPM NAPA study, and various recommendations from GAO and others.

We recommend requiring OMB and OPM to develop an HCM **technology and data strategy plan** to highlight gaps, plan the transformation, and align all existing technology for effective HCM.

We recommend developing and implementing a **scorecard tool** for human capital similar to that of FITARA for implementation government-wide.

We recommend using existing **legislative and management tools** such as GPRAMA, the DATA Act, Evidence-Based Policymaking Act, the PMA, reform memo M-17-16, and more, to ensure the capacity for reform is supported, promulgated, and accountabilities are clear. Also, reestablish the use of **HRStats** as a management tool.

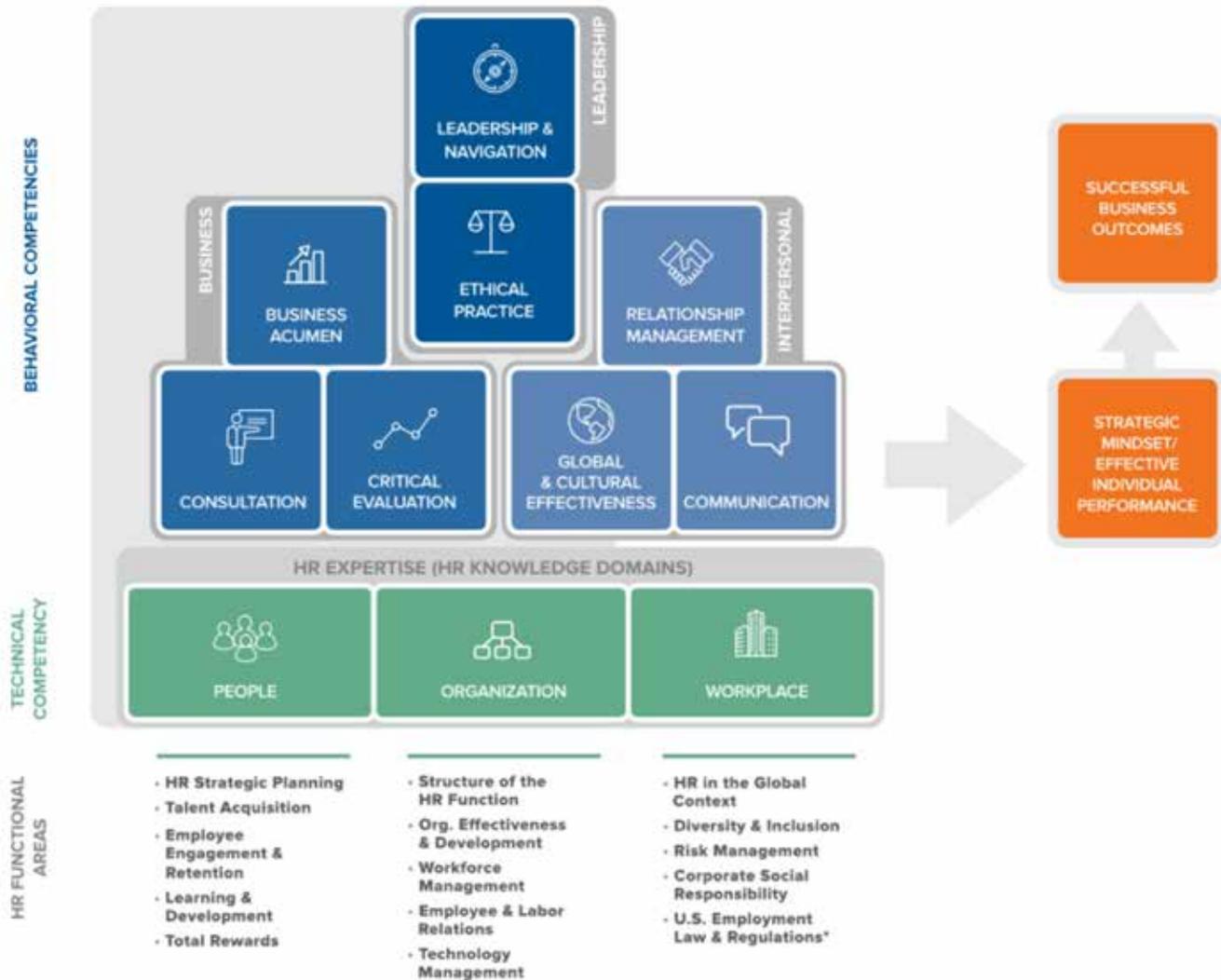
We recommend creating a **categorized profile** of all HCM spending across the government and establishing targets for cost reduction, efficiency, and effectiveness.

## Action 1.3

### Prepare HC Professionals

We recommend developing an advanced and modern **certification program for HC professionals** to develop the critical knowledge and skills required of a transformed HCM system. The SHRM competency building blocks in **Exhibit 9** provides an example of a model for consideration.

**Exhibit 9. SHRM Body of Competency and Knowledge for HC Professionals<sup>1</sup>**



*Engaged and collaborative leadership will dramatically improve efficiencies and effectiveness of government-wide HCM systems.*

<sup>1</sup> Society of Human Resources Management, SHRM Body of Competency and Knowledge, 2019

“ Be the change  
you want to see  
in the world. ”

—Mahatma Gandhi

## RECOMMENDATION #2

Reform the U.S. Office of Personnel Management (OPM) into an efficient, effective, strategic, and credible governor of government-wide human capital that supports both mission-delivery and meeting the future needs of government.



“Systems and rules are guidelines, leadership is a lifeline.”

—Ken Robinson

A stronger central entity with new capability is needed to govern HCM that does not exist today. This is critical to creating a modern effective workforce, meeting the needs of a significantly transformed government, and attracting, retaining, and honoring employees. Agencies and employees need this to deliver on their mission to the American people.

As demonstrated in the Case for Change, OPM does not have the strategic capacity to lead or evolve HCM into the new world or the one in which we currently exist. It is compliance driven and currently performs functions that must be added to, modified, or eliminated to be current, efficient, effective, and credible.

To accomplish this the following transformative actions must be taken under the direction of strong and effective leadership. Legislative action will be required to codify initial changes into law in a new Human Capital Reform Act.

### Action 2.1

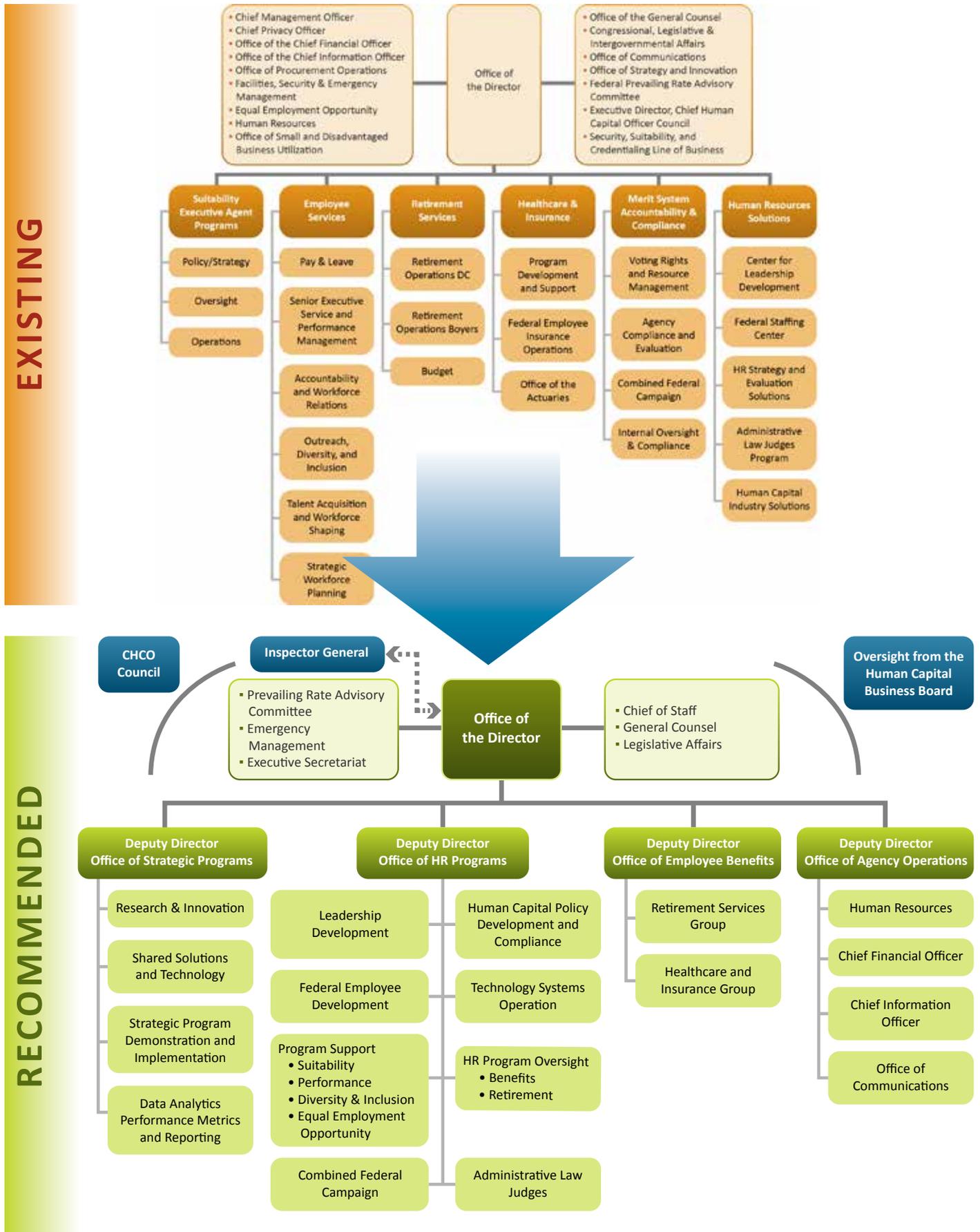
#### Reorganize OPM into Four Primary Functional Areas

We recommend that **OPM be reorganized into four primary functional areas**, each overseen by a career Deputy Director.

- Office of Strategic Programs
- Office of Human Resources Programs
- Office of Federal Employee Benefits
- Office of Agency Operations

This structure, as depicted in **Exhibit 10**, demonstrates the transition from the current organization to a more efficient organization, reorients OPM into being

### Exhibit 10. Comparison of the Existing and Recommended OPM Structures



a central strategic entity designed to serve the government consistent with the Case for Change, at a lower cost, and addresses the currently unsupported HCM needs of government.

The purpose and function of each of the four new functional areas and their sub organizations are described in subsequent actions. This will create an organization that is poised for proactive and continuous improvement and reinvention, as well as meeting the current and future needs of employees and agencies.

Note that along with structural changes must come cultural changes and development that aligns performance, accountability, and results.

The recommended OPM organization will require the creation of new functions, modified functions, and the elimination of some functions. **Exhibit 11** provides a summary of these changes to correspond with the organization depicted in **Exhibit 10**.

**What is Culture?**

Culture is how we work together to achieve, consistent with the organizations mission, values, and standards. It is a pattern of behavior across many, not a single instance. It requires addressing things as they really are and exhibiting low tolerance by colleagues for inconsistent performance.<sup>1</sup>

**Exhibit 11. Summary Profile of Organizational Changes**

Organizational Element	Action
<b>Existing Organization</b>	
Office of the Director	Maintain as is
Employee Services	Reconstitute under Office of HR Programs, HC Policy Development and Compliance Group
Human Resources Solutions	Remove services and move USA Tools to Office of HC Policy Development and Compliance, Technology Systems Operations Group
Retirement Services	Transform policy, process, and automate (see Action 2.7)
Healthcare and Insurance	Reengineer for efficiency and transact cost reduction (see Action 2.7)
Merit System Accountability and Compliance	Move to Office of HR Programs, Human Capital Policy Development and Compliance Group
Suitability Executive Agent	Move to Office of HR Programs, Program Support Group
Inspector General	Maintain as is

<sup>1</sup> Goodrich, Steve, Transforming Government from Congress to the Cubicle, September 2016.

Organizational Element	Action
Office of the Chief Information Officer	Move to Office of Agency Operations
Office of Communications	Move to Office of Agency Operations
Office of the Chief Financial Officer	Move to Office of Agency Operations
Planning and Policy Analysis	Reconstitute under Office of HR Programs, HC Policy Development and Compliance Group
Strategic Innovation	Sunset as it will be more broadly reconstituted under the Office of Strategic Programs
Diversity and Inclusion	Move to Office of HR Programs, Program Support Group
Equal Employment Opportunity	Move to Office of HR Programs, Program Support Group
Human Resources	Move to Office of Agency Operations, resized based on new make-up of OPM
Facility, Security, and Emergency Planning	Move to General Services Administration
Federal Prevailing Rate Commission	Maintain as is
Office of Procurement	Move to General Services Administration
Recommended Organization	
<b>Office of Strategic Programs</b>	New program office
Research and Innovation Group	New program group
Shared Solutions and Technology Group	New program group
Strategic Program Demonstration and Implementation Group	New program group
Data Analytics, Performance Metrics and Reporting Group	New program group will assume some analytics from current Employee Services
<b>Office of HR Programs</b>	Reconstituted program office
Leadership Development Group	Broader program group, will include Federal Executive Institute and other functions
Federal Employee Development Group	New program group
Human Capital Policy Development and Compliance Group	Former Employee Services, Program and Policy Analysis
Technology Systems Operation Group	New program group operating USA and other tools for agency use. Formerly from HRS.

Organizational Element	Action
Program Support Group	New program combining Suitability, Performance, diversity, and Equal Employment Opportunity.
HR Program Oversight Group	New program group providing policy and outsourcing oversight for benefits and retirement.
Combined Federal Campaign	Maintain as is under the Office of HR Programs
Administrative Law Judges	Maintain as is under the Office of HR Programs
<b>Office of Employee Benefits</b>	
Retirement Services Group	Transform as previously identified and determine if OPM is the best organizational home (See Action 2.7)
Healthcare and Insurance Group	Reengineer as previously identified and determine if OPM is the best organizational home (See Action 2.7)
<b>Office of Agency Operations</b>	Reconstituted program office, including liaison with GSA
Human Resources	Maintain as is under the Office of Agency Operations Programs. Resize if appropriate
Chief Financial Officer	Maintain as is under the Office of Agency Operations Programs. Resize if appropriate
Chief Information Officer	Maintain as is under the Office of Agency Operations Programs. Reskill or resize as needed
Office of Communications	Maintain as is under the Office of Agency Operations.

## Action 2.2

### Change the OPM Director Position to a Term Appointment and Provide Effective Oversight

To support an effective OPM and transformational process of the entire government-wide HCM system and to ensure the right attention to HCM, we recommend the Administration and Congress immediately **change the OPM Director position to a five- or eight-year term, nominated by the President and confirmed by the Senate, for a qualified, non-conflicted individual**. In addition, create four career senior executive positions for each of the four major organizational units identified in **Exhibit 10**. This will ensure the leadership and technical expertise required and eliminate both the revolving door and “acting” nature of the Director position that has plagued the agency for the last decade.

In addition, we recommend the **establishment of a Human Capital Business Board**. Modeled after the Defense Business Board, this entity will provide independent advice to the OPM Director and provide periodic reports to

Congress and the Administration during the transformation of the HCM capacity for a period of no less than three years. A minimum of a six-member Board will be made up of credible and non-conflicted experts in large scale government transformation, human capital, and related systems. Administrative support will be provided by OPM along with travel reimbursement costs.

In addition, we recommend the duties and accountabilities of the **OMB DDM position should be thoroughly reviewed** to ensure proper resourcing, responsibility, and authority to affect transformational change and achieve related policy implementation across government.

These leadership changes will provide the attention and accountability necessary within the Executive Branch to ensure effective and steady leadership exists to carry out a transformation and short-, mid-, and long-term strategies for government HCM efficiency, effectiveness, and credibility. They will also meet PMA, GPRAMA, Evidenced-Based Policy Making, and other critical initiatives.

Underlying all recommendations is the establishment of strong and enduring leadership willing to make bold and effective decisions, take action, and lead a transformation. Decisions that will shake up the system and put the right resources in place with the right plans and outcomes to achieve a dramatically more effective government-wide HCM system.

### Action 2.3

#### Rename OPM and Modify Its Mission

We recommend **changing the name of OPM** to signal a shift in mission and service improvement to the government. A logical name can be established if

#### Examples of Term Appointment Changes

In 1998, based on a Commission lead by Senators Portman and Kerry, Congress passed the IRS Restructuring and Reform Act, which, in part, changed the IRS Commissioner to a five-year term position. This was designed to provide the transformational leadership required and to ensure steady capacity across Administrations.

In 2011, Congress changed the Director of the Census role to a five-year term position. The purpose was to facilitate long-term strategic leadership of the workforce, promote accountability, and maintain a certain amount of independence.

desired by government leadership. Also **change the current mission** of OPM:

*To lead and serve the federal government in enterprise human resources management by delivering policies and services to achieve a trusted effective civilian workforce.*

to a mission statement that is more indicative of the new organization's imperative such as:

*Provide strategic and innovative human capital strategy, policy, and programs enabling the federal government to implement effective human capital management systems which contribute to a strong and honored workforce and agencies meeting their mission requirements.*

## **Action 2.4**

### **Streamline and Simplify Personnel Regulations**

We recommend a **complete and thorough review of all HCM related legislation and regulations** (also see Recommendation #3). Outdated regulations should be removed or modified. They should be “scrubbed” with a view toward adaptability, simplification, and plain English, so as to provide agencies the agility they need, and employees with effective working conditions and proper management.

Regulations should be reviewed to ensure agencies have the appropriate authorities to hire, manage, flex, and transition employees. Existing agency authorities should be reviewed to ensure agencies effectively understand and leverage them.

Further, OPM should have responsibility for all civilian personnel and pay systems including Titles 5, 38, 42, and others under a consolidated model. This system should be designed under a civil service reform initiative (also see Recommendation #3).

## Action 2.5

### Establish the Office of Strategic Programs within OPM

We recommend OPM immediately **create an Office of Strategic Programs** with staff members skilled in HCM, organizational effectiveness, strategy, business analysis, technology, civil service modernization, industrial/organizational psychology, and other expertise (with contractor support as needed). The mission of this office would be to ensure the effectiveness of human capital programs so that the government anticipates and responds to critical imperatives, honors the workforce, supports agencies, and proactively responds to changing conditions. This function would assess programs, practices, and laws/regulations, and develop effective solutions that could be implemented administratively or through legislative action and help apply changes quickly across the government. It would study, design, develop, pilot, train for, and implement major new HCM programs including but not limited to shared services, civil service modernization, and regulatory reform to simplify and strengthen government. Roles would include, but not be limited to those described below.

#### Research and Innovation Group

- Study, design, propose, and lead civil service modernization initiatives. Report outcomes to Congress, the Administration, and the American people.
- In conjunction with civil service modernization, conduct an end-to-end regulatory review to streamline regulations and create “plain English” regulations. Train HR Specialists and agencies.
- Create efficient and effective HR policy and processes to reduce the cost of operations, and ensure efficiency and consistency across the government, possibly including more decentralized and delegated authorities.
- Develop forward-looking strategies that ensure the capacity and timely alignment of workforce requirements to meet government needs (current, emerging, and emergency).
- Work with and seek the advice of agency Chief Human Capital Officers (CHCOs) to help them meet the needs of their respective agencies.
- Study and right size the federal HR workforce (employees and contractor augmentation) with the operational and advanced skills necessary to meet transforming mission and functional needs.
- Review emerging practices in the private or public sectors and agencies for adoption government-wide. Facilitate sharing and adoption.

**Shared  
Solutions and  
Technology  
Group**

- Lead HC shared services design, development, implementation, oversight, and results achievement across the government, including the HR Quality Service Management Organization (QSMO). Report results to Congress, the Administration, and the American people.
  - In collaboration with the Office of the Chief Information Officer (CIO), support or lead critical technology initiatives that result in the efficiency, effectiveness, and government-wide use of HC technology.
- 

**Strategic  
Program  
Demonstration  
and  
Implementation  
Group**

- Design, develop, implement, and assess demonstration and/or pilot programs and report results to the OPM Director, Congress, and the Administration.
  - In collaboration with the HR Policy and Compliance Group, assist in creating recommendations for administrative and legislative changes as needed.
  - Identify, lead, and be accountable for major government-wide human capital investments.
  - Conduct government-wide strategic workforce planning.
  - In collaboration with the Leadership Development and Employee Development Groups, research, justify, and assist with workforce development programs to prepare for future needs. This would include leadership, human resources, workforce reskilling, and other critical government needs.
  - Guide agencies and OPM on the implementation of guidance and policy to ensure their success based on research and outcomes of demonstration projects or pilot programs.
- 

**Data Analytics,  
Performance  
Metrics, and  
Reporting  
Group**

- Develop critical HC metrics and provide dashboard capability for critical strategic HC with full drill down capability for agency and sub agency use.
  - Assist in the development of data repositories and associated functionality.
  - Develop and maintain a data dictionary and standards for the system of record (EDR).
  - Conduct data analysis to meet current and future needs of the government and identify shifts and trends. Provide access to and work with agencies to meet their needs.
  - Based on strategic imperatives, standard reporting, and leadership requests, report to Congress, the Administration, and the American people.
-

## Action 2.6

### Establish New Office of Human Resources Programs within OPM

We recommend **reconstituting the current Office of Employee Services**, consistent with the recommendations above, to include existing and new HR operating functions. New or reconstituted organizational components should include those described below.

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#### Human Capital Policy and Compliance Group

- Maintain HC policy, respond to government imperatives and work collaboratively with the Research and Innovation Group and Human Capital Strategic Programs Group to develop, promulgate, and implement new policy to improve government HR operations and effectiveness.
  - Conduct reviews of agency HC policy applications on a scheduled or as needed basis.
  - Develop and implement policy and compliance functions that are customer centric including culture change and protocol development that will take into consideration the unique and legitimate needs of agencies and minimize agency requests to OPM for approvals.
  - Provide Merit System Accountability and Compliance and related claims and appeals determinations. Review and maintain the Merit System Principles.
  - Ensure consistency with policy implementation and use outcomes to inform potential guidance and policy adjustments.
  - Include risk management functional assessments, and the creation of a culture of customer care inclusive of its policy and audit role.
  - Provide employee collective bargaining and liaison activity.
-

**Technology  
Systems  
Operations  
Group**

- Operate all technology systems and related services that directly supports agencies. This includes the USA Suite of tools, applications on the Employee Digital Record (EDR) (currently EHRI), and other related tools designed for government-wide use. Incorporate into shared services programs as appropriate.
  - Work collaboratively with the Human Capital Strategic Programs Group and the Office of the Chief Information Officer (OCIO) to develop and maintain efficient, effective, and secure tools.
  - Make recommendations for improvements and work collaboratively with agencies on technology applications developed by agencies and facilitate government-wide sharing and adoption.
  - Support the design and oversight of shared services technology implementation and use.
  - Conduct all programs using appropriated funds and not as a fee-based service.
- 

**HR Program  
Oversight  
Group**  
(If Retirement  
and Benefits  
are outsourced)

- Establish a new group as a program management function to oversee Benefits and Insurance and Retirement functions that are transferred to others.
  - Manage contracts.
  - Lead system changes to support changes to benefits and associated regulations.
  - Collaborate with the Data Analytics Group to ensure effective programs and make adjustments as necessary.
- 

**Administrative  
Law Judges**

Administer the Administrative Law Judge examination through which agencies make competitive service appointments of Administrative Law Judges (ALJ).

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**Combined  
Federal  
Campaign**

Administer the CFC program, systems, and supporting contracts. Report results to the Administration and the American people.

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**Leadership  
Development  
Group**

- Assess the need and provide leadership development for all career levels based on established core qualification requirements (ECQs or other).
  - Develop standards of performance.
  - Redesign programs based on the needs of government and modern leadership requirements.
  - Deliver products and services through effective multiple modalities.
  - Assess the effectiveness of program content and delivery modalities and report.
  - Conduct all programs using appropriated funds and not as a fee-based service.
-

### Federal Employee Development Group

- Establish a newly constituted office of Employee Development to include all federal workforce development programs that would fall under the auspices of a central entity. This function does not support the unique development needs of agencies that would normally be provided at the agency level.
- Include the development of federal employees, HR Specialists (using the HCBRM), and management and supervision knowledge, skills, and abilities.
- Conduct demonstration and pilot programs for those having government-wide impact.
- Support the implementation of new policy and the changing ways people work and organizations require agility.
- Include working in collaboration with agencies to implement and distribute new programs, providing guidance and funding for pilot programs, and helping agencies to share best practices across the government.
- Conduct all programs using appropriated funds and not as a fee-based service.

### Program Support Group

- Provide suitability determinations and related guidance to agencies.
- Provide guidance and support with federal performance management.
- Work with other OPM operating groups to design and promulgate improvements that assist agencies in meeting mission requirements.
- Administer Diversity and Equal Employment programs.

As the organization is reconstituted, include experts in organizational restructuring and effectiveness to ensure the utmost in transformation outcomes.

## Action 2.7

### Reengineer, Eliminate, or Move Existing Functional Areas

We recommend OPM take steps to change functions that are inefficient, ineffective, conflicting, or not core to a central HCM function.

- **Sunset Human Resources Solutions (HRS)** by eliminating the service component and moving the USA Suite of tools to the new Technology Systems Operations Group. Also transfer the Human Capital and Training

Solutions (HCaTS) contract administration to GSA. Eliminating services shall remove any conflict of interest with policy creation and enforcement, and the high cost required of agencies. Agencies shall meet their own HC servicing needs internally or through contracted resources.

- OPM's Retirement Services (RS) adjudicates those applying for retirement and services and manages annuitant programs. We recommend that **OPM completely transform the retirement application policies, business rules, processes, and technology** to make it significantly more efficient, accurate, and timely. The new recommended EDR (See Action 2.8) should be used as a foundational data tool for retirement to provide complete and accurate data sets and eliminate error prone duplicative data entry with appropriate automated systems and tools to support the new functionality (including self-service where appropriate). A Human-Centered Design (HCD) approach should be used to guide the transformation. While there will be investment costs required, dramatic savings should be realized in this process. Additionally, as a result of the transformation, OPM could determine and propose if this functional area would best be executed within OPM, from another federal agency, or outsourced. If it is determined that outside execution is more effective, OPM should maintain policy oversight and HC data ownership and control.
- The **Healthcare and Insurance enrollment function should be assessed to determine if there would be benefits to reengineering and/or outsourcing**. The federal government already does this with its vision and dental program (FEDVIP), which is administered by BENEFEDS. Reengineering should, as needed, focus on **customer service and cost savings** through efficiency. The nation's largest employers, such as Walmart, outsource their benefits administration, as do most private-sector organizations. Once reengineering is complete, service level agreement and transactional cost ratios should be established. OPM could then explore if it is an appropriate candidate for outsourcing. If it is determined that outsourcing is more effective, OPM should maintain policy oversight and HC data ownership and control.

- **Combine the Merit System Accountability function** with the Human Capital Policy and Compliance Group to have all assessments and compliance reviews and claims and appeals determinations under one organizational unit.
- **Move facilities and procurement functions to GSA.** This places the function where the expertise lies, allows it to be more efficient, and helps OPM to focus on strategic HCM requirements. Also move the administration of the HCaTS contract to GSA.

With these and other changes recommended in this report, there will need to be a **realignment of skills and skill levels** across OPM, as well as clarity in authorities and responsibilities across OMB, OPM, GSA, and agencies. This clarity may then require additional structural changes and will certainly require policy, process, and a cultural shift across and within the organizations.

### **Action 2.8**

#### **Invest in and Develop Critical HCM Technologies**

Technology must be used to enhance the efficiency, effectiveness, quality, cost, and customer service requirement of HCM. We recommend OPM **create and implement a unified cross-government HCM technology and data management strategy** consistent with the needs of OPM, agencies, employees, and shared services. This will require a multi-year investment plan and should use the Modernizing Government Technology Act of 2017 to invest in and implement most HCM technology transformations.

Many enterprise OPM technologies are ineffective and outdated and retirement claims are still processed by hand in 2020. Government HC is far outpaced by what has been taking place in the private sector to create efficiencies and effectiveness, where AI/machine learning, self-service, HR workflow management, and a strong data infrastructure. Retirement application processing for example could be almost fully automated eliminating significant cost, and improving accuracy and timeliness.

OPM has a suite of USA Tools for staffing, hiring, performance, etc., that should be **assessed and enhanced** to continue to serve government-wide needs. In addition, a review of existing agency technology should be reviewed to identify best practices for government-wide adoption. For example, new systems such as the HHS HRx system show promise.

OPM **must upgrade the current EHRI system to the Employee Digital Record (EDR)**, as well as the review, enhancement, and/or sunset of a number of **legacy systems**. EDR must function as a secure central data repository, be the system of record without agency feeds, establishing full agency access for employee data, data analytics, support executing personnel actions, etc. It should include established data standards, and be the system for intaking new hire data, managing employment, providing retirement data, etc.

All systems must be aligned with the capacity to support common HCM work processes, shared services, self-service, and data analytics, in a secure environment regardless of whether they are government owned or outsourced. They must be fully aligned with the new business processes as described in this report and overlaid on shared services plans, using advanced technology that allows for easy development, adaptation, and configuration, and ensure compliance with National Institute for Standards and Technology (NIST) standards, and data and system security requirements.

With the development of new policy, process, and technology there will be an **impact on the HR function and Specialist** roles. This must be considered and addressed as part of the new and reconstituted functional roles of OPM and within the agencies.

#### **Needed Technology Investments**

- The Employee Digital Record (EDR).
- Employee Retirement System.
- Upgrade of USA Suite of Tools — Jobs, Staffing, Performance — to support shared services.
- The expansion of an HRx system for government-wide use for HR Specialist and managers to effectively manage human resources.
- Potential integration of existing HR COTS and GOTS tools into a seamless set of tools or engage in shared service systems based on a single government-wide strategy.
- Assessing all OPM legacy systems and determine appropriate action — sunset, redevelopment, or maintain as is.

Further, as a result, the government will eliminate troves of paper records and the supporting maintenance. This could include **freeing up space in mountainous storage** for improved strategic stockpile and other uses.

Developing and implementing the requisite technology and supporting systems will require an investment over a five- to eight-year period to execute. The return on investment should be realized over a partially overlapping five- to eight-year period. An exacting investment requirement should be determined when **developing the technology and data management strategy which should be required by the Human Capital Reform Act.**

### **Action 2.9**

#### **Enhance the Capacity of the CHCO Council to Be a Deliberative Advisory Body**

The Chief Human Capital Officer (CHCO) Council was established by the Chief Human Capital Officers Act of 2002, which was enacted as part of the Homeland Security Act of 2002 (P.L. 107-296). Its function is to advise OPM, OMB, and agency leaders on human capital strategies. It is currently considered to be sometimes ineffective as it is chaired by OPM and OMB and is considered to be subject to political rather than practical advice and recommendations to improve government HC operations. CHCOs believe they have more to offer and believe they can be more effective.

We recommend that the **CHCO Council be legislatively modified** to serve as an advisory group to the OPM Director and have improved “standing” through a self-governing model in which the CHCOs chair and operate their own Council through a member rotational chairmanship with staff support provided by OPM. Standing subcommittees should be established to align with the new OPM organizational structure. In addition, we recommend the Director of OPM **serve as a member of the President’s Management Council (PMC)** to represent the HCM requirements of the federal government.

## OPM Budget and Investment Profile

As a result of the recommendations made above, there will be changes to the appropriated funding requirements of OPM as well as initial investments to undertake the transformation over a multi-year period. We recommend that **OPM eliminate all fee-for-service and operate under 100% appropriated funding.**

As these recommendations are accepted and codified in the Human Capital Reform Act, they should be redressed based on further analysis and the nature of the adopted recommendations. **Exhibit 12** provides a profile of the FY19 operating budget for OPM and a summary of OPM managed funds as a reference point.

### Exhibit 12. OPM FY19 Budget

Functional Area	Costs	FTEs
<b>Existing Organization</b>		
Office of the Director	\$6,996,852	37
Employee Services	\$33,038,047	198
Human Resources Solutions	\$333,224,390	472
Retirement Services	\$99,671,403	1,040
Healthcare and Insurance	\$41,071,227	157
Merit System Accountability and Compliance	\$16,867,932	114
Suitability Executive Agent	\$6,038,800	53
Inspector General	\$30,000,000	53
General Council	\$7,602,080	41
Chief Information Officer	\$187,258,982	296
Office of Communications	\$2,296,466	19
Chief Financial Officer	\$45,641,100	114
Planning and Policy Analysis	\$3,150,000	0
Strategic Innovation	\$7,067,968	32
Diversity and Inclusion	\$0	0
Equal Employment Opportunity	\$1,013,124	7
Human Resources	\$8,100,909	58
Facilities & Security and Emergency Planning	\$12,686,047	73
Federal Prevailing Rate Advisory Commission	\$205,845	1
Office of Procurement	\$5,188,876	35
<b>TOTAL</b>	<b>\$846,940,048</b>	<b>2,800</b>

## OPM Managed Funds<sup>2</sup>

Category	Amount
Payment to Civil Service Retirement and Disability Fund	\$43.6 billion
Government Payment for Annuitants, Employees Health Benefits	\$13.1 billion
Postal Service Contributions for Retiree Health Benefits	\$3.8 billion
Revolving Fund, Undistributed SIBAC Chargebacks for Washington DC	\$463.2 million

As in any transformation, an initial multi-year investment is required. The areas of investments required to transform OPM and the broader item landscape over a multi-year period are included in **Exhibit 13**. This investment will be returned in the form of reduction or elimination of some functions, reengineering to gain efficiency of functions, streamlining of regulations, transformation of systems, and the broader improvement in performance and productivity across government.

Some investment could be realized through the existing revolving fund, some through a working capital fund, and others through the Modernizing Government Technology Act fund. Others will require appropriations.

### Exhibit 13. Areas Requiring Initial Investments

Functional Area	Initial Investment Requirement
Overall	<ul style="list-style-type: none"> <li>• Transformation Management Office (TMO) and Organizational effectiveness consulting support for transformation</li> <li>• Establishment and support of HC Business Board</li> <li>• Ability to move funding to reorganize, adjust staffing, and prepare resources</li> </ul>
Retirement Services	<ul style="list-style-type: none"> <li>• Transform policy and process</li> <li>• Develop oversight requirements</li> <li>• Develop customer-centric technology tool for online retirement planning and execution</li> </ul>
Healthcare and Insurance	<ul style="list-style-type: none"> <li>• Review and revise policy, process, and technology</li> </ul>

<sup>2</sup> Source: USA Spending- [https://www.usaspending.gov/#/explorer/object\\_class](https://www.usaspending.gov/#/explorer/object_class)

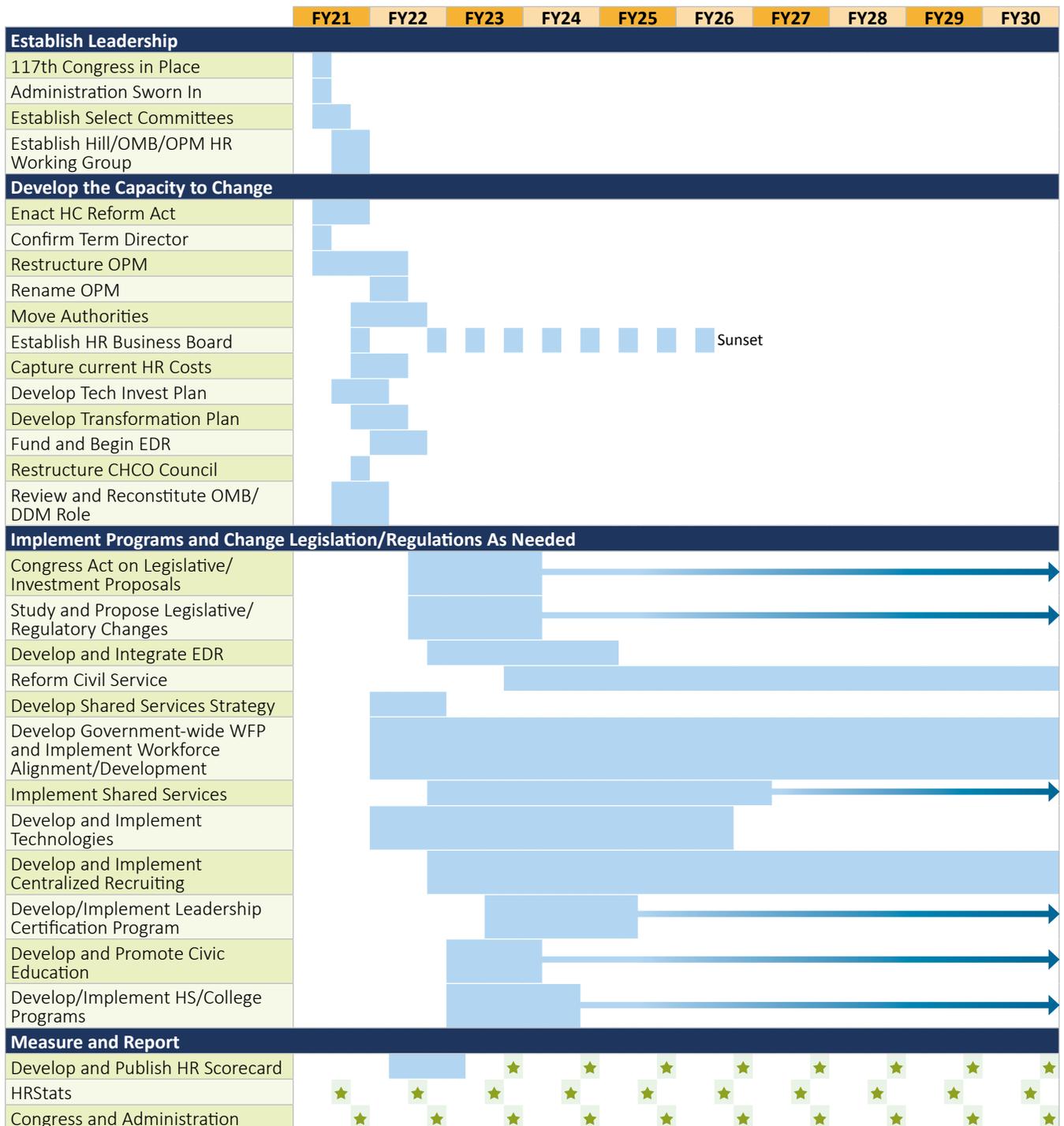
Functional Area	Initial Investment Requirement
<b>Office of Strategic Programs</b>	
Research and Innovation Group	<ul style="list-style-type: none"> <li>Initial funding for operations, research, and expertise to support reforms</li> </ul>
Shared Services and Technology Group	<ul style="list-style-type: none"> <li>Initial funding for operations, and design of shared services</li> </ul>
Strategic Program Demonstration and Implementation Group	<ul style="list-style-type: none"> <li>Initial funding for operations and program execution</li> </ul>
Data Analytics, Metrics and Reporting Group	<ul style="list-style-type: none"> <li>Initial funding for operations, the selection and development of a data tool(s) and consulting support to develop the capacity</li> </ul>
<b>Office of HR Programs</b>	
Leadership Development Group	<ul style="list-style-type: none"> <li>Design and development of leadership certification program</li> </ul>
Federal Employee Development Group	<ul style="list-style-type: none"> <li>Initial funding for operations, and design of all programs</li> </ul>
Human Capital Policy Development and Compliance Group	<ul style="list-style-type: none"> <li>Preparation and reskilling of staff</li> </ul>
Technology Systems Operation Group	<ul style="list-style-type: none"> <li>Design and upgrade of USA tools</li> <li>Design, development, and implementation of Employee Digital Record (EDR) and sunset of EHRI</li> <li>In cooperation with OCIO, the review, redevelopment, or sunset of legacy systems</li> </ul>
Program Support Group	<ul style="list-style-type: none"> <li>None</li> </ul>
HR Program Oversight Group	<ul style="list-style-type: none"> <li>Initial funding for operations, and design of all programs and contracts</li> </ul>
Combined Federal Campaign	<ul style="list-style-type: none"> <li>None</li> </ul>
Administrative Law Judges	<ul style="list-style-type: none"> <li>None</li> </ul>
<b>Office of Agency Programs</b>	
Human Resources	<ul style="list-style-type: none"> <li>None</li> </ul>
Chief Financial Officer	<ul style="list-style-type: none"> <li>None</li> </ul>
Chief Information Officer	<ul style="list-style-type: none"> <li>See above Technology Systems Operating Group</li> </ul>
Office of Communications	<ul style="list-style-type: none"> <li>None</li> </ul>

## Proforma Transformation Schedule

The recommendations promulgated in this report are designed to take important initial steps to prepare the structure, leadership, and components so they may lead to dramatic improvements to the government's HCM

infrastructure. While many actions should be taken immediately, the government should embark on an eight- to ten-year transformative journey to improve the efficiency, effectiveness, and credibility of HCM beginning in FY21. Major milestones include those identified in **Exhibit 14**.

**Exhibit 14. Proforma Transformation Schedule**



## Moving OPM to GSA

In 2019, OMB proposed moving OPM to the GSA citing its struggling financial stability, operational stability, and strategic agility as its primary business case<sup>3</sup>.

In December 2019, Congress, through the National Defense Authorization Act (NDAA), directed OMB to not make any changes to OPM and for OPM to enlist the services of the National Academy of Public Administration (NAPA) to study the challenges associated with execution of OPM functions, a cost-benefit analysis, and statutory and regulatory changes needed. Once this study is complete, additional decisions will perhaps be made in concert with these recommendations.

GAO found that OMB, OPM and GSA had generally not addressed key practices for reform and had not fully involved Congress, employees, and other key stakeholders.

It was unclear how the reform would address high-risk issues and major management challenges.<sup>4</sup>

Part of OMB's business case was to create a "Chief Operating Officer" type function using GSA as the foundation agency and include mission-support functions under that business model (with a renamed GSA as the Government Services Administration). The idea was to save money and create efficiency through the elimination or reduction of duplicative back office functions (procurement, HR, technology, finance, facilities, etc.).

While this may be an appropriate business model, Congress felt that OMB did not effectively support its recommendations with a strong business case. Congress further felt that, given the importance of people in government, they desired OPM to have a Senate confirmed Director, and not have it occupy a second-tier position within GSA.

A review of 35 major countries<sup>5</sup> revealed mixed results as to the location of the central HCM function in government. Of those countries, 26% of the HCM function were a separate standalone agency, 23% were embedded in the finance function (Treasury equivalent), 17% were embedded with the head of

<sup>3</sup> OMB, OPM Reorganization White Paper, March 2019.

<sup>4</sup> GAO Report to Congressional Requesters, Selected Reforms Could Be Strengthened By Following Additional Planning, Communication, and Leadership Practices, April 2020. GAO-20-322.

<sup>5</sup> The Organization for Economic Co-Operation and Development (OECD), 2015.

government (OMB equivalent), 11% were in a Chief Operating Officer (COO) type agency (GSA equivalent), with the remainder in other functional areas.

In the 50 U.S. state governments<sup>6</sup>, 64% of the HCM function falls under the responsibility of the Chief Administrative Officer (COO function), 32% are a separate standalone agency, with the remainder under another arrangement.

These profiles show a mixture of where governments place the HCM function. Frankly, federal government leaders shall decide for themselves given the prominence of the workforce and the importance of this necessary transformation.

While efficiencies can certainly be quantified and realized in OPM, **we recommend that Congress take no action until after the NDAA-directed NAPA study is complete, but more importantly, until a clear plan for improving the efficiency, effectiveness, and credibility of OPM and government-wide HCM is complete.** It would make no sense to consider moving OPM without effecting a significant transformation first, so that a “lift and shift” does not occur without significant strategic benefit, or to just realize a false sense of “job complete” after the move. However, we do recommend moving all procurement and facilities functions to GSA (we understand facilities management has already been moved).

Given the importance of people in government, and the dramatic changes that need to be made to strengthen workforce capacity and systems and strategies, strong and accountable leadership is necessary and should be embraced at the highest levels. That is why we recommend an appointed Senate confirmed term leader of OPM, a Human Capital Business Board, and more effective Congressional and Administration involvement.

***Strengthening HCM capacity and leadership is the prerequisite to civil service and other modernizations.***

<sup>6</sup> National Association of Chief Administrators, Chief Administrators Areas of Responsibility, 2019.

“ The greatest leader is not necessarily the one who does the greatest things. He is the one that gets the people to do the greatest things. ”

—Ronald Reagan  
Former U.S. President

**RECOMMENDATION #3**

Become an Inspirational Employer  
and Invest in People.



**“Public service must be more than doing a job efficiently and honestly. It must be a complete dedication to the people and to the nation.”**

**—Margaret Chase Smith**

### **Attract, Manage, and Honor the Right People, at the Right Time, in the Right Place, and Be Able to Shift as Needs Change**

Through the actions of government leaders, managers and supervisors, OPM, and others, the federal government must create an environment that attracts, hires, honors, and maintains a workforce in which employees are aligned, skilled, and believe they are contributing. Employees need to not just receive fair pay and benefits, they want to be inspired by public service, have mobility, and be invested in as needs and jobs evolve. However, if job acquisition and working conditions are so difficult, people will be satisfied elsewhere, as the demographic and occupational statistics are beginning to show.

The nobility of public service is well regarded based on mission and service to the nation. Many do desire government service as a profession. However, the government is not effective at hiring and managing a workforce to always ensure adequate performance and productivity, preparing people for the future, aligning skills with the organizational needs, ensuring effective experiences, and forecasting and directing requirements flexibly.

The federal government must manage performance equitably and have the right people in the right place at the right time, yet be adaptable to mission need.

With the help of Congress and the Administration, a strategically oriented OPM, and through the authorities and actions of the agencies, we recommend accomplishing the following in a systematic order based on the transformation plan developed by OPM and as Recommendations #1 and #2 are enacted. Those recommendations are absolutely a prerequisite to implementing this Recommendation #3.

### Action 3.1

#### Strengthen the Budget Process

We recommend that Congress and the Administration immediately place priority on strengthening the budget process to enable efficient and effective planning, management, and execution of mission-centric and mission-support programs. This will demonstrate the leadership prioritization of investment in people and program outcomes. In this context Congress should:

- Deliver **budgets on time** with authorities to execute at the beginning of each fiscal year.
- Approve **civilian employment levels** for the budget year and provide the agency a planning level for the next two years so they can make longer term decisions on workforce management.
- Consider **two-year budgets** for critical programs or agencies.
- Allow agencies **funding flexibility** to manage workforce increases or decreases without penalty. In this context agencies can manage to budget and mission requirements, not FTE ceilings.
- Require every agency, as part of budget justifications, to develop a comprehensive human capital strategic plan that identifies **data-driven workforce alignment requirements** (skill, skill levels, strength levels, realignments) on short-, mid- and long-terms based on existing and forecasted mission-centric requirements.
- Require, and have OMB enforce, that every proposed change in significant workforce levels be **supported with analytical rigor** as part of an agency's budget justification. This should also include the implementation of staffing flexibilities as authorized through civil service modernization.

### Action 3.2

#### Strengthen the Workforce

Since the workforce accounts for over 70% of typical agency budgets, we recommend the investment in and creation of flexible systems to enable an

effective workforce to serve evolving mission critical needs. In this context, OPM should:

- Develop an action plan for **identifying needed and evolving skill sets and reskill employees** to take on new roles and sunset no longer needed positions. Do this consistent with a government-wide workforce strategy, and with a defined and funded investment plan.
- Develop a **strong pipeline of leaders and managers**. Change the way government selects and develops leaders and managers with new rigorous certification programs, readiness assessments, training, career experiences, multi-agency and/or geographic rotational assignments, and specific observable performance requirements; truly holding managers accountable and incentivizing them for mission performance. If training programs are agency developed, require OPM certification to ensure consistency with leadership development mandates.
- Provide managers with the **flexible systems** to change the role requirements of their workforce quickly and easily and to provide employees with flexible and portable work arrangements.
- With the support of Congress, set aside an ongoing **fund of at least 1–2% of payroll** for training and education for all agencies.

#### Investment in People

On average in 2018, private-sector employers spent 3.8% (from 3.3% in 2017) of payroll on direct learning<sup>1</sup>.

### Action 3.3

#### Modernize the Civil Service

As one of the most significant issues of government, we recommend a complete and comprehensive reform of the civil service system. This should begin as soon as OPM is restructured and has the capacity to do so with oversight from the Human Capital Business Board and engagement from Congress and OMB. This will contribute significantly to attracting, retaining, managing, and transitioning federal employees so that they are fully aligned, accountable,

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<sup>1</sup> ATD Research, 2019 State of the Industry, Talent Development Benchmark and Trends

and inspired to contribute and grow. It will contribute to agencies' ability to achieve their mission efficiently and effectively, and the flexibility to meet evolving needs.

Modernization must be conducted in a methodical and incremental way over time to allow for successful adoption and assimilation. Through Administrative and Legislative change developed and proposed by OPM, Congress and the Administration should:

- Develop the **capacity to hire** high quality candidates in most federal positions within 60 days using shared certifications, recruiting before an encumbered position is vacated, open and continuous recruiting, and dramatically changing the classification system.
- Provide for **hiring flexibility** to include full-time, part-time, and project-based workers (in addition to temporary and seasonal employees).
- Completely **redesign the job classification system** to create a position management system that assists managers in deciding appropriate qualifications, pay structures, and levels of responsibility. Create common position descriptions across job categories to reduce classification as a major time consumer of the hiring process. Engage hiring managers in position management and pay decision-making.
- **Replace the GS and all other pay systems** with an occupational/market-based pay-banding system that is comparable to other sectors for the same or similar work, allows for guided flexibility and is consistent with the new position management system. Review and use existing pay-band demonstration projects as a foundation. Develop a transitional approach that will eventually include the entire federal workforce under a pay model that provides for flexibility, discernment based on market and occupations, and results in attracting and retaining a high caliber workforce to government service. To begin, prioritize occupations beginning with high-demand/hard-to-fill positions.

- **Expand direct hire authority** and allow agencies to determine the skills they need for this authority. Establish a direct hire, highly qualified expert category, across the entire federal sector, and allow maximum pay flexibility to compete with the private-sector on high-demand technical skills. Allow for a non-competitive direct hire category in high demand skills for new college hires with competitive bonus authorities. These would be term appointments for candidates where an agency needs a continuous flow of very current technical expertise.
- Devise and implement new or enhance existing regulations government-wide to quickly **differentiate between low and high performers** that is fair and reasonable. Improving policy training and hold managers accountable for performance and results, and allow for quick and fair action.
- **Create portability** through policy and technology to allow federal employees to quickly move between agencies, and in and out of government including records transfer, retirement portability, work/life integration, elimination of regulatory barriers, and maintaining of certain pay and benefits.
- Review and **update the Merit System Principles** as appropriate to ensure they are consistent with the needs of today's workforce.
- **Provide training** for all leaders, managers, employees and HR Specialists, in all new regulations, systems, methods, and norms in parallel with all transformational actions.
- Conduct a **scrub of all regulations** to streamline and simplify, provide for a plain English approach, and make all changes required for a modern civil service (also see recommendation 2.4).

### Action 3.4

#### Promote Government as a Great Place to Work

As previously stated, the government needs evolving and high-level talent to meet more complex mission requirements. We recommend that OPM design and implement practices that address this need and increase the reach into the

American landscape to attract and engage a strong labor pool through broader and more effective recruitment and education programs. The government needs to provide agencies with a full range of options to compete in the marketplace. OPM should:

- Develop the capacity within OPM to **recruit nationally** for government service across all agencies using technological and non-technological means to promote government service, ensuring that the promulgated brand aligns with reality. Conduct broad recruitment action through social media, campus recruiting, location-based job fairs, integrated promotion through civic education programs, and national media advertising.
- **Promote civic education** in the schools, and to the general public. Engage people in the great accomplishments and varied missions of government and how they can be a part of it. Leverage the schools of public policy and administration to be partners in this endeavor.
- Create **high school and college level entry programs** such as internships, job corps, pathways, volunteering, shadowing, vocational development, and other programs to promote and incentivize government service.
- Develop stronger recruitment **incentive programs** such as school-to-work initiatives, student loan forgiveness, flexible work arrangements, or signing bonuses for hard-to-fill positions. Any recruitment investment of these and other types should also include a defined length of service requirement to ensure a return for the government.

*Inspiration is the first step. Providing people with the fair and comparable HC systems and agencies with the right tools to ensure a strong workforce is critical.*

## In Summary

“You’ll never plough a field by turning it over in your mind.”

—Irish Proverb

In the area of HCM, experts have been saying “act now” for many years. Act to modernize the civil service, act to have efficient systems, act to have strong technology, act to strengthen leadership, act to attract and honor talent and provide agencies what they need to achieve. It’s time to act, not in several years, but now as government has been dramatically behind the personnel curve for many years and is suffering because of it. We began this report by indicating its **central theme is to build capacity first so that change can be designed, developed, tested, and implemented**. Therefore, we made recommendations that will establish this capacity so these changes can be made. As a cornerstone initiative of the 117th Congress and the 2021 Administration, please act now!

We recommend that the Administration and Congress work together to develop and pass the Human Capital Reform Act of 2021. This initial action is required to create the leadership, oversight, and infrastructure required to engage dramatic and much needed transformation to the government’s HCM system. At a minimum this Act should include the following (**Exhibit 15**).

### Exhibit 15. Areas to Include in the Human Capital Reform Act

#### The Human Capital Reform Act of 2021

1. Restructure OPM into four primary functional areas within 1 year.
  - Strategic Programs
  - HR Operations
  - Employee Benefits
  - Agency Operations
2. Rename OPM and define a new mission.
3. Establish a term appointed director position and four deputy director positions.
4. Require a profiling of government-wide HCM costs.
5. Establish a Human Capital Business Board.
6. Require a transformation plan within 6 months of enactment including the development of an HCM Scorecard tool.
7. Move certain HCM authorities to agencies and OPM.
8. Direct the moving or sunseting of certain programs.
9. Require the development of a technology development and investment plan.
10. Fund the development of the EDR through the Technology Modernization Act.
11. Change the structure and effectiveness of the CHCO Council.
12. Require a review of and recommended changes to the OMB DDM’s role and a review and recommendations of a more unified cross-government HCM budget and performance management structure.
13. Require and fund the development and implementation of a HC professionals certification program.
14. Create a government-wide recruitment and branding program.

Subsequently there will be additional legislative, administrative, and budget actions required to:

- Modernize the civil service system
- Change and streamline HC policy
- Direct the implementation of shared service
- Require and invest in certain technology systems
- Require a certification program for career leaders and managers
- Invest in the development and reskilling of the government's workforce

A transformation is possible with the right strategy, leadership, structure, functions, and resources in place; and the willingness to take a collaborative approach to enact dramatic change and improve performance. Please act now to strengthen the workforce and all its supporting systems so that government is effective, efficient, credible, and improves its service to the American people.

***Begin first by developing the capacity so that HCM change is possible.***





### **About the Senior Executive Association**

The Senior Executives Association (SEA) is the professional association for career leaders across the federal government. Our goal is to improve the functioning of government, solve critical national challenges, and enhance the public's trust with the federal government.

[www.seniorexecs.org](http://www.seniorexecs.org)



### **About the Center for Organizational Excellence**

For over 35 years The Center for Organizational Excellence (COE) has provided organizational transformation, reform, human capital, data, and information technology expertise to assist the government in being more efficient, effective, and credible.

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Recommendations to Congress and the Administration

# Transforming the Governance of Federal Human Capital Management

Creating Capacity to Enable Effective Change

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Summer 2020

**3** Recommendations  
**16** Major Actions

