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MANAGING FOR RESULTS

Human Capital Management Discussions in Fiscal Year 2001 Performance Plans



G A O

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United States General Accounting Office
Washington, DC 20548

April 24, 2001

The Honorable Fred Thompson, Chairman
Committee on Governmental Affairs
United States Senate

The Honorable George V. Voinovich, Chairman
The Honorable Richard J. Durbin, Ranking Member
Subcommittee on Oversight of Government
Management, Restructuring and the
District of Columbia
Committee on Governmental Affairs
United States Senate

The Honorable Daniel K. Akaka, Ranking Member
Subcommittee on International Security, Proliferation,
and Federal Services
Committee on Governmental Affairs
United States Senate

The Honorable Dan Burton, Chairman
Committee on Government Reform
House of Representatives

After a decade of government downsizing and curtailed investment, it is becoming increasingly clear that today's human capital (people) strategies are not appropriately constituted to adequately meet current and emerging needs of the government and its citizens in the most efficient, effective, and economical manner possible. Attention to strategic human capital management is important because building agency employees' skills, knowledge, and individual performance must be a cornerstone of any serious effort to maximize the performance and ensure the accountability of the federal government.

Because strategic human capital management is a pervasive challenge across the federal government, we recently identified it as a governmentwide high-risk area.¹ Specifically, our work has shown that the systematic integration of human capital planning and program planning

¹*High-Risk Series: An Update* (GAO-01-263, Jan. 2001).

has not been adequately and uniformly addressed across the federal government.² Further, our Performance and Accountability Series reports have indicated that federal agencies are experiencing critical strategic human capital challenges.³ (See fig. 1).

Figure 1: Strategic Human Capital Challenges

- Strategic human capital planning and organizational alignment
- Leadership continuity and succession planning
- Acquiring and developing staffs whose size, skills, and deployment meet agency needs
- Creating results-oriented organizational cultures

Source: GAO analysis.

Addressing these challenges will require a cultural transformation throughout the federal government that recognizes the dynamics associated with a transition to a knowledge-based economy. The vast majority of the needed improvements in human capital management could be achieved if federal agencies took a comprehensive review of the size, shape, and skills of their human capital profile and adopted a more strategic and performance-based approach to managing their workforces. This would require agency leaders to establish a baseline of their human capital profile; build a business case for future human capital requirements; and then make targeted investments as part of the agency strategy to attract, develop, and retain the talent necessary to meet its mission and goals. Further, agency leaders need to build employees' skills, knowledge, and performance; empower employees and provide them with the tools to do their best; and implement the modern performance

²*Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans* (GAO/GGD/AIMD-99-215, July 20, 1999); and *Managing for Results: An Agenda To Improve the Usefulness of Agencies' Annual Performance Plans* (GAO/GGD/AIMD-98-228, Sept. 8, 1998).

³*Performance and Accountability Series: Major Management Challenges and Program Risks: A Governmentwide Perspective* (GAO-01-241, Jan. 2001). In addition, see the accompanying 21 reports on specific agencies, numbered GAO-01-242 through GAO-01-262.

management and incentives systems needed to foster individual accountability and focus on achieving agency missions and goals. Agency leaders also need to apply the tools and flexibilities already available under existing laws and regulations to make substantial progress in managing their human capital.

To help agency leaders begin a more systematic, in-depth, and continuous effort to evaluate and improve their agencies' human capital, we issued a human capital self-assessment framework, which identifies a number of human capital elements and underlying values that are common to high-performing organizations.⁴ We also identified common principles that underlay the human capital strategies and practices of the private sector for federal agencies to consider as they work to improve their own human capital management.⁵ Some of these principles are to hire, develop, and sustain leaders according to leadership characteristics identified as essential to achieving specific missions and goals; hire, develop, and retain employees according to competencies; and use performance management systems, including pay and other meaningful incentives, to link performance to results.

As part of the Government Performance and Results Act (GPRA) annual performance planning requirements, agencies are to establish results-oriented performance goals and describe the strategies and resources—including human capital—needed to accomplish those goals. Given the established GPRA requirements and the pervasive challenge the federal government faces in strategic human capital management, we prepared this report at our own initiative to provide a descriptive analysis of how, if at all, the 24 agencies covered by the Chief Financial Officers (CFO) Act addressed human capital in their performance plans for fiscal year 2001, under which agencies are currently operating. Because of your interest and the critical importance of strategic human capital planning, employee empowerment, and performance management, we are addressing this report to you.

⁴*Human Capital: A Self-Assessment Checklist for Agency Leaders* (GAO/OCG-00-14G, Sept. 2000).

⁵*Human Capital: Key Principles From Nine Private Sector Organizations* (GAO/GGD-00-28, Jan. 31, 2000).

Results in Brief

We found that each agency discussed human capital to at least a limited extent in its fiscal year 2001 performance plan and covered a variety of activities. (See fig. 2). We provide examples in this report that illustrate these activities.

Figure 2: Summary of Human Capital Activities Discussed in Annual Performance Plans for Fiscal Year 2001

1. Recruit and retain employees on the basis of current and projected needs.
2. Hire a diverse workforce.
3. Identify skills and training needs and provide development opportunities.
4. Link executive performance to organizational goals.
5. Attend to work environment.
6. Establish an employee-friendly workplace.
7. Choose an appropriate organizational structure.
8. Streamline, simplify, and expedite personnel operations.

Source: GAO analysis of annual performance plans.

Overall, agencies' plans reflected different levels of attention to human capital, ranging from merely identifying human capital challenges to putting forward solutions to address those challenges, such as by defining actual plans, committing resources, and assigning accountability. For example, some agencies identified the unique human capital challenges they confront within their broad operating environment, but they did not include specific strategies or goals for resolving those challenges. In other cases, agencies set specific annual performance goals to address a human capital challenge or articulated human capital strategies that are being used.

When viewed collectively, we found that there is a need to increase the breadth, depth, and specificity of many related human capital goals and strategies and to better link them to the agencies' strategic and programmatic planning. For example, very few of the agencies' plans addressed

- succession planning to ensure reasonable continuity of leadership;
- performance agreements to align leaders' performance expectations with the agency's mission and goals;
- competitive compensation systems to help the agency attract, motivate, retain, and reward the people it needs;
- workforce deployment to support the agency's goals and strategies;
- performance management systems, including pay and other meaningful incentives, to link performance to results;
- alignment of performance expectations with competencies to steer the workforce towards effectively pursuing the agency's goals and strategies; and
- employee and labor relations to ground a mutual effort on the strategies to achieve the agency's goals and to resolve problems and conflicts fairly and effectively.

As our self-assessment guide makes apparent, agencies must address a range of interrelated elements to ensure that their human capital approaches effectively support mission accomplishment.⁶ Agencies will need to follow up through effective implementation and assessment to determine whether their plans lead to improvements in human capital management and programmatic outcomes. The human capital discussions in the fiscal year 2001 plans, therefore, can serve as a starting point from which to gauge progress in subsequent efforts and plans. We plan to continue our review of human capital discussions in agencies' fiscal year 2002 performance plans. In commenting on a draft of this report, the Acting Director, Office of Personnel Management (OPM), generally agreed with the contents of this report and said that it would make a useful contribution to agencies' strategic human capital management. The Office of Management and Budget (OMB) staff provided technical suggestions, which we have incorporated where appropriate.

⁶[GAO/OCG-00-14G](#), Sept. 2000.

Background

GPRA calls for agencies to address human capital in the context of performance-based management and specifically requires that annual performance plans describe how agencies will use their human capital to support the accomplishment of their goals and objectives. In addition, OMB's fiscal year 2001 guidance for agencies' annual performance plans (OMB Circular No. A-11, Part 2) states that agencies' annual plans may include agencywide goals for internal agency functions and operations, such as employee skills and training, workforce diversity, retention, downsizing, and streamlining. Building on the fiscal year 2001 guidance, the fiscal year 2002 guidance notes the increased emphasis on the use of workforce planning and other specific strategies that align human capital with the fulfillment of an agency's mission. The fiscal year 2002 guidance specifies for the first time that agencies should include performance goals covering human capital management areas, such as recruitment, retention, skill development and training, and appraisals linked to program performance.

We have noted that the more useful annual performance plans discuss, or refer to a separate plan, the human capital needs—in terms of knowledge, skills, and abilities—necessary for achieving goals and the workforce planning methods by which these needs were determined.⁷ Also, the more useful plans describe how strategies—in such areas as recruitment and hiring, retention and separation, training and career development, employee incentives, and accountability systems—meet workforce needs and support the achievement of goals.

Addressing the federal government's human capital challenges is a responsibility shared by many parties. We have noted that OPM and OMB have substantial roles to play in fostering a more results-oriented approach to strategic human capital management across the government.⁸ OPM has begun stressing to agencies the importance of integrating strategic human capital management with agency planning. OPM has also rolled out a workforce planning model, with associated research tools, and has launched a Web site to facilitate information-sharing about workforce planning issues. In addition, OPM has published *A Handbook for Measuring Employee Performance: Aligning Employee Performance Plans*

⁷ *Agency Performance Plans: Examples of Practices That Can Improve Usefulness to Decisionmakers* (GAO/GGD/AIMD-99-69, Feb. 26, 1999).

⁸ *Human Capital: Meeting the Governmentwide High-Risk Challenge* (GAO-01-357T, Feb. 1, 2001).

with Organizational Goals. Recently, OPM revised the Senior Executive Service performance management regulations so that a balanced scorecard of customer satisfaction, employee perspectives, and organizational results is to be used by agencies to evaluate executives' performance.

OPM's sustained commitment and attention will be critical to making a real difference in the way federal agencies manage human capital. It is likely that OPM will continue moving from "rules to tools," and that its most valuable contributions in the future will come less from traditional compliance and approval activities than from its initiatives for assisting agencies as a strategic partner. For example, we have noted that OPM could make a substantial contribution by continuing to review, streamline, and simplify OPM regulations and guidance to determine their continued relevance and utility. Related to this, we also have noted that OPM could make human capital flexibilities and best practices more widely known to agencies by communicating "how to" success stories and taking full advantage of its ability to facilitate information-sharing and outreach to human capital managers throughout the federal government.

While OMB had played a limited role in strategic human capital management, recent actions show OMB's growing interest and potential importance in working with agencies to ensure that they have the human capital capabilities needed to achieve their strategic goals and missions. First, the President's fiscal year 2001 budget gave new prominence to human capital management by making the alignment of federal human capital to support agency goals a Priority Management Objective. Another positive step is the increased attention to strategic human capital issues in OMB's Circular No. A-11, Part 2, guidance to agencies on preparing the fiscal year 2002 performance plans.

Most recently, in another important and positive step, the President's fiscal year 2002 budget notes that the current civil service system does not do all it should to reward achievement or encourage excellence and limits the ability of agencies to compete successfully for highly skilled senior talent. The budget states that the administration will seek legislation to provide program managers new and expanded workforce restructuring tools. According to the budget, these actions, combined with improved accountability through better linkage of program performance with budget decisionmaking and other reforms, will make the federal government more responsive and effective.

OMB is perfectly positioned to assume greater leadership over governmentwide strategic human capital issues. First, given its central role in the budget process and responsibility for overall leadership over executive branch management improvement, OMB has the ability to leverage the cabinet secretaries and deputy secretaries to help ensure that their agencies view strategic human capital management as critically important in their overall strategic planning, performance management, and budgeting efforts. Second, OMB has the ability through resource allocations to help ensure that agencies give greater attention to the linkages between agency missions and the human capital needed to pursue them.

Scope and Methodology

To meet our objective, we reviewed the fiscal year 2001 performance plans that the 24 CFO agencies submitted to Congress. In addition, we reviewed our individual reports on agencies' fiscal year 2001 performance plans; GPRA requirements for agencies' performance plans; guidelines contained in OMB's Circular No. A-11, Part 2; and our guidance, reports, and testimonies discussing strategic human capital management.⁹ We selected examples based on our guides to assist agencies and Congress with effectively implementing GPRA, specifically our guides to improving the usefulness of agency performance plans.¹⁰

We did our work from September 2000 to March 2001 in Washington, D.C., in accordance with generally accepted government auditing standards. We requested comments on a draft of this report from the Director of OMB and the Acting Director of OPM, and we asked officials in each of the agencies profiled to verify the accuracy of the information presented from their respective fiscal year 2001 performance plans. We incorporated their comments where applicable. We did not independently verify the accuracy of the information contained in the agencies' fiscal year 2001 performance plans.

⁹GAO/OCG-00-14G, Sept. 2000; *Human Capital: Managing Human Capital in the 21st Century* (GAO/T-GGD-00-77, Mar. 9, 2000); and GAO/GGD-00-28, Jan. 31, 2000.

¹⁰GAO/GGD/AIMD-99-69, Feb. 26, 1999; *The Results Act: An Evaluator's Guide to Assessing Agency Annual Performance Plans* (GAO/GGD-10.1.20, April 1998); and *Agencies' Annual Performance Plans Under the Results Act: An Assessment Guide to Facilitate Congressional Decisionmaking* (GAO/GGD/AIMD-10.1.18, Feb. 1998).

Human Capital Activities Discussed in Annual Performance Plans for Fiscal Year 2001

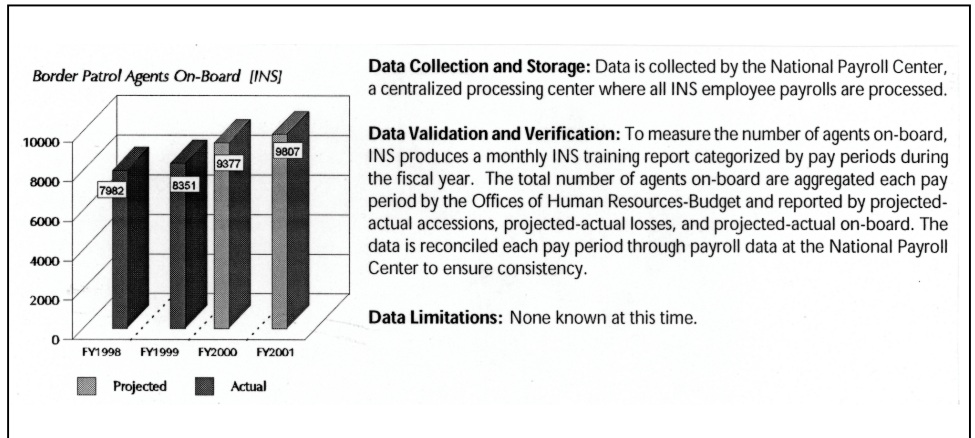
Agencies' fiscal year 2001 performance plans covered a variety of human capital activities, as illustrated by the following examples.

1. **Recruit and Retain Employees on the Basis of Current and Projected Needs.** *A high-performing organization identifies the best strategies for filling its talent needs through recruiting and hiring and follows up with appropriate investments to develop and retain the best possible workforce.*

Agencies' performance plans reflected different levels of attention to employee recruitment and retention. As part of a discussion of challenges confronting the agency, the U.S. Mint's fiscal year 2001 plan notes that a key issue facing the agency is its ability to attract and retain employees with the skills needed to perform the agency's unique mission. The Mint explains that it is difficult for the agency to successfully compete for and retain employees with skills more commonly found in the private manufacturing and marketing sectors as well as in information technology. The Mint notes that it is exploring ways to increase the attractiveness of employment, such as rewarding and evaluating employees in accordance with its strategic plan goals and objectives, although the plan does not provide any performance goals or measures directly associated with the Mint's human capital challenges or initiatives.

Going beyond describing challenges facing the agency, the Department of Justice set a goal to "strengthen human resource recruitment and retention efforts, providing for a workforce that is well-trained and diverse." Specifically, Justice states that on the basis of an assessment of recruitment and retention issues, the Immigration and Naturalization Service (INS) needs to recruit and retain qualified Border Patrol agents. Consequently, INS set a fiscal year 2001 target to increase its deployment of border patrol agents to 9,807 from the level of 7,982 achieved in fiscal year 1998. (See fig. 3.) As part of its human capital strategy to increase the number of these agents on board, the plan states that INS will train over 200 border patrol agents as recruiters, establish a toll-free job information hotline, and consider recruitment bonuses. Consistent with GPRA requirements for annual performance plans, INS also describes its procedures to validate and verify its data on the number of agents on board.

Figure 3: INS' Data Related to Border Patrol Agents



Source: U.S. Department of Justice, Fiscal Year 2001 Summary Performance Plan.

Our work has found that the Department of Defense (DOD) faces an especially significant challenge in retaining the hundreds of thousands of new recruits it enlists each year.¹¹ DOD set a performance goal to “recruit, retain, and develop personnel to maintain a highly skilled and motivated force capable of meeting tomorrow’s challenges” and states it will use four measures—enlisted recruiting, recruit quality benchmarks, active retention rates, and reserve attrition rates—to demonstrate its progress in meeting this goal. Specifically, for its enlisted recruiting measure, DOD set a fiscal year 2001 target of 205,248 for new active force personnel and notes that this target allows for discharges, promotions, and anticipated retirements to maintain statutorily defined military end-strengths. DOD reports that in fiscal year 1999 it recruited 186,600 personnel and had not met its target of 194,500. According to its plan, DOD intends to improve the results of its recruiting efforts by expanding advertising, increasing the number of recruiters, and providing enhanced enlistment bonuses.

¹¹ *Human Capital: Major Human Capital Challenges at the Departments of Defense and State* (GAO-01-565T, Mar. 29, 2001); *Major Management Challenges and Program Risks: Departments of Defense, State, and Veterans Affairs* (GAO-01-492T, Mar. 7, 2001); and *Major Management Challenges and Program Risks: Department of Defense* (GAO-01-244, Jan. 2001).

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2. **Hire a Diverse Workforce.** *A high-performing organization maintains an environment characterized by inclusiveness that reflects a variety of styles and personal backgrounds and is responsive to the needs of diverse groups of employees.*

Agencies present different approaches in their performance plans to address diversity. For example, the National Science Foundation focuses on the total number of hires to science and engineering positions from underrepresented groups. The Department of the Interior plans to increase the general diversity of its workforce rather than the growth rate of specific groups and set a goal to increase the diverse representation of its total workforce by at least 3.1 percent for fiscal year 2001 from an unspecified fiscal year 1997 level. Interior states that more detailed supporting documents are being developed.

The Department of Housing and Urban Development (HUD), on the other hand, set a goal to continue to improve its workforce diversity by increasing the percentage of specific underrepresented groups, including Hispanics, women, and women and minority managers, by 0.3 percentage points. For example, HUD intends to focus on increasing the share of Hispanics to 7.4 percent of employees in fiscal year 2001, based on estimated achievement of 7.1 percent representation in fiscal year 2000. Hiring a diverse workforce can be one aspect of ensuring that HUD has the appropriate mix of staff with the proper skills to carry out its missions. HUD's human capital has been an area of focus under our high-risk program since 1994.¹²

3. **Identify Skills and Training Needs and Provide Development Opportunities.** *A high-performing organization makes appropriate investments in education, training, and other developmental opportunities to help its employees build the competencies needed to achieve the organization's mission.*

Some agencies describe in their fiscal year 2001 performance plans their efforts to identify the skills and training needs of employees. For example, the Federal Technology Service (FTS), a major component of the General Services Administration (GSA), describes its strategy to identify core competencies for each profession, create individual development plans, and provide employees with state-of-the-art technology and tools to help

¹²[GAO-01-263](#), Jan. 2001.

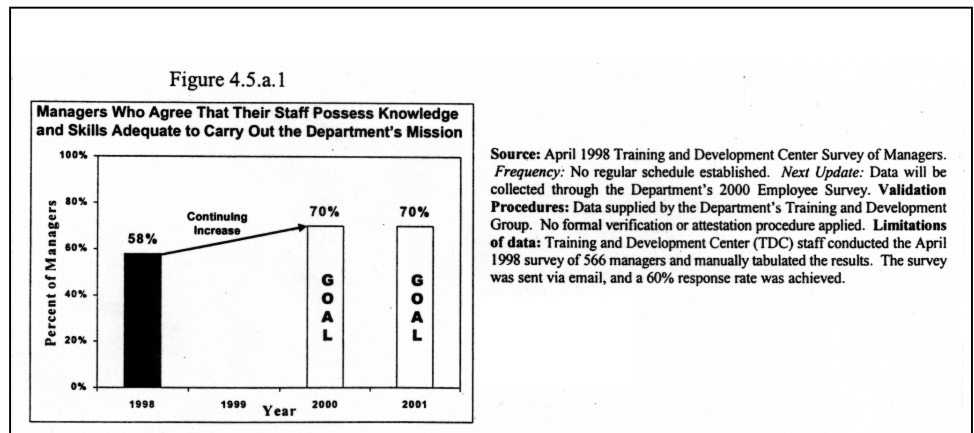
improve overall performance. Although it did not provide details, FTS also plans to increase its investment in employee training by providing employees with an individual training budget of 1 percent of salaries—in addition to the normal 4 percent training allocation—which is intended to allow employees to have a direct role in their own development. To measure progress towards its performance goal to provide increased opportunities for employee development and respond to employee needs, FTS used a survey that GSA administered to over 13,000 employees on FTS' quality culture and organizational climate. The survey used a 7-point response scale and included 87 questions covering 15 categories, such as learning and development, communication, and teamwork. To measure its performance, FTS uses a composite indicator that combines the responses across all the questions. However, the GSA plan does not discuss the validity of the composite indicator as a measure of performance or its usefulness to GSA in pinpointing improvement opportunities.

A few fiscal year 2001 performance plans describe agencies' strategies to focus attention and resources on employee development. For example, the Environmental Protection Agency (EPA) plan states that the agency faces a future of formidable programmatic challenges, accelerating change, and competition in recruiting people with the skills needed to effectively carry out its mission. To address these concerns, EPA recognizes that it needs to make a continual investment in developing its workforce. EPA reported that it conducted a workforce assessment that identifies critical skills needed through 2020. Although the plan does not provide details on the needed skills, it describes several training programs based on this workforce assessment. These programs include (1) the New Skills/New Options, which will equip support staff with needed skills to assume vital roles in EPA; (2) the Mid-level Development Program, which will provide crosscutting skills and competencies to mid-level employees to enable them to be successful in a more dynamic and interdependent workplace; (3) the Leadership Development Program, which will develop supervisors, managers, and executives who will foster continued professional development; and (4) the EPA Intern Program, which will recruit a cadre of diverse employees. We recently reported that one of EPA's performance and accountability challenges is to place greater emphasis on developing a comprehensive human capital approach.¹³

¹³ *Major Management Challenges and Program Risks: Environmental Protection Agency* (GAO-01-257, Jan. 2001).

The Department of Education surveyed its managers on their staffs' knowledge and skills for carrying out Education's mission. Education then set a goal for fiscal year 2001 that 70 percent of its managers, from a fiscal year 1998 baseline of 58 percent, agree that staff possess adequate knowledge and skills. (See fig. 4.) Education's strategy for achieving its goal is to introduce a broad range of new training and development programs in a variety of formats, such as customized training for teams; and to continue to provide development opportunities for its employees, such as university course offerings, programs sponsored by the U.S. Department of Agriculture (USDA) Graduate School, and the on-line Learning Network. Consistent with the practices that we have reported that can make performance plans more useful, Education describes its data source to measure this goal, validation procedures, and data limitations.¹⁴

Figure 4: Education's Data Related to Staff Knowledge and Skills



Source: U.S. Department of Education, Vol. 1, Department-wide Objectives: 1999 Performance Reports and 2001 Plans.

4. **Link Executive Performance to Organizational Goals.** *A high-performing organization aligns performance expectations for its leaders with organizational goals to enhance accountability for performance.*

We recently reported on the emerging benefits from selected agencies' use of performance agreements with their senior political and career

¹⁴GAO/GGD/AIMD-99-69, Feb. 26, 1999.

executives as one approach to defining accountability for specific goals, monitoring progress during the year, and then contributing to performance evaluations.¹⁵ Two agencies discussed in that report—the Department of Transportation (DOT) and the Department of Veterans Affairs’ (VA) Veterans Health Administration (VHA)—discuss in their fiscal year 2001 performance plans their continued use of performance agreements. For example, DOT states that it is cascading the performance agreement goals between the Secretary and administrators or departmental officers to all Senior Executive Service members within the framework of its performance evaluation system. VHA’s implementation of individual performance agreements is negotiated between the Under Secretary for Health and all senior executives in VHA. These agreements contain quantifiable performance targets and other organizational priorities to which executives are held accountable for achieving.

In addition to a discussion on performance agreements, VA cites in its plan other activities under way to enhance accountability for performance. For example, the Veterans Benefits Administration (VBA) integrated a balanced scorecard of performance measures into its executive appraisal system on such areas as service delivery, customer service, and employee satisfaction. VBA has established an automated Balanced Scorecard that is available to all employees via VA’s Intranet and reports results at both the operational and strategic levels. VA also notes in its fiscal year 2001 performance plan that the National Cemetery Administration developed and is using consistent performance standards for all cemetery directors that are linked to its strategic goals. These performance standards address the areas of customer service and stewardship of VA’s national cemeteries, employee development, and cemetery operations.

5. **Attend to Work Environment.** *A high-performing organization provides employees appropriate technology to perform their work and a safe environment to help elicit their best performance.*

As indicated in their performance plans, some agencies are trying to create work environments that support employee performance. For example, in USDA’s fiscal year 2001 performance plan, the National Agricultural Statistics Service (NASS) links the work environment—and particularly the availability of information technology—to improved performance.

¹⁵ *Managing for Results: Emerging Benefits From Selected Agencies’ Use of Performance Agreements* (GAO-01-115, Oct. 30, 2000).

Specifically, NASS set a target in fiscal year 2001 that 90 percent of employees “strongly agree” or “agree” that the work environment is not an impediment to doing their jobs well. The plan reports that in both fiscal years 1998 and 1999, 80 percent of employees “strongly agree” or “agree” that the work environment was not an impediment; the target for fiscal year 2000 was 85 percent. To accomplish this goal, NASS plans to implement new systems, such as a local area network, video conferencing, and document archiving and retrieval systems. According to the plan, NASS will use periodic organizational climate surveys to track employees’ ratings of their work environment.

The Social Security Administration (SSA) set a strategic objective “to provide a physical environment that promotes the health and well being of employees.” As one of its performance measures, the agency will use a survey to measure the percentage of employees reporting that they are satisfied with the level of security in their facilities. SSA set a goal for fiscal year 2001 that 75 percent of employees are satisfied with security in their facilities, compared to 64 percent in fiscal year 1998. (See fig. 5.) To achieve this objective, SSA states in its plan that it will continue to enhance ongoing programs for assessing and addressing security requirements and for identifying and resolving health and safety problems in the workplace.

Figure 5: SSA's Strategic Objective Related to Physical Environment

Strategic Objective: To provide a physical environment that promotes the health and well being of employees

Context

This objective continues SSA's commitment to create a safe, secure and professional environment for our employees.

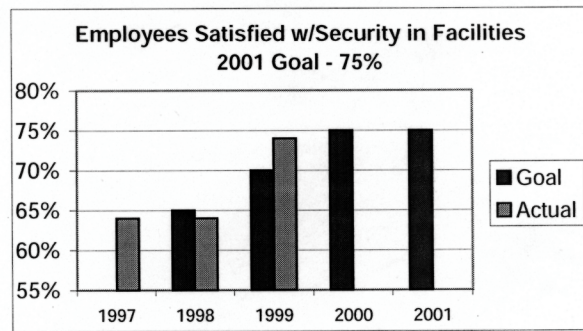
FY 2001 Indicators and Goals

SSA uses employee survey information to assess the effectiveness of our efforts to improve the physical environment. The following indicators reflect progress of the initiatives we are implementing to achieve this objective.

Indicator: Percent of employees reporting they are satisfied with the level of security in their facility

FY 2001 Goal: 75%

Baseline Data: FY2000 APP Goal 75% FY1999 Actual 74% FY 1998 Actual 64%



Definition: Results of employee surveys determined the perception employees have of physical and protective security. The computation of this rate is the number of employees who rate security as satisfactory or better divided by the total number of employees responding to that question.

Data Source: SSA Employee Physical Security Survey

Source: Social Security, Performance Plan for Fiscal Year 2001, Revised Final Performance Plan for Fiscal Year 2000.

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6. **Establish an Employee-Friendly Workplace.** *A high-performing organization provides work-life programs and services that improve an employee's ability to balance work and family obligations and enhance job satisfaction.*

Some agency performance plans discuss how they intend to improve the workplace through expanded work-life services. For example, the Department of Labor states that it will continue to offer referral services for employees in the work-life areas of childcare, elder care, and adoptive services. Also, the plan states that services will include a toll-free "1-800" telephone counseling service and the use of the Internet as an additional feature to access referral resources. In addition, Labor will review internal practices and procedures to improve worker accommodations, among other things.

To improve job satisfaction and the quality of work life, the Indian Health Services (IHS) of the Department of Health and Human Services set a performance measure to improve its overall Human Resource Management Index (HRMI) score to at least 95 points in fiscal year 2001 from a baseline of 93 points in fiscal years 1998 and 1999. The HRMI employee survey measures 14 different work-related issues, such as management culture and employee morale, and is used to determine if the agency's human resource program is meeting employee and management expectations. According to its plan, IHS expects to raise the HRMI score by at least one point each year. The IHS plan notes that the HRMI has been in use at the Department since 1991 and is designed to be a valid measure of management practices that are important to organizational performance. The IHS plan also notes that the agency is taking several actions to improve its HRMI score, but IHS does not detail how the actions will help it achieve the one-point improvement goal and, ultimately, organizational performance.

7. **Choose an Appropriate Organizational Structure.** *A high-performing organization recognizes the importance of choosing a structure that supports the organization's mission and takes into account its present and future needs.*

The transition to a knowledge-based government will increasingly prompt federal agencies to adopt flat, flexible, and team-oriented organizational structures. For example, the Department of Health and Human Service's Administration for Children and Families (ACF) states in its fiscal year 2001 performance plan that it intends to reduce bureaucratic levels and rely more on teams in an effort to support its strategic goal to build a

results-oriented organization. Specifically, ACF set a goal to increase manager-to-staff ratio from 1:4.6 in fiscal year 1993 to 1:9 in fiscal year 2001. ACF reports that the fiscal year 1999 target was not attained and lowered its fiscal year 2000 target because of staff separations and severe outside hiring limitations. ACF provides trend data from fiscal year 1995 and cites personnel data as the data source.

8. **Streamline, Simplify, and Expedite Personnel Operations.** *A high-performing organization tailors its personnel operations to quickly bring needed talent on board and to make progress in the “war for talent” in a competitive, knowledge-based economy.*

Some agency performance plans describe their efforts to make their human capital processes more efficient. According to OPM’s fiscal year 2001 performance plan, its Office of Human Resources and Equal Employment Opportunity (OHREEO) works as a business partner with OPM managers to assist them in maximizing the use of the agency’s human resources toward accomplishing OPM’s goal to recruit, develop, and maintain a highly skilled and diverse workforce. In support of this goal, OHREEO plans to streamline and automate staffing processes and, specifically, to reduce all recruitment and hiring cycle times to an average of 48 days in fiscal year 2001 from a baseline average of 58 days in fiscal year 1999. The plan notes that the data on cycle time are retrieved from various documents that track the dates when (1) OHREEO receives the Request for Personnel Action, (2) the vacancy announcement opens, and (3) the selection list is sent to the selecting official.

The Department of Commerce describes “Commerce Opportunities On-Line” (COOL) as an automated, Web-based vacancy announcement, application, and referral system. This system is intended to broaden Commerce’s distribution of vacancy announcements to anyone who has access to the Web, reduce the time to disseminate announcements to applicants, and provide applicants an on-line avenue for submission of their applications. COOL also is to benefit Commerce managers by permitting on-line issuance of referral lists of eligible candidates to the selecting official, facilitating e-mail communication between the selecting official and applicant, and allowing the selecting official to automatically notify the Human Resource Office when he or she has completed the selection process.

Concluding Observation

Designing, implementing, and maintaining a strategic human capital management focus are critical to maximizing the performance and ensuring the accountability of the federal government for the benefit of the American people. We found that the ways in which agencies discussed human capital challenges in their fiscal year 2001 performance plans reflected different levels of attention to the critical human capital challenges agencies face. When viewed collectively, we found that there is a need to increase the breadth, depth, and specificity of many related human capital goals and strategies. The plans' discussions of human capital should continue to show progress in moving away from form to substance, or from simply describing human capital challenges to detailing the what, why, how, and when of the strategies to address those challenges. The discussions should also demonstrate a better link between human capital management and the agencies' strategic and programmatic planning to maximize performance and ensure the best resource allocation. Overall, with the increasing attention to human capital, the fiscal year 2001 plans showed that substantial opportunities exist for improvements, and we expect that agencies will continue to refine their goals and strategies as they focus on a more systematic, in-depth, and continuous effort to evaluate and improve their human capital management. Agencies will need to follow up through effective implementation and assessment to determine whether their plans lead to improvements in human capital management and programmatic outcomes.

Agency Comments and Our Evaluation

We provided a draft of this report to the Director of OMB and the Acting Director of OPM on January 23, 2001, for their review and comment. We subsequently shared with the Director of OMB and the Acting Director of OPM portions of the draft that we updated to reflect our testimonies on human capital and the President's fiscal year 2002 budget.¹⁶ The Director of OMB did not provide written comments; however, OMB staff provided technical suggestions, which we have incorporated where appropriate.

OPM's Acting Director provided written comments in his February 9, 2001, letter, which is included in appendix I. In that letter, he stated that this report would make a useful contribution to the ongoing agency implementation of GPRA and to the increased attention to the federal government's strategic human capital management. He also provided

¹⁶ [GAO-01-565T](#), Mar. 29, 2001; [GAO-01-492T](#), Mar. 7, 2001; and [GAO-01-357T](#), Feb. 1, 2001.

several suggestions that OPM believes would make the report even more useful.

OPM suggested, and we have included in the report, a reference to its 1999 publication *A Handbook for Measuring Employee Performance: Aligning Employee Performance Plans with Organizational Goals* as another tool to help agencies in their efforts.

OPM stated that the draft report “leaves an impression that agencies have not taken any previous actions to include human resources management actions in their strategic and annual planning” and did not acknowledge other examples of human capital activities under way. As the draft report noted, the scope of this review focused on human capital activities discussed in agencies’ performance plans for fiscal year 2001. Therefore, we did not consider prior performance or strategic plans, or other human capital activities in the analysis for this report.

OPM suggested that we be clear that the report does not include all instances of human capital planning that we found in the fiscal year 2001 performance plans. We did not intend to imply that the report describes each reference to human capital issues in agencies’ annual performance plans. Rather, as stated in the draft, we selected examples based on our guides to assist agencies and Congress with effectively implementing GPRA, specifically our guides on improving the usefulness of agency performance plans.

Finally, OPM suggested that it would be helpful to emphasize that managing the effective tactical use of several existing flexibilities is its own challenge, particularly in view of the limited resources, and agencies would do well to develop coordinated approaches to their use. This point is beyond the objective and scope of our review and, therefore, not included in our discussion.

We are sending copies of this report to Senator Joseph Lieberman, Ranking Member of the Senate Committee on Governmental Affairs; Senator Thad Cochran, Chairman of the Senate Governmental Affairs’ Subcommittee on International Security, Proliferation, and Federal Services; Representative Henry Waxman, Ranking Minority Member of the House Committee on Government Reform; the Honorable Mitchell E. Daniels, Jr., Director of OMB; Steven R. Cohen, Acting Director of OPM; and other interested parties. We will also make this report available to others upon request.

If you have any questions about this report, please contact me or Lisa Shames on (202) 512-6806. Key contributors to this report were Dottie Self and Janice Lichty.

A handwritten signature in black ink that reads "J. Christopher Mihm". The signature is written in a cursive style with a large, stylized initial "J".

J. Christopher Mihm
Director, Strategic Issues

Appendix I: Comments From the Office of Personnel Management



OFFICE OF THE DIRECTOR

UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT
WASHINGTON, DC 20415-0001

FEB 9 2001

Mr. J. Christopher Mihm
Director, Strategic Issues
U. S. General Accounting Office
Washington, DC 20548

Dear Mr. Mihm:

We appreciate the opportunity to comment on the draft GAO report on Managing for Results: Initial Efforts to Incorporate Human Capital in Fiscal Year 2001 Performance Plans (GAO-01-236, Code 410608).

By highlighting examples of best practices, this study will make a useful contribution to the ongoing agency implementation of the Government Performance and Results Act (GPRA) and to our shared, ongoing efforts to increase the attention that is paid to strategic human resources management in the Federal Government.

We have several suggestions that we believe will make your report even more useful.

- In addition to the two OPM tools that you cite on page 6 to help agencies in their efforts, we suggest you add one more. In 1999 we issued *A Handbook for Measuring Employee Performance: Aligning Employee Performance Plans with Organizational Goals*. We also offer a related workshop on a recurring basis nationwide. The handbook offers very direct and practical instructions for how agencies can link their employee performance appraisal programs and plans to the results, goals, and indicators within their strategic and annual performance plans. This handbook has been identified by agencies as an extremely valuable tool.
- The draft report, in its subtitle and elsewhere, refers to agencies' "initial efforts" to incorporate human capital into their performance plans. In part, this is the result of your emphasis on the newly-established requirement in Circular A-11 (which we were pleased to assist OMB in drafting) that agencies include "a performance goal(s) covering the major human resources strategies" in their fiscal year 2001 performance plans. However, it leaves an impression that agencies have not taken any previous actions to include human resources management actions in their strategic and annual planning. This is not the case. Our own September 1999 study, *Strategic Human Resources Management: Aligning with Mission*, showed that human resources management strategies appeared in 87% of the 31 agency strategic plans we reviewed, and specific goals and measures in 75% of the 28 FY 1999 annual plans. However, we noted that the level of integration of human resources management planning into accomplishing actual agency mission needed improvement. Your

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September 1993

**Appendix I: Comments From the Office of
Personnel Management**

study clearly found examples at that higher level of integration, and therefore should make the point that, while there is still some distance to go, improvement is being made.

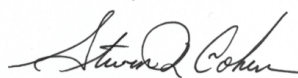
We urge GAO to consider adding language to acknowledge that there are other examples of human capital activities underway, in addition to those uncovered in your review of agency FY 2001 annual plans. (Specific examples of previous actions are enclosed.)

- Your report should also be clear that it does not include all instances of human capital planning that you found. On page 6 you refer to the specific agency efforts cited in the remainder of the report as only examples of the material identified in your document review. But on page 2, you described your goal as to provide a descriptive analysis of how the 24 CFO agencies addressed, **if at all** (emphasis added), strategic human capital management issues in their FY 2001 performance plans. And, on page 3 at the start of "Results in Brief," you imply that the report will cover everything you found. Those pages leave the impression that the report will be comprehensive, and the reference to examples on page 6 may be missed.

We would like to offer one final suggestion. The report makes note of several existing flexibilities under each of the various human capital management component headings (e.g., recruitment and retention incentives, training and development investments, employee-friendly workplace investments, performance incentives). It would be helpful if your report emphasized that managing the effective tactical use of these flexibilities, particularly in view of the limited resources available to fund them, is its own challenge, and agencies would do well to develop coordinated approaches to their use, rather than consider them as independent solutions to particular problems.

We look forward to continuing to work together to address the significant challenge of strategic human resources management. If you have questions about this response, please don't hesitate to call me, or to call our Director of Strategic Planning and Performance Reporting, Sandra Payne, at (202) 606-2402.

Sincerely,



Steven R. Cohen
Acting Director

Enclosure

Examples of Specific Alignment Actions Not Covered in the GAO Report

- Additional examples of specific strategic human resources management actions appear in earlier fiscal year plans, but do not appear in the FY 2001 plans. In some cases, this is because goals were established in these earlier plans, and already met – thus not appearing in the FY 2001 plans. For example, OPM’s own FY 1999 and 2000 performance plans articulated goals that were directed at aligning employee (not just executive) performance plans and incentive award programs with our strategic goals. These goals were targeted for completion in FY 2000, and therefore not included in the FY 2001 performance plan.
- In other cases, agencies are making very effective use of human capital strategies, but they may have failed to include them specifically in their annual performance plans because they are well-established, and not in the “planning” stage. A case in point is related to your citation of VA’s linkage between agency goals and executives’ performance plans. VA has implemented a highly successful group incentive program in VHA and VBA that is an example of the strategic human capital management principle of cultivating a performance culture through measurement and incentives, but this is not cited in their plan. Thus the reader is left with the impression that VA is just getting started on human capital management alignment.

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