



Highlights of [GAO-03-637T](#), testimony before congressional subcommittees

## Why GAO Did This Study

Federal employees represent the government's knowledge base, drive its capacity to perform, and define its character, and as such, are its greatest asset. The early years of the 21st century are proving to be a period of profound transition for our world, our country, and our government. In response, the federal government needs to engage in a comprehensive review, reassessment, reprioritization, and as appropriate, reengineering of what the government does, how it does business, and in some cases, who does the government's business. Leading public organizations here and abroad have found that strategic human capital management must be the centerpiece of any serious change management initiative and effort to transform the cultures of government agencies.

At the request of the subcommittees, GAO discussed the status of the federal government's efforts to address high-risk human capital weaknesses, possible short- and longer-term legislative solutions to those weaknesses, and other human capital actions that need to be taken to ensure that federal agencies are successfully transformed to meet current and emerging challenges.

[www.gao.gov/cgi-bin/getrpt?GAO-03-637T](http://www.gao.gov/cgi-bin/getrpt?GAO-03-637T).

To view the full testimony statement, click on the link above. For more information, contact J. Christopher Mihm at (202) 512-6806 or [mihmj@gao.gov](mailto:mihmj@gao.gov).

## HUMAN CAPITAL

# Building on the Current Momentum to Address High-Risk Issues

## What GAO Found

Since GAO designated strategic human capital management as a governmentwide high-risk area in January 2001, Congress, the administration, and agencies have taken a number of steps to address the federal government's human capital shortfalls. In fact, more progress in addressing the government's long-standing human capital challenges was made in the last 2 years than in the last 20, and GAO is confident that more progress will be made in the next 2 years than the last 2 years.

Despite the building momentum for comprehensive and systematic reforms, it remains clear that today's federal human capital strategies are not yet appropriately constituted to meet current and emerging challenges or to drive the needed transformation across the federal government. The basic problem is the long-standing lack of a consistent strategic approach to marshaling, managing, and maintaining the human capital needed to maximize government performance and assure its accountability.

Committed and sustained leadership and persistent attention on behalf of all interested parties will continue to be essential to building on the progress that has been and is being made. Congress has had and will need to continue to have a central role in improving agencies' human capital approaches. The basic principles underlying the legislative proposals Congress is considering have merit. Collectively, these proposals would make a positive contribution to addressing high-risk human capital issues and advancing the needed cultural transformation across the federal government. At the same time, additional safeguards should be considered by Congress in order to prevent potential abuse. Moreover, certain additional proposals should be considered as part of this legislative package.

Looking forward, the time has come to seriously explore more market- and performance-based approaches to federal pay. As part of this exploration, we need to continue to experiment with providing agencies with the flexibility to pilot alternative approaches to setting pay and linking pay to performance. A more performance-based approach to Senior Executive Service pay would be a good place to start. The bottom line, however, is that in order to receive any additional performance-based pay flexibility for broad-based employee groups, agencies should have to demonstrate that they have modern, effective, credible, and validated performance management systems, with adequate safeguards, including reasonable transparency and appropriate accountability mechanisms in place, that are capable of supporting such decisions. Unfortunately, most federal agencies are a long way from meeting this requirement. GAO, on the other hand, has taken numerous steps to meet this requirement and is well positioned to experiment with additional pay for performance flexibility.