

**Statement of**  
**The Honorable Dan G. Blair**  
**Deputy Director**  
**Office of Personnel Management**

**Before the**

**Subcommittee on Civil Service and Agency Organization**  
**Committee on Government Reform**  
**United States House of Representatives**  
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Good afternoon Madam Chairman, Ranking Member Davis and members of the Subcommittee. I appreciate the opportunity to appear before you today to discuss our efforts at the Office of Personnel Management (OPM) to help prepare the Federal Government in succession planning.

**OPM's Role and Activities in Leading Agencies on the Strategic Management of Human Capital**

OPM, under the leadership of Director Kay Coles James, is leading the Government-wide effort to transform human capital management so that agencies are held accountable for managing their workforce effectively, efficiently, and in accordance with merit principles. We advance the strategic activities of agencies as they implement world-class human capital programs and human resources practices to achieve a results-focused Federal workforce. We are leading agencies to build a diverse workplace plan and manage their workforce to demonstrate results, while ensuring that they comply with veterans' preference and merit system principles. By improving workforce management, we will ensure accountability and improve the way the Government works for its citizens—providing national and homeland security, protecting our natural resources, caring for veterans, etc.

**Background**

Since 2001, OPM has been working closely with specific agencies learning about each agency and its human capital challenges and helping them develop plans and make commitments to move toward more strategic management of their human capital. We see our role as both evaluative and consultative. Director James and the OPM team have moved beyond making plans and begun implementing specific initiatives. The OPM team has continued to develop relationships with senior agency leaders, engage them in efforts aimed at producing strategic alignment of human capital with agency missions, and guide them toward commitments that will produce results.

During 2002, OPM, the Office of Management and Budget (OMB), and the Government Accounting Office (GAO) collaborated to revise the Human Capital Standards for

Success to provide a clearer set of outcomes for agencies to use in gauging their efforts. As the need for more guidance became evident, OPM also developed a Human Capital Assessment and Accountability Framework to guide agencies toward achieving these standards. We are sharing our guidance with the Inspector General (IG) community, the Merit Systems Protection Board (MSPB) and interested stakeholders. Agencies are using our guidance and sharing information to assess themselves and come closer to the ultimate outcomes of good human capital management.

### **New OPM Structure**

In order to ensure an agency-centric approach to human capital transformation, OPM moved into an improved agency structure earlier this year. Under the leadership of Director James, OPM restructured in March 2003 by eliminating 12 “stove-piped” departments and merging them into three central divisions that are directly aligned with our strategic goals, coupled with an internal management strategy that fully services and supports Federal agencies. This new structure will enable OPM to lead the strategic transformation of agencies toward human capital programs and human resources practices designed to achieve a citizen-centered, results-focused and market-driven Government.

As the “owner” of a key initiative in the President’s Management Agenda, Director James is committed to providing agencies with all the necessary tools and resources to reach the outcomes described in the Human Capital Standards for Success. The Human Capital Officers serve as the agencies’ key contact and are continually and closely engaged with their agencies to help them design new recruitment strategies, prepare workforce and succession plans, identify needed job-related competencies, design and implement new performance management plans, and ensure that agencies are building shared accountability systems and following merit system principles.

### **Where We Are Headed**

As many observed in recent years, the Federal Government’s effective management of its most strategic resources – its people – faces daunting challenges. A decade of downsizing left many agencies short of employees with critical skills. As the baby boom generation ages, we see increasing numbers of employees eligible for retirement. The lack of effective workforce planning over the last decade indeed threatens Government’s ability to carry out its important critical mission. Given this scenario, I am pleased to report progress is being made.

Agencies have seen the need to be forward-thinking and strategic about human capital management as we help them objectively assess their challenges and focus their efforts. Nearly every large agency now has a comprehensive human capital plan in place, linked to their strategic goals, against which they are executing, and tracking, their efforts. We have helped agencies move beyond the planning stages to implementing improvements in all key areas of human capital management—talent, leadership and performance culture.

As the President’s advisor on strategic human capital issues, Director James is committed, to developing tools and providing support to help agencies succeed in their human capital transformation efforts. The human capital initiative permeates all of our activities and plans as an agency. We will continue to devote our resources toward helping agencies build the capacity they need to make progress. We will continue to work with agencies individually to identify both immediate and long-term human capital goals that fit their situation and will allow them to improve at a pace appropriate to the objective of transforming the agencies into high-performing organizations.

**Retirement Trends and Workforce planning**

Today, as the President’s strategic advisor on human capital issues, OPM is alert to trends and changes occurring within the Federal workforce. I am pleased to tell you that the rate of retirement of our Federal employees was not as great as was once anticipated. Although a very high percentage of our workforce remains eligible for retirement, the actual number of employees exercising that option remains quite stable.

Retirement projections by our Workforce Information and Planning staff at OPM are updated annually using the most current three years of data, and cover full-time permanent employees within the executive branch with certain exclusions (the FBI for one). This model looks at the probabilities of persons retiring based on the history of the Federal workforce.

Because of the increased sophistication of our retirement projection model, our current FY 2003 forecasts are lower and more in tune with actual historical retirements than those made in FY 2002, as shown by the chart below.

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Actual Retirements	47,135	46,360	42,376	40,331	40,460

	FY 2003	FY 2004	FY 2005
2002 Projected Retirements	51,011	54,218	56,650
2003 Projected Retirements	38,963	41,688	44,025

Actual and projected retirements are down from the FY 2002 forecasts which showed 11,368 greater retirements.

As the Workforce Information and Planning Group moves more intensely into the area of workforce planning the projections and their monitoring will be strengthened. This should be enhanced by the advent of the Employee Human Resource Information System and its modeling components, which will allow monitoring and updating of these forecasts on a much more frequent basis.

Although the projected retirements may not be quite as high as once anticipated, the losses projected are still serious, and we cannot relax our efforts to recruit and retain a high-quality workforce. We are ever mindful of the impact the loss of expertise and institutional knowledge can have upon individual agencies and work very closely with them to ensure that they have effective strategies in place for dealing with this problem.

For example, the Department of Labor (DOL) places strong emphasis on identifying, recruiting, and retaining high performing, committed leaders. In FY2002, DOL modified its executive incentive system and revived its executive development and succession program. DOL also used available workforce restructuring tools, such as early retirements, to correct skills imbalances and open leadership opportunities.

OPM created the Human Capital Assessment and Accountability Framework (HCAAF), as I mentioned earlier, to better review agency efforts and advise them on their strategic human capital efforts. The framework has six standards – strategic alignment, workforce planning and deployment, leadership and knowledge management, results-oriented performance culture, talent and accountability – that provide guidance to the agencies on building excellence in human capital. Succession planning at all levels of the organization is woven throughout the six standards. There is emphasis on leadership support, linking human capital to strategic planning, creating a recruiting strategy for all levels of the organization and building a diverse workforce.

Agencies are collecting a wide variety of data to support their succession planning efforts, including turnover data, workforce forecasting projections and information pertaining to needed workforce competencies and competency gaps. Although there is no regulatory requirement that agencies maintain an inventory of employee skills, we hold them accountable for their efforts in this area by evaluating them against the HCAAF. The standards require agencies to implement a workforce planning system to identify and address gaps in mission critical occupations and competencies as well as in the leadership ranks.

We require them to develop short- and long-term strategies and targeted investments in people to create a quality workplace that continues to attract and retain talent. The OPM Human Capital Assessment and Accountability Framework provides guidance to agencies on their human capital efforts, including workforce planning to meet strategic goals and objectives. Surveys like the Clinger-Cohen Assessment (CCA) Tool address section 209 of the E-Government Act to analyze the human resource needs of the Federal Government relating to information technology and information resource management. The CCA tool will be used to satisfy the OMB requirement for an IT workforce assessment. The intent of the tool is to allow agencies to gather information from this source and to avoid creating individual agencies surveys. OPM sponsors knowledge exchange workshops and professional development workshops for key agency officials on workforce planning. In addition, OPM maintains a wealth of information on workforce planning on its website.

## **Human Capital Flexibilities**

Director James guided OPM's efforts to enact the many flexibilities now available for agencies to use to meet their succession planning challenges, and OPM's new organizational structure provides the ideal vehicle for educating and assisting agencies in the use of available human capital flexibilities. Among an extensive array of recruiting, hiring, development, and retention flexibilities provided to Federal agencies are:

- Recruitment and relocation bonuses
- Payment of relocation expenses
- Retention allowances
- Voluntary Early Retirement Authority (VERA)
- Voluntary Separation Incentive Payment (VSIP)
- Category rating of job candidates (as an alternative to the "Rule of Three")
- Direct hire for critical shortage occupations
- Temporary and term appointments
- Payment of tuition for academic work leading to a degree
- Repayment of student loans

Taken as a whole, these flexibilities provide an unprecedented toolkit of incentives for recruiting and retaining high quality professionals in the Federal Government.

Many of these flexibilities are of very recent origin, including those provided in the Homeland Security Act of 2002, so our emphasis is on making aggressive use of what we have been granted while continuing to seek new flexibilities as warranted from Congress. The key to this effort is communication – making agency managers aware of these flexibilities and guiding them as to how to use them effectively and appropriately - and we are using a variety of methods to accomplish this goal. These include agency briefings, conferences, press releases, meetings with interested constituency groups, issuing detailed questions and answers, train-the-trainer sessions (where we train OPM staff who can then spread the word to agencies), and creating web-based flexibility-specific materials.

For example, last June and July, we invited agency managers and human resources professionals to attend a series of briefings specific to several new flexibilities provided for in the Homeland Security Act of 2002. In addition to our agency briefings, we issued press releases alerting agencies to these important changes and are updating our web-based information to include guidance about these flexibilities. The new interagency Chief Human Capital Officer Council, created by the Homeland Security Act of 2002, will be an additional vehicle to publicize and distribute flexibility documents, as well as act as a forum for comments and suggestions.

With expanded flexibility there must also be accountability. Accountability is one the six major areas under the Human Capital initiative of the President's Management Agenda,

so OPM is working closely with all major agencies to help them develop and implement accountability systems to make sure the flexibilities are used appropriately. OPM also conducts external reviews of agency Human Resource Management processes to ensure their integrity.

### **Training and Development**

Enhanced Federal training and development is another important element of the Government-wide succession planning effort. Some examples are:

- Expanded Academic Degree Authority was authorized in the Homeland Security Act of 2002. OPM published interim regulations to implement this authority in June 2003. This authority supports agency planning efforts by allowing them to use academic degrees to addresses specific agency staffing problems, training needs or strategic goals.
- Payment for Professional Credentials was authorized through the National Defense Authorization Act of 2002. This provides agencies an additional avenue to develop specialized skills and knowledge within their workforce. OPM is creating guidance to assist agencies in implementing this authority
- OPM is developing implementation regulations for the new Information Technology Exchange Program (ITEP) authorized through the E-Government Act of 2002. The ITEP is intended to enhance and maintain a highly skilled and up to date IT Federal workforce by enabling Federal agencies to bring in IT professionals from the outside on a temporary basis.
- To ensure that these tools are being put to the best possible use, agencies are looking at ways to develop appropriate Return on Investment (ROI) methodology/measures to support strategic planning and validity of training and development programs. OPM is creating policies to promote agencies' development and use of performance standards for IT training as required by the E-Government Act 2002.
- SSA has implemented a three tiered leadership development program. The three programs are the Senior Executive Service Candidate Development Program (GS-15 employees), the Advanced Leadership Program (GS-13 & 14 employees) and the Leadership Development Program (GS-09 to GS-12 employees). The programs are competency based in the areas of leading people, interpersonal and communication skills, business acumen and achieving results. The programs include a rigorous selection process in order to assure the individuals with the highest leadership potential are engaged to achieve desired results. The programs foster professional development and training through mentoring, rotational assignments and core training sessions. To date, there have been 350 employees selected for these three national programs - each program has been offered twice and the number of selections has increased with each offering.

## **Leadership**

OPM is working with all major agencies through the President's Management Agenda to ensure that agencies are conducting the appropriate level of workforce planning including executive succession planning. The Federal Government continues to face large numbers of retirement-eligible executives with too few successors in the pipeline. The problem is exacerbated by the fact that many new employees no longer plan on a 20-30 year Federal career, which means fewer will remain in the Government to gradually develop needed executive competencies without an active program to cultivate such leadership. As a result, agencies are becoming more active than before in confronting and addressing these issues, and best practices in this area are starting to emerge in agencies such as Health and Human Services.

At the Government-wide level, OPM will soon launch an executive Candidate Development Program (CDP). In 12-14 months, the CDP will deliver leaders who have completed specified developmental assignments and are eligible for appointment to the Senior Executive Service (SES), subject to Qualifications Review Board (QRB) review. As agencies identify their leadership succession needs, the CDP will be a key tool in meeting their short-to mid-term needs.

For example, the Department of Energy reported that they accepted applicants into the selection process for the first class of the SES Candidate Development Program. In the second quarter FY03, they reported completion of the assessment center interview phase of the Program. Energy anticipates that SES CDP candidate selections will be made in the fourth quarter of FY03. About 30 candidates will be selected into this two year program. Orientation and development of Executive Development Plans will be done in the fourth quarter of FY03.

OPM is also encouraging agencies – in part by serving as an example of this practice – to broaden their search for executives to include worthy candidates outside the Federal Government. Under the leadership of Director James, OPM opened its recent SES vacancy announcement to “all sources” and was successful in recruiting and hiring a number of highly qualified candidates from outside the Government. Through its executive leadership, OPM demonstrated what can be accomplished when resources are focused on achieving a goal. OPM proved that the Federal hiring process can be streamlined and can attract the ‘best and brightest’ to Federal service.

## **The Future**

To address longer-term needs, OPM is also creating both an Executive Readiness Program for mid-career employees to help create a cadre from which to draw future executives. We are also in the process of modernizing the Presidential Management Intern (PMI) program, to enhance our effectiveness in bringing high potential job candidates into Government at the entry level. We will have more details later this Fall.

Through these initiatives, OPM will continue to make executive succession planning a top priority across Government.

OPM recognizes that for the 21<sup>st</sup> Century, the Federal human resource system must become more varied and flexible. OPM will continue reviewing the existing OPM regulations and guidance with a renewed focus on identifying those that can be changed, as well as exploring ways for regulations to be interpreted more broadly. Although previously focusing on clarity and readability, OPM will begin determining the relevance and applicability of its regulations and how those interpretations can be used to provide greater assistance and flexibility to agencies' human capital management programs.

Additionally, OPM continues to pursue legislative options for additional flexibilities, as well as encouraging efforts to bring about Government-wide authorization and implementation of innovative practices and flexibilities that have been sufficiently tested and considered successful. OPM was gratified to see one of the flexibilities that it has successfully tested through numerous demonstration projects, categorical rating, enacted Government-wide through the recent Homeland Security Act of 2002, and will continue to champion the use of such successful personnel flexibilities. Additionally, buyout authorities such as the Voluntary Separation Incentive Program (VSIP) and the Voluntary Early Retirement Authority (VERA) are allowing agencies to restructure and reshape their workforces in order to better meet their needs and allow them to achieve their missions.

OPM also continues to support a proposal, not yet enacted, to eliminate the disincentive under Civil Service Retirement System for employees who want to work part-time at the end of their careers. Currently, the law requires the use of the earned average salary in calculating benefits based on service prior to April 7, 1986. This results in an employee's average salary being frozen or lowered if the employee is part-time at the end of a career because the last 3 years are generally the highest earning years. Adoption of this proposal would provide another important new flexibility for agencies to use in succession planning.

Today we are here to examine the status of succession planning in the Federal Government. I want to assure the members of this subcommittee that OPM takes very seriously its leadership role in attracting, hiring and retaining talent for Federal service. In a little while you will hear from my colleagues at NASA, the EPA, the Department of Transportation and Veterans Affairs. You will hear of the exciting programs they are working on. You will hear how excellent leadership at the top of the agency drives success. Further, you will hear how strategic human capital plans are cascading down through the agencies. Once again, on behalf of Director James, I want to thank you for the opportunity to testify before this subcommittee and I will look forward to any questions you may have on this very important issue.