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AND AGENCY ORGANIZATION
HOUSE COMMITTEE ON GOVERNMENT REFORM
HEARING ON HUMAN CAPITAL SUCCESSION PLANNING
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INTRODUCTION

Good afternoon and thank you for the opportunity to appear before your subcommittee today. I am accompanied by Mel Sessa, Director of Workforce Planning.

The Department of Veterans Affairs (VA), like other Federal Departments, faces many challenges in human capital management. I am pleased to report that VA has developed many excellent initiatives to address these challenges that I will describe today. Consistent and comprehensive workforce and succession planning efforts are now taking place in our three main Administrations - the Veterans Health Administration, the Veterans Benefits Administration, the National Cemetery Administration, as well as VA Headquarters. As VA's Acting Chief Human Capital Officer (CHCO), I also interact with the CHCO's at other agencies and the Office of Personnel Management to address the broader workforce challenges facing the Government.

OVERVIEW

One significant recent VA accomplishment is the publication of VA's first national Strategic Human Capital Plan. This plan presents an overview of past and projected workforce trends; summaries of workforce plans developed by each Administration and VA Headquarters organizational components; and strategies to ensure that VA recruits, retains, and develops a quality and diverse workforce to serve veterans.

I would like to share data from the workforce analysis portions of the Human Capital Plan based on past retirement and turnover trends. Between 1998 and 2002,

- VA employed approximately 220,000 employees per year.
- VA's employee population grew by less than one percent.
- Less than two percent of the VA population took voluntary retirements.
- Approximately 15 percent of those eligible to retire did retire.
- The average age of voluntary retirees was 62 years.
- Approximately 10 percent of employees left for other than retirement reasons.

- The average age of new hires was 38 years

We have also looked at workforce projections through Fiscal Year 2007:

- 36 percent of the workforce will be eligible for regular retirement by 2007.
- VA estimates that 15 percent of those eligible, or 5 percent of the workforce, will actually retire.

VA faces potential gaps in its leadership ranks and the traditional feeder pool for leadership positions. Approximately 70 percent of VA's senior executives can retire by September 30, 2005. If historical trends continue, we are projecting the following retirements through Fiscal Year 2007:

- 37 percent of senior executives
- 21 percent of GS-15's
- 26 percent of GS-14's
- 22 percent of GS-13's

VA has made diversity a major component in its succession planning efforts and development of future leaders. While VA has excellent diversity overall, diversity at the senior executive level is in need of improvement. To address this gap, VA has instituted a number of outstanding leadership development programs at all organizational levels. These programs are producing a highly diversified and talented cadre of potential leaders for the future.

Data in VA's Human Capital Plan indicates that, while VA has an older workforce, the Department may not be facing the "human capital crisis" that some in the Federal government expect. This observation is based on trends over the past five years indicating that a small percentage of the employee population is actually retiring. As previously noted, employees are generally working several years beyond the date when they are eligible to retire. VA's historic turnover rates have been stable and manageable.

Historic data must be weighed against workforce projections. One of VA's major concerns is the "potential" for high turnover during the coming months and years. VA already has a large number of "retirement eligibles." At present, approximately 40,000 employees or 18% of the workforce can retire. The number of retirement eligibles doubles to 80,000 employees or 37% of the workforce by 2007. By 2010, 135,000 employees or 60% of the VA workforce can retire. If turnover continues at the historic rates, the challenges ahead will be difficult but manageable. If large numbers of retirement eligibles decide to leave, coupled with other turnover, the potential for a crisis exists. Our workforce and succession planning efforts are designed, in large part, to address the "worst case scenario."

The VA Strategic Human Capital Plan, and individual Administration and staff office plans, list multiple initiatives being implemented to address our workforce challenges. Our overarching goals fall into the following categories:

- Attracting and recruiting high-caliber employees in a timely manner;
- Retaining high-caliber employees in mission-critical occupations;
- Developing future leaders;
- Building competencies and career growth opportunities;
- Preserving institutional knowledge; and
- Diversifying the workforce, particularly in leadership positions.

The following paragraphs describe some of VA's key initiatives at both the Departmental and Administration levels.

DEPARTMENTAL INITIATIVES

In July 2003, VA published the VA Strategic Plan for 2003 – 2008. This plan establishes detailed performance objectives, performance targets, and outcome measurements focused on both immediate priorities and long-term goals. The Strategic Plan also addresses the President's Management Agenda and defines the key strategies the Department will implement to meet the President's goals and objectives. The Strategic Plan provides the foundation on which our workforce and succession planning efforts are built.

VA is among the first Departments to institute the use of on-line entrance and exit surveys for newly appointed and separating employees. Survey results are available electronically at the national and facility levels. Results can be sorted by organization, occupation, age categories, and many other selective components. The first national summary of data will be published in October 2003 via the Office of Human Resources Management web site.

On October 1, 2003, VA is converting from the current pass/fail rating system to a five-tier performance rating system. This new system addresses the President's Management Agenda requirement to differentiate between high and low performers through appropriate incentives and awards. As part of this effort, VA will publish education and training materials by the end of September 2003 for rollout and presentation to VA supervisors and employees during the months of October and November 2003. All employees will be rated under the new system for the rating period ending on September 30, 2004.

VA has also placed a major emphasis on recruitment and marketing initiatives. As part of this effort, we redesigned our job information web site to make it more user-friendly and attractive to prospective employees. We have also developed brochures aimed at college students and veterans promoting careers in VA. We are also engaged in a concerted effort to increase VA

participation at college job fairs throughout the country, and are making targeted recruitment to address diversity a key part of our planning process.

VA has made great strides in the area of leadership development. Because of the high retirement eligibility in our leadership ranks, VA has instituted a national Senior Executive Service Candidate Development Program and leadership development programs at all organizational levels, with a strong emphasis on diversity in selecting individuals for these programs.

VA has placed a major emphasis on educating managers and employees on the importance of diversity management, how to conduct and utilize diversity management analyses, and how to build effective diversity strategies. We have accomplished these goals through training videos and use of the VA Knowledge Network. VA also produces a monthly "Diversity News" video highlighting diversity initiatives.

In October 2002, the Secretary established a "Task Force on the Employment and Advancement of Women in the Department of Veterans Affairs." The task force was charged with developing a comprehensive plan that would correct the imbalances in the employment and advancement of women in VA at the GS-13 and above grade levels. The task force submitted its report to the Secretary, who approved its recommendations addressing three strategic goals. The goals are to: (1) increase internal and external recruitment and retention programs designed to attract and promote women; (2) develop and enhance education and training programs designed to advance women; and (3) foster a corporate culture that proactively integrates women into GS-13, GS-14, GS-15, and Senior Executive Service positions.

ADMINISTRATION INITIATIVES

Each of VA's Administrations has placed a major focus on workforce and succession planning.

VETERANS HEALTH ADMINISTRATION

The Veterans Health Administration (VHA) has established a Succession Planning Committee that reports to its National Leadership Board. VHA has established a national office for all employee development, workforce analysis, and workforce succession strategic planning. A VHA Succession Planning web site is available to all VA employees. It provides information on national employee development initiatives and opportunities, as well as a library of human resources management authorities and procedures to enhance recruitment and retention for a quality workforce needed to accomplish the organization's mission.

VHA has successfully integrated workforce planning, workforce development, and diversity in the annual VHA strategic planning process to

institutionalize workforce and succession planning. Part of the analysis process is the administration of employee satisfaction and organizational climate surveys to identify workplace improvement and retention issues and take appropriate corrective actions. Another component includes the development of a national database for succession and workforce planning. High potential employees participating in leadership development programs are placed into the database. Their personal development plan and career history are tracked.

VHA has a broad leadership development continuum based on its High Performance Development Model (HPDM). High performing employees generate a high performing organization. The continuum of programs includes: Technical Career Field Internships; New Employee Orientation; HPDM Awareness; Graduate Health Administration Training Program; Local Leadership Development Programs; Veterans Integrated Service Network (VISN) Level Leadership Development Programs; Supervisory Training; Nurse Manager Training; Service Line Manager/Service Chief Orientation; Executive Career Field Leadership Training for senior executives and senior managers; and Executive Career Field Leadership training for aspiring high potentials.

VHA is actively implementing a national workforce development and succession planning communication plan for all employees in the administration. The goal of the communication plan is to bring forth awareness and understanding of workforce planning and development initiatives and how it benefits every employee.

VETERANS BENEFITS ADMINISTRATION

The Veterans Benefits Administration (VBA) has taken a number of steps to maintain service levels and address the inevitable loss of expertise through retirements. Recruitment and retention initiatives have resulted in the recent hire of more than 2000 new employees who are being trained by experienced senior employees to address the claims backlog. Other initiatives include the development and implementation of state-of-the-art computerized training for skills development in all of our benefits programs, and establishing field-based training coordinator positions to ensure progress of employees against their training goals. In addition, VBA has created a recruitment website and has developed an extensive recruitment guide, pamphlets, and video training to assist in the recruitment of a diverse workforce that will provide high quality service to veterans and their families today and in the future.

VBA has implemented a multi-tiered nationwide approach to leadership development. A major focus is on diversity in selecting applicants for these programs to develop future leaders at all organizational levels. The pyramid of programs and courses includes: New Employee Orientation; the Leadership Enhancement and Development Program for high potentials in our feeder pool of employees GS-9 through GS-12; the Assistant Director Development Program;

Mid-level/Division Level Leadership Training; Local Leadership Development Programs; Technical Training Programs/Courses in all Business Lines; Instructor Development Training; and the Senior Executive Service Candidate Development Program for outstanding executive potentials.

VBA has established a workforce and succession planning committee with membership from all Benefits programs and staff offices charged with communicating, monitoring, and updating the initiatives included in the Administration's Workforce Plan. VBA is currently developing a 3 to 5 year national strategic plan which will address the needs of our customers, stakeholders, and employees and result in a high performing organization. Workforce planning, development and diversity are being integrated into the plan.

NATIONAL CEMETERY ADMINISTRATION

The National Cemetery Administration (NCA) has established a Workforce Planning Council with both field and central office representation. The primary purpose of this council is to identify initiatives that will ensure a sufficient, effective, and prepared future workforce.

NCA recruitment initiatives focus on efforts to attract new federal employees by enhancing our outreach efforts. An example is NCA's participation in job fairs. Recruitment announcements are consistently sent to veterans groups, diversity groups, and Veterans Rehabilitation and Education Program offices. Cemetery Directors have been provided tools and education to help them take a more active role in recruitment efforts focusing on enhancement of underrepresented groups and separating military personnel. NCA has hired four Presidential Management Interns and actively participates in special focus intern programs such as Hispanic Colleges and Universities (HACU) and Historically Black Colleges and Universities (HBCU). This year alone, NCA supported over 10 interns through these programs.

NCA is implementing a major new approach to employee training. A training center will be established at one of our major national cemeteries and is scheduled to begin operations in March 2004. This center will coordinate the training of key cemetery employees entering NCA, and identify and prepare existing employees for higher levels of responsibilities. Primary focus will be on the Cemetery Director Intern Program and other key positions such as foreman, cemetery representatives, and cemetery program assistants.

SUMMARY

In summary, I am proud of VA's achievements and the efforts taking place at all organizational levels. However, there is still much to do. As mentioned in my earlier testimony, VA faces extremely high "retirement eligibility" over the next few years. VA is committed to providing the highest quality of service to America's veterans. We must, as part of our workforce and succession planning efforts, prepare for the possibility of higher rates of turnover in mission-critical occupations. Should turnover rates increase significantly, we will need the capability to hire quickly at competitive pay rates. This problem is not unique to VA but rather a problem that most, if not all, Federal agencies will face in the future. We must collectively address the question of whether the current hiring and pay systems in the Federal Government provide the level of flexibility needed to compete in today's job environment. While VA will continue to educate its managers and use all current flexibilities at its disposal, the broader issue of potential reforms to the hiring and pay process must be addressed at the Government-wide level.

This concludes my prepared statement. My colleague and I will be pleased to respond to any questions from the subcommittee.