

**STATEMENT OF
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before the

**SUBCOMMITTEE ON CIVIL SERVICE AND AGENCY ORGANIZATION
COMMITTEE ON GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES**

on

“FIRST YEAR ON THE JOB: CHIEF HUMAN CAPITAL OFFICERS”

MAY 18, 2004

Madam Chairwoman and Members of the Subcommittee:

I am pleased to be able to appear before you today to discuss the Office of Personnel Management’s (OPM) implementation of the *Chief Human Capital Officers (CHCO) Act of 2002*.

The passage of this important legislation as part of the *Homeland Security Act* reconfirms a goal we all share: providing a government of service to the American people envisioned by President George W. Bush in his Management Agenda. That strategy, released in August 2001, includes as its first Governmentwide initiative the Strategic Management of Human Capital. OPM is the agency responsible for driving this key management initiative, advising Federal departments and agencies on human resources flexibilities, and holding them accountable for their human capital management practices. Under the President’s leadership, agencies are focused, like never before, on strategically managing the civil servants in their workforce – their human capital. The CHCO Act provides additional conduits for advancing this important agenda.

First, the statute requires the heads of Cabinet level departments and nine major agencies to appoint or designate a Chief Human Capital Officer to “advise and assist the head of the agency in carrying out...responsibilities for selecting, developing, training, and managing a high-quality, productive workforce in accordance with merit system principles.” In April 2003, OPM issued a memo to agency heads on the appointment or designation of these important new positions. The memo noted that the CHCO will require qualities and competencies that differ from those traditionally found in a Federal agency’s typical personnel or human resources staff function. We emphasized that a CHCO is above all else a leader and someone very results oriented. In addition, we advised agency heads that, although not required by statute, the spirit of the law would best be fulfilled by designating individuals as CHCOs who serve as integral members of agencies’ leadership team.

When the Act took effect on May 23, 2003, all 24 agencies had designated CHCOs. I am pleased to report that the individuals selected are talented professionals who bring a wealth of experience to their positions. The majority of CHCOs hold other significant responsibilities within their agencies, from assistant secretaries for administration to directors of human resources management. Many have served the Federal Government with distinction as career members of the Senior Executive Service (SES), while others have earned the trust of the President and the confirmation of the Senate to serve as top-level political appointees. Demonstrating a long-standing need for attention to be focused on human resources issues at the highest levels of management, several agencies not listed in the Act embraced the spirit of the legislation and designated CHCOs as well. These agencies

include the Central Intelligence Agency, Federal Labor Relations Authority, Internal Revenue Service, and Peace Corps.

Second, the Act establishes a Chief Human Capital Officers Council to advise and coordinate agencies' activities on the "modernization of human resources systems, improved quality of human resources information, and legislation affecting human resources operations and organizations." As OPM Director, I am honored to serve as chairman of the Council, and the Deputy Director for Management of the Office of Management and Budget (OMB) acts as the vice chairman.

Under the statute, the Council is composed of Cabinet department CHCOs and others designated by the OPM Director. Employing this authority, I designated the CHCOs of several large Executive agencies as members of the Council. Not all statutory CHCOs are members of the Council, while some non-statutory CHCOs are members. We sought to achieve a representative sample of small agencies on the Council. Accordingly, I selected for membership several statutory CHCOs from small agencies. In addition, to highlight the necessity of excellent strategic human capital management in the Intelligence Community and the Federal Government's myriad small agencies, I designated as Council members the CIA CHCO and a representative of the Small Agency Council, the voluntary management association of approximately 80 sub-Cabinet, independent agencies.

The Chief Human Capital Officers Council has had an active first year. Less than three weeks after the Act took effect, I convened the Council for its inaugural meeting. To emphasize the importance President Bush places on the Strategic Management of Human Capital, we met in the Indian Treaty Room of the Eisenhower Executive Office Building at the White House. In calling the meeting to order, I described the Council as an additional body through which to drive the implementation of Federal personnel flexibilities within agencies. I told members that this would be a "make-stuff-happen" Council. And it has been just that.

Since last June, the Council has met six times, adopted a charter, established an Executive Committee to help steer the Council and five initial subcommittees to address important Governmentwide human capital issues, conducted a two-day retreat at OPM's Federal Executive Institute in Charlottesville, Virginia, drafted a tactical plan for the current Fiscal Year, created a CHCO Academy as a forum for Council members to learn from one another and share best practices in an informal setting, and appointed an Executive Director to oversee the Council's daily operations. Let me highlight a few of these accomplishments.

The Council's five subcommittees, established shortly after our inaugural meeting, are focused on some of the key areas for Federal civil service modernization.

- To complement OPM's efforts to fix the Federal Government's hiring challenges, the Council's Subcommittee on the Hiring Process is exploring ways to expedite the recruitment, evaluation, and appointment of top talent to Federal positions.
- We established the Subcommittee on Emergency Preparedness to help ensure agencies are doing everything possible to protect our Federal workforce in the post-9/11 environment. Two upcoming training sessions at OPM will highlight further these important CHCO responsibilities. These sessions are cosponsored by OPM and the Council's subcommittee. In addition, CHCOs have been involved in emergency surveys of their workforces and have been serving as the nexus between human capital teams and security teams within their agencies.
- The Subcommittee on Performance Management has played an integral role in developing regulations for the new SES performance-based compensation system and considering how

best to employ the Human Capital Performance Fund, both of which also have been discussed extensively by the full Council.

- Individual training and development and strategic workforce planning in light of projected retirements are being considered by the Subcommittee on Leadership Development and Succession Planning.
- Finally, the Subcommittee on Employee Conduct and Poor Performers is reviewing statutes and regulations for ways to streamline the process needed to counsel and, if necessary, terminate employees who are not performing at an acceptable level.

The Council's two-day retreat at the Federal Executive Institute – originally scheduled for last September, but postponed until November due to Hurricane Isabel – demonstrates the high priority that Council members place on their new roles. For nearly two dozen top officials, many with wide-ranging management responsibilities in their departments and agencies, to spend two full days away from their offices makes a clear statement about CHCOs' dedication to have a positive impact on how we manage our Federal workforce.

Our CHCO Academy, launched in February, is already proving to be a productive forum for discussing human resources issues among small groups of CHCOs. The Academy, which meets on a monthly basis, has considered topics such as (1) current workforce flexibilities in title 5, United States Code, and associated regulations; (2) human resources competitive sourcing, and (3) compensation reform. Next month, I will be leading a session that explores possible options for the next wave of reform in OPM's continuing effort to modernize America's civil service.

My decision to appoint an Executive Director represented a departure from the management of other interagency councils. I wanted to ensure the Chief Human Capital Officers Council had a dedicated staff to manage its day-to-day activities, serve as a central point of contact for Council members, and report directly to me on our progress.

In addition to these accomplishments, the Council already has become more than a body that simply discusses issues. OPM is actively including the Council in considering and making recommendations on policy issues, including the following:

- The new SES pay regulations not only were discussed at length by the Council at its January and February meetings but distributed among members for vetting prior to review by OMB.
- Draft regulations to implement the President's recent Executive order establishing the Presidential Management Fellows (PMF) Program include language that will give the Council an important role in determining the number of PMFs needed annually by agencies.
- CHCOs are assisting agency heads in enforcing OPM's policy that there is no place in Federal employment for degrees or credentials from diploma mills. Over the past year, more than 750 agency officials have been trained on the issue of bogus degrees, and CHCOs are working closely with OPM's Division for Human Capital Leadership and Merit System Accountability on this matter.
- CHCOs are communicating internally OPM's policies on the adjudication of background investigations and security clearances. Under Executive order 10450, agencies are required to notify in a timely manner OPM's Center for Investigations Services of such actions.

- CHCOs are playing an integral role in observing veterans' preference statutes and regulations as they hire new employees. Next week, the Council will hold a meeting that includes a training session held in conjunction with veterans' service organizations on the importance of veterans' preference and hiring. This event will take place at Walter Reed Army Medical Center, an appropriate location to reflect on the valuable contributions many of our Nation's veterans have made in the civil service after completing their military service.

Looking ahead, there are many exciting initiatives on the horizon for the CHCO Council.

- Next week's meeting at Walter Reed will celebrate the body's first anniversary. Prominently featured on our agenda is a dialogue with representatives of several Federal employee labor organizations, fulfilling an annual statutory requirement and providing the Council valuable input from these stakeholders.
- Our first annual report to Congress is forthcoming, and this document will contain information about the Council's progress during Fiscal Year 2003.
- To enhance communication among CHCOs and with external stakeholders, OPM will soon launch a Web site containing key information about the Council.
- Subcommittees are advancing their issues and will be making recommendations for possible reforms to the Executive Committee and full Council in the near future.

The *Chief Human Capital Officers Council Act of 2002* is adding value to the public policy dialogue on the future of America's civil service. The appointment of CHCOs across the Federal Government has elevated the institutional profile of the Strategic Management of Human Capital as never before. As the Council approaches its first anniversary next week, it already has assumed a prominent place among the interagency management councils that are helping to drive the initiatives of the President's Management Agenda. In short, this important law is having a positive effect on how we manage the Government's most important resource – people.

In a letter to the Council on the occasion of its inaugural meeting, the author of the Act, Senator George Voinovich, remarked on the new body's role, "Yours is an important task, as the quality of taxpayer services delivered by the Federal Government depends on the quality of our workforce....Working together to bring our civil service system into the 21st century is an endeavor of which to be proud."

The members of the CHCO Council take seriously these important responsibilities. With continued attention to the President's charge to achieve results, the American civil service will only grow stronger as it continues to provide the Nation with the critical services our citizens expect.

Thank you again for this opportunity to discuss OPM's progress in implementing the *Chief Human Capital Officers Act of 2002*. I would be pleased to respond to any questions the Subcommittee may have.

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