

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

# Fiscal Year 2019 Human Capital Reviews Report



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## EXECUTIVE SUMMARY

The effective management of human capital, an agency's most valuable resource, is essential for hiring, managing, training, rewarding, and retaining a high-performing workforce. To assist agencies, the U.S. Office of Personnel Management (OPM) has created a roadmap starting with strategic planning through the Federal Workforce Priority Report (FWPR), implementation by way of the Human Capital Operating Plan (HCOP), monitoring progress through HRStat Reviews, and evaluating outcomes through the Independent Audit Program and Human Capital Reviews (HCRs).

HCRs provide a mechanism for helping agencies determine whether their human capital management and programs support agency goals. The HCR is an annual data-driven review between agency leadership and OPM, focused on human capital results achieved. Agencies have an opportunity, during the HCR, to be candid about significant challenges experienced in achieving goals and provide OPM leadership with an understanding of how strategic human capital management is contributing to mission accomplishment. Through this objective dialogue, OPM identified common challenges faced by human capital leaders, as well as potential solutions that may be offered to resolve those challenges. OPM conducted HCRs with each of the 24 Chief Human Capital Officers (CHCO) agencies in the second quarter of fiscal year (FY) 19 and identified a number of significant trends.

Most agencies agree there is a need for pay systems that permit agencies to react more quickly to changes in labor markets for hot jobs, i.e., positions for which the demand is great, but that are difficult to fill because of the competition from private industry. In fact, most agencies consider the current General Schedule structure to be their single greatest obstacle when competing with the private sector for new talent and retaining high-performing employees, particularly in critical occupational areas, such as STEM (science, technology, engineering, and mathematics). To address this issue, a number of agencies plan to seek special rates for various positions, and some are reaching out to OPM about the feasibility of establishing a new occupational series for Data Scientists, a special area of expertise found in several occupational series. However, agencies also believe a more comprehensive redesign of the General Schedule is needed to better enable them to accomplish their missions.

While comprehensive workforce needs analyses are maturing within the Federal government, the process of identifying emerging needs is challenging. Consequently, most agencies are just beginning to make progress on skills gap assessment and mitigation. As mentioned above, recruitment and retention for hard-to-fill vacancies such as information technology (IT) and cybersecurity positions in particular, are concerns for many agencies. In addition, the long-standing government-wide gap in human resources (HR) expertise is a concern for some agencies as they struggle to keep up with employee recruitment, development, and retention. In response, agencies seek flexible recruiting and hiring options, such as social media platforms and high-tech assessment systems that help them identify exceptional applicants and narrow candidate pools to identify and hire the best applicants within reach more quickly.

Developing the current workforce is an area where agencies are investing strategically, from robust coaching and rotational assignment programs to certification programs, enterprise-wide

micro learning sessions, and online career resource centers with self-assessments. Notwithstanding those efforts, government leaders still expressed difficulty closing skills gaps and creating bench strength. Significantly, most agencies do not have comprehensive succession plans for mission critical or hard-to-fill positions. Compounding that challenge is the need for fluid competencies to manage projects and work that is continually changing.

In working to achieve workforce efficiencies in line with the President's Management Agenda (PMA), several agencies noted successful use of robotic process automation (RPA) and artificial intelligence (AI) in mission-critical areas. Agencies expressed excitement about the potential for RPA to handle repetitive transactional work that will free HR professionals and other occupations to focus their expertise and energy on more complex and enriching work. In addition, several agencies are moving to a shared services model by consolidating their HR, IT, and acquisition functions to streamline workforces and operations for better efficiency enabling them to dedicate more resources to mission-focused work.

Many agencies strive to implement effective performance management systems that link to organizational results, set high standards for success, and streamline multi-layer processes. Agencies have worked diligently to consolidate performance management systems across their components, and provide managers and supervisors new technological tools that make the performance management process easier, with less focus on transactions and paperwork for supervisors, and more opportunities for communication and transparency for employees. In order to capitalize on employee engagement efforts designed to improve organizational performance, most agencies report they carefully track Federal Employee Viewpoint Survey (FEVS) results. Agencies use various approaches to communicate those results down to the lowest available work unit, and create dialogue with employees and supervisors to address concerns constructively.

Across the Federal sector, there is growing capacity for human capital analysis, but most agencies acknowledged there is much work ahead to utilize analytics sophisticated enough to be as predictive and prescriptive as desired. During the HCR discussions, agencies shared information on data-centered initiatives currently planned or just underway. Most agency leaders are tracking a significant amount of data; however, the struggle for many now is using the data strategically in a way that is meaningful. Specifically, decentralized agency cultures and non-standardized data collection methods significantly complicate the successful use of data in corporate-level decision making. Many agencies expressed a need for better tools to help manage data collection, analysis, and reporting. The process of modernizing and improving data collection and analysis is costly, and agencies are working to manage this challenge.

## INTRODUCTION

The challenges of a 21<sup>st</sup> century Federal workforce include recruiting talent, closing skills gaps, upskilling/reskilling, retaining high performers, managing poor performers, compensation and benefits, work/life balance, and succession planning. Which one is of the greatest importance? Agencies face different challenges depending on their mission and the current state of their organizations; but there is little debate that effectively managing human capital is at the forefront of leadership's greatest priorities. As one of the three key drivers of effective government identified in the President's Management Agenda<sup>1</sup>, all aspects of human capital management contribute to the success of Federal agencies in accomplishing missions that are evolving and modernizing.

Cyber security, space exploration, human trafficking, opioid interdiction, forest fires, structural integrity of our bridges and roadways, disaster response -- these are among today's most prominent challenges. In addition, while agencies take on these challenges, our nation continues to maintain a merit system that is a model for others around the world. However, maintaining that system is not without its own challenges. OPM has provided agencies numerous authorities and tools, as well as guidance and assistance to help leaders manage human capital investments effectively and efficiently.

In FY19, OPM held the first HCRs with every CHCO agency.<sup>2</sup> HCRs are the capstone element of agency human capital evaluation systems. Every fiscal year, agencies review their human capital management strategies and programs to assess whether they support agency goals identified in their Agency Strategic Plans and Annual Performance Plans. HCOPs provide a blueprint for the implementation of human capital goals and strategies that are aligned and integrated with agency strategic planning and government-wide workforce priorities. Throughout the year, agencies implement their HCOPs and use quarterly HRStat Reviews with Independent Audit Program results to gauge progress, facilitate success, and make adjustments when needed. This cycle embodies the Human Capital Business Process of the Human Capital Framework (HCF). HCRs provide agencies – and OPM – an opportunity to assess the effectiveness of all elements of the human capital evaluation system, strategies, and outcomes. The following is a summary of HCR results.

## PURPOSE

For these first HCRs, OPM asked agencies to present their top human capital challenges along with successes that might serve as models for other agencies with similar issues. OPM will use the data collected during the FY19 HCRs to identify government-wide trends, provide meaningful technical assistance where possible, and take action with agencies to promote a more effective Federal Government. As both human and financial resources remain limited, the need to identify, prioritize, and adequately resource human capital priorities is paramount to

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<sup>1</sup> <https://www.whitehouse.gov/wp-content/uploads/2018/03/Presidents-Management-Agenda.pdf>

<sup>2</sup> CHCO agency is an Executive agency, as defined by 5 U.S.C. 105, which is required by 5 U.S.C. 1401 and 31 U.S.C. 901(b)(1) to appoint a CHCO.

organizational success. HCRs also provide an opportunity to review how agencies are using data from their HCOP, HRStat Reviews, and Independent Audit Program to support mission accomplishment and achieve human capital outcomes. Each of the elements plays a key role in the cyclical Human Capital Business Process, which consists of planning, implementing, evaluating, informing, and improving human capital activities in the HCF's four systems (i.e., Strategic Planning and Alignment, Talent Management, Performance Culture, and Evaluation). Sharing promising practices is key to helping mature human capital management programs, policies, and practices across the Federal Government. HCRs provide CHCOs and other senior agency leaders an opportunity to inform government-wide human capital management by sharing successful practices occurring within their respective agency. We include a number of notable practices in this report. When appropriate, OPM will provide successful practices and benchmarking data to inform actions and plans addressing agencies' most critical human capital challenges and priorities.

During HCRs, agency leadership and OPM discuss the implementation and achievement of human capital goals, including risks, barriers, and successful practices. HCRs provide an opportunity for agency and OPM leadership to discuss challenges to effective human capital management and potential strategies for addressing them, highlighting crosscutting challenges for potential government-wide action. In addition, OPM discusses government-wide priorities discussed in the FWPR and other Administration initiatives. Finally, OPM shares observations on agency human capital implementation strategies, evaluation processes, and the use of assessment outcomes to inform policy decisions.

## AGENCY TRENDS IN PREPARATION FOR A 21<sup>ST</sup> CENTURY WORKFORCE

OPM conducted an environmental scan of human capital management across the Federal Government identified during the HCRs to identify systemic trends. When OPM asked agencies to bring their human capital management concerns to the table, agencies obliged, engaging in robust discussions with OPM, communicating with transparency, and advocating for a sea change in Federal human capital management. Not surprisingly, a number of significant trends surfaced during these discussions, which bear out OPM's need to examine issues in partnership with agency human capital leaders.

### AGENCY CHALLENGES

- *Administering compensation and benefits that lack flexibility.*
- *Identifying and closing skills gaps.*
- *Providing continuous learning and employee development.*
- *Recruiting and retaining employees.*
- *Adopting shared services and advanced systems.*
- *Implementing effective performance management systems.*
- *Adopting robotic process automation and artificial intelligence.*
- *Advancing human capital data analytics.*
- *Achieving a strategic human capital management evaluation system.*



## FEDERAL PAY

A number of factors are critical to recruiting, developing, and retaining a workforce that is ready for the challenges of the 21<sup>st</sup> century and capable of helping agencies achieve their mission – now and in the future. This includes having a competitive compensation and benefits package to attract and recruit world-class talent. The current General Schedule, created in 1949, affects all departments and most independent agencies and covers around 1.5 million of the Government’s 2.1 million civil servants. Many agencies have secured congressional authority to establish alternative personnel systems that better enable them to strategically manage their workforces, but this has also caused problems for the agencies that must use the General Schedule because they do not have access to those same tools.

Many agencies view the current structure of the General Schedule to be a considerable obstacle when competing with the private sector for new talent and retaining high-performing employees. Particularly in critical occupational areas, such as IT and cybersecurity, some agencies indicated that salaries are too low to be competitive, even when combined with compensation and benefits. Agencies stated that a comprehensive review of the Federal pay structure is needed.

Even when flexibilities are available, agency funding issues may limit their use. For example, in agency reports addressing cybersecurity skills shortages submitted to OPM this year, half of the CHCO agencies cited stringent budgets as a challenge to attracting and retaining cybersecurity talent. To address any Federal pay disparity with the private sector that have caused recruitment or retention problems, 12 agencies plan to seek special rates for various positions. In addition, the Department of Housing and Urban Development (HUD) is preparing a draft proposal on alternative pay systems for OPM to review. The Department of Transportation (DOT) is considering a pay demonstration project to test an alternative pay system or other pay flexibility for mission support positions at the U.S. Merchant Marine Academy.

All agencies agreed the need exists to revise the government-wide Federal pay systems (e.g., the General Schedule and Senior Executive Service systems) to establish flexibilities and compensation that align with the advanced skills needed in the Government. Several efforts are underway to address these concerns, including a Total Compensation Study to obtain market information and analyze the Federal Government’s competitive posture in total compensation for civilian employees. In addition, OPM is expanding pay options for specific occupations with a previously unused alternative pay systems authority to establish special occupational pay systems<sup>3</sup>. The initial focus of this effort is on the development of a system for Economists, a mission-critical occupation across the Federal Government, with the potential to expand efforts to other occupations not served well by the General Schedule system.

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<sup>3</sup> Under 5 U.S.C. 5392, the President’s Pay Agent (i.e., the Directors of the OMB and OPM and the Secretary of Labor) may establish a special occupational pay system for an occupation or group of occupations for which the General Schedule classification and pay system does not function adequately.

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## IDENTIFYING AND MITIGATING SKILLS GAPS

The President's Management Agenda states,

*“The workforce for the 21<sup>st</sup> Century must enable senior leaders and front-line managers to align staff skills with evolving mission needs. This will require more nimble and agile management of the workforce, including reskilling and redeploying existing workers to keep pace with the current pace of change.”<sup>4</sup>*

OPM, taking an ‘enterprise-wide’ view in helping agencies align skill needs to position needs, collaborated with and received executive guidance from the CHCO Council in the design and implementation of the Closing Skill Gaps Initiative (CSG). The CSG requires each participating Chief Financial Officer (CFO) Act agency to provide quarterly updates to OPM, allowing OPM to monitor progress and provide any needed support to agencies as they work to mitigate skill and competency shortfalls. During the HCRs, OPM found that agencies are at various stages of skills gap assessment and mitigation. While public/private pay disparities remain a challenge, ensuring the workforce has the necessary competencies for mission accomplishment can be difficult for some agencies.

While each agency has its own priorities, some occupations and skill-sets stand out as common challenges. For example, nearly half of the agencies referenced IT and cybersecurity needs. Ongoing recruitment and retention for IT and cyber positions is due to the ever-changing landscape, competition with the private sector and other Federal agencies, and difficulty retaining talent.

Even though IT and cybersecurity hiring authorities exist, they are not universally used and there is a consistent desire to streamline recruitment and hiring for these positions. Multiple agencies referenced some success with recruitment strategies like networking events, job fairs, and partnerships with universities, e.g., Scholarship for Service. Since the project's inception in 2000, there have been 3,975 scholarships awarded to students. In the FY19 graduate cohort, 211 have been hired and 100 remain to be placed (the majority of those still searching just graduated in May and have 18 months to secure a position). There is an opportunity to expand this program to more agencies and positions. Another possible mitigation opportunity is to leverage selection assessments and platforms across government.

Assessments can be used for the reskilling of current employees in addition to recruiting new talent. Utilizing assessments helps agencies ensure the right talent is in the right place at the right time. On September 13, 2019, OPM issued a memorandum, [\*Improving Federal Hiring through the Use of Effective Assessment Strategies to Advance Mission Outcomes\*](#)<sup>5</sup>. The memorandum provides guidance to enable simple and strategic hiring by: 1) analyzing and improving methods of assessing applicant quality; 2) involving subject matter experts in the

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<sup>4</sup> <https://www.whitehouse.gov/wp-content/uploads/2018/03/Presidents-Management-Agenda.pdf> How Will We Get There page 7

<sup>5</sup> <https://www.chcoc.gov/content/improving-federal-hiring-through-use-effective-assessment-strategies-advance-mission>

assessment process; and 3) applying more rigor in determining who should be deemed qualified for the position for purposes of the assessment process.

OPM also has been exploring cybersecurity aptitude assessments, which can be defined as any instrument or tool used for differentiation and prediction of current employees' relative levels of abilities or skills (more broadly competencies) to perform cybersecurity work. Aptitude assessment examples may include coding challenges, work samples, computerized adaptive testing, and similar types of testing. Such assessments may be used to identify employees for cybersecurity training. In the Federal government, aptitude assessments were recently used for the [Cybersecurity Reskilling Academy pilot](#), as well as the [code challenge pilot](#). As agencies develop recruitment strategies they should consider the various types of assessments that are appropriate for evaluating cybersecurity competencies. (Of note, CyberCareers.gov gives cybersecurity job seekers, Federal hiring managers, current Federal cybersecurity employees, and students/universities easy access to pertinent cyber workforce resources in one convenient place).

#### **NOTABLE PRACTICES**

- *Department of Homeland Security is developing a personnel system for their cyber workforce to include separate classification and pay frameworks.*
- *United States Department of Agriculture (USDA) is leading on a CIO-CISO Cybersecurity Candidate Development Program. Other CXO's are anticipated to follow.*
- *State Department coordinated networking events across the country and leveraged LinkedIn to target IT and medical professionals.*

Data science also was a point of discussion with three of the agencies. Individuals with this knowledge are employed in several different occupational series (e.g., statistics, computer science, social science). However, identifying whom among their workforce has proficiency in data science and to what extent is a challenge for agencies. OPM is reviewing this field in response to requests for a new or separate data science occupational series. The Department of Commerce suggested the analytical workforce would be eager to cross train if there was a Federal data science academy, a potential strategy to developing this evolving skill set across government. However, identifying where and to what extent the skills gap exists in this specialty area is a challenge until an occupational series is finalized.

While several skills gaps persist, progress is being made with data beginning to reflect improvements. The HR profession continues to be a concern as agencies struggle to keep up with recruitment needs, performance management, workforce and succession planning, employee development, and retention. However, OPM is working with agencies to employ new strategies to mitigate these gaps. The U.S. Agency for International Development (USAID), the Department of Veterans' Affairs (VA), and the Department of Health and Human Services (HHS) all continue to identify healthcare positions, including nurses, as areas of risk. In addition, the Department of Justice (DOJ) is working to strengthen its pipeline of paralegals as a potential good source of candidates for future vacancies in attorney positions, as more and more paralegal candidates and selectees already possess or subsequently obtain law degrees and may be interested in furthering their careers by competing for attorney positions.

**NOTABLE PRACTICES**

- *At USDA, HR Consultants are responsible for sharing all hiring flexibilities, including pay flexibilities, with hiring managers when discussing vacancies.*
- *State Department developed the Foreign Affairs IT Fellowship program to target the IT pipeline. For the past three years, State has offered five fellowships to students in STEM /IT fields, offering tuition assistance and professional development in exchange for a 5-year service commitment.*
- *Agencies, such as HUD and Environmental Protection Agency (EPA), are using automated processes for assessing skills gaps. HUD deploys its skill assessments every other year for mission-critical occupations and high-risk positions. EPA is utilizing the Talent Enterprise Diagnostic (TED) tool to focus on mission-critical occupations. They are attempting to document competencies and proficiency levels systematically, as well as the supply and distribution of talent*

## CONTINUOUS LEARNING AND EMPLOYEE DEVELOPMENT

Other critical aspects of sound human capital management are succession planning and employee development, both of which were identified as key workforce challenges in the 2018 FWPR. Succession planning is intended to capture the valuable knowledge and insights of current employees, convey that knowledge to new and retained employees, expand developmental opportunities for continuous professional growth, and create a multi-generational pipeline to carry on mission-critical work when attrition occurs. Agencies are challenged to retain a diverse workforce for a variety of reasons; these challenges increase the need for multi-faceted succession planning.

While succession planning for leadership positions is widely addressed, agencies are still working toward enterprise-wide talent management strategies to establish the bench strength to fill critical positions quickly. All of the agencies mentioned their use of career path tools, career mapping, mentoring/coaching programs, and/or rotational programs to help identify and cultivate existing talent. In addition, leadership development is also a priority with a number of agencies exploring in-house candidate development programs.

## RECRUITMENT AND RETENTION

Concerns were raised around attrition rates for scientific and technical positions as well as an inability to hire fast enough to meet demands. Multiple agencies have taken steps to better leverage their workforce data by using dashboards or placemats to stay on top of potential succession risks in critical occupations. In addition, expanding use of communities of practice, vehicles like intern programs and Presidential Management Fellows, and web sources such as <https://openopps.usajobs.gov/> help agencies access talent and share expertise government wide.

Another critical component of an agency's human capital strategy is workforce planning. Effective workforce planning allows agency leadership to identify the human capital required to meet organizational goals, conduct analyses to identify competency and skills gaps,

develop strategies to address human capital needs and close competency and skills gaps, and determine whether the organization is effectively structured. Workforce planning also helps agencies adapt to change as well as face the challenges ahead in a positive and proactive way.

### *DIVERSITY AND INCLUSION*

Agencies described an emerging challenge in attracting the right talent for projects and work that is continually changing. Agencies seek flexible recruiting and hiring options and automated systems that help them search for applicants (potentially in shared databases, such as in the searchable resumes on USAJOBS) and hire more quickly. Approximately 30 percent of agencies mentioned their need to address workforce shortages with a mixture of experienced talent and developmental positions. Factoring into this challenge is a potential wave of employee retirements and gaps in leadership and institutional knowledge. Each of these factors contribute to challenges in attracting and retaining a diverse workforce.

To address these challenges, agencies are leveraging external partnerships, employee resource groups, and strategic outreach and recruitment initiatives to attract the best and most diverse talent pool possible to public service. To retain employees, from the newly hired to retirement eligible, agencies have implemented initiatives focused on organizational and individual practices to create an inclusive culture for optimal performance. Key elements of an inclusive workplace include creating a culture that leverages individual differences and similarities to spur creativity, innovation, and engagement; and demonstrating equitable growth and development opportunities. Agencies that strategically integrate diversity and inclusion efforts into the mission of their organization are able to use their reputation as an inclusive workplace to attract and retain a diverse workforce.

#### **NOTABLE PRACTICES**

- *OPM issued guidance on improving Federal hiring, advocating use of assessments and subject matter expert involvement.*
- *Social Security Administration's (SSA) Diversity and Inclusion Infusion Training Initiative instructs training developers, instructional designers, video producers, and training facilitators to utilize a framework and toolkit to integrate key concepts and examples into existing training.*
- *Department of Homeland Security (DHS) developed a Strategic Marketing, Outreach, and Recruiting Engagement (SMORE) tool - a Department-wide recruitment software solution with the automated capability to measure and track applicants and activities to produce real-time data analytics, forecasts, and best practices to hire the workforce of the future.*
- *The Department of Commerce hosted the Federal Government's first-ever First-Generation Professionals (FGP) Summit expanding the diversity and inclusion conversation to include socioeconomic status along with traditional diversity dimensions such as race, ethnicity, national origin, and gender.*
- *As part of its Unity Campaign, NASA Diversity and Inclusion collaborated with the NASA Chief Engineer to develop a Decision Making course examining ways cognitive and unconscious bias impacts teams, research, and products for the engineering/technical workforce.*

## ADOPTING ROBOTIC PROCESS AUTOMATION AND ARTIFICIAL INTELLIGENCE

As agency leadership create economies of scale in operations by using RPA, automation, and AI, the skills of the Federal workforce must shift toward a continual learning or growth mindset approach. The automation of manual tasks has enabled some employees to focus on job tasks that require more attention, such as data analysis instead of data entry. As technology continues to advance, automation will lead to changes of work roles or tasks within positions. Retraining employees by way of upskilling and/or reskilling is needed universally throughout agencies to enable employees to assume new roles or tasks as missions shift and new skill needs emerge.

During the HCRs, agencies highlighted how they are strategically addressing their workforce training and development needs with a variety of options including coaching programs – Department of Defense (DOD); rotational programs, certification programs, enterprise-wide micro learning sessions – General Services Administration (GSA); online career resource centers with self-assessments – HUD; and investing in a single learning platform – VA. In addition, the Department of Education (ED) expects all employees will master the competencies for their positions by 2025. This will be accomplished by centrally funding training, assessing using commercial applications, and tracking, training, evaluating, and re-assessing the workforce to determine progress.

Some agencies are looking at gamification as a possible solution to training current workers in new competencies. This approach also could help identify and assess new sources of talent to expand the recruitment pool. Upskilling and reskilling provides many opportunities for agencies to exchange ideas, work collaboratively to scale up training targeted at mission-critical and emerging skills areas, and support government-wide efforts (often driven by the C-suite functions and occupational groups themselves).

During the HCR discussions, seven agencies noted successful use of RPA outside the HR function in mission-critical areas and finance. All agencies expressed excitement about the potential for RPA to handle purely transactional work that will free HR professionals, and other occupations, to focus their expertise and energy on more complex, and therefore more enriching, work. For example, GSA is exploring the use of RPA within recruitment and staffing, while HHS is evaluating whether natural language processing and AI can help more quickly and effectively build out an HR data dictionary. The Department of State is evaluating AI for form processing improvements and to clean up the data in their HR systems.

Agencies are aware that the adoption of RPA and similar technologies will help the HR community move to higher value work and increase capacity within the HR function overall. However, agency leadership emphasize that a slow and steady approach that includes gradual incorporation of RPA makes practical sense. To assist agencies with adopting RPA, GSA, in partnership with dozens of agencies, is leading the RPA Federal Community of Practice (CoP). The CoP's mission is to “accelerate achievement of RPA benefits through sharing of technical

and programmatic information and best practices.” DOT, USAID, and HHS cited pilots and implementation of a commercial digital platform as evidence of the growing interest and investment in service platforms.

For example, USAID has created a one-stop-shop for its employees that enables them to access their HR data in one centralized location, initiate requests to the Office of Human Capital and Talent Management (HCTM), and track the status of outstanding requests. It simplifies communication with HCTM and allows employees access to resources that help them find answers when it is convenient for them to do so. The LaunchPad portal has reduced the burden on employees and HR professionals and allowed the 11,000 employees to focus on the important mission of changing the lives of people across the world.

#### **NOTABLE PRACTICES**

- *HUD has had success in RPA in the Chief Financial Officer Office.*
- *GSA uses RPA for rules-based, manual and repeatable processes, such as data entry, credit card logging, and invoice processing.*
- *USAID has LaunchPad - an online employee portal for HR. LaunchPad provides users 24-hour access to their personnel data and includes self-service features for work-life events, such as having a baby or getting married.*
- *DOT created a bot that can open, read, and extract information from PDFs and populate forms on unconscious bias training.*

## **ADOPTING SHARED SERVICES AND SYSTEMS**

Another means of leveraging limited resources and maximizing efficiency and overall effectiveness is through sharing similar service needs. Shared services takes on different meaning from one agency to the next. Some consolidate HR servicing for an entire Department within one designated component. Others establish a range of services available to other agencies on a reimbursable basis (GSA, DOI and Department of Treasury). Still other agencies rely upon OPM’s Human Resources Solutions to perform various forms of personnel management work on their behalf. Human capital shared services were discussed by nine agencies during the HCR process. The Departments of Labor (DOL), Interior (DOI), DOT, and Department of Treasury, plus SSA, EPA, DOD, Department of State, and USAID each included shared services in their discussions. Eight of the agencies are using a shared services approach to consolidate HR, IT, and acquisition functions. DOL and EPA are in exploratory or early stages of standing up a shared HR services capability. DOT noted that as a central office, its main function is to provide strategic leadership, while components with expertise in various areas serve as centers of excellence for specific operational functions. SSA combined its learning and development and human capital strategy functions to capitalize on synergies between strategy and learning. Only one agency, DOI, is moving in the opposite direction, departing from its existing shared services business model.

Most agencies viewed consolidating data, functions, and physical offices as challenges. Department of State, with a very mature shared service model, is exploring cloud applications

that will integrate 72 different HR applications. There are more than 600 data points to integrate in this estimated 18-month project. At DOL, reducing HR's footprint from 13 offices to one will help address many problems, including promoting consistency of certificate review among regions and HR standardization across the enterprise, which should result in a greater focus on the customer. Two agencies identified next steps. Specifically, Treasury will explore RPA innovation and shared services, and DOI is currently evaluating recommendations from a vendor designed to improve procurement across the Department. DOJ has been working on consolidating systems for years, succeeding in reducing the overall number of systems within the Department from 20 to three.

#### **NOTABLE PRACTICES**

- *9 of 24 agencies mentioned shared services in their HCR.*
- *8 agencies aim to consolidate HR, IT, and acquisition functions.*
- *DOI is in process to exit their shared services business.*
- *Most agencies identified consolidating data, functions, and/or physical offices as their biggest challenge.*
- *Department of Treasury is exploring RPA innovation*

## **HUMAN CAPITAL END-TO-END SYSTEMS AND SERVICE INTEGRATION**

Just three agencies identified human capital end-to-end (E2E) systems and service integration during the human capital review process. DOD, HHS, and DOI included E2E systems as part of their discussion of workforce upskilling/reskilling and workforce automation. Interestingly, each provided a different definition of what they view is included in E2E in the human capital process. Clearly, as this new concept takes hold among agencies, some standards will need to be developed, based on the human capital Business Reference Model. DOD and HHS are focusing on improvements to their human capital processes, while DOI is targeting improvements to its grants processes.

All three agencies are using an E2E strategy to increase adoption of consistent processes and data nomenclature across the enterprise, as well as to reduce time to hire, increase performance, and reduce costs. Nascent progress includes identifying best practices in implementing E2E systems, implementing change management among user communities, and agreeing on common standards. Challenges include obtaining top management buy-in, completing needs assessments among agency components, identifying how best to implement E2E across the enterprise, developing a performance metrics model, and rewriting operational regulations.

Two agencies cited specific next steps: DOI published new regulations around E2E in the summer of 2019; and HHS outlined its three next steps: 1) For Operating Divisions (OpDivs) that do not want to migrate to the enterprise systems, the Office of Human Resources will build a data lake on top of the OpDivs system so they can pull data out of the system; 2) HHS has established a goal to migrate to OPM HRS's USA Performance<sup>®</sup> enterprise wide; and 3) HHS is interested in implementing ServiceNow and using a standard data dictionary.



**NOTABLE PRACTICES**

- *DOD defines E2E as initiating the hiring process through entrance on duty. A primary challenge is to reform DOD business practices across the enterprise for greater performance and affordability.*
- *HHS is creating a path for operating divisions to opt out of enterprise-wide systems, while allowing linkage to a newly constructed data lake.*
- *DOI created a major system improvement by embedding an interactive capability among administrators, which will make data available across the enterprise once all bureaus are onboard.*

## IMPLEMENTING EFFECTIVE PERFORMANCE MANAGEMENT SYSTEMS

Agencies continually strive to manage and implement effective performance management systems that link to organizational results, set high standards for success, and streamline performance management processes. Agencies have worked diligently to consolidate performance management systems and make new technological tools available to managers and supervisors. These new automated performance management systems have features that make the performance management process easier with less focus on transactions and paperwork for supervisors, and more opportunities for communication and transparency for employees. Some of these features include pulse-based feedback with quick checks on performance progress, as well as 360-degree feedback opportunities, which may gather performance data from supervisors, colleagues, and customers.

Agencies have established open lines of communication and, in some instances, support units to discuss with managers and supervisors the challenges of dealing with employee performance. To that effect, they are creating mandatory supervisory training to address these difficulties. Specifically, training addresses topics such as communicating performance expectations, effectively implementing telework, dealing with poor performers, creating dashboards to display differences in performance rating data, and conducting meetings with supervisors to discuss performance management.

During 2018, USAID revised its Foreign Service Officers' performance-management process in light of feedback stating it was too time consuming and promotion focused. The new process prioritizes professional development, identifies most-qualified candidates for promotion, increases accountability, and saves numerous hours of staff time. The process incorporates quarterly conversations and quality feedback on an ongoing basis. In addition, the agency recognizes the importance of dealing with poor performance and the need for tools, training, and policies that would both support supervisors and hold supervisors and employees accountable. Department of State uses a workflow-driven automated performance management system that incorporates several critical factors of effective performance management. Primarily, due to the workflow process, each of the 11 steps must be completed before moving to the next step, increasing accountability across the agency. The system allows for instant feedback from a supervisor to an employee via email, as well as 10 feedback sessions, with the most recent three

recorded on the feedback form. In addition, feedback can be given through the performance plan system through off-cycle feedback forms, which are solely between the supervisor and the employee. Finally, the system also offers a “notes” function in which an employee or supervisor can keep track of notes throughout the cycle that only the author can view.

#### **NOTABLE PRACTICES**

- *National Aeronautics and Space Administration (NASA) has several digitally oriented systems related to performance including the NASA Employee Performance Communication System (EPCS) and Standard Performance Appraisal Communication Environment.*
- *ED and DOL publish a monthly newsletter to inform managers, supervisors, and employees on the performance management process.*

#### **REWARDING HIGH PERFORMANCE**

Performance management systems that focus on results and customer service also form the basis for rewarding excellence and supporting a high-performance work culture. High-performing agencies have a clear link between pay and performance, motivating employees toward desired individual and organizational performance objectives. For example, individual employee performance aligns with critical mission objectives in the new performance management system developed for use at the Department of Treasury. Use of this system will help leaders explain how work relates to strategic goals and justify the use of awards as incentives for exceeding performance objectives. Agencies recognize that rewards for high performance are also a critical part of the total compensation package for top talent. For example, under the revised Senior Executive Service Certification process, agencies have greater flexibility in rewarding their executives for high performance through combinations of pay increases and ratings-based incentives.

#### **ENGAGEMENT**

Employee engagement can boost organizational performance and improve employee retention. To capitalize on employee engagement efforts, most agencies report they are carefully tracking FEVS results, communicating results down to the lowest available work unit, and creating dialogue with employees and supervisors to address concerns constructively. Since communication is such a critical aspect of employee engagement, some components of HHS have focused on improving their FEVS scores by meeting weekly as a community of practice.

The majority of agencies involved in the HCR process use FEVS data to develop and implement strategies to drive human capital improvements, particularly employee engagement. Some agencies are adopting interconnected strategies that support engagement, facilitate employee development, and reward high performance. Many agencies are using tools such as National Institutes of Health’s EVS ART, an Excel-based tool that highlights critical trends in employee feedback. The tool provides a visual of improvement areas and is available through MAX.gov to other agencies.

To maintain employee engagement, many agencies are bolstering the use of work-life program options such as family and dependent care, health and wellness, employee assistance, and workplace flexibilities, including telework. Additionally, some agencies such as ED and USDA reported their concerns over recent changes to their agencies' telework policy, reducing the number of days employees can telework. As required by the Telework Enhancement Act, Federal agencies exercise the ultimate authority in establishing and implementing telework programs that meet mission critical needs without diminishing agency operations. OPM encourages all Federal agencies across Government to determine the need for, and evaluate the effectiveness of, telework programs through systematic collection, analysis and use of empirical information to determine how to invest resources to maximize program effectiveness. Several agencies reported their participation in OPM's WellCheck, the online wellness program evaluation tool, helped them improve their work-life offerings. In addition to supporting employee engagement, work-life programs were cited as successful resources for improving performance, recruitment, and retention of a diverse workforce.

#### **NOTABLE PRACTICES**

- *DOE's OCHCO developed an Employee Engagement Playbook to support the engagement efforts of select organizations, which includes action plans and tools, resources, best practices, and benchmarks. OCHCO provides support in understanding FEVS scores, determining root causes of issues, and facilitating focus groups to help inform action-planning strategies.*
- *GSA's National Engagement Team is dedicated to creating a culture and work environment that fosters and supports a highly engaged and productive workforce.*
- *USAID's Staff Care program is the most-utilized Employee Assistance Program in the Federal Government.*

## **ACHIEVING A STRATEGIC HUMAN CAPITAL EVALUATION SYSTEM**

Measuring the impact of human capital management on mission accomplishment is a critical step towards improving organizational performance. Agency evaluation systems help leadership make such assessments, especially when top executives across the agency work together to verify whether a sound evaluation system is in place and fully operational. A healthy evaluation system allows human capital leaders to assess accurately all HCF systems agency wide to establish human capital policies, programs, and practices that help the agency accomplish its strategic goals, are efficient and effective, and meet merit system principles and legal requirements.

OPM has identified several instances where agencies are strategically using their evaluation system. For example, at ED, members of executive leadership use their system to identify organizational issues and help find solutions. Specifically, the Independent Audit Program is a tool used to both identify issues leadership may be unaware of and help resolve those issues by identifying root causes so that adequate solutions are developed. ED's evaluation system also plays an integral role in helping the agency achieve strategic goals by assessing results of actions

taken to accomplish those goals and using data from multiple sources to conduct trend analysis, which guides decision-making.

In addition, State has a fully developed evaluation system that supports alignment of human capital strategies, assesses their effectiveness and efficiency, and affects and drives change throughout the organization. Program evaluation is a robust, coordinated, and targeted assessment function, enhancing the Department’s ability to measure and monitor program performance and document impact, identify best practices and lessons learned, and make decisions for programmatic adjustments and changes including policy, planning, and budget decisions.

Although OPM identified several good examples of effective assessment, it is clear that evaluating human capital programs, policies, and practices through agency evaluation systems is an area with room for growth. Integrating all components of the evaluation system such as HRStat Reviews, Independent Audit Program, FEVS, exit interviews, trend analysis, and HCRs can be complicated since many activities are conducted in a vacuum and results are not shared throughout the agency. Agencies must learn to pull data from multiple sources in order to form a holistic view of their human capital management practices and assess their effectiveness.

#### NOTABLE PRACTICES

- *ED strategically uses their evaluation system to assess programs, measure progress towards achieving organizational goals, identify system issues, and develop potential solutions.*
- *Department of State has a mature evaluation system that assesses the impact of specific human capital strategies, the results of which are used to make change throughout the agency.*

## ADVANCING HUMAN CAPITAL DATA ANALYTICS

The strategic use of accurate data should be foundational to sound human capital management in all Federal agencies. Data connects human capital management practices to business outcomes and organizational goals to provide baseline information for comparing actual program results with established performance goals. Data creates links between the agency’s priority goals, its HCOP, Independent Audit Program, HRStat Reviews, HCRs, and other means used to assess the health of the organization and evaluation system.

The President’s Management Agenda states,

*“The use of data is transforming society, business, and the economy. If the Federal government does not maintain its role as a preeminent supplier and sophisticated user of data, it will no longer be able to fulfill the trust placed in it by the American people.”*<sup>6</sup>

To operationalize this principle, the *Foundations for Evidence-Based Policymaking Act*<sup>7</sup>, was signed into law in January 2019. The Act highlights the importance of using valid data and

<sup>6</sup> <https://www.whitehouse.gov/wp-content/uploads/2018/03/Presidents-Management-Agenda.pdf> *Data, Accountability and Transparency: Creating a Data Strategy and Infrastructure for the Future* page 15

<sup>7</sup> <https://www.congress.gov/bill/115th-congress/house-bill/4174>

accurate results to inform policymaking and strategy development. It is now essential that agencies make strategic use of data for leadership to understand what human capital policies, practices, and programs are working, which ones are not, and what changes must occur to improve overall operations. Informed decision-making and strategy shifts based on accurate results are paramount.

The increased reliance on data to measure performance has been met with varying degrees of success in achieving improvements. Agencies must strike a balance in developing metrics to ensure they are measuring what is important over time, as well as determining if day to day mission-essential work is being accomplished. Agencies must measure timeliness and efficiency, but also quality and degrees of performance; they must monitor internal employee engagement, and the external impact of services provided to the public. Individual metrics may not always be accurate indicators of “success” in the Federal sector. Rather, a set of various data viewed together may be helpful in identifying “movement” on a particular item or goal, while another set of data may help define the movement as going in the right direction. However, OPM recognizes that the most useful performance related data may not always be readily available.

The majority of agencies shared information on data-centered initiatives currently planned or just underway. Most agency leaders track a significant amount of data, but many also struggle to know how to strategically collect and monitor the information in ways they are confident are meaningful. Many agencies expressed a need for better tools to help manage data collection, analysis, and reporting.

One way to organize data so that it is useful to executive leadership is with dashboards. OPM identified nine agencies that have developed or are developing dashboards to show comparative agency data. OPM has found dashboards are popular with managers in the agencies that use them and are a good way to visually display data and share results. Along with tools such as dashboards, value-added data analysis requires accurate baseline information and well thought out measures and metrics that capture actual results. Eleven agencies specifically mentioned the importance of having good metrics and benchmarks in place to evaluate program performance and changes in policies. While admitting that doing so is “easier said than done,” senior leaders from these agencies appear to recognize the future as one where management decisions should be increasingly data driven. Agencies that use data to drive improvement can monitor trends and evaluate strategies in such areas as attrition, workforce characteristics, and employee engagement.

OPM identified a number of ways agencies are using data specifically to enhance human capital management and assess the results of various initiatives. For example, nine agencies reported successfully using data to analyze and strategically plan various aspects of talent management or staffing activities (e.g., retention, succession planning, time to hire, recruitment, skills gaps closure). Three agencies indicated they were using data to evaluate changes or new activities related to performance management. In addition, most agencies recognize the usefulness of survey data, such as FEVS, to evaluate changes in employee perceptions towards policy revisions and management actions. However, since developing human capital strategies should be based on multiple data sources, it is advisable for agencies to take steps to identify root causes

of perceptions through such means as employee interviews and records reviews conducted by the agency Independent Audit Program.

A number of specific practices identified during the HCRs illustrate effective use of data to enhance human capital management. For example, SSA used results from their Independent Audit Program to help inform the development of their HCOP. DOL conducts quarterly data-driven analysis and uses the results in conjunction with a scorecard to measure progress achieving organizational goals. Department of State has created a significant number of key performance indicators to assess progress made on agency goals related to human capital management, as well as data-driven staffing models to determine appropriate staffing levels for facilities in the United States and around the world. Other agencies such as the National Science Foundation (NSF) and Nuclear Regulatory Commission use data and assessment tools to project current and future workforce needs.

While the examples given above are encouraging, agency use of data related to human capital management is an area ripe for growth. As previously mentioned, agencies generally are aware of the importance of establishing good metrics to assess program performance and the impact of policy changes. However, in a number of cases metrics appear to be an afterthought rather than at the forefront of their thinking. For example, four agencies are considering making significant changes to their performance management systems without any discussion of whether, or how, they would measure the impact of any revisions. In addition, a number of agencies are looking towards use of shared services, but only one agency specifically said it is collecting and analyzing data to understand the costs of the entire HR Line of Business. This finding does not mean agencies have not devoted at least some thought to assessing data and developing measures, but as a number of agency leaders mentioned, it is not an easy process and this is an area where there is considerable room to improve.

Another trend that hinders effective use of data pertains to uniformity in data collection techniques and data nomenclature. Specifically, leadership from 13 agencies discussed how decentralized agency cultures and non-standardized data collection methods significantly complicate the successful use of data in corporate-level decision making. Integrating data from legacy systems and limitations of current IT infrastructures often inhibit obtaining reliable, sufficient, and/or meaningful data. In addition, different components of some agencies label data elements differently, which presents major challenges to agency-wide analysis. Agency leaders believe that, while progress is occurring, significant improvements in this area will depend on obtaining additional resources, such as better data management systems and effecting real culture change, which takes time.

Challenges identified during the HCRs (e.g., difficulties associated with using data effectively, developing sound performance measures, and assessing human capital operations) were evident in OPM's recent assessment of CHCO agency evaluation systems. Two of the newly established evaluation system standards pertain to effective use of data and assessing human capital programs, policies, and practices. In addition to the standards, a maturity model is available that describes agency development at four levels: reactive, emerging, advanced, and optimized. OPM found nearly 80 percent of CHCO agencies are not using data beyond the emerging level, and over 83 percent of CHCO agencies are not assessing human capital management policies,

practices, and programs beyond the emerging level. Again, this is an area with significant potential for growth. OPM will continue to work with agencies on maturing their evaluation systems, and more specifically, on how to effectively use data to drive decision making and assess human capital management activity in order to improve overall organizational performance.

### *SECURING TECHNOLOGICAL SOLUTIONS FOR HUMAN CAPITAL ANALYSIS*

Agencies described a growing capacity for human capital analysis while recognizing there is significant effort ahead to achieve the full promise of analytics maturity that can deliver predictive and prescriptive analytics. In particular, USDA has achieved a high level of human capital analysis maturity by providing its CHCO real-time access to human capital data via a user-friendly dashboard. As previously mentioned, EPA uses the TED tool to document competencies and proficiency levels needed for positions systematically and visualize the workforce at a macro level using dashboards. EPA also uses a commercial application for data model building and predictive analytics. Other best practices cited by GSA and HHS include: establishing teams with the right skills (e.g., program analysis, operations research) to develop proactive approaches that enable HR data to serve the HR community and the agency as a whole; combining HR data from multiple operational systems into a data lake, which requires the use of a standard data dictionary; and ensuring all data generated comes from the work processes themselves – requiring no additional logging or manual tracking processes. Finally, NSF shared its “NSF Staffing Planning Tool” which allows them to use real-time data to accomplish workforce planning and position management.

## CONCLUSION

In FY19, as part of its statutory responsibility for assessing whether Federal agencies manage their human capital programs effectively and efficiently, OPM began conducting HCRs with all CHCO agencies to discuss government-wide issues, agency-specific initiatives and topics of interest, and opportunities for OPM and agencies to collaboratively pursue continual improvement and modernization of human capital management. The first of these annual conversations shows great promise as a valuable ongoing forum to exchange ideas, concerns, and notable practices, as well as a good way to help identify government-wide trends and challenges. Information shared through the HCRs will assist OPM in achieving a core mission: to work with agencies to build stronger human capital management systems and programs across the Federal government.

Outdated Federal pay systems and closure of skills gaps in occupations related to IT and cybersecurity present significant challenges to many agencies as they move forward. To enhance their ability to recruit and develop a high-performing workforce, agencies operate within existing HR systems, but also increasingly seek long-term strategies to secure and maintain the talent they need. Agencies are enthusiastic about the growing potential for enhanced efficiencies in using RPA and AI in diverse operations, including HR. Many agencies have improved organizational efficiency by implementing shared service or other reimbursable arrangements in their administrative functions and by consolidating and streamlining performance management

programs to make performance management processes simpler for managers and more transparent to employees.

While agency leaders across the Federal government embrace a future in which program management decisions are increasingly more data driven, they are highly aware of formidable challenges imposed by IT resource issues, unintegrated legacy data systems, and in some instances, long-standing decentralized agency cultures. Agencies collect data, but many acknowledge the need to become better at developing reliable databased measures that can meaningfully inform strategic planning and corporate decision-making and integrating those measures with more qualitative approaches, as needed.

OPM believes the FY19 HCRs laid important groundwork against which to measure future results. As the HCRs evolve, OPM is optimistic they will continue to provide helpful dialogue between senior OPM and agency human capital leadership. OPM is committed to working with agencies in exploring possibilities for enhanced flexibilities and searching for ways to address the challenges of human capital management in the unfolding 21<sup>st</sup> century.





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1900 E Street, NW, Washington, DC 20415

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