



A report by a Panel of Academy Fellows

Elevating Human Capital

Reframing the U.S. Office of
Personnel Management's
Leadership Imperative

March 2021



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Study Origins

The catalyst for this study was the Trump Administration's 2018 plan and proposed legislation to move OPM's policy functions to the Office of Management and Budget (OMB) and to merge the remaining OPM functions to the General Services Administration (GSA). The Administration's business case contended that OPM was not resourced or structured to continue to carry out mission functions and that efficiencies could be gained by the merger.

OPM's stakeholder communities expressed alarm that the proposal would abolish OPM as an independent entity and put policy making under the Executive Office of the President.

In response to the legislative proposal, the National Defense Authorization Act (NDAA) for FY 2020 required the OPM Director to contract with the National Academy of Public Administration to conduct this study.

The Academy Panel did not find that the problems or challenges identified in the proposal would be resolved by transferring OPM functions to OMB and GSA. Activity related to the merger proposal ceased in late FY 2020.

Scope of Work

Tasking

Section 1112(b) of the FY 2020 National Defense Authorization Act (NDAA) directed the OPM Director to contract with the Academy to conduct a comprehensive, independent study to address a series of specific questions surrounding the U.S. Office of Personnel Management's (OPM) responsibilities. These include:

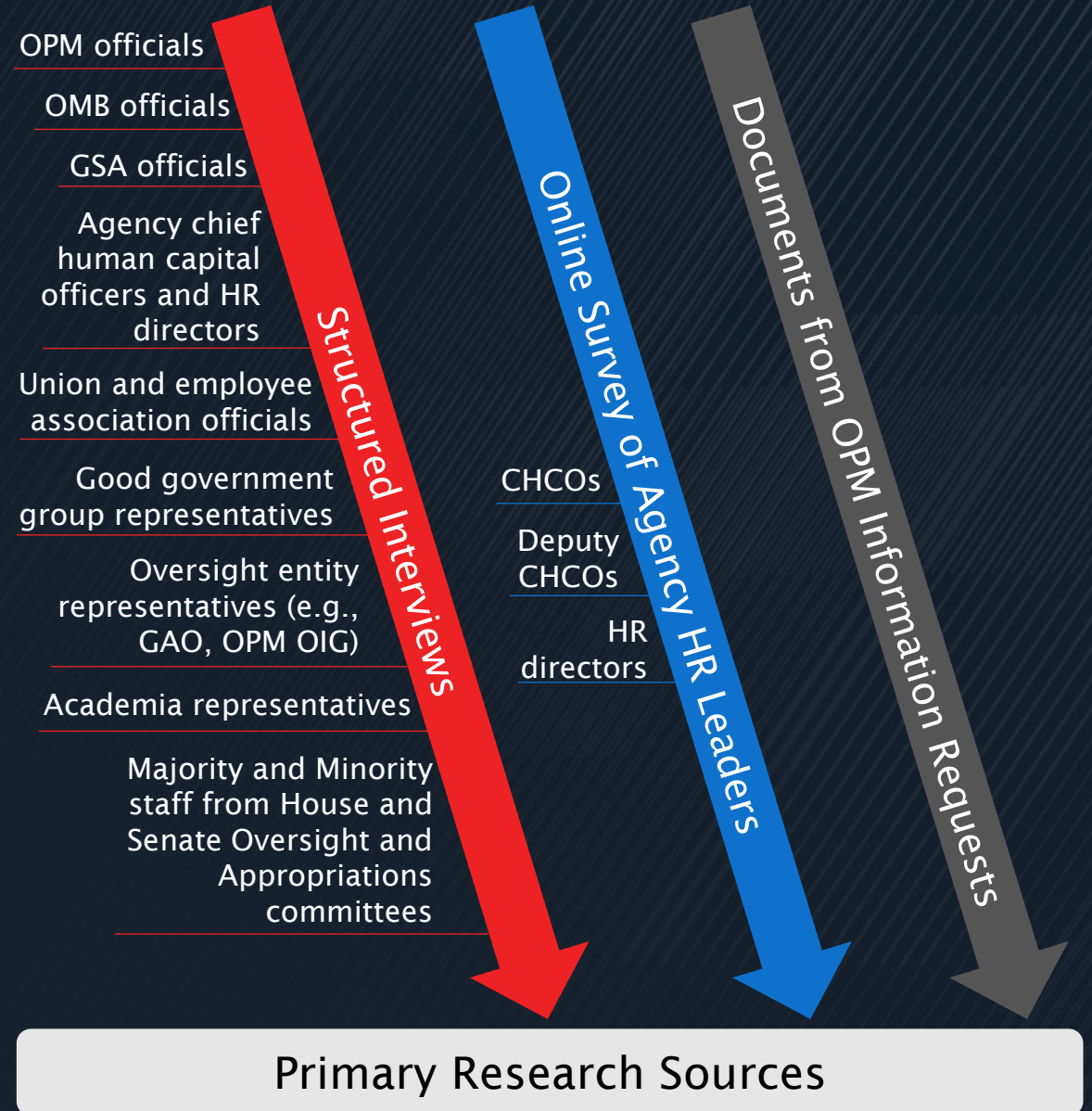
- OPM's statutory and non-statutory functions and their associated challenges
- Means, options, and course of action needed to address the challenges
- Statutory or regulatory changes needed to execute the recommendations
- Methods for engaging with other Federal entities potentially affected by recommendations involving OPM's structure, functions, responsibilities, and authorities
- The views of identified stakeholders (including federal and non-federal entities or organizations representing customers and beneficiaries)

What was not included in the Tasking

The scope of work did not include an assessment of civil service reform issues such as pay, classification, and performance management.

Methodology

- Assembled a five-member Panel of Academy Fellows
- Conducted the assessment using a gap analysis framework
- Documents reviewed include:
 - A variety of documents related to OPM's mission, functions, processes, and procedures.
 - Relevant federal laws, executive orders, and regulations.
 - Previous reports and reviews.
 - Records of congressional hearings and documents on past congressional activity related to OPM's responsibilities, functions, and structure.
 - Literature on human capital management and best practices.
- Primary research included structured interviews with stakeholders, a survey of agency HR leaders, and documents provided by OPM in response to information request



OPM Background

Created by the Civil Service Act of 1978 as an independent establishment reporting to the President, OPM was expected to promote an efficient civil service system by delegating personnel management authorities to agencies, operating a robust oversight program, and promoting innovation.

OPM has experienced challenges in executing its mission over the years, including:

- A lack of clarity and consensus on OPM's mission and role
- Myriad authorities governing federal human capital
- Leadership turnover and lack of sustained priorities
- Limited use of data and data analytics to inform policy
- Outdated IT engendering enterprise and operational risks
- Funding and staffing constraints affecting staff capacity, technology, and tools

The Panel concluded that the 21st century workforce needs a reinvigorated focus on strategic human capital management and performance from an independent, enterprise-wide human capital agency and steward of merit system principles. A critical need exists to rebuild staff capacity, encourage innovation, and adopt a more data-driven, accountable, and forward-looking human capital approach. **Human capital management must be a priority.**

Indicators of Successful Implementation

Successful implementation of the Panel's recommendations will yield the following results:



Human capital is recognized and supported as a **strategic priority across government** by the Administration, the Congress, and federal agencies.



OPM's role is reaffirmed and strengthened as the **leader for strategic human capital management** government-wide.



OPM's approach to human capital management evolves from predominantly compliance-oriented to **customer-focused, value-added, data-driven** and **forward-looking**, encouraging **innovation** and sharing of **best practices**.



OPM's **technology platforms are modernized**, affording secure and efficient access to human capital data and systems supporting government-wide human capital management.

Section 1: OPM Role, Leadership, and Mission

Key Findings

- The Civil Service Reform Act established a dual, and at times conflicting role for OPM to advocate for and execute administration priorities while protecting merit system principles.
- Lack of clarity and consensus on OPM's mission and role, together with constrained funding and staffing resources and leadership turnover, have stymied OPM's effectiveness in realizing the vision articulated in the Act.
- Administration and Congressional interest and support for human capital management have varied over the years.
- OPM has weathered substantial turnover at the top, as well as throughout the agency. Lack of sustained leadership has a significant impact on OPM's internal organization and employee morale and on external relationships. It also limits the Agency's ability to address long-term human capital challenges.
- OMB's expanding role in human capital has weakened OPM leadership role.
- OPM's approach for working with the Chief Human Capital Officers Council has limited the Council's effectiveness and resulted in missed opportunities to advance federal human capital management.

Recommendations

Objective: Reaffirm and broaden OPM's role as an independent entity and leader for federal civilian human capital management and reinvigorate strategic human capital management.

Recommendations:

- 1.1** Congress should amend 5 U.S.C. § 1101, Office of Personnel Management, to clarify and redefine the role and mission of OPM as the federal government's enterprise-wide, independent human capital agency and steward of the merit system for all civilian personnel systems and employees, responsible for providing government-wide leadership in strategic human capital management.
- 1.2** Congress should amend 5 U.S.C. § 1102, Director, Deputy Director; Associate Directors to:
 - Add a qualifications requirement to the position of OPM Director for demonstrated leadership experience and human capital management expertise.
 - Add a statutory requirement for a career chief management officer, with responsibilities clearly established to assist the Director and Deputy Director in achieving Administration priorities, while providing continuity and strengthening focus on internal agency management to deliver on mission.
- 1.3** Congress should amend Pub. L. 107-296, title XIII, section 1303, Chief Human Capital Officers Council, to add a rotating vice-chair from among the CHCO membership.

Recommendations

Objective: Recognize the criticality of the federal workforce as the government's most important asset for achieving agency missions and focus Congressional attention on federal workforce issues of both today and importantly, the future.

Recommendations:

- 1.4** Congress should reestablish civil service subcommittees in the House and Senate oversight committees to (1) address the state of the federal workforce and federal human capital management; (2) promote government-wide policy and legislation in support of the workforce and OPM's role as the lead for federal civilian human capital management; and (3) advance federal human capital management reforms.

Recommendations

Objective: Refocus OPM to make it a state-of-the-art human capital organization capable of elevating and supporting human capital as a strategic priority across the federal enterprise and address the needs of a 21st century federal workforce.

Recommendations:

- 1.5 OPM should (1) redefine the OPM mission statement and restructure the organization to effectively and efficiently execute the reframed mission priorities and (2) restore the agency's reputation for human capital leadership, expertise, and service by redirecting the internal culture and rebuilding internal staff capacity.
- 1.6 OPM should establish a human capital advisory committee comprising representatives of public, nonprofit (including academia), and private sector organizations to advise OPM on emerging best practices and innovation in human capital management and to serve as a sounding board for agency initiatives.

Section 2: OPM Core Mission Functions and Programs

Key Findings

- All OPM functions track to statutory or executive order authority, but not all functions are mandates.
- OPM's policy development role is perceived by stakeholders as reactive rather than proactive. Rarely does OPM pursue a legislative or regulatory agenda promoting change. The current policy development process is viewed as time-consuming, and the policies restrictive and burdensome.
- The growing use of hiring flexibilities and excepted service authorities has increased the complexity of human capital management. Today, a single, comprehensive list of authorities does not exist. Stakeholders see the potential for consolidating authorities and the need to focus on commonalities across job families.
- OPM's predominant compliance-orientation hinders its ability to provide strategic, forward-looking human capital guidance and oversight.
- OPM relies on fee-based programs and services (such as USA Learning, leadership training, and delegated examining certification training) to fund a variety of services and internal support functions. The services are largely viewed positively by stakeholders as useful, though costly, particularly for smaller agencies. Fee-for-service limits the provision of services and technical assistance to the ability of agencies to pay.
- Addressing mission critical skill gaps and HR staff skills are critical human capital management issues government-wide requiring attention and support.
- The CSRA provides OPM with the authority and expectation to carry out research programs and demonstration projects to test new ideas and concepts in human capital management and plan for the long-term needs of the federal workforce. However, in recent years, OPM has not actively executed this statutorily mandated authority.
- Stakeholders are largely satisfied with OPM's execution of retirement and health insurance programs, but attention and resources are needed to automate processes and implement reforms.

Recommendations

Objective: Reorient OPM's policy development approach toward a proactive, systematic model that streamlines the federal human capital management system.

Recommendations:

- 2.1** OPM should work with agency stakeholders to review federal human capital regulations and guidance to identify needed changes with attention to streamlining the human capital management system, clarifying requirements, reducing administrative burden, employing a more decentralized and risk-based approach, and encouraging innovation.
- 2.2** OPM should develop policy guidance and information sharing practices that focus on strategic human capital management, innovation, and the identification of best practices and lessons learned.
- 2.3** OPM should adopt a proactive, systematic, and inclusive approach to developing government-wide human capital policies that effectively address current and emerging workforce issues and reflect the needs of diverse stakeholder groups.

Recommendations

Objective: Improve OPM's oversight programs and accelerate the shift from a strictly compliance-oriented approach to a more strategic, risk-based framework.

Recommendations:

- 2.4 Congress should review and amend statutory mandates requiring OPM to conduct transactional approval and oversight and, to the maximum extent practical, authorize OPM to develop an alternative approach to carrying out its transactional approval and oversight responsibilities.
- 2.5 OPM should adopt a more decentralized and risk-based approach to executing its transactional approval and oversight responsibilities by delegating, to the maximum extent possible, decision-making authorities to agencies and conducting cyclical reviews to ensure compliance with relevant laws, regulations, and policy guidance.
- 2.6 OPM should modernize its approach to performing broad programmatic evaluations by expanding its efforts to conduct strategic and performance-oriented evaluations, focusing on government-wide, systemic issues, and providing forward-looking recommendations.

Recommendations

Objective: Promote OPM's role in strategic human capital management by assisting agencies in effectively implementing federal human capital laws, regulations, and policy guidance, and enhancing federal human capital staff training.

Recommendations:

- 2.7** OPM should provide no-fee technical assistance to agencies for policy interpretation, support, and related training, such as delegated examining training to the extent consistent with OPM appropriations. (Note: OPM will require additional funding to provide no-fee technical training and assistance.)
- 2.8** OPM should enhance the competencies and capabilities of the federal human capital workforce by prioritizing and accelerating its efforts to upgrade the human capital competency model, institute a certificate program for credentialing staff, and expand training offerings for human capital professionals with a focus on customer service and problem solving.

Recommendations

Objective: Strengthen OPM's ability to steer efforts that encourage and sustain innovation in federal human capital management.

Recommendations:

- 2.9 OPM should expand and prioritize its role in conducting human capital management research and promoting innovative management of the federal workforce.

Section 3: Supporting Functions Enabling Mission Execution

Key Findings

- OPM collects a variety of human capital data that could be used to identify systemic issues and inform policy, but its success in leveraging the data is limited and opportunities lost. Reasons include issues with the access, availability, and quality of some datasets. A lack of standards and interoperability across federal agencies human capital IT systems further limits data sharing and data analytics.
- OPM's technology environment includes an infrastructure supporting internal employees and systems, tools, and applications supporting external customers (including federal agencies, employees, and annuitants, and the public). OPM's technology environment is outdated and has undergone multiple, largely unsuccessful modernization attempts. The IT organization has experienced considerable leadership turnover and staffing vacancies.
- More recently, OPM has taken actions to address its IT issues and provide stability and security to OPM systems, including migrating mainframes, filling critical IT vacancies, and replacing obsolete employee equipment, among other priorities. OPM has also established a key partnership with GSA's Centers of Excellence to bring in expertise in key technology areas. However, OPM lacks a dedicated source for funding IT investments.
- Congress' transfer of OPM's National Background Investigations Bureau (NBIB) to the Department of Defense (DOD) resulted in OPM enduring a significant funding shortfall; OPM continues to provide technical support to DOD which is burdensome, increases OPM's risks, and diverts attention away from OPM IT priorities.
- Constrained funding and a fragmented funding structure have hampered OPM's mission performance. Weaknesses in resource planning and management, and lack of transparency in the budget development process further contribute to the problem. OPM has efforts underway, including the implementation of a new financial management system, to address these issues.

Recommendations

Objective: Enable and realize the untapped potential of federal human capital data and data analytics as key drivers and assets in strategic human capital management.

Recommendations:

- 3.1** OPM should initiate efforts to (1) improve the quality of the federal human capital data it collects, provide an integrated view of the federal workforce, and standardize the functional, operational, and data components of the human capital management lifecycle, and (2) broaden the availability and accessibility of the data it provides to agencies and the public, in addition to providing tools to help agencies with data collection, analysis, and reporting.
- 3.2** OPM should establish a systematic approach and process to measure and track the state and capacity of the federal workforce.

Recommendations

Objective: Transform OPM's human capital technology platforms and enhance the experience of OPM's customers and employees.

Recommendations:

- 3.3** OPM should prioritize IT modernization and seek funding from Congress to modernize the eOPF and develop an employee digital record, upgrade technology systems supporting the federal retirement programs, enable a modern human capital data and analytics platform, and transform its website to be both user-centric and user-friendly.
- 3.4** OPM should work with OMB and Congress to develop a clear and agreed-to plan to transition and sunset its ongoing IT operational support to the Defense Counterintelligence and Security Agency (DCSA), based on an assessment of the impact on OPM's IT budget and enterprise priorities.

Recommendations

Objective: Enable more strategic and sustainable funding to support OPM's mission performance.

Recommendations:

- 3.5** OPM should expand its ongoing re-baselining initiative to determine the cost of current OPM operations, assess the cost implications of changes recommended in this report (including provision of core human capital services currently offered on a fee-for-service basis), and identify opportunities to reduce costs and reallocate resources to accomplish mission responsibilities more effectively and efficiently.
- 3.6** OPM should continue its efforts to strengthen capacity to track staff costs and implement strategic workforce planning to inform more rigorous budget justifications and manage resources more efficiently and effectively.
- 3.7** Congress should provide dedicated funding to be used for specific, major OPM IT modernization projects contingent on the development of an agreed-upon roadmap based on sound IT investment planning and control processes.
- 3.8** Congress should provide authority to OPM to establish an IT Working Capital Fund, contingent on the completion of an enterprise-wide IT requirements and cost analysis to enable a more flexible and accountable internal process for funding IT operations and maintenance.

The Need to Act

The roadmap of recommended actions to meet these objectives shines a spotlight on the importance of human capital and critical workforce issues by reframing OPM's mission and affording the agency the foundation needed to lead strategic, government-wide human capital management.

Timing is fortuitous. With a new Administration and Congress, the report provides an opportunity for a fresh look at changes OPM can make to become both the organization and the government-wide leader it was always meant to be. The new Administration cannot accomplish its ambitious agenda without an effective workforce—an effective OPM is absolutely critical to this undertaking.

[Read the full report at the Academy's website.](#)

Panel of Academy Fellows



Janet Hale

Panel Chair



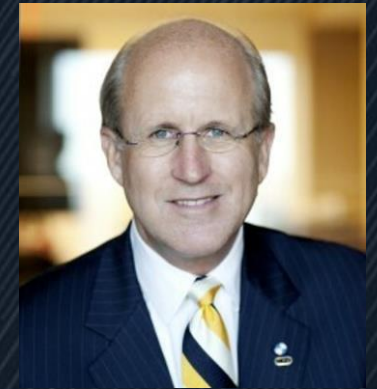
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