

GAO

Testimony

Before the Subcommittee on Civil Service and Agency
Organization, Committee on Government Reform, House
of Representatives

For Release on Delivery
Expected at 10:00 a.m. CDT
Monday, June 7, 2004

HUMAN CAPITAL

Status of Efforts to
Improve Federal Hiring

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Highlights of [GAO-04-796T](#), a testimony before the Subcommittee on Civil Service and Agency Organization, Committee on Government Reform, House of Representatives

Why GAO Did This Study

The executive branch hired nearly 95,000 new employees during fiscal year 2003. Improving the federal hiring process is critical given the increasing number of new hires expected in the next few years.

In May 2003, GAO issued a report highlighting several key problems in the federal hiring process. That report concluded that the process needed improvement and included several recommendations to address the problems.

Today, GAO is releasing a follow-up report requested by the subcommittee that discusses (1) the status of recent efforts to help improve the federal hiring process and (2) the extent to which federal agencies are using two new hiring flexibilities—category rating and direct-hire authority. Category rating permits an agency manager to select any job candidate placed in a best-qualified category. Direct-hire authority allows an agency to appoint individuals to positions without adherence to certain competitive examination requirements when there is a severe shortage of qualified candidates or a critical hiring need.

What GAO Recommends

The report GAO is issuing today includes no new recommendations, but it does underscore prior GAO recommendations to which additional attention is needed.

www.gao.gov/cgi-bin/getrpt?GAO-04-796T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact J. Christopher Mihm at (202) 512-6806 or mihmj@gao.gov.

HUMAN CAPITAL

Status of Efforts to Improve Federal Hiring

What GAO Found

Congress, the Office of Personnel Management (OPM), and agencies have all taken steps to improve the federal hiring process. In particular, Congress has provided agencies with additional hiring flexibilities, OPM has taken significant steps to modernize job vacancy announcements and develop the government's recruiting Web site, and most agencies are continuing to automate parts of their hiring processes. Nonetheless, problems remain with a job classification process and standards that many view as antiquated, and there is a need for improved tools to assess the qualifications of job candidates. Specifically, the report being released today discusses significant issues and actions being taken to:

- reform the classification system,
- improve job announcements and Web postings,
- automate hiring processes, and
- improve candidate assessment tools.

In addition, agencies appear to be making limited use of the two new hiring flexibilities contained in the Homeland Security Act of 2002—category rating and direct-hire authority—that could help agencies in expediting and controlling their hiring processes. GAO surveyed members of the interagency Chief Human Capital Officers Council who reported several barriers to greater use of these new flexibilities. Frequently cited barriers included (1) the lack of OPM guidance for using the flexibilities, (2) the lack of agency policies and procedures for using the flexibilities, (3) the lack of flexibility in OPM rules and regulations, and (4) concern about possible inconsistencies in the implementation of the flexibilities within the department or agency.

The federal government is now facing one of the most transformational changes to the civil service in half a century, which is reflected in the new personnel systems for Department of Homeland Security and the Department of Defense and in new hiring flexibilities provided to all agencies. Today's challenge is to define the appropriate roles and day-to-day working relationships for OPM and individual agencies as they collaborate on developing innovative and more effective hiring systems. Moreover, human capital expertise within the agencies must be up to the challenge for this transformation to be successful and enduring.

Chairwoman Davis, Mr. Davis, and Members of the Subcommittee:

I appreciate the opportunity to be here today to discuss efforts to improve the federal hiring process. As you are keenly aware, federal agencies must have effective hiring processes to compete for talented people in a highly competitive job market. Given the number of new federal hires expected in the next few years, improving the government's hiring process is critical. In fact, the executive branch hired nearly 95,000 new employees in fiscal year 2003. Still, there has been widespread recognition that the federal hiring process all too often does not meet the needs of agencies in achieving their missions, the needs of managers in filling positions with the right talent, nor the needs of applicants for a timely, efficient, transparent, and merit-based process. Clearly, things needed to change.

In May 2003, we issued a report highlighting several key problems in the federal hiring process.¹ That report concluded that the federal hiring process needed improvements, and we made several recommendations to address problems with key parts of the hiring process. Specifically, we recommended that the Office of Personnel Management (OPM) take additional actions to assist agencies in strengthening the hiring process. Also, we reported that agencies must take greater responsibility for maximizing the efficiency and effectiveness of their individual hiring processes within the current statutory and regulatory framework that Congress and OPM have provided.

Today, we are issuing a follow-up report, done at the request of the Chairwoman and Mr. Davis, that focuses on recent governmentwide efforts to improve the federal hiring process.² My testimony today summarizes the work we have done for this report. Specifically, you asked us to (1) provide information on the status of recent efforts to help improve the federal hiring process and (2) determine the extent to which federal agencies are using new hiring flexibilities authorized by the Homeland Security Act of 2002.³ Our work to address these objectives was based on interviews with

¹U.S. General Accounting Office, *Human Capital: Opportunities to Improve Executive Agencies' Hiring Processes*, [GAO-03-450](#) (Washington, D.C.: May 30, 2003).

²U.S. General Accounting Office, *Human Capital: Additional Collaboration Between OPM and Agencies Is Key to Improved Federal Hiring*, [GAO-04-797](#) (Washington, D.C.: June 7, 2004).

³These hiring flexibilities are contained in the Chief Human Capital Officers Act of 2002, Title XIII of the Homeland Security Act of 2002. Pub. L. No. 107-296 (Nov. 25, 2002).

officials from OPM and the interagency Chief Human Capital Officers (CHCO) Council, the results of our survey of 22 of the 23 agency members serving on the CHCO Council,⁴ and our review of OPM documents as well as data from OPM's central database of governmentwide personnel information. We conducted our work in accordance with generally accepted government auditing standards, during March through May of this year.

In summary, we found the following:

- Congress, OPM, and agencies have recognized that federal hiring has needed reform, and they have all undertaken efforts to do so. In particular, Congress has provided agencies with additional hiring flexibilities, OPM has taken significant steps to modernize job vacancy announcements and develop the government's recruiting Web site, and most agencies are continuing to automate parts of their hiring processes. Nonetheless, problems remain with a job classification process and standards that many view as antiquated, and there is a need for improved tools to assess the qualifications of job candidates.
- Agencies appear to be making limited use of the two new hiring flexibilities contained in the Homeland Security Act of 2002. One of these hiring flexibilities, known as category rating, permits an agency to select any job candidate placed in a best-qualified category rather than being limited to three candidates under the "rule of three." The other hiring flexibility, often referred to as direct hire, allows an agency to appoint people to positions without adherence to certain competitive examination requirements when there is a severe shortage of qualified candidates or a critical hiring need.

The report we are issuing today includes no new recommendations, but it does underscore our prior recommendations to which we believe additional attention is needed. In response to a draft of the report we are issuing today, OPM said that it has done much to assist agencies to improve hiring and increase agency officials' knowledge about the hiring flexibilities available to them. OPM stressed that agencies themselves must rise to the challenge, provide consistent leadership at the senior level, take advantage

⁴The CHCO Council member from the Central Intelligence Agency (CIA) did not respond to the survey because his representative said the agency was an excepted service agency and thus the survey questions were not relevant.

of the training opportunities offered by OPM, and make fixing the hiring process a priority.

OPM and Agencies Are Taking Steps to Improve the Hiring Process

OPM and agencies are continuing to address the problems with the key parts of the hiring process we identified in our May 2003 report. Significant issues and actions being taken include the following.

Reforming the classification system. In our May 2003 report on hiring, we noted that many regard the standards and process for defining a job and determining pay in the federal government as a key hiring problem because they are inflexible, outdated, and not applicable to the jobs of today. The process of job classification is important because it helps to categorize jobs or positions according to the kind of work done, the level of difficulty and responsibility, and the qualifications required for the position, and serves as a building block to determine the pay for the position. As you know, defining a job and setting pay in the federal government has generally been based on the standards in the Classification Act of 1949, which sets out the 15 grade levels of the General Schedule system.

To aid agencies in dealing with the rigidity of the federal classification system, OPM has revised the classification standards of several job series to make them clearer and more relevant to current job duties and responsibilities. In addition, as part of the effort to create a new personnel system for the Department of Homeland Security (DHS), OPM is working with DHS to create broad pay bands for the department in place of the 15-grade job classification system that is required for much of the federal civil service. Still, OPM told us that its ability to more effectively reform the classification process is limited under current law and that legislation is needed to modify the current restrictive classification process for the majority of federal agencies. As we note in the report we are issuing today, 15 of the 22 CHCO Council members responding to our recent survey reported that either OPM (10 respondents) or Congress (5 respondents) should take the lead on reforming the classification process, rather than the agencies themselves.

Improving job announcements and Web postings. We pointed out in our May 2003 report that the lack of clear and appealing content in federal job announcements could hamper or delay the hiring process. Our previous report provided information about how some federal job announcements were lengthy and difficult to read, contained jargon and acronyms, and appeared to be written for people already employed by the

government. Clearly, making vacancy announcements more visually appealing, informative, and easy to access and navigate could make them more effective as recruiting tools.

To give support to this effort, OPM has continued to move forward on its interagency project to modernize federal job vacancy announcements, including providing guidance to agencies to improve the announcements. OPM continues to collaborate with agencies in implementing Recruitment One-Stop, an electronic government initiative that includes the USAJOBS Web site (www.usajobs.opm.gov) to assist applicants in finding employment with the federal government. As we show in the report we are issuing today, all 22 of the CHCO Council members responding to our recent survey indicated that their agencies had made efforts to improve their job announcements and Web postings. In the narrative responses to our survey, a CHCO Council member representing a major department said, for example, that the USAJOBS Web site is an excellent source for posting vacancies and attracting candidates. Another Council member said that the Recruitment One-Stop initiative was very timely in developing a single automated application for job candidates.

Automating hiring processes. Our May 2003 report also emphasized that manual processes for rating and ranking job candidates are time consuming and can delay the hiring process. As we mentioned in our previous report, the use of automation for agency hiring processes has various potential benefits, including eliminating the need for volumes of paper records, allowing fewer individuals to review and process job applications, and reducing the overall time-to-hire. In addition, automated systems typically create records of actions taken so that managers and human capital staff can easily document their decisions related to hiring.

To help in these efforts, OPM provides to agencies on a contract or fee-for-service basis an automated hiring system, called USA Staffing, which is a Web-enabled software program that automates the steps of the hiring process. These automated steps would include efforts to recruit candidates, use of automated tools to assess candidates, automatic referral of high-quality candidates to selecting officials, and electronic notification of applicants on their status in the hiring process. According to OPM, over 40 federal organizations have contracted with OPM to use USA Staffing. OPM told us that it has developed and will soon implement a new Web-based version of USA Staffing that could further link and automate agency hiring processes. As we mention in the report we are issuing today, 21 of the 22 CHCO Council members responding to our recent survey reported

that their agencies had made efforts to automate significant parts of their hiring processes.

Improving candidate assessment tools. We concluded in our May 2003 report that key candidate assessment tools used in the federal hiring process can be ineffective. Our previous report noted that using the right assessment tool, or combination of tools, can assist the agency in predicting the relative success of each applicant on the job and selecting the relatively best person for the job. These candidate assessment tools can include written and performance tests, manual and automated techniques to review each applicant's training and experience, as well as interviewing approaches and reference checks.

In our previous report, we noted some of the challenges of assessment tools and special hiring programs used for occupations covered by the Luevano consent decree.⁵ Although OPM officials said they monitor the use of assessment tools related to positions covered under the Luevano consent decree, they have not reevaluated these assessment tools. OPM officials told us, however, that they have provided assessment tools or helped develop new assessment tools related to various occupations for several agencies on a fee-for-service basis. Although OPM officials acknowledged that candidate assessment tools in general need to be reviewed, they also told us that it is each agency's responsibility to determine what tools it needs to assess job candidates. The OPM officials also said that if agencies do not want to develop their own assessment tools, then they could request that OPM help develop such tools under the reimbursable service program that OPM operates. As we state in the report we are issuing today, 21 of the 22 CHCO Council members responding to our recent survey indicated that their agencies had made efforts to improve their hiring assessment tools.

Although we agree that OPM has provided assistance to agencies in improving their candidate assessment tools and has collected information

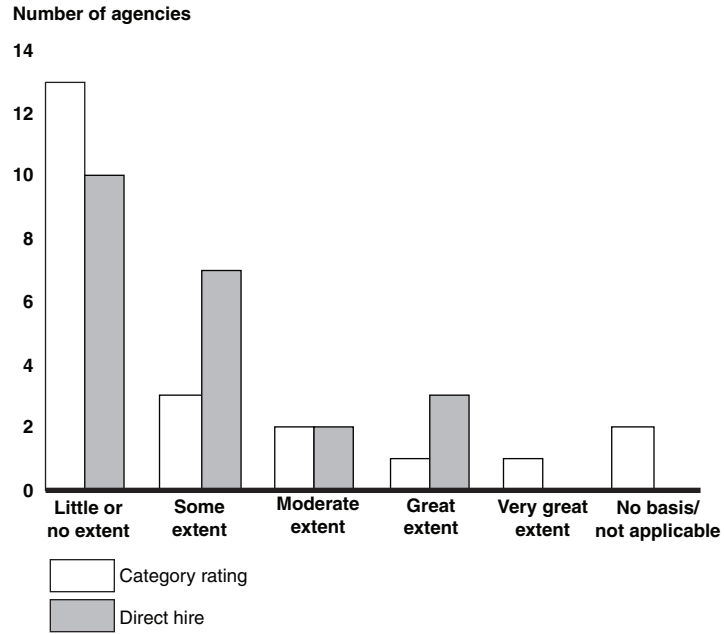
⁵The Luevano consent decree is a 1981 agreement that settled a lawsuit alleging that a written test, Professional and Administrative Careers Examination (PACE), had an adverse impact on African Americans and Hispanics. See *Luevano v. Campbell*, 93 F.R.D. 68 (D.D.C. 1981). The consent decree called for the elimination of PACE and required replacing it with alternative examinations. In response to the consent decree, OPM developed the Administrative Careers with America examination. The consent decree also established two special hiring programs, Outstanding Scholar and Bilingual/Bicultural, for limited use in filling former PACE positions.

on agencies' use of special hiring authorities, we believe that major challenges remain in this area. OPM can take further action to address our prior recommendations related to assessment tools. OPM could, for example, actively work to link up agencies having similar occupations so that they could potentially form consortia to develop more reliable and valid tools to assess their job candidates.

Agencies Appear to Be Making Limited Use of New Hiring Flexibilities

Despite agency officials' past calls for hiring reform, agencies appear to be making limited use of category rating and direct-hire authority, two new hiring flexibilities created by Congress in November 2002 and implemented by OPM in June of last year. Data on the actual use of these two new flexibilities are not readily available, but most CHCO Council members responding to our recent survey indicated that their agencies are making little or no use of either flexibility (see fig. 1). OPM officials also confirmed with us that based on their contacts and communications with agencies, it appeared that the agencies were making limited use of the new hiring flexibilities. The limited use of category rating is somewhat unexpected given the views of human resources directors we interviewed 2 years ago. As noted in our May 2003 report, many agency human resources directors indicated that numerical rating and the rule of three were key obstacles in the hiring process. Category rating was authorized to address those concerns.

Figure 1: CHCO Council Members' Responses on the Extent to Which Their Agencies Are Using Category Rating and Direct Hire



Source: CHCO Council members' responses to GAO questionnaire.

The report we are issuing today also includes information about barriers that the CHCO Council members believed have prevented or hindered their agencies from using or making greater use of category rating and direct hire. Indeed, all but one of the 22 CHCO Council members responding to our recent survey identified at least one barrier to using the new hiring flexibilities. Frequently cited barriers included

- the lack of OPM guidance for using the flexibilities,
- the lack of agency policies and procedures for using the flexibilities,
- the lack of flexibility in OPM rules and regulations, and
- concern about possible inconsistencies in the implementation of the flexibilities within the department or agency.

Our Prior Recommendation Calls Attention to Additional Action Needed

In a separate report we issued in May 2003 on the use of human capital flexibilities, we recommended that OPM work with and through the new CHCO Council to more thoroughly research, compile, and analyze information on the effective and innovative use of human capital flexibilities.⁶ We noted that sharing information about when, where, and how the broad range of personnel flexibilities is being used, and should be used, could help agencies meet their human capital management challenges. As we recently testified, OPM and agencies need to continue to work together to improve the hiring process, and the CHCO Council should be a key vehicle for this needed collaboration.⁷ To accomplish this effort, agencies need to provide OPM with timely and comprehensive information about their experiences in using various approaches and flexibilities to improve their hiring processes. OPM—working through the CHCO Council—can, in turn, help by serving as a facilitator in the collection and exchange of information about agencies’ effective practices and successful approaches to improved hiring. Such additional collaboration between OPM and agencies could go a long way to helping the government as a whole and individual agencies in improving the processes for quickly hiring highly qualified candidates to fill important federal jobs.

In conclusion, the federal government is now facing one of the most transformational changes to the civil service in half a century, which is reflected in the new personnel systems for DHS and the Department of Defense and in new hiring flexibilities provided to all agencies. Today’s challenge is to define the appropriate roles and day-to-day working relationships for OPM and individual agencies as they collaborate on developing innovative and more effective hiring systems. Moreover, for this transformation to be successful and enduring, human capital expertise within the agencies must be up to the challenge.

Madam Chairwoman and Mr. Davis, this completes my statement. I would be pleased to respond to any questions that you might have.

⁶U.S. General Accounting Office, *Human Capital: OPM Can Better Assist Agencies in Using Personnel Flexibilities*, [GAO-03-428](#) (Washington, D.C.: May 9, 2003).

⁷U.S. General Accounting Office, *Human Capital: Observations on Agencies’ Implementation of the Chief Human Capital Officers Act*, [GAO-04-800T](#) (Washington, D.C.: May 18, 2004).

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