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ON

HUMAN CAPITAL MANAGEMENT: A HIGH RISK AREA FOR THE
DEPARTMENT OF DEFENSE

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Chairman McKeon, Ranking Member Smith, and Members of the Committee:

On behalf of the Secretary of Defense, Leon E. Panetta, I would like to thank you for inviting the Department of Defense (DoD) to appear at this hearing today to discuss the Department's efforts to enhance Strategic Human Capital Management and Total Force Management in support of its critical mission.

INTRODUCTION

The Department appreciates the opportunity to discuss the critical importance of Strategic Human Capital Management, and the steps we are taking to enhance our ability to develop a high-performing workforce that meets the mission needs of the DoD today and in the future. We support the concept of an integrated approach to Total Force Management underpinned by a Strategic Human Workforce Plan. The complex mission set of the Department requires a planning construct that is responsive to changes in strategic priorities, acknowledges the constrained resource environment that challenges us daily, and maintains the core competencies essential to allowing the Department to function as smart buyers of goods and services and to maintain required readiness levels. Today, my testimony will focus on our efforts to develop, implement, and refine the Department's Strategic Workforce Plan for the civilian workforce.

The Department must continue to develop a strategy that achieves good "fit." We are responsible for managing a workforce that spans over 780,000 civil servants in more than 640 occupations. Our strategy must evolve so that we develop a richer, deeper understanding of how we integrate the mission needs of the Department across three axes: war fighting platforms, personnel, and the supporting infrastructure. To that end, the Department is moving in the direction of developing a portfolio of analytical capabilities which will allow us to:

- Understand the demand signal for personnel resources;
- Clearly identify the strengths and weaknesses in the skill portfolio of our workforce, and match them to mission demands;
- Develop strategies which provide a clear career path for all of our employees, allowing them to develop a robust market basket of functional and leadership skills; and

- Develop training and recruitment programs which respond to changes in mission and Department priorities.

People, and the knowledge, skills, and abilities they possess, are critical to successfully meeting the Department's mission. We must improve our ability to match the skill sets brought to bear on the Department's priorities and maximize their impact on mission outcome. Since assuming my role as the Deputy Assistant Secretary of Defense for Civilian Personnel Policy in January of this year, I have focused on this issue. The Department has made good strides in the past two to three years in the development and implementation of a Strategic Workforce Plan. I consider our efforts a solid foundational base from which to move forward. Given that, there are several issues on which to focus as we move ahead. These include:

- We need to replicate the high yield efforts made by the Department's Acquisition Workforce planning and revitalization program across other occupational skill sets.
- Building upon the improvements we have made in managing the utilization and continued development of our Senior Leaders. We must leverage the lessons learned from this effort, and export them across all grade levels in the Department.
- Widening our planning focus from only a small set of Mission Critical Occupations (MCOs) that cover approximately 40 percent of our civilian employees to a functional community management strategy which captures greater than 80 percent of our civilian workforce.
- Emulating the military career model where the range of experiences a person is exposed to, and the skill sets they acquire, are more deliberately defined and executed, from the entry level through the mid and senior grades.
- Development of a DoD-wide implementation plan for defining and measuring functional proficiencies across the career continuum so we can agilely move personnel across the Department in response to changing priorities, ensuring each employee comes to the work place with key skills and proficiencies which are current and can be immediately applied to the Department's work requirements.
- Continuing to focus on reducing the cycle time to hire and increasing applicant and management satisfaction. By creating a robust Strategic Workforce Plan that focuses on required competencies, we can create better Position Descriptions and Job

Opportunity Announcements which improve the timeliness and quality of our hiring actions.

- We also recognize the need for integrated Total Force planning to better assess and manage the mix of active and reserve military, civilian, and contract requirements in order to leverage the best talent source available to provide short-term, mid-range, and longer capabilities.

The Department appreciates the efforts of the Government Accountability Office (GAO) in shaping the challenges associated with managing critical skills gaps. In recent weeks, Office of Personnel Management (OPM) Director John Berry met with senior leaders at GAO to discuss this issue. Later this month, OPM and GAO will offer a proposal to the Chief Human Capital Officer (CHCO) Council on how we can manage the critical skill shortages at both the agency and whole of government level. Director Berry has asked me to chair that effort on behalf of OPM and all Executive Agency CHCOs. This will be a great opportunity, especially for DoD, to gain the advice and counsel of the GAO, learn from other Executive Agencies, and make significant strides in addressing problems in this area.

DOD'S STRATEGIC HUMAN CAPITAL MANAGEMENT IN THE CONTEXT OF TOTAL FORCE MANAGEMENT

I would first like to review the Department's Strategic Human Capital Management efforts in the larger context of the Total Force Management of our military volunteers, government civilians, and contracted services.

It is clear the global demands placed on the Department will not abate at a time we are also facing significant resource challenges. Therefore, we must structure a Total Force that allows us to successfully execute the full range of missions in the National Defense Strategy at prudent levels of risk, achieving the best possible return on investment. In an austere resource environment, this fact is even more important as Total Force manpower demands must compete with mission demands for platforms, systems, installations, and fact-of-life operational costs, such as fuel. Our challenge is to create a Total Force that is balanced, highly skilled, and affordable.

Without question, Strategic Human Capital Management cannot be viewed in isolation from the other components of the Total Force. Instead, we must arrive at well-reasoned and complimentary solutions. Similarly, we cannot fail to challenge assumptions and increasingly focus on the “front end,” the “demand end,” of Total Force Management, and subsequently, acquire and develop the right kinds and numbers of personnel (or service contracts) to satisfy authorized requirements.

EVOLUTION OF DOD STRATEGIC HUMAN CAPITAL MANAGEMENT

Having discussed the all-important concept of Total Force Management, let me now address our plans to enhance civilian Strategic Human Capital Management.

By way of background, the Department has been evolving its strategic workforce planning process over the last several years under the oversight of the USD P&R, and Office of the Secretary of Defense (OSD) and DoD Component Functional Community Managers (FCM), who have been charged to develop, implement, and monitor workforce planning for their respective functional areas.

The National Defense Authorization Act for Fiscal Years 2006 and 2007 set forth requirements for human capital planning for the DoD civilian workforce, including an annual implementation report. A Strategic Human Capital Plan was required with an annual update for each year from 2007 through 2010.

The first Department of Defense Civilian Human Capital Strategic Plan, 2006-2010, was submitted in November 2007. This was followed by an implementation report that addressed enterprise-wide leadership development, challenges to attract and sustain the right talent, and efforts to refresh identification of 25 MCOs. At that time, MCOs represented occupations that were determined to be key to current/future mission requirements and presented a challenge regarding recruitment and retention rates and for which succession planning was needed. While this report described various strategies to meet workforce challenges and outlined the efforts underway within the Components, GAO found that it did not address the majority of Congressional reporting requirements. Specifically, an assessment of current mission-critical

competencies, assessment of gaps between current and future critical skills and competencies, projected trends in the workforce, and recruiting and retention goals were lacking.¹

The May 2008 Implementation Report for the DoD Civilian Human Capital Strategic Plan 2006-2010 was the first report capturing Department-wide efforts following the NDAA FY 2006 and 2007 requirements.² In order to meet twenty-first century challenges, and the need for increased interoperability to support joint endeavors, the Department focused its workforce forecasting on a select set of enterprise-wide MCOs following a new four-step workforce planning approach. Workforce projections were provided for the MCOs based on a steady-state forecast based on historical attrition patterns without data on actual future requirements.

The Department submitted its FY 2009 Strategic Human Capital Implementation Plan in March 2010 based on the FY 06 and 07 NDAA requirements. The GAO determined that most statutory requirements were either met or partially met, but that more needed to be done.³ For example, the FY 2009 plan did not include results-oriented performance measures. The FY 2009 plan noted improvements in forecasting based on projected manpower needs and consideration of environmental factors such as Base Realignment and Closure (BRAC), in-sourcing, and emerging missions, rather than steady state requirement projections. It established accession/retention goals and developed strategies to close gaps. This collaborative planning effort was further guided by human resources, manpower, and budget partners at each organizational level.

Current planning efforts in the FY 2010-2018 DoD Strategic Workforce Plan are focused on NDAA FY 2010 requirements, to include competency identification, strategies to meet workforce goals, development of Component Human Capital reports, and establishment of results-oriented performance measures. The FY 2010 NDAA added a new requirement for Total Force (military/civilian/contractor) workforce planning for which DoD is developing implementing policies.

¹ GAO-08-439R

² NDAA FY 2006, Section 1122, Strategic Human Capital Plan for Civilian Employees of the Department of Defense, and NDAA FY 2007 Section 1102

³ GAO-10-814R

We believe the Department has improved its plan for the overall workforce. Last year GAO assessed the Department as having met 5 and partially met 9 overall workforce planning requirements. This year we expect to fully meet at least 7 requirements, including establishment of results-oriented performance measures. For the Senior Leader Workforce, last year GAO assessed 7 requirements as met and 7 as partially met. This year we expect to fully meet all requirements.

DOD'S PROGRESS AGAINST GAO RECOMMENDATIONS

The Department is making progress toward developing a more systematic approach, and complimentary enterprise tools for Strategic Workforce Planning, with specific focus in three areas:

First, we are focusing on institutionalizing our Workforce Planning Framework. Last year, we established Component Integrators to support workforce planning in the Military Departments and Defense Agencies and implemented a structured DoD workforce planning process, including a timeline for deliverables and standardized reporting templates for Functional Communities and DoD Components. We expanded the DoD Strategic Human Capital Planning Office to lead policy development, workforce forecasting and data analysis, competency management, and advisory support to the Functional Community Managers (FCMs). We delivered workforce analytics training for functional communities, developed workforce planning training and guidance for managers and supervisors, and drafted guidance for assessing multi-sector workforce mix.

Second, we introduced a DoD Competency Management Framework that includes plans for phased development of occupational competencies and deployment of a tool for competency assessments beginning with MCOs. Last year we identified core competencies for eight of 24 MCOs and two cross-cutting functions, leveraging existing DoD Component competency work, and we began competency development for other occupations to be completed in FY 2012 and beyond. We developed requirements for an interim solution for an Enterprise Competency Management Tool (ECMT) to assess workforce competencies and identify gaps. When completed, these initiatives will provide the foundation needed to assess competency gaps across the workforce.

Our third focus area is workforce analytics, strategies, and measures of progress. The FY 2010-2018 Strategic Workforce Plan that will be submitted later this summer includes forecasts and recruitment, retention, and development strategies and funding needed to close workforce gaps in mission critical occupations. We incorporated initial Component and Defense Agency workforce planning reports. We also established results-oriented performance measures which address a deficiency in the FY 2009 plan.

These focus areas are key to our effort to integrate strategic workforce planning, competency management, hiring improvements, and leadership development initiatives to ensure that we can recruit, develop, and retain an agile, competency-focused civilian workforce throughout the employee life-cycle that is responsive to swiftly changing mission demands and complex challenges. With respect to our senior leader workforce, we are expanding successful efforts in talent management and succession planning for our Civilian Senior Executives (CSEs) to senior leaders GS-15 and below.

All of these are multi-year initiatives that are intended to improve the Department's ability to rapidly grow, contract, and shift the workforce in response to emerging mission and capability requirements.

The following are specific examples of progress within our Functional Communities:

Financial Management Community

The Financial Management (FM) Community, led by the Under Secretary of Defense (Comptroller)/Chief Financial Officer, has defined competencies and proficiency levels for all 05XX (FM) occupational series and will complete the validation process in September 2011. These competencies will be used to perform gap assessments for current 05XX employees, and to develop career roadmaps which will provide financial management civilians a guideline and direction for professional career growth. The career roadmaps will include recommendations for professional experience in both the technical and leadership areas of emphasis, other developmental opportunities, formal education, and technical based training courses. In support of the Fiscal Year 2012 National Defense Authorization Act House Armed Services Committee language, the financial management competencies are also being used as the foundational

framework for the new Department of Defense Financial Management Professional Certification Program – a program also aimed to improve the analytic capability of the FM workforce and to ensure the FM workforce has the knowledge necessary to achieve auditability for the Department.

Logistics Community

The DoD Logistics Community developed a human capital strategy that outlined a vision for an integrated, agile, high-performing workforce that can succeed in a joint operating environment. It was launched in 2006 with a broad assessment of the logistics workforce demographics, categories, and key trends driving future logistics requirements through 2020. Key accomplishments to date include:

- Completion of a Human Capital Strategy document outlining the vision, enabling pillars, and path forward; the Strategy was signed by Components and Deputy Under Secretary of Defense for Logistics and Material Readiness (L&MR) in 2008;
- Identification, definition, validation, and socialization of common set of core DoD-wide Logistics technical competencies and proficiencies by a working group of nearly 50 subject matter experts ;
- Collection of workforce demographics for both civilian and military members of the Logistics functional community; and
- Completion of a Training and Education Review which provides a representative collection of the training, education, and development assignments from DoD, industry, and private sources.

Senior Leader Community

The Department's senior leader workforce is viewed as one entity throughout the Department. Given the intent to have senior leadership that is capable and ready to move to where an emerging requirement exists within DoD, collaboration is an ongoing process among the Military Services, Defense Agencies, Joint Staff, and Office of the Secretary of Defense.

DoD conducts an assessment of the competencies of its entire SES workforce on an annual basis through its talent management process. With some exceptions based on professional qualifications, senior executives receive a readiness rating that measures the executive's current potential for reassignment for the purpose of succession management within the Department. This talent management system includes an evaluation of mission critical competencies, and developing succession plans for key positions.

On an annual basis, DoD conducts an assessment of the competencies of its senior leader workforce. Most senior executives receive a readiness rating that measures the executive's current potential for reassignment for the purpose of succession management. In addition, each executive is rated against a scale of 1-Baseline, through 5-Mastery in order to determine an executive's proficiency level of a mission-critical competency. Once this process is complete, Components and Department-level subject matter experts (SMEs) are able to compile statistics to identify where DoD falls short on particular gaps.

Succession Planning provides the Department with the ability to view bench strength available now with the goal of providing these slates for mid-term (3-5 years) and far-term (5-7 years). Through the Talent Management process, the Department can review retirement trends and gaps in critical positions and identify those positions that possess a weak bench of available talent.

The results from the Talent Management Panels and Succession Planning activities also guide the Department's training and development decisions. At the Department level, upon conclusion of the annual Talent Management process, gaps are analyzed to identify training and development requirements Department-wide for executives. The Department is enhancing leadership capability by providing high-potential and high-value leaders with specialized, intensive, and targeted development through the continued use and improvement of leadership development programs.

In summary, the Department's civilian strategic workforce planning efforts in recent years represents a good start and progress has been made, but it's time to recalibrate our efforts. To this end, we have begun to reframe the enterprise workforce planning and competency management approach to enable achievement of the Department's workforce planning goals.

RECALIBRATING THE DOD FRAMEWORK FOR STRATEGIC WORKFORCE PLANNING

In May of this year, the Department began a process to increase the scope and revise the approach for civilian workforce planning. Due to the fact that both mission requirements and workforce demographics continually evolve, the Department requires a broader framework for assessing the health and critical competencies of the overall workforce in order to plan deliberate strategies to ensure the workforce can fulfill mission needs. The number of functional communities will be doubled to cover to over 80 percent of the workforce. An expanded functional community structure will enable greater insight into all the major segments of the workforce and support the Department's ability to assess total force capabilities. A broader functional community structure will allow the Department to identify workforce strengths and weaknesses, opportunities and threats, overages and shortages, and skills imbalances for more effective strategic workforce planning.

In addition, we are redefining the criteria for MCOs to better address the Department's mission risk areas aligned to the 2010 Quadrennial Defense Review (QDR) and the DoD Risk Mitigation Plan. This will ensure that we identify and assess MCOs based on mission risk, as well as labor market, critical skills, and demographic criteria. This initiative also aligns to federal-wide efforts to develop strategies to close critical skill gaps in segments of the workforce identified as high-risk.

Implementing a truly effective talent management system is dependent upon the ability to align the Department's mission with human capital decision making and practices. As such, the Department is working to institutionalize a competency-based talent management lifecycle approach. Consistent with industry and federal leading practices, this approach utilizes mission-focused competencies as the foundation from which workforce planning, recruiting, training, development, and other Human Resource strategies are developed.

Historically, the identification and definition of competencies within the Department has been driven by the DoD Components, resulting in varying methodologies with varied and localized impact. Moving forward, to achieve efficiencies and improved DoD-wide talent

management decision-making, the Department is institutionalizing a DoD-wide competency management framework for FCMs to:

1. Define the market basket of functional competencies that employees in a career field should possess from entry through senior levels based on current and emerging mission requirements;
2. Determine the proficiency levels employees should have for the functional competencies; and
3. Develop career roadmaps that outline training, education and job experience expectations.

Implementation of the enterprise competency management framework will provide a standardized foundation from which the Department can systematically identify DoD-wide competencies and gaps across functional communities.

To support implementation of this framework, a governance structure including a Competency Management Advisory Board is being established. This board is working to develop a common methodology and taxonomy for competency and career roadmap development as well as develop specific DoD action plans to define competencies for occupations identified under the expanded functional community structure.

In order to better inform workforce decisions, it is also critical that the Department have the capability to capture and analyze the competency proficiency of the workforce against the mission-driven manpower needs.

There has been much progress over the past year in strengthening the policy and process by which future manpower needs are determined and captured. Manpower determinations, serving as a key link between mission and budget, provide the baseline against which current and project workforce size and competencies should be assessed. The Department does not currently have the capability to capture DoD-wide workforce competency proficiency. While surveys have been utilized in the past to solicit employee and supervisor input on proficiency, the results were not sufficient for comprehensive workforce planning as only aggregate gaps were provided.

A few components have unique, customized competency management tools; however, the Department needs enterprise tools that will enable all supervisors and employees to identify and assess competencies for use in employee lifecycle management. The Department has developed functional requirements for an interim system solution and is exploring modification of existing component tools for enterprise use.

Another challenge for the Department is implementing common planning and forecasting processes and tools that drive consistent and efficient Department-wide plans. We are working closely with components to leverage their leading practices and tools where appropriate for DoD-wide use. We are also evaluating existing tools for workforce forecasting of attrition, hiring and retention, and developing system requirements for a long-term solution.

We expect that data resulting from a competency assessment tool, in combination with documented manpower needs and a robust workforce forecasting capability, will provide the key data necessary for workforce planning, such as gaps between competency requirements and employee proficiency and projected competency loss due to retirements.

Timeline

The FY 2010-2018 DoD Strategic Workforce Plan will be submitted by the end of August 2011 based on the current planning structure that covers almost 40 percent of the workforce in 12 functional communities, 5 cross-cutting communities, and 24 MCOs. GAO has scheduled its review of this plan to begin on August 2, 2011.

FY 2012 will be a transitional year for DoD workforce planning as we implement new functional communities to cover over 80 percent of the workforce. The focus in FY 2012 will be to implement a more robust governance structure for Total Force management, update Department policies, appoint and indoctrinate new FCMs, and identify mission critical occupations based on risk criteria. During FY 2012, we will also engage our national labor union partners in updating competency management policy to provide an enterprise framework, develop interim information technology (IT) solutions, and develop plans for the long-range IT tools needed for enterprise workforce planning and competency management.

In FY 2013-2015, I expect DoD's workforce planning capability to begin to mature with the implementation of enterprise assessment tools and functional community strategies for recruitment, development, and retention.

CONCLUSION

The Department is committed to enhancing Strategic Human Capital Management and Total Force Management in support of its critical mission. Thank you again for your interest in this critical area and for the opportunity to speak with you today.

I am pleased to take your questions.