

Board of Governors of the Federal Reserve System

The Board Can Take Additional Steps to Advance Workforce Planning



Office of Inspector General
Board of Governors of the Federal Reserve System
Bureau of Consumer Financial Protection



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Executive Summary, 2019-MO-B-004, March 25, 2019

The Board Can Take Additional Steps to Advance Workforce Planning

Finding

The Board of Governors of the Federal Reserve System's (Board) Human Resources (HR) function developed a preliminary enterprisewide workforce planning process in 2017. In 2018, HR began piloting this process. We found that division leaders across the Board have varying perspectives on the need for an enterprisewide workforce planning process. In its *Strategic Plan 2016–19*, the Board identifies its workforce as a strategic priority. Further, the Board has identified developing its workforce planning capability as one way in which it can meet this priority.

Division leaders' buy-in on participation in an enterprisewide workforce planning process may be impeded by several factors. These factors include limited initial communication from HR to divisions on HR's preliminary enterprisewide workforce planning process, the need for defined roles and responsibilities, a lack of clear support from top Board leaders, and existing division-specific approaches to workforce planning. As a result, the Board may struggle to advance its workforce planning strategy in all divisions.

The Board can consider further applying common workforce planning principles, which we refer to as the *workforce planning framework*, as it advances its enterprisewide workforce planning process. Although some principles in the framework are already incorporated into the Board's workforce planning efforts, we found that a few principles, such as those dealing with coordinating on an enterprisewide level and dedicating appropriate resources, can be further incorporated.

Recommendations

Our report contains recommendations designed to assist the Board in establishing a policy for enterprisewide workforce planning and achieving increased buy-in from division leaders and other stakeholders for such a policy. In its response to our draft report, the Board concurs with our recommendations and describes actions that will be taken to address our recommendations. These recommendations build on a recommendation in our 2017 report *The Board's Organizational Governance System Can Be Strengthened*. In that report, we found that the Board of Governors can increase the effectiveness of the Chief Operating Officer and the heads of the administrative functions in implementing enterprisewide administrative initiatives. Implementing the recommendation associated with this finding could further support the establishment of an enterprisewide workforce planning policy.

Purpose

We conducted this evaluation to assess the status of enterprisewide workforce planning and related developments at the Board.

Background

Workforce planning is the systematic process for identifying and addressing the gaps between the workforce of today and the human capital needs of tomorrow. Workforce planning can assure an organization that it has the right people in the right places at the right number, time, and cost to execute its mission.

As of December 31, 2017, 556 of the Board's 2,734 employees will be eligible for retirement by the end of 2022. Of the 556 employees eligible for retirement, 55 percent are in mission-supporting positions—economists, financial analysts, computer professionals, and attorneys. In addition, 44 percent of the Board's executive-level employees will be eligible for retirement during this time period.

The Board's responsibilities have evolved over time and are likely to continue to change in the future. Evolving workforce needs and the highly competitive hiring environment for individuals with the specialized skills that the Board needs are continuing challenges for the Board.



Office of Inspector General

Board of Governors of the Federal Reserve System
Bureau of Consumer Financial Protection

Recommendations, 2019-MO-B-004, March 25, 2019

The Board Can Take Additional Steps to Advance Workforce Planning

Finding: Advancing HR’s Preliminary Enterprisewide Workforce Planning Process May Be a Challenge

Number	Recommendation	Responsible office
1	Conduct additional outreach with the 14 Division Directors and other stakeholders a. to communicate and coordinate the preliminary enterprisewide workforce planning process. b. to establish the roles and responsibilities of HR and the divisions in an enterprisewide workforce planning process.	Office of the Chief Operating Officer and Management Division
2	Finalize a policy for enterprisewide workforce planning. This policy should provide division leadership with flexibility to tailor the policy’s enterprisewide workforce planning activities to best meet division or function needs.	Office of the Chief Operating Officer and Management Division



Office of Inspector General

Board of Governors of the Federal Reserve System
Bureau of Consumer Financial Protection

MEMORANDUM

DATE: March 25, 2019

TO: Michell Clark
Acting Chief Operating Officer and Director, Management Division
Board of Governors of the Federal Reserve System

FROM: Timothy Rogers *Timothy Rogers*
Acting Associate Inspector General for Audits and Evaluations

SUBJECT: OIG Report 2019-MO-B-004: *The Board Can Take Additional Steps to Advance Workforce Planning*

We have completed our report on the subject evaluation. Our original evaluation was split into two separate evaluations following changes to the methodology. The subject evaluation assesses the Board's workforce planning status and developments. The second evaluation, which is ongoing, will identify any challenges to the Board's efforts to implement workforce planning and related lessons learned from other organizations that may be applicable to the Board.

We provided you with a draft of our report for review and comment. In your response, you concur with our recommendations and outline actions that have been or will be taken to address our recommendations. We have included your response as appendix B to our report.

We appreciate the cooperation we received from the Board. Please contact me if you would like to discuss this report or any related issues.

cc: Ricardo A. Aguilera, Chief Financial Officer
Eric Belsky, Director, Division of Consumer and Community Affairs
Matthew J. Eichner, Director, Division of Reserve Bank Operations and Payment Systems
Michael S. Gibson, Director, Division of Supervision and Regulation
Steven B. Kamin, Director, Division of International Finance
Thomas Laubach, Director, Division of Monetary Affairs
Andreas Lehnert, Director, Division of Financial Stability
Ann E. Misback, Secretary of the Board
Sharon Mowry, Chief Information Officer
Michelle A. Smith, Assistant to the Board, Chief of Staff, and Director, Office of Board Members
Stacey Tevlin, Director, Division of Research and Statistics
Mark E. Van Der Weide, General Counsel

Steven A. Miranda, Deputy Director, Management Division
Tameika Pope, Chief Human Capital Officer
Tina White, Senior Manager, Compliance and Internal Control, Division of Financial
Management



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Introduction

Objective

Our objective for this evaluation was to assess the status of the Board of Governors of the Federal Reserve System’s (Board) enterprisewide workforce planning activities and related developments. We are conducting a concurrent evaluation, to be issued at a later date, in which we will identify (1) any specific operational challenges to the Board’s efforts to implement enterprisewide workforce planning and (2) related lessons learned from other organizations that may be applicable to the Board.

We initiated these evaluations because we have identified human resources management, which includes workforce planning, as a major management challenge for the Board each year since 2014. The specific challenges we have reported on relate to recruiting, engaging, and retaining a highly skilled, diverse workforce as well as the Board’s governance structure, which has created challenges in the implementation of enterprisewide human resources initiatives. In 2017, we reported that enterprisewide implementation of human capital improvements remains a management challenge, even though the Board has begun to take a more strategic approach to workforce planning.

To achieve our objective to assess the status of the Board’s enterprisewide workforce planning activities and related developments, we examined workforce data for 2013 and 2017 and retirement eligibility data for 2018–2025. We reviewed Human Resources (HR) and division documents and interviewed Board officials and staff members across 14 divisions. Details on our scope and methodology are in appendix A.

Background

Workforce planning is the systematic process for identifying and addressing the gaps between the workforce of today and the human capital needs of tomorrow.¹ More specifically, workforce planning involves examining the current workforce environment to identify critical occupations, skills, and competencies and addressing existing and anticipated workforce gaps. A Board HR official indicated that the Board’s workforce plan should project the skills and resources that will be needed over the next 3–5 years.

Workforce planning can assure an organization that it has the right people (skills, jobs, and roles) in the right places (within and across the organization) at the right number, time, and cost to execute its mission.

Workforce planning can help an organization (1) align its human capital program with its current and emerging mission and programmatic goals and (2) develop long-term workforce strategies. Workforce planning involves the use of strategies for acquiring, developing, and retaining staff to achieve programmatic goals. Such strategies can include performance management; succession planning; and tools to attract, retain, and develop the workforce.

¹ Board officials have also referred to workforce planning as “organizational sustainability.”

Strategic human capital management has been a pervasive challenge across the federal government. Since 2001, the U.S. Government Accountability Office (GAO) has frequently identified strategic human capital management as a high-risk area affecting the government’s ability to serve the public. Additionally, according to GAO, the widespread lack of attention to strategic human capital management in the federal government, including workforce planning, has created a fundamental weakness in federal agencies’ ability to perform their missions economically, efficiently, and effectively. Workforce planning can help federal agencies act and perform strategically in the face of increasingly complex demands.

Board Structure and Authority for Human Resources Activities

The Federal Reserve Act

Section 10 of the Federal Reserve Act grants the Board broad authority over matters of employment. Specifically, section 10(4) states that Board employment will be governed “solely” by the provisions of the Federal Reserve Act and rules and regulations of the Board that are not inconsistent with the act.² Therefore, the Board is generally not subject to the personnel provisions of title 5 of the *United States Code*. Title 5 includes provisions related to strategic human capital management processes.

Overview of Board Governance

The Board comprises seven Governors who are nominated by the President and confirmed by the United States Senate. The Governors supervise all aspects of the Board’s operations. Under the Federal Reserve Act, the Governors can delegate the Board’s management and administration to Board employees. As we reported in 2017, the Board’s three main governance structures are the standing committees and administrators, the Chief Operating Officer (COO) and the heads of the administrative functions, and the Executive Committee.³ The Executive Committee established a Senior Officer Committee comprising senior officers in each of the Board’s divisions. The Senior Officer Committee is chartered to advise and assist the Executive Committee on the planning, design, and crafting of implementation guidance for Boardwide initiatives, among other responsibilities. This governance structure oversees the Board’s 14 divisions.

The Board has delegated administrative authority to carry out its internal administrative functions to Board employees through the following delegation documents:

- *Delegations from the Board to the Chair and the Inspector General*
- *Chair’s Delegations of Administrative Authority*
- *Administrative Governor’s Delegations of Administrative Authority*
- *Chief Operating Officer’s Delegations of Administrative Authority*

Under the *Administrative Governor’s Delegations of Administrative Authority*, the Administrative Governor delegates responsibility for administrative oversight of the Board’s operations and resources to

² 12 U.S.C. § 244.

³ Office of Inspector General, *The Board’s Organizational Governance System Can Be Strengthened*, [OIG Report 2017-FMIC-B-020](#), December 11, 2017.

the COO.⁴ In the *Chief Operating Officer's Delegations of Administrative Authority*, the COO in turn redelegates some of these responsibilities. For example, the Director of the Management Division is delegated and maintains the responsibility and authority for the formulation, approval, and implementation of policies related to personnel management.

The HR Function

HR, situated within the Management Division, is led by the Chief Human Capital Officer (CHCO). HR encompasses a variety of human resources functional areas, including Benefits, Compensation, Employee Life,⁵ Human Resources Analytics, and Talent Acquisition. HR also conducts human resources management programs, such as the 2012 succession planning initiative.

HR has established five Human Resources Business Partner positions; the individuals in these positions consult with 12 of the Board's divisions on a variety of talent strategies and services, including but not limited to talent management, employee relations, talent acquisition, and workforce planning. In addition to its Human Resources Business Partner consulting services, in 2017 HR created a new manager position dedicated to workforce planning. At the time of our fieldwork, HR had a Workforce Planning Manager and two rotational staff members from Federal Reserve Banks dedicated to workforce planning.

The Board's Workforce and Factors That Affect the Workforce

The Board's workforce is critical to achieving the Board's mission, which guides its strategic direction and budget decisions. To meet its mission to foster the stability, integrity, and efficiency of the nation's monetary, financial, and payment systems and to promote optimal economic performance, the Board requires a highly specialized workforce.

The Board also recognizes the importance of diversity in achieving its mission. Chairman Jerome Powell emphasized in a message to Board employees that he is committed to recruiting, retaining, and developing a diverse workforce. The Chairman stated that a diverse workforce helps organizations make better decisions and communicate more effectively with the public.

The Board identifies its workforce as a priority in its *Strategic Plan 2016–19*. The strategic plan states that “the nature of work has become increasingly complex and interdependent, while the assigned responsibilities and skill requirements continue to grow. Additionally, significant changes in business models, processes, and technologies, combined with resource constraints, are requiring a high level of adaptability.”

⁴ The COO oversees the administrative functions of the Board. The Board's administrative functions are accomplished by those divisions that oversee financial management, information technology and security, and management and human resources.

⁵ The Employee Life program consists of Board programs that seek to enrich employees' career experience.

To address its prioritization of the workforce, the Board has established objectives and related projects. Two such projects include further developing the Board’s workforce planning capability and conducting related pilot programs, as well as continuing to implement the objectives identified in the Board’s *Diversity and Inclusion Strategic Plan 2016–19*. In this plan, former Chair Janet Yellen stated that having a diverse workforce makes the Board more effective in carrying out its mission. Specifically, having a comprehensive, integrated, and strategic focus on diversity and inclusion can enable the Board to establish and sustain a high-performing, diverse, and inclusive workforce.

The diversity and inclusion strategic plan, which is a companion to the Board’s strategic plan, recognizes the value of building and sustaining a diverse workforce at all levels of the organization. Taken together, these plans can assist the Board’s workforce planning efforts to successfully recruit, hire, promote, train, and retain a diverse workforce, as well as foster a culture that encourages collaboration, flexibility, transparency, and fairness.

The Board is in a highly competitive hiring environment for its specialized workforce. Specific skill sets needed for its mission-supporting positions include the following:

- **Economists**—Economists conduct research on a broad range of topics in economics, finance, and banking and contribute to substantive policy analyses used for Board decisionmaking.
- **Financial Analysts**—Financial analysts monitor the operations of the 12 Reserve Banks; develop payments system policy; and examine and investigate compliance with various banking regulations, including the Bank Secrecy Act and the Community Reinvestment Act.
- **Computer Professionals**—Computer professionals partner with Board divisions to develop information systems. They are responsible for a range of activities, including information technology and cybersecurity.
- **Attorneys**—Attorneys counsel the Board on commercial, corporate, antitrust, administrative, and banking law and administer the Board’s statutory responsibilities associated with consumer credit protection.

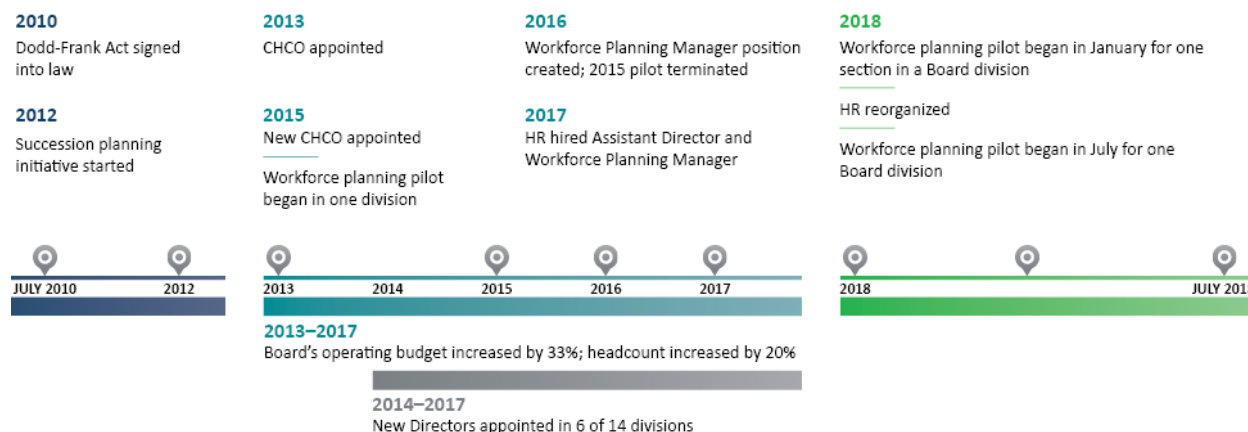
Figure 1 shows legislative and other key events that have affected the Board’s workforce. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)⁶ and related amendments expanded the Board’s supervisory responsibilities. In response to Dodd-Frank Act mandates, from 2013 to 2017 the Board’s operating budget increased by 33 percent and total positions grew by 20 percent. Other key events include workforce-related initiatives led by HR, Division Director turnover in almost half the Board’s divisions over a 4-year period, and key HR leadership changes.

“Attracting, retaining, and developing a qualified, diverse, and agile workforce is critical to executing the Board’s mission in an ever-changing environment.”

—Board’s *Strategic Plan 2016–19*

⁶ Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010).

Figure 1. Timeline of Events Affecting the Board’s Workforce, July 2010–July 2018



Source. OIG analysis of Board-provided information.

Effective workforce planning can help an organization be responsive to organizational developments and regulatory changes. Current issues affecting the Board’s workforce and potential future developments that may affect the Board’s workforce include the level of retirement-eligible employees in mission-supporting positions, the need to exercise budgetary discipline, and the demand for individuals with increasingly specialized skills.

- **Retirement Eligibility**—As of December 31, 2017, 556 of the Board’s 2,734 employees (20 percent of the total Board staff) will be eligible for retirement by the end of 2022.⁷ Of those, we determined that 55 percent are in mission-supporting positions. In addition, as of December 31, 2017, 44 percent of the Board’s executive-level employees (known as *official staff* or *officers*) will be eligible for retirement by the end of 2022.⁸ Given the potential for retirements in mission-supporting job families and leadership positions, workforce planning processes can help to ensure continuity of knowledge and leadership and identify and develop a diverse pool of candidates for senior management positions.
- **Budgetary Discipline**—The Board has increased its focus on budget discipline. In 2018, 72 percent of the Board’s budget was allocated to personnel costs. To help manage its budget, in 2018 the Board did not increase the number of authorized positions from the prior year. Moving forward, aligning enterprisewide workforce planning with the Board’s budgeting process can help ensure that the Board allocates available resources strategically to best meet its mission.
- **Need for Specialized Skill Sets**—Quantitative analysis and cybersecurity are two continually evolving areas in which the Board needs employees with specialized skill sets. For quantitative

⁷ Of the 556 employees, 360 will be eligible for full retirement by the end of 2022. The remaining 196 employees will be eligible for early retirement by the end of 2022 and full retirement during the 2023–2025 time period. We examined full retirement eligibility for 2023–2025 because based on a Board document, employees who elected early retirement in 2015 retired on average approximately 3 years prior to their full retirement date.

⁸ According to the Board, 51 employees retired in 2018. We obtained this information after our fieldwork for this evaluation concluded.

analysis, a division official stated that there is a demand for quantitative analysts in the Board's supervisory programs and that the Board is participating in a Federal Reserve System-wide fellowship program to increase the supply of entry-level quantitative analysts. In addition, as the number and sophistication of cyberthreats to financial institutions increase, the Board must improve the recruitment and retention of, as well as succession planning for, cybersecurity resources.

The Workforce Planning Framework

GAO has issued several reports on workforce planning over the past 15 years. In these reports, GAO reviews a broad range of federal agencies' workforce planning efforts and identifies common principles. GAO also considered the human capital experiences of nine private-sector organizations in the identification of these common principles. Based on our analysis of these GAO reports, we identified seven key principles to establish a workforce planning framework.

We confirmed that all seven principles of the framework are consistent with practices cited in relevant publications from private, academic, and nonprofit organizations, such as the *Harvard Business Review* and *Public Personnel Management*. The seven principles of the workforce planning framework are as follows:

1. Set an overall direction and goals for workforce planning and ensure enterprisewide coordination.
2. Align workforce planning with strategic planning and budget formulation.
3. Involve managers, employees, and other stakeholders.
4. Identify critical occupations, skills, and competencies and analyze workforce gaps.
5. Employ workforce strategies to fill the gaps.
6. Build the capabilities needed to support workforce strategies through steps to ensure the effective use of human capital flexibilities.⁹
7. Monitor and evaluate progress toward achieving workforce planning and strategic goals.

⁹ *Human capital flexibilities* are the programs, policies, and processes that agencies use to build and manage their workforce. These flexibilities can include monetary incentives and awards, training, and work-life programs.



Finding: Advancing HR's Preliminary Enterprisewide Workforce Planning Process May Be a Challenge

The Board included its workforce as a priority in the *Strategic Plan 2016–19*, and the Board has identified workforce planning as one way in which it can meet this strategic priority. To advance this strategic priority, in 2017 HR developed its *Workforce Planning Strategy 2018–2023*, which includes a preliminary enterprisewide workforce planning process. In 2018, HR began piloting this process in one division and in one functional area of another division. We found, however, that division leaders across the Board have varying perspectives on the need for enterprisewide workforce planning. Buy-in among division leaders and other stakeholders for participation in an enterprisewide workforce planning process can be addressed through the workforce planning framework principles that emphasize the importance of a coordinated approach. Buy-in across divisions may be impeded by limited initial communication from HR to divisions on its preliminary enterprisewide workforce planning process, the need for defined roles and responsibilities, a lack of clear support from top Board leaders, and existing division-specific approaches to workforce planning. As a result, the Board may struggle to advance its workforce planning strategy in all divisions.

Board HR Is Piloting Its Preliminary Enterprisewide Workforce Planning Process

The Board's *Strategic Plan 2016–19* includes a strategic pillar on its workforce, which states that “attracting, retaining, and developing a qualified, diverse, and agile workforce is critical to executing the Board’s mission in an ever-changing environment.” The workforce pillar is reinforced by the Board’s *Diversity and Inclusion Strategic Plan 2016–19*, which includes specific objectives and actions to enable the Board to establish and sustain a high-performing, diverse, and inclusive workforce. The Board has established objectives and related projects to address the Board’s workforce strategic pillar. One such project is to further develop the Board’s workforce planning capability and conduct related pilot programs with key stakeholders.

According to a Management Division official, it is solely HR’s responsibility to develop an enterprisewide workforce planning process and provide related guidance. This statement is consistent with the Board’s *Chief Operating Officer’s Delegations of Administrative Authority*, which delegates the responsibility and authority for the formulation, approval, and implementation of policies for enterprisewide personnel management from the COO to the Director of the Management Division.

Under the direction of the CHCO, HR developed a preliminary enterprisewide workforce planning process in its *Workforce Planning Strategy 2018–2023*. According to this strategy document, divisions have flexibility either to focus on aspects of workforce planning that are a division priority or to implement the workforce planning process in its entirety. HR further acknowledges that Board divisions need flexibility when implementing the enterprisewide workforce planning process because of differing division needs and priorities.

Division needs and priorities may vary based on division size and function. According to division officials, smaller divisions need less-formal workforce planning processes. Regarding division functions, some division-level missions and functional areas are closely aligned with one another and can benefit from coordinated workforce planning activities. Such coordinated workforce planning activities may allow divisions to strategically leverage resources to meet mission and function needs in a constrained budget environment. The flexibility provided to divisions helps to ensure that this process is not a one-size-fits-all approach.

In 2018, HR began piloting its workforce planning process in one division and in one functional area of another division.¹⁰ The pilot program's activities include conducting a current-state analysis, forecasting workforce demand and supply, identifying workforce gaps, and developing strategies to close the workforce gaps.

HR acknowledges that adjustments and refinements may be made to the preliminary enterprisewide workforce planning process based on lessons learned during the pilot program and additional outreach. Although HR did not directly involve division leadership in developing the *Workforce Planning Strategy 2018–2023*, conversations between HR and some divisions informed its development. Management Division officials and another Board official stated that the *Workforce Planning Strategy 2018–2023* can serve as a basis for an enterprisewide workforce planning policy. Such a policy could help the Board (1) clearly define roles, responsibilities, and associated processes and (2) advance enterprisewide workforce planning in a predictable, repeatable, and accountable manner.

Division Leaders Have Varying Perspectives on the Need for an Enterprisewide Workforce Planning Process

We found that division leaders across the Board have varying perspectives on enterprisewide workforce planning. Specifically, the leadership in four divisions supports an enterprisewide approach to workforce planning. An official in one of these divisions emphasized the need for consistency in workforce planning processes and acknowledged that although divisions have autonomy with respect to certain personnel actions, workforce planning should be conducted within the confines of HR's enterprisewide design. However, officials from six other divisions stated that an enterprisewide approach to workforce planning would not be beneficial for various reasons. These reasons include the following: (1) Divisions are more familiar than HR with the needs and requirements of their workforce; (2) Some divisions have already developed their own workforce planning processes; (3) Some divisions may be too small to require a formal process; and (4) A formal process is considered to be bureaucratic, would be lengthy in nature, and would not add value.¹¹

In addition to division officials sharing their perspectives on an enterprisewide workforce planning process, officials from 10 divisions described their prior interactions with HR. Specifically, officials from 6 divisions identified positive experiences with HR, including experiences related to HR's enterprisewide

¹⁰ The pilot was initiated in January 2018 and concluded in January 2019, after our fieldwork for this evaluation concluded.

¹¹ Four divisions did not expressly state whether they did or did not support an enterprisewide workforce planning process.

succession planning initiative. Other positive experiences included HR (1) providing the necessary information to divisions' management on their workforce and (2) improving a division's recruiting processes. Officials from 4 divisions, however, stated that they were not confident in HR's capacity to provide workforce planning guidance. This lack of confidence was attributed to previous experiences with HR, such as delays in receiving HR assistance because of HR's limited resources and instances of HR providing inadequate and inconsistent support to divisions on other HR-led initiatives, including HR's enterprisewide succession planning initiative.¹²

Board officials with responsibility for enterprisewide administrative functions noted that enterprisewide workforce planning can help advance other Board priorities. For example, the Board's Program Director for Diversity and Inclusion stated that the Board could leverage enterprisewide workforce planning to help the Board identify any diversity and inclusion gaps and deficiencies in its workforce. In addition, a Board official stated that enterprisewide workforce planning can help the Board make more-informed budget decisions. Similarly, another Board official noted that the Senior Officer Committee created a workforce planning subcommittee to help improve the Board's efficiency without increasing budget costs. The subcommittee, which coordinates with Board HR, is focused on clarifying the Board's workforce planning efforts, aligning those efforts with the Board's strategic priorities, establishing consistent workforce planning methodology, and improving resource allocation.

The Workforce Planning Framework Includes Principles on Having a Coordinated Approach to Enterprisewide Workforce Planning

Increased stakeholder buy-in on HR's enterprisewide workforce planning process could help the transition from pilot program to enterprisewide implementation. The workforce planning framework¹³ includes two principles related to the need for a coordinated enterprisewide workforce planning effort:

- **Set an overall direction and goals for workforce planning and ensure enterprisewide coordination.** The publications we reviewed indicated that workforce planning is more likely to succeed if, at its outset, program and human capital top leadership provide the overall direction and sufficient resources. In addition, clearly defined roles and responsibilities with accompanying processes and procedures can help an organization lead and coordinate policy in a predictable, repeatable, and accountable manner.
- **Involve managers, employees, and other stakeholders.** The publications also indicated that engaged leaders should (1) provide vision and stability during plan development and implementation, (2) involve all stakeholders in development and implementation, and (3) establish a communication strategy within the organization. According to the literature, leadership's clear and personal involvement in workforce planning provides the entity with organizational vision that is important in times of change. Further, agency managers, supervisors,

¹² Four divisions did not describe prior experiences with HR.

¹³ The workforce planning framework is informed by GAO reviews of workforce planning in the public and private sectors as well as a literature review of publications from private, academic, and nonprofit organizations.

and other stakeholders can help identify ways to streamline processes and improve human capital strategies.

Several Factors May Impede Divisions' Participation in an Enterprisewide Workforce Planning Process

Buy-in across the leaders of the Board's 14 divisions on participation in an enterprisewide workforce planning process may be impeded by several factors. These factors include limited initial communication from HR to divisions on its preliminary enterprisewide workforce planning process, the need for defined roles and responsibilities, a lack of clear support from top Board leaders, and the existence of individual division approaches to workforce planning.

- **Limited Initial Communication From HR**—HR has developed plans to communicate its preliminary enterprisewide workforce planning process to divisions through an education campaign; however, HR has only taken initial steps in this effort.¹⁴ Specifically, according to the *Workforce Planning Strategy 2018–2023*, the education campaign was deployed first in HR, and HR plans to continue the campaign with Board leadership and employees. The *Workforce Planning Strategy 2018–2023* also notes that these supporting efforts were limited in 2018 due to available funding. According to HR, communication efforts were limited in 2018 because HR did not want to communicate a capability that it did not have resources to execute. However, an HR official stated that 2019 funding would allow HR to assist in workforce planning efforts in up to three additional divisions. HR also plans to communicate and educate the Board about workforce planning in 2019. The strategy also identifies the need for a communications and change management plan; however, the strategy offers limited details on how HR intends to socialize this process across the Board.
- **Clearly Defined Roles and Responsibilities**—The *Workforce Planning Strategy 2018–2023* describes a collaborative workforce planning process between divisions and HR. However, the strategy does not clearly define specific roles and responsibilities at both the division and HR levels. For example, the document identifies the following:
 - Divisions are ultimately expected to perform analyses of workforce supply, demand, and gaps more independently.
 - HR will assist divisions with (1) implementing and tracking closures of identified talent gaps, (2) assigning resources, and (3) implementing the workforce plan.

However, the document does not specify how divisions can become more independent in conducting this analysis or the extent to which HR will assist divisions. In both instances, additional details on the scope of these activities, including the separation of duties between divisions and HR, could help clarify division-level expectations about their role in enterprisewide workforce planning.

¹⁴ The intent of the education campaign is to raise awareness of workforce planning among division leadership and employees so that these individuals can make informed decisions about enterprisewide workforce planning.

- **Support From Top Board Leaders**—Our 2017 report found that although the COO has authority to create binding policies for all divisions, the COO does not always have mechanisms to ensure that the divisions comply with the policies. As a result, if Division Directors do not agree with a decision made by the COO or the heads of the administrative functions, they may lobby relevant Governors or opt not to participate in the initiative.¹⁵ Board officials with enterprisewide administrative responsibilities underscored the importance of Governors clearly stating their support and setting expectations in order for workforce planning to become a priority within the divisions. Specifically, we heard that the Governors could help ensure that divisions are committed to, support, and are held accountable for this effort.¹⁶
- **Existing Division Processes**—Before the preliminary enterprisewide workforce planning process was developed, some Board divisions had developed initial individualized approaches to workforce planning. Certain division leaders have expressed concerns with changing their current tailored approach and switching to an HR-led “one-size-fits-all” approach to workforce planning. However, as noted above, HR’s enterprisewide workforce planning process is not a one-size-fits-all approach.

The Board May Find It Challenging to Advance Its Enterprisewide Workforce Planning Process

A qualified, diverse, and agile workforce is critical to achieving the Board’s mission; however, without additional communication from HR, more-clearly defined roles and responsibilities, increased support from the Governors, and buy-in from division leaders, the Board may struggle to advance its workforce planning strategy enterprisewide.¹⁷ As of December 31, 2017, 556 Board employees will be eligible to retire by the end of 2022. Of these 556 Board employees, 55 percent are in mission-supporting positions, which highlights the importance of timely implementation of an enterprisewide workforce planning process. Such a process can help the Board ensure continuity of knowledge and leadership, more efficiently allocate resources within and across divisions, and remain responsive to organizational changes and regulatory developments that may affect the Board’s workforce. Without buy-in across divisions on an enterprisewide workforce planning process, the Board’s preparedness to meet its future workforce needs may continue to vary from one division or functional area to the next. Specifically, some divisions may continue with their individualized approaches, and other divisions may continue to have limited workforce planning activities due to a lack of clarity among some division officials about what constitutes effective workforce planning activities.

¹⁵ Office of Inspector General, *The Board’s Organizational Governance System Can Be Strengthened*, [OIG Report 2017-FMIC-B-020](#), December 11, 2017.

¹⁶ Our 2017 governance report has an open recommendation that the Governors communicate and reinforce their expectations of heads of enterprisewide administrative functions to all Division Directors in order to enhance the effectiveness of these functions. The closing of this recommendation could further support the Board in addressing the recommendations in this report.

¹⁷ We are conducting a concurrent evaluation that will identify challenges to the Board’s efforts to implement workforce planning.

Recommendations

We recommend that the COO, the Director of the Management Division, and the CHCO

1. Conduct additional outreach with the 14 Division Directors and other stakeholders
 - a. to communicate and coordinate the preliminary enterprisewide workforce planning process.
 - b. to establish the roles and responsibilities of HR and the divisions in an enterprisewide workforce planning process.
2. Finalize a policy for enterprisewide workforce planning. This policy should provide division leadership with flexibility to tailor the policy's enterprisewide workforce planning activities to best meet division or function needs.

Management's Response

In its response to our draft report, the Board concurs with our recommendations. For recommendation 1(a), the response states that in 2019, the Board HR's Workforce Planning function is meeting with divisions to educate them on the workforce planning process. For recommendation 1(b), the response states that as part of the workforce planning strategy, HR's Workforce Planning function will develop an enterprisewide workforce planning roles and responsibilities document and seek the input and guidance of the Board's Senior Officer Committee Workforce Planning Subcommittee.

For recommendation 2, the response states that in 2019, work will begin on an enterprisewide workforce planning policy. The policy will provide divisions with flexibility as to how they implement workforce planning within the Board's overall workforce planning approach.

OIG Comment

We believe that the actions described by the Board are generally responsive to our recommendations. We will follow up to ensure that the recommendations are fully addressed.



Matter for Management’s Consideration

As mentioned in our finding, during discussions with Board officials outside the Management Division, we identified a lack of clarity among some division officials about what constitutes effective workforce planning activities. As discussed in the Background section of this report, we identified a framework that the Board can leverage to implement and conduct workforce planning. This framework may serve as a guide for division officials about common principles for effective workforce planning.

A Board HR official reviewed the framework and stated that the principles in the framework are largely incorporated in HR’s *Workforce Planning Strategy 2018–2023*. For example, the strategy document includes a process for divisions to monitor and evaluate progress toward achieving workforce planning and strategic goals, which aligns with framework principle 7. However, as mentioned in our finding, principles 1 and 3, which deal with enterprisewide coordination, can be better incorporated into HR’s approach to workforce planning. Further, principle 1 includes dedicating sufficient financial and staff resources and ensuring that these resources are maintained over time. According to a Board official, workforce planning efforts have been limited because of the amount of resources dedicated to this effort. Therefore, there may be opportunities to further leverage the workforce planning framework as the Board advances its enterprisewide workforce planning process.

Table 1 shows the seven principles and supporting activities in the workforce planning framework, a description of the potential benefits of implementing these principles and activities, and examples of Board enterprisewide and division-specific processes that partially incorporate the framework. The examples of enterprisewide and division-specific processes are based on testimonial and documentary evidence provided to us and may not represent the totality of workforce planning activities being undertaken at the Board.

Table 1. Workforce Planning Framework Principles and Supporting Activities, With Potential Benefits and Examples

Framework principle and supporting activities	Potential benefits of implementing the principle and supporting activities	Examples of Board and Division processes that partially incorporate the framework
<p>Principle 1: Set an overall direction and goals for workforce planning and ensure enterprisewide coordination.</p> <p>For workforce planning efforts, top leadership, including program and human capital leaders,^a should</p> <ul style="list-style-type: none"> • set the overall direction, pace, tone, and goals and ensure enterprisewide coordination • dedicate sufficient financial and staff resources and ensure that these resources are maintained over time • establish clearly defined roles and responsibilities with accompanying processes and procedures 	<p>Workforce planning is more likely to succeed if, at its outset, program and human capital top leadership provide the overall direction and sufficient resources.</p> <p>Enterprisewide coordination on workforce planning activities is essential for (1) setting targets for workforce programs, (2) identifying and communicating gaps between existing workforce programs and future needs, and (3) determining whether the agency has the information necessary to assess the effectiveness of programs.</p>	<p>According to an HR representative, HR has started to dedicate staff resources, including a Workforce Planning Manager and two rotational staff members, to develop enterprisewide workforce planning.</p>
<p>Principle 2: Align workforce planning with strategic planning and budget formulation.</p> <p>Link workforce strategies with strategic priorities.</p> <p>Integrate workforce strategies with the budgeting process.</p> <p>Fund human capital flexibilities.</p>	<p>Linking workforce planning to strategic goals can help systematically identify the workforce needed for the future and develop strategies for shaping this workforce.</p>	<p>The Board’s <i>Strategic Plan 2016–19</i> identifies workforce as a priority. The Board’s <i>Diversity and Inclusion Strategic Plan 2016–19</i>, a companion to the strategic plan, includes standards, strategies, and actions related to workforce diversity and inclusion.</p> <p>Some divisions discuss workforce strategies during budgeting conversations. These conversations include (1) anticipated changes in skills or number of staff required to meet the division’s mission, (2) consideration of reallocating staff resources to better meet the needs of the division, and (3) potential skill gaps in the division’s workforce.</p>

Framework principle and supporting activities	Potential benefits of implementing the principle and supporting activities	Examples of Board and Division processes that partially incorporate the framework
<p>Principle 3: Involve managers, employees, and other stakeholders.</p> <p>Engaged leaders should</p> <ul style="list-style-type: none"> • provide vision and stability during plan development and implementation, ensure that strategies are implemented and sustained, and integrate workforce planning with key management efforts • involve all stakeholders in development and implementation • establish a communication strategy within the organization 	<p>Leadership that is clearly and personally involved in workforce planning provides organizational vision that is important in times of change.^b</p> <p>Leadership can help provide stability as the workforce plan is developed and implemented, champion the workforce plan, and ensure that planning strategies are thoroughly implemented and sustained over time.</p> <p>Agency managers, supervisors, employees, and other stakeholders can help identify ways to streamline processes and improve human capital strategies.^c</p>	<p>One division’s leadership has communicated the importance of workforce planning strategies and has provided guidance to section leaders on how to forecast their workforce needs, including looking at the current workforce supply and the demand for current tasks.</p> <p>One division’s leadership has a vision about the future of the division’s workforce and acknowledges that successful workforce planning must include active participation by the division itself rather than sole reliance on HR.</p>
<p>Principle 4: Identify critical occupations, skills, and competencies and analyze workforce gaps.</p> <p>Determine mission-critical or programmatically significant occupations, skills, and competencies.</p> <p>Identify the skills and competencies needed in the future, considering factors that influence future workforce needs.</p> <p>Identify and evaluate gaps between the current and future workforces and consider reshaping the workforce.</p>	<p>Identifying mission-critical occupations, skills, and competencies can help organizations adjust to changes in technology, budget constraints, and other factors that alter the environment in which they operate.</p> <p>By identifying workforce gaps, an organization may consider opportunities to reshape its workforce by reengineering current work processes, sharing work among offices within the agency, or contracting.</p>	<p>One division has considered future factors that will affect its workforce, including a shift from transactional-based work to more analytical work.</p> <p>One division identified its desired future-state workforce in its strategic workforce development plan.</p> <p>One division official stated that skill gaps are identified during annual budget conversations.</p>

Framework principle and supporting activities	Potential benefits of implementing the principle and supporting activities	Examples of Board and Division processes that partially incorporate the framework
<p>Principle 5: Employ workforce strategies to fill the gaps.</p> <p>Identify workforce strategies tailored to the organization’s unique needs.</p> <p>Develop programs, policies, or processes to close workforce gaps.</p>	<p>Effective use of workforce strategies can help an organization close workforce gaps. These strategies may include hiring, training, staff development, succession planning, performance management, and the use of human capital flexibilities, among other things.</p>	<p>The Board has made workforce strategies, such as those related to succession planning, hiring, and recruiting, available to divisions.</p>
<p>Principle 6: Build the capabilities needed to support workforce strategies through steps to ensure the effective use of human capital flexibilities.</p> <p>Train managers and supervisors to use human capital flexibilities, and hold them accountable.</p> <p>Educate employees about human capital flexibilities.</p>	<p>As an organization implements specific workforce strategies that include human capital flexibilities, it should consider other practices that are important for the effective use of flexibilities. For example, it is important to properly train managers and supervisors to identify when flexibilities can be used and how to use the agency’s processes for ensuring consistency, equity, and transparency.</p>	<p>Human capital flexibilities, such as training and work-life programs, are available to divisions.</p>
<p>Principle 7: Monitor and evaluate progress toward achieving workforce planning and strategic goals.</p> <p>Monitor and evaluate efforts to achieve workforce planning and strategic goals.</p> <p>Incorporate measures into the workforce plan to indicate progress on strategies.</p> <p>Revise the workforce plan as needed.</p>	<p>Evaluating workforce planning processes can help an organization determine whether workforce planning goals are being met and the reasons for any shortfalls.</p>	<p>Some divisions have incorporated measures specific to workforce planning into their strategic planning documents.</p>

Source. OIG analysis of GAO reports and interviews of Board officials and staff.

^a We define program leaders at the Board to include leadership at the division and function levels.

^b Leadership on workforce planning should include HR leaders as well as leaders involved in conducting the agency’s work. At the Board, top leadership includes the COO, the CHCO, the Director and Deputy Director of the Management Division, and the other Division Directors.

^c Other stakeholders can include staff or officials from other federal agencies or the Reserve Banks.



Appendix A: Scope and Methodology

This evaluation covers current and prior enterprisewide workforce planning activities at the Board. The scope of the evaluation includes workforce planning activities conducted by 14 Board divisions and enterprisewide workforce planning activities led by HR. To maintain our independence, we excluded the Office of Inspector General from this evaluation.

We examined workforce data for 2013 and 2017 and retirement eligibility data for 2018–2025. We conducted completeness testing on the workforce planning data and determined that the data were sufficient for the purposes of our evaluation. Our data analysis focused on employees at the executive level and employees in mission-supporting positions. We identified the following job families as mission supporting: economists, financial analysts, computer professionals, and attorneys. HR concurred with our identification of these job families.

To identify current and prior enterprisewide workforce planning activities, we reviewed documents provided by officials and staff members on division and enterprisewide workforce planning efforts. These documents included HR documents on workforce planning–related activities and division-level documents on strategic planning and budgeting. We also reviewed the Board’s *Strategic Plan 2016–19* and *Diversity and Inclusion Strategic Plan 2016–19* to identify the Board’s goals for its workforce.

We reviewed the National Institute of Standards and Technology’s *National Initiative for Cybersecurity Education (NICE) Cybersecurity Workforce Framework* to identify workforce-related federal government guidance.

We reviewed GAO reports to identify workforce planning principles. To confirm the applicability of GAO’s principles beyond the federal sector, we reviewed academic and nonprofit literature, including articles from the following publications:

- *Harvard Business Review*
- *Public Personnel Management*
- *Administration in Social Work*
- *Review of Public Personnel Administration*
- *Nonprofit Quarterly*
- *National Civic Review*
- *The Public Manager*
- *People & Strategy*

We also reviewed information from the Partnership for Public Service, the U.S. Office of Personnel Management, and an organization that awards research stipends to the academic and nonprofit communities for reports on major issues facing the government.

We interviewed officials and staff members from 14 Board divisions and had additional discussions with officials and staff members in HR, the Strategic Planning Office, and the Financial Planning and Analysis Office. At these meetings, we discussed past, ongoing, and planned workforce planning activities at the division and enterprisewide levels, as well as priorities for future workforce planning efforts. We analyzed documentary and testimonial evidence provided by Board officials and staff members to identify (1) the status of workforce planning at the Board and (2) examples of Board and division activities that partially align with the workforce planning framework.

We conducted this evaluation from July 2017 through July 2018 in accordance with the *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency.

Appendix B: Management's Response



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, DC 20551

MANAGEMENT DIVISION

March 14, 2019

Michael VanHuysen
Senior OIG Manager
Board of Governors of the Federal Reserve System
Washington, DC 20551

Dear Michael:

Thank you for the opportunity to comment on the draft report, *The Board Can Take Additional Steps to Advance Workforce Planning*. We appreciate the Office of Inspector General's (OIG) effort in developing this report and the recommendations for strengthening the Board's focus on an issue that has both short-term and long-term consequences for the organization.

We commend the OIG for recognizing the efforts that have already gone into this work, specifically the piloting of a workforce planning process in two Divisions in 2018. We also agree that the organization can take additional steps to advance workforce planning efforts more broadly across the full Board. We feel that the new workforce planning initiatives targeted for rollout in 2019 will help us to continue to make progress against this important work.

There were two findings noted in the report with recommendations listed under each finding. We agree with the recommendations offered in the report and have provided our response for each recommendation to the OIG.

We value your objective, independent viewpoints and appreciate the professionalism demonstrated by all OIG personnel throughout this audit. We look forward to working with your office in the future.

Regards,

A handwritten signature in black ink that reads "Mitchell C. Clark".

Mitchell C. Clark
Director, Management Division
Acting Chief Operating Officer, Federal Reserve Board

www.federalreserve.gov

**Response to recommendations presented in the Draft IG Report,
“The Board Can Take Additional Steps to Advance Workforce Planning.”**

Recommendation 1a: Conduct additional outreach with the 14 Division Directors and other stakeholders to communicate and coordinate the preliminary enterprise-wide workforce planning process.

Management Response:

In 2019, Board HR’s Workforce Planning function is meeting with the Divisions to educate them on the Workforce Planning process. The goal of these meetings is to provide uniform and consistent messaging of the process, benefits and value of Workforce Planning while emphasizing that the process may be customized to the Division’s specific talent challenges to help mitigate workforce risks.

Recommendation 1b: Conduct additional outreach with the 14 Division Directors and other stakeholders to establish the roles and responsibilities of HR and the divisions in an enterprise-wide workforce planning process.

Management Response:

Establishing, confirming and gaining buy-in on the specific roles and responsibilities of HR and Divisions for enterprise workforce planning is critical. Since Workforce Planning is labor intensive and relies on workforce data, external research and primary data collection through interviews and focus groups, the HR Branch of the Management Division will take the lead in collecting the data, conducting the analysis and making the recommendations. Divisions will be responsible for implementing the recommendations. As part of the Workforce Planning Strategy, HR’s Workforce Planning function will develop an enterprise-wide Workforce Planning “Roles and Responsibilities” document as well as leverage the Board’s Senior Officer Committee (SOC) Workforce Planning subcommittee for their input and guidance.

Recommendation 2: Finalize a policy for enterprise-wide workforce planning. This policy should provide division leadership with flexibility to tailor the policy’s enterprise-wide workforce planning activities to best meet division or function needs.

Management Response:

Part of the Workforce Planning work that will commence in 2019 will include the beginning of a plan to formulate an enterprise-wide Workforce Planning policy. Creation of such a policy will help formalize Workforce Planning at the Board, and document the purpose and process of Workforce Planning, while simultaneously acknowledging that Divisions’ have the flexibility to adopt the process in its entirety or conduct only a

portion of the Workforce Planning process (i.e. skills identification and assessment, workload analysis, etc.). The policy will grant Divisions' flexibility on how they implement Workforce Planning, while adhering to the overall Workforce Planning approach.

Management Overall Comments:

We appreciate that the OIG understands the importance of Workforce Planning at the Board and highlights the various implementation challenges. As the report indicates, Workforce Planning is a continuous business activity supported by HR experts, which helps close critical talent gaps and prepare the Board for the future. In order to successfully implement and sustain Workforce Planning, Board resources need to be committed to this endeavor.



Abbreviations

Board	Board of Governors of the Federal Reserve System
CHCO	Chief Human Capital Officer
COO	Chief Operating Officer
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
GAO	U.S. Government Accountability Office
HR	Human Resources
OIG	Office of Inspector General

Report Contributors

Chris Lyons, OIG Manager

Megan Taylor, Project Lead

Tenisha Brown, Auditor

Shaundace Lewis, Auditor

Ann Wilderman, Auditor

Lydia Igna, Audit Intern

Timothy Rogers, Acting Associate Inspector General for Audits and Evaluations

Melissa Heist, Associate Inspector General for Audits and Evaluations (retired)

Contact Information

General

Office of Inspector General
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Mail Stop K-300
Washington, DC 20551

Phone: 202-973-5000

Fax: 202-973-5044

Media and Congressional

OIG.Media@frb.gov



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OIG Hotline
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Mail Stop K-300
Washington, DC 20551

Phone: 800-827-3340

Fax: 202-973-5044