

Board of Governors of the Federal Reserve System

Leveraging Certain Strategies May Help the Board Timely Implement and Sustain Enterprisewide 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-012, September 25, 2019

Leveraging Certain Strategies May Help the Board Timely Implement and Sustain Enterprisewide 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 an initial pilot program in one division and in one functional area of another division. The Board has since completed its workforce planning pilot program. HR also developed a workforce plan with a third division and intends to complete a fourth workforce plan in 2019.

We found that although the Board has made initial progress in implementing enterprisewide workforce planning, it faces four operational challenges: resources, data and information, time, and process ownership. These workforce planning challenges are common among other organizations in the private and public sectors and, if not addressed, may result in inefficient or ineffective implementation of enterprisewide workforce planning. Through benchmarking, we identified several strategies that may help the Board mitigate its operational challenges. These strategies can help support an organization's workforce planning efforts and identify the need for sufficient and trained resources, data-driven conversations, leadership support throughout the organization, and a clearly structured process. The Board has begun to address some of its challenges with these mitigating strategies; however, additional efforts to more comprehensively use these strategies may help the Board more timely implement and sustain an enterprisewide workforce planning process.

We also noted that HR should consider partnering with relevant divisions to coordinate workforce planning with other processes to help advance certain operational priorities. By incorporating workforce planning into its existing administrative processes, such as strategic planning and enterprise risk management, the Board can help to ensure that it has centralized the workforce information necessary to make informed decisions when addressing those priorities.

Recommendations

Our report contains recommendations designed to help the Board timely implement and sustain enterprisewide workforce planning. These recommendations build on recommendations in our 2019 report, *The Board Can Take Additional Steps to Advance Workforce Planning*. In that report, we made recommendations designed to help the Board establish an enterprisewide workforce planning policy and achieve increased buy-in from division leaders for such a policy. Addressing those recommendations can further support the implementation and sustainability of enterprisewide workforce planning. In its response to our draft report, the Board concurs with our recommendations and outlines actions to address each recommendation. We will follow up to ensure that the recommendations are fully addressed.

Purpose

We conducted this evaluation to identify any specific operational challenges to the Board's efforts to implement workforce planning and related lessons learned from other organizations that may be applicable to the Board.

Background

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

Workforce planning can help an organization align its human capital program with its current and emerging mission and programmatic goals. We identified five common organizational benefits associated with implementing a workforce planning process: improving recruitment and retention; addressing skill gaps; improving diversity and inclusion; assisting enterprise risk management; and improving budget allocation.



Office of Inspector General

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

Recommendations, 2019-MO-B-012, September 25, 2019

Leveraging Certain Strategies May Help the Board Timely Implement and Sustain Enterprisewide Workforce Planning

Finding: The Board Can Leverage Strategies to Help Overcome Operational Challenges to Workforce Planning

Number	Recommendation	Responsible office
1	Identify opportunities to dedicate additional HR resources to facilitate the timely implementation of workforce planning and reduce key person dependency risk.	Management Division
2	Identify additional opportunities to leverage the mitigating strategies, or other strategies as appropriate, when implementing enterprisewide workforce planning.	Management Division



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MEMORANDUM

DATE: September 25, 2019

TO: Winona Varnon
Director, Management Division
Board of Governors of the Federal Reserve System

FROM: Michael VanHuysen 
Assistant Inspector General for Audits and Evaluations

SUBJECT: *OIG Report 2019-MO-B-012, Leveraging Certain Strategies May Help the Board Timely Implement and Sustain Enterprisewide Workforce Planning*

We have completed our report on the subject evaluation. We conducted this evaluation to 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 split our original evaluation into two separate evaluations following changes to the methodology. The first evaluation, [OIG Report 2019-MO-B-004](#), *The Board Can Take Additional Steps to Advance Workforce Planning*, assessed the status of the Board’s enterprisewide workforce planning activities and related developments. We issued that report in March 2019.

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: Patrick J. McClanahan
Tameika Pope
Ricardo A. Aguilera
Tina White



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Introduction

Objective

Our objectives for this evaluation were to identify (1) any specific operational challenges to the Board of Governors of the Federal Reserve System’s (Board) efforts to implement workforce planning and (2) related lessons learned from other organizations that may be applicable to the Board. We initiated an evaluation of the Board’s workforce planning efforts because we have identified human resources management as a major management challenge for the Board each year since 2014. In 2017, we reported that the 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. We split our initial workforce planning evaluation into two separate, concurrent evaluations following changes to the methodology. The first evaluation assessed the status of the Board’s enterprisewide workforce planning activities and related developments. In March 2019, we issued our report on that evaluation.¹

To achieve our first objective, we reviewed Human Resources (HR) and division documents and interviewed Board officials and staff members across 14 divisions. We conducted a literature review of relevant publications from private, academic, and nonprofit organizations to confirm that other organizations experience similar challenges. To achieve our second objective, we used the literature review and interviewed 12 organizations from the public, private, and academic sectors. Throughout this report, *benchmarking* refers to the meetings with the 12 organizations as well as the literature review. See appendix A for additional details on our scope and methodology.

Background

For the purposes of this report, we use the term *workforce planning* to refer to the systematic process for identifying and addressing the gaps between an organization’s workforce of today and its future human capital needs. 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 help 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 activities related to acquiring, developing, and retaining staff to achieve programmatic

¹ Office of Inspector General, *The Board Can Take Additional Steps to Advance Workforce Planning*, [OIG Report 2019-MO-B-004](#), March 25, 2019.

goals. Such activities can include performance management; succession planning; and tools to attract, retain, and develop the workforce.

Board Structure and Authority for HR Activities

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 As such, 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. The Board comprises seven Governors who supervise all aspects of the Board’s operations, including matters related to employment.

The HR Function

HR, situated within the Management Division, is led by the Chief Human Capital Officer. HR encompasses a variety of human resources functional areas, including Benefits, Compensation, Employee Life,³ Human Resources Analytics, and Talent Acquisition. HR also conducts human resources management programs, such as performance management and succession planning initiatives.

HR has established six Human Resources Business Partner (HRBP) positions; the individuals in these positions consult with 12 of the Board’s 15 divisions on a variety of talent services, including but not limited to talent management, employee relations, and talent acquisition. In addition, HR created a new manager position in 2017 dedicated to workforce planning.

The Board’s Workforce

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

The Board also recognizes the importance of diversity in achieving its mission. In 2018, the Board Chairman emphasized his commitment 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* and emphasizes the need to address its evolving workforce needs. The strategic plan states,

Several trends in the workplace environment present talent management opportunities and challenges for the Board. A significant percentage of the Board’s workforce will be eligible to retire over the next several years, requiring the Board to increase the depth

² 12 U.S.C. § 244.

³ The Employee Life program consists of Board programs that seek to enrich employees’ career experience.

and diversity of experience and expertise in its management and leadership pipeline. The Board must also address the growing need of its employees to collaborate across organizational and geographical boundaries.

The Board has established projects and objectives to support its workforce priority. Two such projects are (1) further developing the Board's workforce planning capability and conducting related pilot programs and (2) continuing to implement the objectives identified in the Board's *Diversity and Inclusion Strategic Plan 2016–19*. This 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.

Organizational Benefits of Workforce Planning

Workforce planning can help federal agencies address increasingly complex demands. Since 2001, the U.S. Government Accountability Office (GAO) has been reporting that the widespread lack of attention to strategic human capital management in the federal government, including workforce planning, has historically “created a fundamental weakness in federal agencies’ ability to perform their missions economically, efficiently, and effectively.”

Through our benchmarking activities, we identified common benefits associated with implementing a workforce planning process. Such benefits include the following:

- **Improving recruitment and retention**—Workforce planning can help an organization increase employee retention by helping employees to manage their career paths and identify developmental opportunities within the organization.
- **Addressing skill gaps**—Workforce planning can help an organization identify needed skills for its current and future workforce, allowing that organization to strategically plan the distribution of its talent to meet the mission needs of today and tomorrow.
- **Improving diversity and inclusion (D&I)**—Workforce planning can help an organization improve the diversity of its workforce in part by providing a clearer understanding of workforce composition, including the leadership pipeline.
- **Assisting enterprise risk management (ERM)**—Workforce planning can be a tool that helps organizations identify and manage risks; two of our benchmark organizations view workforce planning as a complementary process to ERM.
- **Improving budget allocation**—Workforce planning can help an organization identify the best use of its current and planned human capital resources in a budget-constrained environment by better allocating current resources.

Related OIG Work

In our *2018 List of Major Management Challenges for the Board*,⁴ we noted the challenges presented by continually evolving workforce expectations and a highly competitive hiring environment for individuals with specialized skills. We highlighted that even though the Board has continued to develop its workforce planning capability, it must continue to improve its human capital management to mitigate these challenges and meet future workforce needs.

In our March 2019 workforce planning report, we found that HR developed a preliminary enterprisewide workforce planning process in 2017 and began piloting its process in 2018. We also reported that several factors may impede division leaders' buy-in on participation in an enterprisewide workforce planning process. 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. Our report contained recommendations designed to assist the Board with establishing an enterprisewide workforce planning policy and to achieve increased buy-in from division leaders for such a policy.⁵

Our March 2019 report also identified seven key principles that provide a framework for establishing and implementing a workforce planning process. This framework is based on GAO reports and was confirmed through a review of publications from private, academic, and nonprofit organizations. 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.⁶
7. Monitor and evaluate progress toward achieving workforce planning and strategic goals.

⁴ Office of Inspector General, *2018 List of Major Management Challenges for the Board*, September 27, 2018.

⁵ The Board concurred with our recommendations, which remained open when this report was issued.

⁶ *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: The Board Can Leverage Strategies to Help Overcome Operational Challenges to Workforce Planning

We identified four operational challenges to the Board’s enterprisewide workforce planning efforts: resources, data and information, time, and process ownership. Through benchmarking, we learned that these challenges are common among other private- and public-sector organizations, and we identified several strategies that the Board can employ to help mitigate these challenges. If these challenges are not addressed, they may result in inefficient or ineffective implementation of enterprisewide workforce planning. The use of these strategies can help support an organization’s workforce planning efforts with sufficient and trained resources, data-driven conversations, leadership support throughout the organization, and a clearly structured process. The Board has begun to address some of its challenges with these mitigating strategies; however, additional efforts to more comprehensively use these strategies may help the Board more timely implement and sustain an enterprisewide workforce planning process.

The Board’s Workforce Planning Challenges and Related Mitigating Strategies Identified Through Benchmarking

We found that the Board faces four operational challenges to workforce planning: resources, data and information, time, and process ownership. Not addressing these challenges may result in inefficient or ineffective implementation of enterprisewide workforce planning. Through benchmarking, we identified various mitigating strategies to overcome these operational challenges, which align with certain key workforce planning framework principles, as identified in our March 2019 workforce planning report. Table 1 aligns the Board’s operational challenges with the related mitigating strategies we identified through benchmarking and framework principles.

Table 1. The Board’s Operational Challenges, Related Mitigating Strategies Identified Through Benchmarking, and Framework Principles

Board operational challenge	Related mitigating strategies identified through benchmarking	Framework principles
Resources	<ul style="list-style-type: none"> • Dedicate sufficient HR and division-level resources • Obtain specialized training for HR employees involved in workforce planning 	<ul style="list-style-type: none"> • Set an overall direction and goals for workforce planning and ensure enterprisewide coordination • Build the capabilities needed to support workforce strategies through steps to ensure the effective use of human capital flexibilities
Data and information	<ul style="list-style-type: none"> • Centralize human capital data • Address gaps in human capital information technology system capabilities with manual processes 	<ul style="list-style-type: none"> • Identify critical occupations, skills, and competencies and analyze workforce gaps
Time	<ul style="list-style-type: none"> • Obtain top leadership support • Incorporate workforce planning into existing administrative planning processes • Consistently communicate workforce planning benefits and process • Focus on mission-critical roles 	<ul style="list-style-type: none"> • Set an overall direction and goals for workforce planning and ensure enterprisewide coordination • Align workforce planning with strategic planning and budget formulation • Involve managers, employees, and other stakeholders
Process ownership	<ul style="list-style-type: none"> • Define roles and responsibilities • Create an accountability mechanism 	<ul style="list-style-type: none"> • Set an overall direction and goals for workforce planning and ensure enterprisewide coordination

Source. OIG analysis based on our benchmarking activities.

The Board’s Resources Challenge and Related Mitigating Strategies Identified Through Benchmarking

According to Board officials, the agency has challenges dedicating HR and division resources to conduct workforce planning activities. Currently, HR resources dedicated to workforce planning include the Workforce Planning Manager, one rotational staff member from a Federal Reserve Bank who dedicates 50 percent of their time to workforce planning activities, and three full-time contract consultants. The Workforce Planning Manager is the only Board HR resource dedicated to workforce planning and represents a key person dependency risk. According to an HR representative, although the HRBPs have received training on workforce planning, they serve more of a consulting role with the divisions and are not involved in developing workforce plans. In addition, the divisions that are developing a workforce plan with HR assign an employee to a change agent role. *Change agents* are responsible for understanding their division’s workforce planning activities and serve as a liaison between their division and HR.

Through benchmarking, we identified two strategies and related lessons learned that may help mitigate the Board's resources challenge:

- **Dedicate sufficient HR and division-level resources**—Identifying sufficient HR and individual business-line resources is important to helping ensure a sustainable workforce planning process.⁷ These resources do not need to be a separate, dedicated resource, however; they can include HRBPs, external contractors, or other professionals in the organization. Specifically, some of our benchmark organizations identified that establishing a cross-functional team (for example, staff from HR, business lines, finance, and data analytics) is ideal for implementing workforce planning activities. Cross-functional teams provide diverse perspectives and a range of skills from across the organization that help in making informed decisions about an organization's workforce needs. Benchmark organizations suggested that HR provide dedicated resources to support the business lines in developing and sustaining their workforce plans and that the business lines provide dedicated resources during implementation. Business-line employees participating in workforce planning activities should be knowledgeable about their business line's specific workforce needs. In addition, one organization's business line used its budgeted funds to obtain workforce planning contractor support.
- **Obtain specialized training for HR employees involved in workforce planning**—Obtaining specialized training on workforce planning activities can increase HR employees' knowledge and credibility, which can better enable them to support the divisions. For example, one benchmark organization's HR increased its credibility by obtaining a professional certification in workforce planning. With increased knowledge and credibility, those HR employees involved in workforce planning can help create buy-in and provide the organization with additional support for workforce planning activities.

The Board's Data and Information Challenge and Related Mitigating Strategies Identified Through Benchmarking

Some Board divisions explained that they do not have access to complete and accurate data and information needed to conduct workforce planning activities. We found that data and information are maintained in multiple Board HR software systems. Such systems include HR's management system, its job application tracking software, its system for employee training, and an employee-separation process tool. As a result, the data and information needed to support workforce planning activities may not always be consistent or readily available.

In addition, the Board does not have an up-to-date inventory of its job descriptions or the employee skill sets that the agency needs to help meet its mission. Several divisions noted challenges in identifying employees with necessary skills to meet their mission needs. For example, one division stated that because of the lack of an inventory of the skills of current employees, it relies on local leadership's

⁷ According to benchmark organizations, for knowledge-based organizations, there is no optimal ratio of workforce planning employees to total employees; rather, the appropriate level of dedicated resources depends on specific organizational needs.

knowledge to identify current employees within the Federal Reserve System with the particular skills needed.

Through benchmarking, we identified two strategies and related lessons learned that may help mitigate the Board's data and information challenge:

- **Centralize human capital data**—A central location for data can assist workforce management. Specifically, centralizing data allows an organization's data analytics section to consistently access, define, and calculate workforce data, such as attrition rates. In addition, a centralized location that includes an up-to-date inventory of job descriptions and skills allows business lines to have clear insight into staffing deficiencies or surpluses. Specifically, such data and information can help facilitate data-driven conversations on workforce needs. Further, an organization can augment its workforce planning efforts by including data on external market conditions, such as local hiring trends.
- **Address gaps in information technology system capabilities with manual processes**—Many organizations do not have a comprehensive software system to conduct workforce planning activities. As a result, organizations have relied on manual processes to address gaps in information technology system capabilities. For example, in the absence of a comprehensive workforce planning software system, organizations have used Excel spreadsheets and dashboards to facilitate workforce planning conversations.

The Board's Time Challenge and Related Mitigating Strategies Identified Through Benchmarking

Officials in some Board divisions find it challenging to dedicate time to conduct workforce planning activities. Board divisions primarily focus on executing activities that more directly support the Board's mission. Although some divisions have actively sought HR's assistance to develop workforce plans, other divisions have yet to do so. Moreover, Board officials with enterprisewide administrative responsibilities underscored the importance of the Governors clearly stating their support and setting expectations 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. According to an HR official, the Administrative Governor, who is responsible for Board operations, has actively sponsored enterprisewide workforce planning over the past year. In our opinion, enterprisewide workforce planning could also benefit from having similar support from all Governors. Without broad Governor and active division leadership support, workforce planning activities may not occur timely in some divisions.

Through benchmarking, we identified four strategies and related lessons learned that may help mitigate the Board's time challenge:

- **Obtain top leadership support**—Obtaining executive sponsorship is critical to ensuring that business lines dedicate sufficient time to successfully implement workforce planning. Benchmark organizations reported overcoming time constraints when their leadership identified workforce planning as a management priority at the outset of the initiative. Leaders demonstrated support through active involvement in the workforce planning process, communications, and financial

support. Further, organizations emphasized that leadership should be the driver for workforce planning rather than having staff or HR champion the process. For example, some organizations stressed the importance of leadership participating during workshops, following up on recommendations, and engaging with other stakeholders throughout the organization. As a result of this leadership support, organizations had the necessary momentum and management involvement to timely implement a workforce planning process.

- **Incorporate workforce planning into existing administrative planning processes**—Integrating workforce planning into existing administrative planning processes, such as strategic planning, budgeting, ERM, and performance management, may allow management to reduce the time spent on workforce planning activities. Our benchmark organizations consider workforce planning activities a fundamental management function that should be linked with longer-term business strategies. Specifically, integrating the processes can help to ensure enterprisewide continuity and consistency in administrative process, as well as help to ensure that the organization’s workforce adapts to any changes in business strategy, financial needs, and professional development. Integrating workforce planning into administrative processes allows management to streamline these processes rather than having to dedicate separate time to conduct workforce planning.
- **Consistently communicate about the workforce planning process and its benefits**—A communication plan that consistently and clearly communicates the definition of, vision for, and value of workforce planning can help HR create the necessary support for implementing a workforce planning process. Such a plan can also help persuade leadership to dedicate sufficient time to workforce planning activities and set shared expectations. Specifically, benchmark organizations identified that clear communication involves developing a common definition and providing consistent messaging across business lines. Organizations used a variety of methods to communicate the value of workforce planning across the organization. Some of these methods include (1) consistently discussing workforce planning in executive-level meetings, (2) having executive-level leaders act as workforce planning advocates in the business lines, and (3) having business lines that have undertaken workforce planning identify benefits to other business lines that have not started the effort. A communication plan also creates shared expectations for executing the workforce planning process, including an understanding of what is expected of the various stakeholders.
- **Focus on mission-critical roles**—Many organizations focus their workforce planning efforts on roles that are critical to meeting their mission and that are filled by employees who may be difficult to replace. By doing so, leadership can concentrate its limited time on developing a strategy to help ensure that they have the talent needed to meet the organization’s mission. In one organization of about 2,000 employees, leadership agreed on 25 mission-critical roles through two meetings with leadership and one-on-one conversations with individual leaders. This organization is committed to reviewing its list of mission-critical roles every year or two so that it remains current.

The Board's Process Ownership Challenge and Related Mitigating Strategies Identified Through Benchmarking

The Board can further clarify the process owners responsible for executing workforce planning activities. Specifically, in our March 2019 report we found that the Board's *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 for divisions and HR. We recommended that the Chief Operating Officer, the Director of the Management Division, and the Chief Human Capital Officer conduct additional outreach with the 14 Division Directors and other stakeholders to establish the roles and responsibilities of HR and the divisions in an enterprisewide workforce planning process.

Through benchmarking, we identified two strategies and related lessons learned that may help mitigate the Board's process ownership challenge:

- **Define roles and responsibilities**—Benchmark organizations stated that HR is best suited to provide the structure for workforce planning. Specifically, the organizations noted that HR is responsible for developing the workforce planning process, including identifying roles and responsibilities and supporting implementation across the organization, and the business lines are responsible for owning and executing the workforce plan and making the necessary workforce decisions. Having a clear process with defined roles and responsibilities may allow the organization to effectively execute workforce planning activities in a repeatable and sustainable manner and can help create leadership support. In one organization, business lines developed a responsibility assignment matrix to identify workforce planning–related decisionmaking authorities and the responsible individuals.
- **Create an accountability mechanism**—Using accountability mechanisms when establishing process ownership can help to ensure that workforce planning activities are undertaken and monitored. Although HR establishes the process, business lines are ultimately accountable for the outcome of workforce planning. Accountability mechanisms can include formal agreements, such as a charter or an executive oversight group, as well as success measures that are linked to individual and business-line performance plans and budgets. For example, several organizations use formal policies and procedures that outline individuals' roles and responsibilities, which holds them accountable for executing workforce planning activities.

The Board Has Begun to Employ Some Mitigating Strategies

The Board has begun to address some of these challenges with the mitigating strategies outlined above; however, a more comprehensive use of the strategies may help the Board as it continues to implement its workforce planning process enterprisewide.

- **Resources**—HR has begun to dedicate resources to implementing enterprisewide workforce planning. However, HR estimates that with current levels of dedicated HR and division resources, workforce planning will not be implemented enterprisewide until 2026. At the time this report was issued, the Board had completed its pilot program in one division and in one functional area of another division. In addition, HR has developed a workforce plan with a third division and is

scheduled to complete a workforce plan with a fourth division in 2019. At 2019 resource levels, HR estimates that it can continue to develop workforce plans for two divisions and provide limited workforce planning support in an additional division each year. HR estimates that two additional full-time HR staff members would shorten the deployment schedule by 4 years and reduce costs by half.

- **Data and information**—The Board has taken steps to address its data and information challenge. These steps generally align with the identified strategies. Specifically, HR provides workforce planning data and information to divisions. According to an HR representative, in the absence of a centralized data system, HR uses a time-consuming manual process to analyze and package the data prior to dissemination to divisions. According to an HR representative, HR is considering replacing its HR data management system. A new system may have integrated workforce planning modules that could mitigate the use of several systems and associated manual processes. In addition, HR was piloting an HR dashboard across divisions during our fieldwork. The dashboard will allow divisions to access HR data in real time, allowing divisions to be more self-sufficient and to conduct more of their own workforce planning activities.⁸
- **Time**—HR’s use of the mitigating strategies related to the time challenge has been limited. According to an HR representative, communication around workforce planning has been focused on those divisions that are participating in the HR-led workforce planning activities.
- **Process ownership**—The Board has begun to use some of the mitigating strategies related to the process ownership challenge. HR has begun to make progress in addressing our March 2019 recommendation that the Board establish workforce planning roles and responsibilities. For example, workforce plans completed during the workforce planning pilot define roles and responsibilities at the division level. In addition, according to an HR representative, some divisions have implemented accountability mechanisms by requiring their leaders to participate in workforce planning meetings.

The Board May Find It Challenging to Timely Implement and Sustain Its Enterprisewide Workforce Planning Process

A qualified, diverse, and agile workforce is critical to meeting the Board’s mission. However, additional efforts to more comprehensively use these strategies may help the Board more timely implement and sustain an enterprisewide workforce planning process. HR has made progress in assisting some divisions in developing workforce plans; however, HR estimates that it will not be able to complete initial workforce plans for all divisions until 2026. As the Board continues to implement its workforce planning process, we believe that HR should consider a more comprehensive use of the mitigating strategies. The strategies may help the Board identify additional HR resources (1) to facilitate timely workforce planning implementation and (2) to reduce key person dependency risk associated with only having one full-time employee specifically dedicated to the effort. Further, these mitigating strategies can help ensure that Board leadership and all Board divisions understand the benefits of and participate in an enterprisewide approach to workforce planning.

⁸ Prior to the issuance of this report, HR deployed the dashboard enterprisewide.

Recommendations

We recommend that the Director of the Management Division and the Chief Human Capital Officer

1. Identify opportunities to dedicate additional HR resources to facilitate the timely implementation of workforce planning and reduce key person dependency risk.
2. Identify additional opportunities to leverage the mitigating strategies, or other strategies as appropriate, when implementing enterprisewide workforce planning.

Management Response

In response to our draft report, the Director of the Management Division concurs with our recommendations. For recommendation 1, the Director states that the Management Division intends to work with the Division of Financial Management and the Chief Operating Officer to identify additional HR resources for its workforce planning activities. In addition, the Management Division plans to recruit one additional full-time resource dedicated to workforce planning in 2019.

For recommendation 2, the Director states that HR's workforce planning methodology includes capturing lessons learned with each deployment and conducting research on best practices and applying them to the workforce planning process. As part of these efforts, HR will continue to identify additional opportunities to leverage mitigating strategies or other strategies as appropriate when implementing enterprisewide workforce planning.

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 Consideration

HR should consider partnering with relevant Board divisions to coordinate workforce planning with other Board administrative processes to help advance the agency's operational priorities. By incorporating workforce planning into existing administrative processes, such as strategic planning, D&I, ERM, and budgeting, the Board can help to ensure that it has centralized the necessary workforce information to make informed decisions when addressing its operational priorities. In addition, incorporating workforce planning into its existing administrative processes could allow the Board to realize the benefits of workforce planning while reducing the time spent on such activities. Through benchmarking, we have identified ways in which workforce planning contributes to these processes.

Strategic Planning—The *Strategic Plan 2016–19* identifies the Board's workforce as a strategic pillar and states that a qualified, diverse, and agile workforce is critical to achieving its mission. One goal in the plan is to uphold the Board as a sought-after place to work that attracts highly qualified individuals and embraces the range of similarities and differences each individual brings to the workplace.

Workforce planning can assist in ensuring that an organization has a qualified, diverse, and agile workforce. Specifically, workforce planning accomplishes the following:

- **Provides information to leadership on workforce needs.** A workforce planning process can help ensure that leadership knows its specific workforce needs and provides the necessary information to inform leadership on how to manage the organization. For example, some organizations use workforce planning information to focus talent development opportunities on areas that support the succession pipeline.
- **Helps allocate resources.** Workforce planning can help ensure that staff development efforts are targeted and within budget. In one organization, workforce planning has helped focus leadership's attention on the need to develop existing talent as opposed to hiring.
- **Helps define employee career paths.** A workforce planning process can help ensure that employees receive developmental opportunities and are knowledgeable about evolving skill needs of the organization. For example, workforce planning can be used to facilitate conversations with employees about components of a business line that are becoming obsolete and identify opportunities to shift the employees' career paths into other business units.
- **Helps HR and leadership better understand business-line needs and balance their need for emerging skill sets with upcoming work needs.** Workforce planning can help organizations understand how their workforce is changing and how to be agile and ready to adapt to a changing environment. For example, one organization was able to plan its recruiting efforts to ensure that it recruits the right skill sets at the right time.

D&I—A companion to the Board's strategic plan, the *Diversity and Inclusion Strategic Plan 2016–19* recognizes the value of building and sustaining a diverse workforce at all levels of the organization. The D&I strategic plan enhances ongoing Board initiatives and actions and provides a more comprehensive, integrated, and strategic focus on D&I. In its March 2019 *Report to the Congress on the Office of Minority and Inclusion*, the Board identifies several actions it has taken to support its D&I priority. For example, the

Board reorganized its campus recruiting function to focus on efforts to build a stronger campus presence with historically black colleges and universities and Hispanic-serving institutions.

Our benchmarking activities identified several instances of how organizations can use workforce planning to assist in D&I efforts. Specifically, workforce planning does the following:

- **Provides clearer insight into the organization's workforce.** Organizations were able to use workforce planning to identify different recruiting opportunities that resulted in a more diverse applicant pool. For example, one organization identified an opportunity to recruit a more diverse applicant pool for its emerging skill set needs by engaging with historically black colleges and universities and other diverse student organizations.
- **Provides opportunities to encourage all employees to develop emerging skill sets that may lead to additional advancement opportunities.** Organizations can measure their pipeline for diversity in certain mission-critical occupations and prepare those in the pipeline for promotional opportunities. In one organization, female representation at the senior levels increased as a result of these efforts.
- **Helps set expectations surrounding the importance of diversity.** Organizations can use workforce planning to help increase diverse views and perspectives when conducting its work. One organization held its leadership accountable by including diversity in each individual leader's performance plans.

ERM—The *2019 Annual Performance Plan* provides an update on the Board's progress in developing a Boardwide ERM program to enhance the organization's risk management. The Board is piloting (1) risk assessments in each of the Board's divisions and (2) a risk-event capture and reporting process.

Our benchmarking activities identified two ways in which workforce planning can be a tool that helps organizations identify and manage risks. Specifically, workforce planning does the following:

- **Helps identify solutions to events that affect an organization's strategy.** Organizations can use information from workforce planning activities to consider events that can affect an organization's ability to meet its business strategy. For example, one benchmark organization identified that workforce planning can help organizations make changes to workforce needs caused by automation through retraining the workforce rather than by laying off employees.
- **Helps address human capital risks connected to meeting organizational goals.** Workforce planning can help organizations manage human capital risks. For example, one organization uses workforce planning to inform its ERM process. Specifically, the organization determined where to locate a new facility based on the skills available—in both the market and current employees—in that region.

Budgeting—The *Strategic Plan 2016–19* identifies a key pillar related to project development and resource allocation, which seeks to align resources to support current and emerging programs central to accomplishing the Board's mission. In 2019, 72 percent of the Board's budget was allocated to personnel costs. From 2018 to 2019, budgeted positions grew by 14, or less than 1 percent.

Our benchmarking activities identified one way in which workforce planning can enhance an organization's ability to allocate its resources. Specifically, workforce planning can help organizations

respond to changes in risks, especially in a budget-constrained environment. For example, one organization holds internal discussions on how to meet the organization's budget growth targets. Such discussions include strategies to repurpose positions or reallocate resources to meet the organization's needs.



Appendix A: Scope and Methodology

This evaluation examines current challenges to workforce planning at the Board as well as common practices for implementing workforce planning, including mitigating strategies for the identified challenges. 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.

Our initial literature review identified operational challenges to enterprisewide workforce planning experienced by other organizations. We confirmed that these operational challenges exist at the Board by analyzing documentary and testimonial evidence provided by agency officials 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. In addition, we reviewed the Board’s *Strategic Plan 2016–19*, *Diversity and Inclusion Strategic Plan 2016–19*, and *2019 Budget as Approved By the Board of Governors* to identify the Board’s operational priorities. We also interviewed officials and staff members from 14 Board divisions.

To identify related lessons learned from other organizations that may be applicable to the Board, we

- conducted a review of academic and nonprofit literature
- conducted interviews with and reviewed documents provided by a range of organizations within the public, private, and academic sectors, including the following:
 - five Federal Reserve Bank HR groups
 - one cross-collaborative group for the Federal Reserve System
 - one central bank
 - two major universities
 - two federal agencies
 - one Fortune 100 company

We used qualitative analysis software to organize and analyze the information collected during benchmarking (1) to confirm the common applicability of operational strategies and (2) to identify related mitigating strategies and lessons learned.

To ensure the accuracy of lessons learned, we confirmed our analysis of mitigating strategies with benchmark organizations and adjusted our analysis based on feedback provided, as appropriate.

We conducted this evaluation’s fieldwork from December 2017 through June 2019. We performed our evaluation 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 Response



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

MANAGEMENT DIVISION

September 13, 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, *Leveraging Certain Strategies May Help the Board Timely Implement and Sustain Enterprisewide 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 this workforce business need that has both short-term and long-term implications for the organization.

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 blue ink, appearing to read "Winona Varnon".

Winona Varnon
Director, Management Division
Federal Reserve Board

www.federalreserve.gov

**Response to recommendations presented in the Draft IG Report,
“Leveraging Certain Strategies May Help the Board Timely Implement and Sustain
Enterprisewide Workforce Planning”**

Recommendation 1: Identify opportunities to dedicate additional HR resources to facilitate the timely implementation of workforce planning and reduce key person dependency risk.

Management Response:

Management Division leadership will be working closely with the Division of Financial Management and the Chief Operating Officer to identify additional HR resource options to support on-going workforce planning activities. In the interim, HR will be recruiting for one dedicated full-time resource to be in place before the end of 2019.

Recommendation 2: Identify additional opportunities to leverage the mitigating strategies, or other strategies as appropriate, when implementing enterprisewide workforce planning

Management Response:

Part of Board HR’s workforce planning (WFP) methodology includes capturing lessons learned with each deployment, while continuously improving the process and approach. The function also conducts research on best and next practices and applies them to streamline processes, improve the methodology and drive impact to shape the Board’s workforce of the future. Board HR’s WFP function has applied a key best practice by including Division employees as an active project member, enabling them to learn the process, help with resulting implementation efforts and track Division specific progress. As part of HR’s on-going efforts around conducting research on best and next practices, the WFP function will continue to identify additional opportunities to leverage mitigating strategies or other strategies as appropriate, when implementing enterprisewide workforce planning.



Abbreviations

Board	Board of Governors of the Federal Reserve System
D&I	diversity and inclusion
ERM	enterprise risk management
GAO	U.S. Government Accountability Office
HR	Human Resources
HRBP	Human Resources Business Partner
OIG	Office of Inspector General

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