The proposed human capital system is designed to be aligned with the department’s mission requirements and is intended to protect the civil service rights of DHS employees. Many of the basic principles underlying the DHS regulations are consistent with proven approaches to strategic human capital management, including several approaches pioneered by GAO, and deserve serious consideration. However, some parts of the system raise questions that DHS, OPM, and Congress should consider.

• **Pay and performance management**: The proposal takes another valuable step towards results-oriented pay reform and modern performance management. For effective performance management, DHS should use validated core competencies as a key part of evaluating individual contributions to departmental results and transformation efforts.

• **Adverse actions and appeals**: The proposal would retain an avenue for employees to appeal adverse actions to an independent third party. However, the process to identify mandatory removal offenses must be collaborative and transparent. DHS needs to be cautious about defining specific actions requiring employee removal and learn from the Internal Revenue Service’s implementation of its mandatory removal provisions.

• **Labor relations**: The regulations recognize employees’ right to organize and bargain collectively, but reduce areas subject to bargaining. Continuing to involve employees in a meaningful manner is critical to the successful operations of the department.

Once DHS issues final regulations for the human capital system, it will be faced with multiple implementation challenges:

• **DHS plans to implement the system using a phased approach, however, nearly half of DHS civilian employees are not covered by these regulations, including more than 50,000 Transportation Security Administration screeners. To help build a unified culture, DHS should consider moving all of its employees under a single performance management system framework.**

• **DHS noted that it estimates that about $110 million will be needed to implement the new system in its first year. While adequate resources for program implementation are critical to program success, DHS is requesting a substantial amount of funding that warrants close scrutiny by Congress.**

• **The proposed regulations call for comprehensive, ongoing evaluations. Continued evaluation and adjustments will help to ensure an effective and credible human capital system.**

• **DHS has begun to develop a strategic workforce plan. Such a plan can be used as a tool for identifying core competencies for staff for attracting, developing, evaluating, and rewarding contributions to mission accomplishment.**

The analysis of DHS’s effort to develop a strategic human capital management system can be instructive as other agencies request and implement new strategic human capital management authorities.