



# Human Capital Operating Plan (HCOP) Guidance Fiscal Years 2022-2026

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## Table of Contents

|      |  |    |
|------|--|----|
| I.   | Overview .....   | 3  |
|      | Purpose .....  | 3  |
| II.  | Human Capital Operating Plan (HCOP) in Regulation.....   | 4  |
|      | HCOP Responsibilities .....  | 4  |
|      | HCOP Lifecycle .....   | 6  |
| III. | Guidance for HCOP Development .....  | 7  |
|      | Assess Current State .....   | 7  |
|      | Strategic Planning Framework: Cascade of Strategic Goals, Human Capital Goals, Strategies,<br>Action Items, and Evaluation ..... | 7  |
|      | Use the Template (Sample) (Attached) .....   | 10 |
|      | Tips and resources for creating effective performance measures: .....  | 10 |
|      | Finalize and Implement the Plan .....  | 11 |
|      | Update the Plan as Needed .....  | 12 |
| IV.  | Monitoring and Evaluating Progress.....  | 12 |
|      | Monitoring Your Progress .....   | 12 |
|      | Evaluating Overall Effectiveness .....   | 13 |
| V.   | Questions? .....   | 15 |
| VI.  | References .....   | 16 |

# I. Overview

Public and private sector studies have shown organizations that achieve and sustain excellence in strategic human capital management outperform those who do not<sup>1</sup>. The strategic management of human capital not only impacts organizational performance but can enable the workforce to accelerate progress to achieve strategic objectives. How an agency manages human capital dramatically impacts performance. Managed well, human capital management can enable and accelerate progress. Managed poorly, uncoordinated human capital management can threaten and impede progress.

In the Federal sector, high-performing agencies ensure their human capital goals and strategies:

- are aligned and integrated with the Agency’s Strategic Plan (SP), Annual Performance Plan (APP) and goals, and relevant budget, finance, and acquisition plans;
- contain measurable and observable performance targets, and baselines; and
- are communicated in an open and transparent manner to facilitate collaboration to achieve mission objectives.

[The Government Performance and Results Act Modernization Act of 2010](#) (GPRAMA) requires agencies to indicate how human capital management will support agency strategic goals within their ASP and APP. The increased visibility and improved integration of strategic human capital planning within the ASP is intended to enhance organizational outcomes by streamlining the strategic alignment of people with mission. The revised rule for Strategic Human Capital Management (5 CFR 250, Subpart B) reinforces this by requiring each CFO Act agency to have a Human Capital Operating Plan (HCOP).

## Purpose

The Human Capital Operating Plan (HCOP) is the tool agencies use to align and implement human capital strategy with overall strategic planning and performance strategy. The U.S. Office of Personnel Management (OPM) updated [5 CFR 250 subpart B](#)<sup>2</sup> to identify the HCOP as a key Strategic Human Capital Management requirement for Federal agencies.

This guidance includes specific instructions and recommendations for development of agencies’ HCOPs. The HCOP’s primary purpose is to ensure an agency’s human capital strategies and actions are aligned and integrated with agency strategic plans and Governmentwide workforce priorities. Therefore, HCOP effectiveness depends largely on the collaborative efforts of the Chief Human Capital Officer (CHCO) and agency senior management officials to incorporate strategic human capital planning into their agency strategic plan (ASP) and related strategic documents.

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<sup>1</sup> *The People Factor: Strengthening America by Investing in Public Service*, Linda J. Bilmes and W. Scott Gould, The Brookings Institution, 2009

<sup>2</sup> The final rule on 5 CFR 250 subpart B became effective on April 11, 2017, and it requires agencies to develop an HCOP and update annually.

## II. Human Capital Operating Plan (HCOP) in Regulation

[§ 250.205 Human Capital Operating Plan \(HCOP\)](#) states that each agency must develop a Human Capital Operating Plan (HCOP) that aligns with an agency's Strategic Plan and Annual Performance Plan. The HCOP is required to be reviewed and approved annually and updated as needed. The HCOP must demonstrate how an agency's human capital implementation strategies align to the principles and standards of the [Human Capital Framework](#) (HCF) while including an explanation of how human capital policies, initiatives, objectives, and resources will be used to achieve agencies' human capital goals. The HCOP will be made available to OPM upon request. The HCOP must –

- (a) Be established by the CHCO, in collaboration with the agency's senior management team;
- (b) Be used to support the execution of an agency's strategic plan, as an agency's human capital can affect whether or not a strategy or strategic goal is achieved;
- (c) Explicitly describe the agency-specific skill and competency gaps that must be closed through the use of agency selected human capital strategies;
- (d) Include annual human capital performance goals and measures that will support the evaluation of the agency's human capital strategies, through HRStat quarterly reviews, and that are aligned to support mission accomplishment;
- (e) Reflect the systems and standards defined in § 250.203 above, consistent with their agency strategic plan and annual performance plan, to address strategic human capital priorities and goals; and
- (f) Address the governmentwide priorities identified in the Federal Workforce Priorities Report.

### HCOP Responsibilities

[The Human Capital Operating Plan \(HCOP\)](#) is an agency's human capital implementation document, which describes how an agency will execute the human capital elements stated within Agency Strategic Plan (ASP) and Annual Performance Plan (APP). Program specific workforce investments and strategies (e.g., hiring, closing skill gaps, etc.) should be incorporated into the APPs as appropriate. The HCOP should clearly execute each of the four systems of the Human Capital Framework – *Strategic Planning, Performance Culture, Talent Management, and Evaluation* – and should also align with GPRAMA annual performance plans and timelines. The HCOP should also demonstrate alignment of the agency's HC objectives and actions with the Governmentwide priorities identified in the Federal Workforce Priorities Report (FWPR).

The HCOP is the key to enabling successful outcomes from the agency strategic planning process. It is important to note that the HCOP itself is not a strategy document. The HCOP is brief and focused on tangible milestones, outcomes, and performance indicators. The HCOP has a tactical look and feel. It is a dynamic document referred to often throughout the year to assess progress during quarterly HRStat Reviews and through strategically focused independent audits, which enables timely adjustments based on actual performance and data. The HCOP serves as a powerful accountability and alignment mechanism for stakeholders up, down, and across the agency. In addition to working with CHCOs to help develop the HCOP, stakeholders will have the following practical uses:

- **Agency Senior Leaders** can use the HCOP to chart progress on the agency’s strategic human capital initiatives and ensure CHCOs have the resources and support they need to deliver on the agency’s annual goals and objectives.
- **CXO Partners (Finance, Procurement, IT, etc.)** can use HCOP results as a conversation-starter with CHCOs and Agency Senior Leaders about the specific financial, contractual, IT, and other resources needed to execute the agency’s human capital strategies.
- **CHCOs** can use the HCOP to align senior agency leaders and CXO partners around a specific human capital operating agenda for the year; prioritize the work of the human capital team; and through quarterly HRStat Reviews and independent audits, monitor, evaluate, and communicate progress on an ongoing basis.
- **Agency HR Practitioners** can use the HCOP to maintain “line of sight” with the agency’s human capital priorities and align their individual work plans to support those priorities. In addition, agency Accountability Program Managers can use HCOP results to support effective oversight and evaluation of the agency’s human capital strategies.

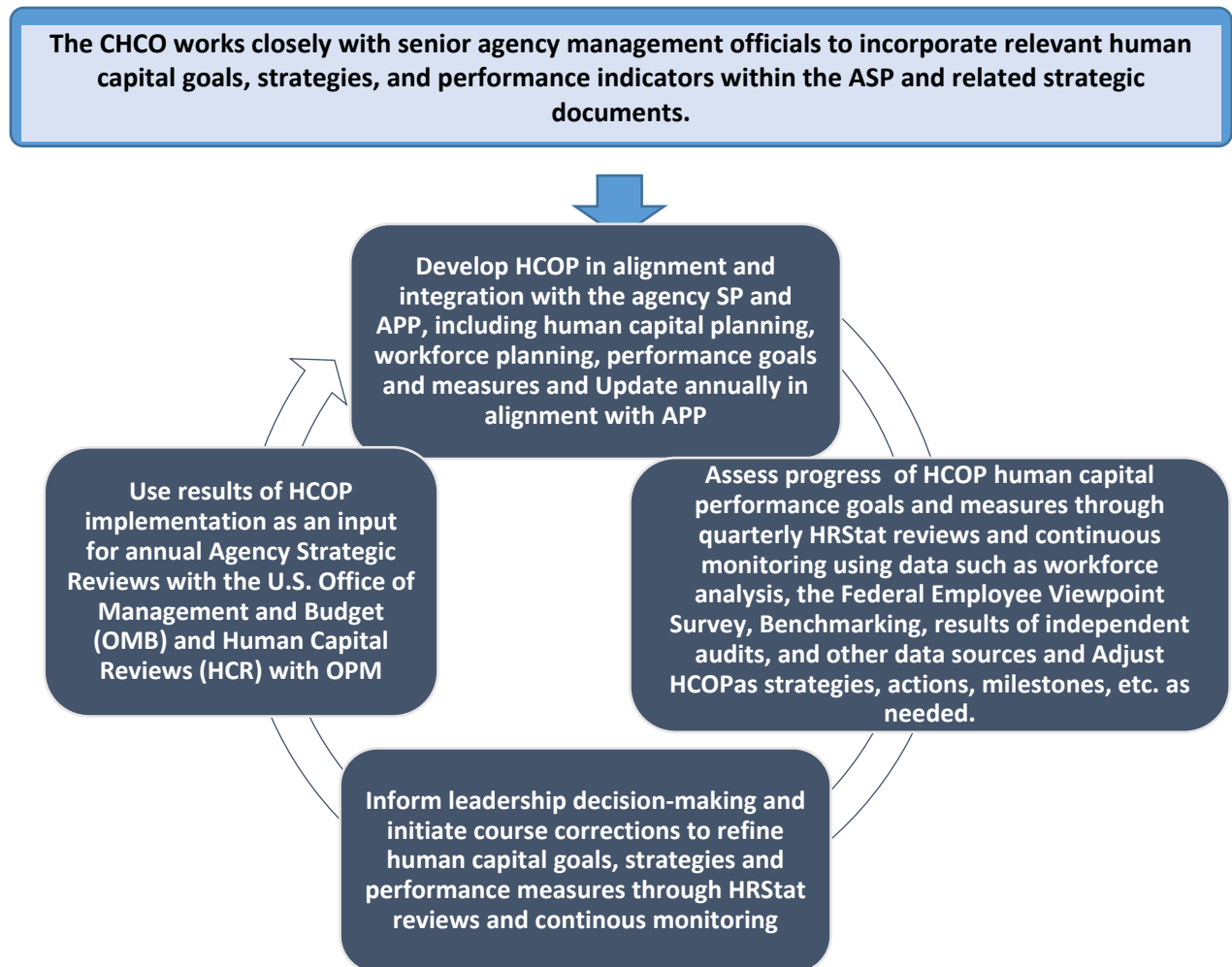
HCOP performance measures and metrics should be used:

- as a foundation for agencies’ quarterly reviews (e.g., HRStat) and an early feedback system when chosen strategies/improvements are not achieving desired outcomes;
- to inform annual agency performance reviews; and
- to inform Human Capital Reviews (HCR) conducted by OPM to assess progress of Federal agencies human capital strategies and goal achievement (See more information on page 15).

# HCOP Lifecycle

Figure 1 Depicts the development and implementation lifecycle of the HCOP.

Figure 1. HCOP Lifecycle



This lifecycle depicts the HCOP’s reliance on strategic human capital management and workforce planning being effectively incorporated into the mission and goals of the ASP and related strategic documents. The HCOP operates on the same annual cycle as the agency APP in order to identify and focus on the human capital goals and measures that need to be implemented each year to achieve the strategic goals set forth over the four years of the ASP. Within the annual HCOP cycle, the agency’s internal HRStat quarterly reviews and independent audit results provide opportunities for data-driven feedback on needed course corrections relative to desired outcomes.

## III. Guidance for HCOP Development

### Assess Current State

Before developing the HCOP, there are specific considerations that must take place. For example, consideration should be given to how the agency currently conducts strategic and human capital planning. HC initiatives may have already been developed to address the agency's strategic/mission objectives and performance goals. If already in place, or are being planned, use the HCOP development process to pull them all into one place (i.e., the HCOP) and use the HRStat reporting process to provide quarterly updates to leadership. That information provides the starting point.

### Strategic Planning Framework: Cascade of Strategic Goals, Human Capital Goals, Strategies, Action Items, and Evaluation

The ASP and the APP are the foundation of the HCOP as a tactical/implementation operating plan. Therefore, it is vital for the CHCO to be closely involved in the development of the ASP and the APP. The CHCO works with agency leaders to identify the human capital risks and opportunities relating to specific agency goals and work units, as well as the human capital challenges impacting the agency as an enterprise.

An agency's **Strategic Plan** should provide the context for decisions about performance goals, priorities, strategic human capital planning, and budget planning. It should provide the framework for the detail published in agency Annual Performance Plans, Annual Performance Reports, and on Performance.gov.

The APP is a description of the level of performance to be achieved during the year in which the plan is submitted and the next fiscal year. The plan should also be specific in describing the strategies the agency will follow, explaining why those strategies have been chosen, and identifying performance targets and key milestones that will be accomplished in the current and next fiscal year. It should be comprehensive of the agency's mission by showing the plan for each strategic objective.

- Due to the alignment and integration that must occur at the tactical level between the APP and the HCOP, the CHCO needs to work closely with the agency Performance Improvement Officer (PIO) who is familiar with the strategic and annual planning and reporting processes outlined in the Federal Performance Framework.

The relationships among different HCOP elements can be understood in terms of how each element complements the next and by asking the right questions.

- **Agency/Strategic Goals:** An agency's Strategic Plan should provide the context for decisions about performance goals, priorities, ***strategic human capital planning***, and budget planning. It should provide the framework for the detail published in agency Annual Performance Plans, Annual Performance Reports, and on Performance.gov.

- **Annual Performance Plan:** In the Annual Performance Plan, agencies establish performance goals, measures, and targets aligned to agency's objectives in the strategic plan, identifying the level of performance to be achieved during the current year in which the performance plan is submitted as well as the budget year.
- **Human Capital Goals:** What needs to be accomplished based on the ASP?
  - Human capital goals tend to be categorized around major human capital systems and define what is to be accomplished.
  - Human capital goals can be short- or long-term and may be expressed specifically or broadly. ASPs drive **Human capital goals which, in turn, drive human capital strategies.**
- **Human Capital Strategies:** How will human capital goals be accomplished? Human capital strategies articulate how goals should be accomplished. Strategies describe a path forward that ensures work functions and processes align to achieve human capital goals and are based on evidence, data, and root cause analysis. This includes the development/administration of human resource programs and policies, resource identification/allocation, training, and human resources information technology systems. Human Capital strategies lead to specific actions that should be completed.
- **Action Items:** What are those specific tasks to be accomplished within each strategy?
  - Action items identify the actions that should be taken, who is responsible, what resources are required, and what timeframes and key milestones are expected. As a HCOP criteria, action items must also include:
    - **Indicator (Performance Measures):** A measurable value that indicates the state or level of something.
    - **Performance Indicator (Metric).** The indicator for a performance goal or within an Agency Priority Goal statement that will be used to track progress toward a goal or target within a timeframe. By definition, the indicators for which agencies set targets with timeframes are performance indicators.
    - **Target:** Quantifiable or otherwise measurable characteristic typically expressed as a number that tells how well or at what level an agency or one of its components aspires to perform. In setting and communicating targets, where available, agencies should include baseline value from which the target change is calculated.
    - **Milestones:** A scheduled event signifying the completion of a major deliverable or a phase of work.
- **Human Capital Evaluation Framework** underlies the three human capital evaluation mechanisms (i.e., HRStat, Audits, and Human Capital Reviews) to create a central evaluation framework that integrates the outcomes from each to provide OPM and agencies with an understanding of how human capital policies and programs and can be used to measure results of implementation for intended outcomes. All three of these activities are integral parts of the overall agency Evaluation System.



- **HRStat** - Throughout the year, agencies are required to conduct **quarterly** HRStat reviews, and if needed, make course corrections of strategies and action items when not achieving the desired results or outcomes.
- **Human Capital Reviews (HCR):** HCR is OPM's evidence-based review of an agency's design and implementation of its HCOP, independent audit, and HRStat programs to support mission accomplishment and human capital outcomes.
- **Independent audit program** is a component of an agency's evaluation system designed to review all human capital management systems to help monitor progress against the goals contained in the HCOP, and select human resources transactions to ensure efficiency, effectiveness, and legal and regulatory compliance.

## Design the HCOP

Federal agencies' HCOPs must address the following required elements:

1. Human capital implementation actions planned to support the strategic goals and priorities identified in the ASP and APP;
2. Measures and timeframes, including annual human capital performance goals, which will be used to assess progress through HRStat quarterly reviews and APPs;
3. Steps planned to address the Governmentwide priorities identified in the Federal Workforce Priorities Report (FWPR);
4. Agency-specific skill and competency gaps that must be closed through the use of agency selected human capital strategies; and
5. Demonstration of how HCOP objectives and actions align with and satisfy HCF system's standards.

In addition to technical requirements outlined above, the plan must include:

- Each Strategic Goal or Objective the HCOP is supporting.
- Timeframe in which tactics/actions will be implemented, including key milestones.
- Human capital performance baselines, measures, and targets used to track progress and evaluate success.
  - Identify human capital performance measures and targets that will tell you if you are on the right path, making progress, and achieving goals.
  - Ensure that measures and targets are data-driven and based on a comprehensive workforce analysis, where applicable. Focus on defining, collecting, analyzing, and using data.
- The agency's plan for conducting performance assessments (i.e., quarterly HRStat Reviews for agency leadership) regarding the progress and results of the HC initiatives included in the HCOP. Results are demonstrated using the agency's HC Key Performance Indicators aligned with each HC strategic objective/action and corresponding performance targets.

- Discussion of any agency-specific skill and competency gaps that must be closed in order to achieve the stated goals, and the steps your agency is taking to close those gaps.

## Use the Template (Sample) (Attached)

### Tips and resources for creating effective performance measures:

**Relevant and germane to success.** The metric should logically link directly to the performance indicator identified for achieving a successful human capital outcome.

- **Actionable to users and possessing a clear line of sight.** Optimally, metrics should be measurable so that the user obtains a line of sight between actions and metrics of success.
- **Benchmarking with other organizations.** Benchmarking metrics through comparison with your agency's past performance and with the performance of similar agencies allows your agency to compare how your actual performance rates in relation to prior years and your peers.
- **Valid, quantifiable, and reliable metrics.** Your measures must be valid (measuring what you intend to measure) and reliable (not influenced by random factors that cause differences in scores). In addition, the measures must allow for statistical measurement and sampling.
- **Multiple data sources.** Multiple data sources allow for robust measurement of a concept. Where possible, data from qualitative sources can provide additional insight into quantitative results.
- **Repeated measures.** Metrics that are collected and analyzed year to year provide comparisons to prior years and the same metrics for different populations (e.g., supervisors versus non-supervisors) allow comparisons between groups.
- **Capacity for clear, graphical representation, and visual reporting.** Optimum metrics are clear and can be presented in visual and graphical representations that are easy to understand and that track performance trends over time.
- **Cost effective.** A first-rate performance metric must not be cost prohibitive, negating its value as an important resource for measuring improvement over time.<sup>3</sup>

Note: There is a difference between quantifiable measures and activities or milestones. In some cases, an agency may consider issuing a memo; the memo is an activity or a milestone, not a quantifiable measure.

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<sup>3</sup> Frost, Bob. Designing Metrics: Crafting Balanced Measures for Managing Performance, pp. 62-63 (Dallas, TX: Measurement International, 2011).

In this example, the intended output may be to train managers on a new performance management system.

| Metric  | Baseline FY 22 | Target FY 23 | Target FY 24 |
|---|----------------|--------------|--------------|
| <b>Trained managers on the new performance management system.</b> | 50%            | 75%          | 100%         |

Another example of a strong quantifiable metric is the time-to-hire measure. It is important to have a specific metric that effectively measures progress towards a successful outcome. Rather than stating the outcome of time to hire as “decrease T2H in agency mission critical occupations,” a better metric that allows effective measurement would be:

| Metric   | Baseline FY 22 | Target FY 23 | Target FY 24 |
|--|----------------|--------------|--------------|
| <b>Average T2H for GS-201 HR Specialist</b><br>Average Number of Days to hire for permanent GS-201 (from time RPA is created to EOD) | 118 days       | 112 days     | 107 days     |
| <b>Agency Average Time-to-Hire</b><br>Average Number of Days to hire agency wide   | 106 days       | 96 days      | 85 days      |

## Finalize and Implement the Plan

Think through how to finalize and implement the plan. Make sure HCOP development and updates are aligned with the agency strategic planning cycle. The key to any successful plan is communication. It is imperative that the HCOP be communicated to the agency’s workforce. The CHCO is responsible for socializing and implementing the HCOP and will lead the effort to execute the human capital objectives and actions outlined in it.

Determine where the finalized plans will be housed and maintained. Agencies are required to have the HCOP available for review upon request by OPM. When requested, agencies must submit their HCOP to OPM via the [Max](#) portal.

## Update the Plan as Needed

The duration of the agency's HCOP is not prescribed by OPM. However, the HCOP is to be reviewed and approved annually and updated as needed to ensure that the HC strategic objectives and planned actions remain relevant to the strategic objectives and priorities of the agency. As needed, new HC objectives and actions should be added to the HCOP and de-prioritized objectives should be removed. The HCOP's performance targets and performance indicators should also be evaluated annually and updated as needed.

## IV. Monitoring and Evaluating Progress

The HCOP is a dynamic document that should be referred to often throughout the year to assess progress and adjust human capital strategies and activities based on actual performance data. A well-crafted HCOP will provide actionable data that can be used to:

- **Monitor** and adjust the plan proactively on an ongoing basis throughout the year.
- **Inform** the agency's strategic and annual planning efforts.
- **Evaluate** the agency's overall human capital effectiveness.

Moreover, the results of these monitoring and evaluation efforts can be used to influence the quality of decisions an agency makes about its human capital investments and drive continuous and innovative improvements. The more data and information agency leaders have about how human capital programs are performing at the operational level, the better they can utilize that information to make program and policy decisions that improve mission outcomes.

### Monitoring Your Progress

CHCOs should use the HCOP regularly to assess how the agency is doing in meeting its human capital objectives. As a tactical implementation plan, the HCOP is meant to be used as both a basis for quarterly HRStat reviews, independent audits, and team discussions:

- **Quarterly HRStat Reviews.** HRStat is a monitoring process for agencies to identify, measure, and analyze human capital data to inform agency leadership about how human capital is contributing to and supporting the accomplishment of agency goals. The performance measures, milestones, and metrics developed as part of the HCOP inform the agency's quarterly HRStat reviews. Likewise, information obtained through the quarterly HRStat reviews can be used to make updates or course corrections to the HCOP, as needed throughout the year. CHCOs are responsible for leading the quarterly HRStat reviews, in collaboration with the agency's PIO.
- **Independent Audit Program.** The agency independent audit program should be used strategically to gather information not only related to regulatory compliance, but also used to

assess the impact of the agency human capital actions contained in the HCOP designed to support agency strategic objectives.

- **Team Discussions.** Every member of the Human Capital team should be familiar with the HCOP and how their work, and the work of their unit, contributes to it. The HCOP is the Human Capital team's collective work plan for the year and should be a regular discussion item at team meetings. CHCOs should make the HCOP visible and use it as a rallying point with their teams – share it, display it on the team's website or in their physical work space, and look for creative ways to showcase – and celebrate – progress throughout the year. Frequent ongoing discussions enable CHCOs to intervene proactively when results or outcomes are not achieving desired outcomes and make course corrections ahead of the next HRStat review or independent audit. Results of ongoing reviews may inform conversations with senior agency leaders, the PIO and CXO partners about the status of human capital implementation activities, associated risks, and challenges. Leadership may also use these results to make informed data-driven decisions.

## Informing Agency Planning and Review Efforts

The human capital results and outcomes achieved each year are a key input to your agency's strategic and annual planning efforts. At the end of each year, as you work with your agency senior leaders, PIO and CXO partners to plan for the next cycle, review with your Human Capital team and HRStat team (and other collaborators) how well the outcomes of the human capital strategies contributed to mission accomplishment and use that experience to inform what actions you recommend the agency take in future years.

## Evaluating Overall Effectiveness

Evaluation is the process to assess how well HCOP goals, strategies, and actions achieve the intended results or outcomes. Throughout the year, agencies should conduct quarterly HRStat reviews, and if needed, make course corrections of strategies and action items when not achieving the desired results or outcomes. An effective evaluation system includes an analysis of the effectiveness, efficiency, and compliance of human capital programs. Human Capital Policies, Programs, Processes, People and/or Positions. (The 5 P's)

[Human Capital Evaluation Framework](#) underlies the three human capital evaluation mechanisms (i.e., HRStat, Audits, and Human Capital Reviews) to create a central evaluation framework that integrates the outcomes from each to provide OPM and agencies with an understanding of how human capital policies and programs are supporting missions.

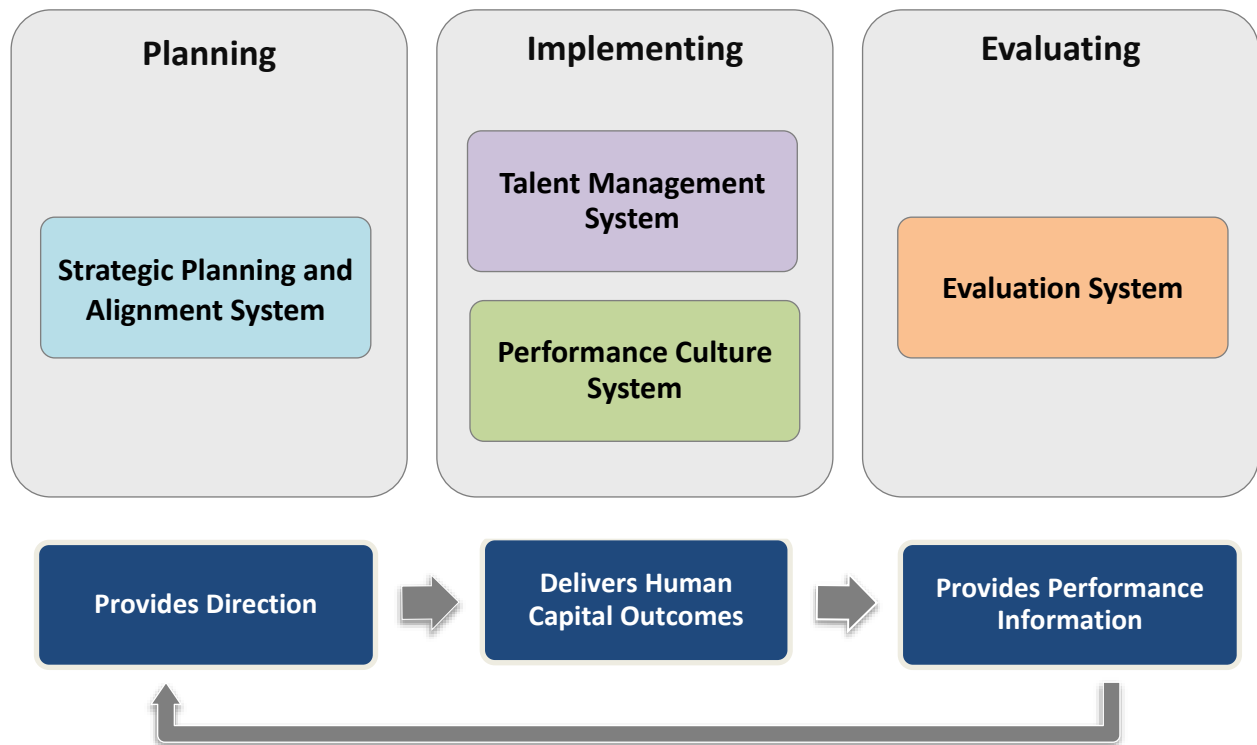
- HRStat is a strategic human capital performance evaluation process that identifies, measures, and analyzes human capital data to inform the impact of an agency's human capital management on organizational results with the intent to improve human capital outcomes. HRStat, which is a quarterly review process, is a component of an agency's strategic planning and alignment and evaluation systems that are part of the HCF.
- Independent audit program is a component of an agency's evaluation system that provides continuous and critical feedback to ensure actions taken achieve efficiency, effectiveness, and

legal and regulatory compliance. Audit results provide valuable information that can help agency leadership adjust strategies or affirm investments in human capital activities.

- Human Capital Review (HCR) is OPM's annual, evidence-based review of an agency's design and implementation of its HCOP, independent audit, and HRStat programs to support mission accomplishment and human capital outcomes. These reviews are in-person meetings for agency senior leaders to discuss the implementation and achievement of human capital goals, including risks, barriers, and successful practices. The reviews serve as an opportunity for OPM to provide feedback to agencies, as well as identify and share best practices, and identify cross-cutting human capital challenges.

In addition to serving as the agency's human capital implementation plan, the HCOP also serves as an indicator of the agency's overall human capital effectiveness, as defined by the HCF. The HCF defines what human capital success looks like in the Federal Government across four major systems: Strategic Planning and Alignment, Talent Management, Performance Culture, and Evaluation. The graphic in Figure 3 below provides a high-level overview of the [HCF](#).

**Figure 2. Strategic Planning and Alignment, Talent Management, Performance Culture, and Evaluation Model**



The HCOP supports the principles of the HCF by demonstrating how an agency's human capital implementation strategies follow the standards set forth by the HCF. In addition, when evaluating agencies' human capital performance, OPM will review the HCOP as one element of an effective

program. OPM will also take into review the human capital strategies developed by the agency to address the agency-specific skill and competency gaps.

## **V. Questions?**

OPM is here to help. We are available to answer questions and provide additional information about any part of HCOP planning, development, implementation, and evaluation. You may send your questions to [humancapital@opm.gov](mailto:humancapital@opm.gov).

## **VI. References**

[5 CFR 250](#)

[Human Capital Framework \(HCF\)](#)

[OMB Circular A-11 – Glossary of Terms](#)

[Government Performance and Results Act Modernization Act of 2010 \(GPRAMA\)](#)

[Evidence-Based Policymaking Act of 2018](#)

[OMB’s MAX Site for 5 CFR 250, Subpart B Guidance](#)