

7. STRENGTHENING THE FEDERAL WORKFORCE

The Federal Workforce Today

The Federal Government has more than 2.1 million civilian workers and 1.3 million active duty military serving throughout the country and the world. Chart 7-1 broadly shows the personnel trends in the Federal security related agencies (inclusive of the Departments of Defense, Homeland Security, Justice, State, and Veterans Affairs) and non-security agencies, in comparison to state and local governments and the private sector.

Table 7-1 shows actual Federal civilian full-time equivalent (FTE) levels in the Executive Branch by agency for fiscal years (FY) 2015 and 2016, with estimates for 2017 and 2018. When it comes to the FTE estimates for 2017, note that at the time the Budget was prepared, only one of the annual appropriations bills had been enacted. Funding provided for the remaining 2017 annual appropriations bills were operating under a continuing resolution, and FTE estimates reflect this funding. Actual 2017 FTE levels are likely to be different, to account for final appropriations, administrative decisions within agencies, and other factors.

Estimated employment levels for 2018 are higher than the 2016 actual FTE levels, but a decrease from the 2017 estimates, all of which are around 2.1 million civilian employees. From 2017 to 2018, increases totaling approximately 23,000 FTE are seen across 7 of the 24 Chief Financial Officers (CFO) Act agencies, and decreases totaling approximately 24,000 FTE occur across 17 of the CFO Act agencies. The increases are primarily driven by growth of civilians in three security-related agencies (Departments of Defense, Veterans Affairs and Homeland Security). Table 7-2 shows actual 2016 total and estimated 2017 and 2018 total Federal employment, including the Uniformed Military, Postal Service, Judicial and Legislative branches.

Total compensation (pay and personnel benefits) is summarized in Table 7-3. A Congressional Budget Office (CBO) April 2017 report found Federal employees on average received a combined 17 percent higher wage and benefits package than the private sector average over the 2011-2015 time period. However, that represented a range that was broken down by educational level. Taking into account educational level, employees with a professional degree received about 18 percent less in total compensation, while those with a high school degree or less received 53 percent higher total compensation.

The Federal government continues to offer a generous package of retirement benefits. CBO found that on average the cost of benefits was 47 percent higher for Federal civilian employees than for private-sector employees, with the Federal defined benefit pension plan (a predetermined set amount regardless of market fluctuation) being the most important contributing factor to cost differences

between the two sectors. Consistent with the goal of reinvesting in Federal government spending in many areas, as well as to bring Federal retirement benefits more in line with the private sector, adjustments to reduce the long term costs associated with these benefits are included in this Budget. These proposals include: increasing employee payments to the defined benefit Federal Employee Retirement System (FERS) pension such that the employee will generally be paying the same amount as the employing agency; and, reducing or eliminating cost of living adjustments for existing and future retirees. Increases to employee pension contributions would be phased in at a rate of one percent per year to lessen the impact on existing Federal employees.

Chart 7-5 shows how Federal pay raises have compared to increases in private sector wages since 1978. The Administration proposes a 1.9 percent pay increase for Federal civilian employees, and a 2.1 percent pay increase for uniformed service members for calendar year 2018.

Using data from the Bureau of Labor Statistics on full-time, full-year workers, Table 7-4 breaks all Federal and private sector jobs into 22 occupation groups to demonstrate the differences in composition between the Federal and private workforces. Charts 7-2 and 7-3 present trends in educational levels for the Federal and private sector workforces over the past two decades. Chart 7-4 shows the trends in average age in both the Federal and private sectors over the past two decades.

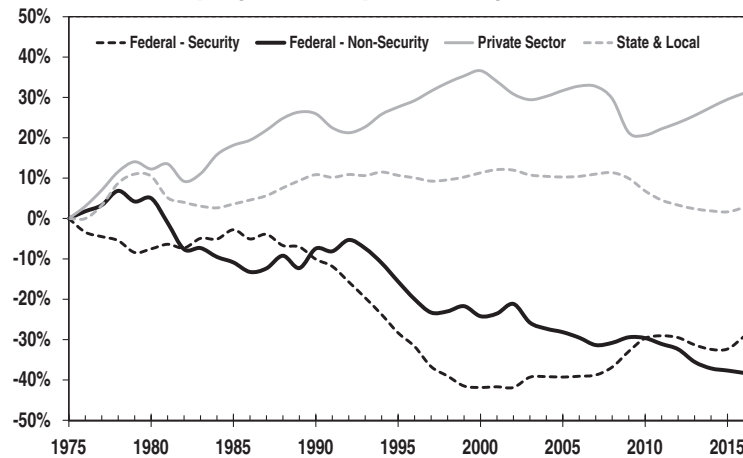
In 2016 (as of September 2016), the Federal workforce is 63.6 percent White, 18.4 percent Black, 8.6 percent Hispanic, 5.8 percent Asian, 0.5 percent Native Hawaiian/Pacific Islander, 1.6 percent American Indian/Alaska Native, and 1.4 percent Non-Hispanic/Multi-Racial. Men comprised 56.8 percent of all Federal permanent employees and women 43.2 percent. Veterans are 31.1 percent of the entire Federal workforce, with 12.7 percent of the veterans disabled. By comparison, veterans comprise approximately 6 percent of the private sector non-agricultural workforce.

The Federal Workforce Going Forward

Despite growing citizen dissatisfaction with the cost and performance of the Federal government, too often the focus has been on creating new programs instead of eliminating or reforming ineffective programs. The result has been too many overlapping and outdated programs, rules, and processes, and Federal employees stuck in a system that is not working. The Federal government should be lean, accountable, and more effective.

To begin addressing this challenge, on January 23, 2017, the President issued a Presidential Memorandum (Hiring Freeze PM) imposing a Federal "Hiring Freeze."

Chart 7-1. Changes from 1975 to 2016 in Employment/Population by Sector



Source: Office of Personnel Management and the Bureau of Labor Statistics.

Notes: Federal excludes the military and Postal Service. Security agencies include the Department of Defense, the Department of Homeland Security, the Department of State, and the Department of Veterans Affairs. Non-Security agencies include the remainder of the Executive Branch. State & Local excludes educational workers.

This ensured immediate action was taken to halt the growth of the Federal workforce until a “long-term plan to reduce the size of the Federal Government’s workforce” was put in place. On March 16, 2017, the President submitted his Budget Blueprint to Congress proposing to eliminate funding for programs that are unnecessary, outdated, or not working. Additionally, on March 13, 2017, the President issued an Executive Order (Reorganization EO) directing the Office of Management and Budget (OMB) to submit a comprehensive plan to reorganize Executive Branch departments and agencies. OMB Memorandum M-17-22, “Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce,” provided agencies with guidance on fulfilling the requirements of the Hiring Freeze PM and the Reorganization EO while aligning those initiatives with the Federal budget and performance planning processes. OMB directed agencies to identify workforce reductions over a four-year period (FY 2018 through 2022) consistent with forthcoming OMB guidance on 2019 Budget submissions. The Agency Reform Plans combined with public input and cross-cutting proposals developed by OMB will inform a Government-wide Reform Plan that will be published as part of the President’s 2019 Budget in February 2018.

Examining the Government’s Mission

As discussed above, the Reorganization EO and the Hiring Freeze PM directed the development of a Government-wide Reform Plan for the Executive Branch, including a long-term plan to reduce the Federal workforce. The objectives of this broad reform effort are to: 1) create a lean, accountable, more efficient government that works for the American people; 2) focus the Federal government on effectively and efficiently delivering those

programs that are the highest needs to citizens and where there is a unique Federal role rather than assuming current programs are optimally designed or even needed; 3) align the Federal workforce to meet the needs of today and the future rather than the requirements of the past; and 4) strengthen agencies by removing barriers that hinder front-line employees from delivering results.

Agencies are drafting Agency Reform Plans that fundamentally examine the agency’s mission, as well as rethinking how the Federal government can deliver services to its customers, and evaluating options on both cost and quality dimensions. Agencies’ analyses are based on several factors, including whether a function is: duplicative, essential, appropriate as a Federal role, cost-beneficial, efficient and effective, and providing an adequate level of customer service. This analysis will help drive operational changes to improve performance, efficiency, and effectiveness and it will inform agency-driven assessments about whether to restructure, merge, or eliminate certain functions and programs.

For example, the growth of the Federal government has included programs and functions that may be better delivered by the private sector, non-profits, or local, state, or tribal governments. In these instances, an Agency Reform Plan might identify these functions and include a plan for divesting these functions to more appropriate entities. In other instances, Federal agencies or programs may have outlived their initial purpose and are performing work that no longer meet the needs of the American public. In some cases, programs were created without the knowledge or coordination of similar programs in other agencies. This has resulted in duplicative programs and functions—such as 16 Federal agencies responsible for food safety, according to the annual Government Accountability Office report on opportunities to reduce

Table 7-1. FEDERAL CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH
(Civilian employment as measured by full-time equivalents (FTE) in thousands, excluding the Postal Service)

Agency	Actual		Estimate	2018	Change: 2017 to 2018	
	2015	2016	2017		FTE	Percent
Cabinet agencies						
Agriculture	85.9	86.8	88.4	83.8	-4.6	-5.2%
Commerce	40.4	40.3	43.6	42.6	-1.0	-2.2%
Defense--Military Programs	725.0	725.3	730.6	740.1	9.4	1.3%
Education	4.1	4.1	4.2	4.0	-0.2	-3.8%
Energy	14.7	14.9	15.5	15.2	-0.2	-1.4%
Health and Human Services	70.6	72.6	74.6	75.1	0.5	0.7%
Homeland Security	179.3	183.5	181.3	189.3	8.0	4.4%
Housing and Urban Development	8.3	8.0	7.9	7.7	-0.2	-2.7%
Interior	63.5	64.2	64.0	60.0	-4.1	-6.3%
Justice	113.6	114.9	118.6	116.2	-2.4	-2.1%
Labor	16.6	16.5	16.3	15.9	-0.4	-2.3%
State	34.0	32.1	33.8	32.4	-1.4	-4.0%
Transportation	54.3	54.3	55.4	55.3	-0.2	-0.3%
Treasury	95.1	93.4	93.1	87.3	-5.9	-6.3%
Veterans Affairs	335.3	345.1	356.4	364.1	7.8	2.2%
Other agencies -- excluding Postal Service						
Broadcasting Board of Governors	1.7	1.6	1.7	1.6	-0.1	-6.5%
Bureau of Consumer Financial Protection	1.5	1.6	1.7	1.6	-0.2	-9.3%
Corps of Engineers--Civil Works	21.6	21.8	21.9	21.9
Environmental Protection Agency	14.7	14.7	15.5	11.7	-3.8	-24.3%
Equal Employment Opportunity Commission	2.2	2.2	2.1	2.0	-0.1	-6.2%
Federal Communications Commission	1.7	1.6	1.6	1.4	-0.2	-12.2%
Federal Deposit Insurance Corporation	6.8	6.5	6.8	6.7	-0.1	-1.3%
Federal Trade Commission	1.1	1.2	1.2	1.1	..*	-1.9%
General Services Administration	11.1	11.2	12.1	11.6	-0.5	-3.9%
International Assistance Programs	5.6	5.7	5.7	5.3	-0.4	-7.3%
National Aeronautics and Space Administration	17.3	17.1	17.4	17.3	..*	-0.2%
National Archives and Records Administration	2.8	2.9	2.9	2.8	-0.1	-2.4%
National Credit Union Administration	1.2	1.2	1.2	1.2	..*	-1.8%
National Labor Relations Board	1.6	1.5	1.6	1.3	-0.3	-17.3%
National Science Foundation	1.4	1.4	1.4	1.4	*	0.1%
Nuclear Regulatory Commission	3.7	3.5	3.6	3.3	-0.3	-8.6%
Office of Personnel Management	5.0	5.1	5.7	5.9	0.2	4.1%
Securities and Exchange Commission	4.3	4.6	4.6	4.5	-0.1	-2.0%
Small Business Administration	3.1	3.2	3.3	3.2	-0.1	-1.7%
Smithsonian Institution	4.9	4.9	5.2	5.1	..*	-0.5%
Social Security Administration	63.9	63.7	61.7	62.0	0.3	0.5%
Tennessee Valley Authority	10.9	10.7	10.7	10.3	-0.3	-3.0%
All other small agencies	13.2	13.4	13.9	13.6	-0.3	-2.2%
Total, Executive Branch civilian employment	2,042.0	2,057.3	2,087.0	2,086.0	-1.0	..*

* 50 or less.

duplication, overlap or fragmentation in Government. In other cases, the complex web of agencies and programs with the same nominal purpose adds unnecessary burden to the public, as it becomes unclear which agency a citizen or business needs to turn to when seeking Government services. While these programs may be well-intentioned, they inhibit the Government from achieving the best results with limited resources. In developing their Agency Reform Plans, agencies will consider each of these scenarios and identify steps for creating a leaner, accountable, more efficient government.

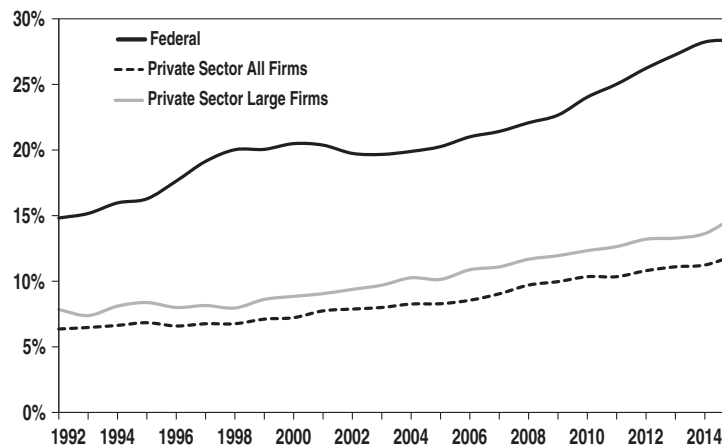
This review of agency missions and scopes of function is a critical step to ensure we are building the workforce needed for the future rather than the past.

Building Organizational Effectiveness and Efficiency

As the Administration reviews the mission and scope of Federal Government, organizations must ensure they have the resources and skills to deliver on the mission.

To ensure resources are used effectively and efficiently, agencies are working on proposals outlining ways that

Chart 7-2. Masters Degree or Above By Year for Federal and Private Sector



Source: 1992-2016 Current Population Survey, Integrated Public Use Microdata Series.

Notes: Federal excludes the military and Postal Service, but includes all other Federal workers. Private Sector excludes the self-employed. Neither category includes State and local government workers. Large firms have at least 1,000 workers. This analysis is limited to full-time, full-year workers, i.e. those with at least 1,500 annual hours of work and presents five-year averages. Educational attainment is as of March in the year following the year on the horizontal axis.

they could: better use technology and improve underlying business processes; streamline and eliminate processes; shift to alternative delivery models; streamline mission-support functions; leverage existing solutions for common requirements; and build a portfolio of evidence to show “what works.”

The Administration will explore how to improve effectiveness and efficiency based on what will work best within each operational context. While the typical shared service and contracting strategies are available (and are encouraged to the extent practicable), there is flexibility for agencies to propose creative alternative delivery solutions such as co-location of facilities and services, increased

Table 7-2. TOTAL FEDERAL EMPLOYMENT
(As measured by Full-Time Equivalents)

Description	2016 Actual	2017 Estimate	2018 Estimate	Change: 2017 to 2018	
				FTE	PERCENT
Executive Branch Civilian:					
All Agencies, Except Postal Service	2,057,256	2,086,959	2,085,973	-986	-*
Postal Service ¹	632,276	588,965	588,380	-585	-0.1%
Subtotal, Executive Branch Civilian	2,689,532	2,675,924	2,674,353	-1,571	0.1%
Executive Branch Uniformed Military:					
Department of Defense ²	1,343,801	1,336,589	1,352,081	15,492	1.1%
Department of Homeland Security (USCG)	39,992	40,045	41,460	1,415	3.4%
Commissioned Corps (DOC, EPA, HHS)	6,910	6,930	7,060	130	1.8%
Subtotal, Uniformed Military	1,390,703	1,383,564	1,400,601	17,037	1.2%
Subtotal, Executive Branch	4,080,235	4,059,488	4,074,954	15,466	0.4%
Legislative Branch ³	29,718	33,154	33,530	376	1.1%
Judicial Branch	32,657	33,197	33,541	344	1.0%
Grand Total	4,142,610	4,125,839	4,142,025	16,186	0.4%

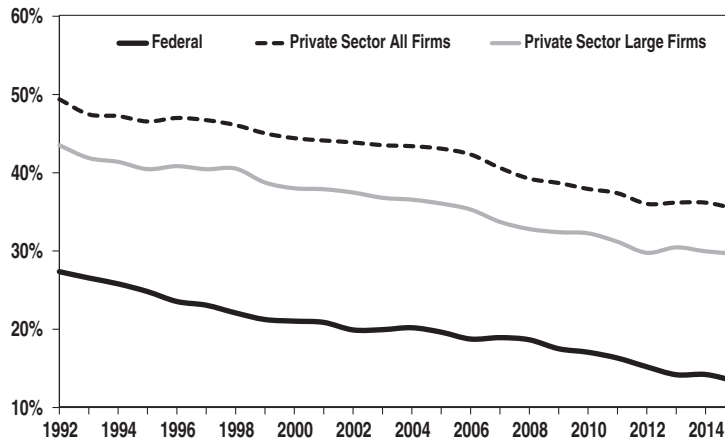
¹ Includes Postal Rate Commission.

² Includes activated Guard and Reserve members on active duty. Does not include Full-Time Support (Active Guard & Reserve (AGRSs)) paid from Reserve Component appropriations.

³ FTE data not available for the Senate (positions filled were used for actual year and extended at same level).

* Non-zero less than 0.1%

Chart 7-3. High School Graduate or Less By Year for Federal and Private Sectors



Source: 1992-2016 Current Population Survey, Integrated Public Use Microdata Series.

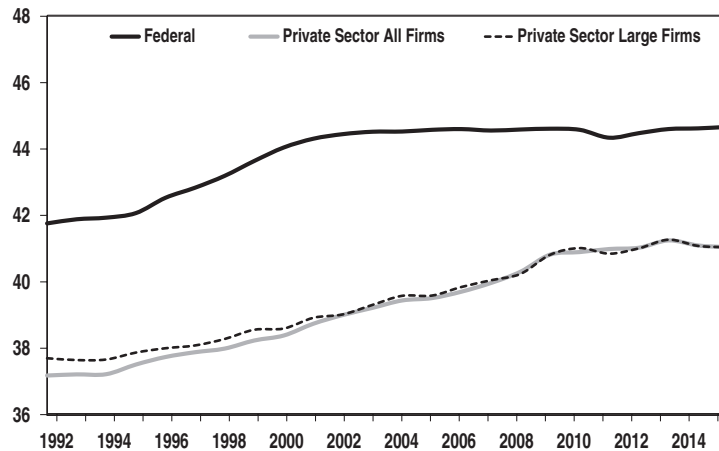
Notes: Federal excludes the military and Postal Service, but includes all other Federal workers. Private Sector excludes the self-employed. Neither category includes State and local government workers. Large firms have at least 1,000 workers. This analysis is limited to full-time, full-year workers, i.e. those with at least 1,500 annual hours of work and presents five-year averages. Educational attainment is as of March in the year following the year on the horizontal axis.

online service delivery, and inter-agency alignment of services. As agencies are fundamentally rethinking missions and operations, these proposals may alter the composition of skills necessary for the workforce of the future.

Reshaping the Workforce

Any meaningful discussion of Government reform must include an examination of the Federal workforce to ensure it is aligned to meet the needs of today and the future, rather than adhering to requirements of the past

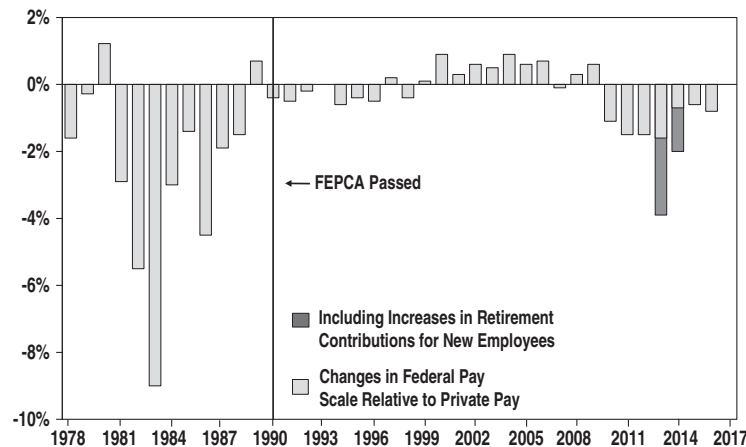
Chart 7-4. Average Age by Year for Federal and Private Sectors



Source: 1992-2016 Current Population Survey, Integrated Public Use Microdata Series.

Notes: Federal excludes the military and Postal Service, but includes all other Federal workers. Private Sector excludes the self-employed. Neither category includes State and local government workers. Large firms have at least 1,000 workers. This analysis is limited to full-time, full-year workers, i.e. those with at least 1,500 annual hours of work and presents five-year averages. Educational attainment is as of March in the year following the year on the horizontal axis.

Chart 7-5. Pay Raises for Federal vs. Private Workforce



Source: Public Laws, Executive Orders, and the Bureau of Labor Statistics.

Notes: Federal pay is for civilians and includes base and locality pay. Private pay is measured by the Employment Cost Index wages and salaries, private industry workers series, lagged 15 months. In 1993 and 2017 no difference existed between the sectors.

that are obsolete. The Hiring Freeze PM put a pause on the hiring of Federal civilian employees across the board in the Executive Branch, while requiring OMB to develop recommendations for a Government-wide long-term workforce reduction plan. The hiring pause allowed the Administration to take the first steps toward a thoughtful effort to reshape the Federal workforce to more optimally meet mission and functional needs. The Hiring Freeze PM applied to all executive departments and agencies regardless of the sources of their operational and programmatic funding, but not to military personnel in the Armed Forces. The Administration allowed exceptions to ensure public safety and security, as well as certain exemptions for critical functions. The hiring freeze ended April 12, 2017 with a requirement for agencies to begin working on long-term Agency Reform Plans to reduce the size of the Federal civilian workforce. Agency plans will be incorporated into a Government-wide Reform Plan.

To lift the hiring freeze, OMB also required agencies to take action immediately to achieve near-term workforce reductions and savings, including planning for budget levels that were released in the 2018 Budget Blueprint, and consistent with budget levels in this full 2018 Budget. Agency Heads maintained the discretion to determine the best method to accomplish this task. Notably, agencies were asked to examine the total cost of their operations (and not just FTE counts or headcounts) to incentivize more optimal operational decisions. Agency long-term planning must be done within the broader reorganization effort to align the civilian workforce to evolving needs.

As agencies look at how they can operate more efficiently and effectively, it is important to continue monitoring employee engagement as a key indicator of success. The Office of Personnel Management will continue the annual Federal Employee Viewpoint Survey (FEVS), a collection of 84 questions that measure employees' perceptions of

whether, and to what extent, conditions characterizing successful organizations are present in their agencies. Using the FEVS results, agencies will continue to monitor employee engagement trends, using an aggregate Employee Engagement Index derived from a subset of the questions, as well as trends in additional questions relating to other facets of organizational effectiveness.

In 2016, agencies were able to analyze data from more than 20,000 distinct work units across the Federal government, which allows for insight into the workforce. The 2016 survey found that while many work units and agencies had a highly engaged workforce, others need leadership and management attention. One issue that is common across agencies is that fewer than 30 percent of employees believe managers will address a poor performer who cannot or will not improve.

While FEVS results generally show that managers are not always perceived by employees as effectively managing performance issues, it is important to note that supervisors and agency managers find personnel processes overly complex and difficult to navigate. Most agencies are subject to more than 3,400 Federal personnel regulatory provisions. Agency human resources staff are familiar with many, but often not all, of the rules. This voluminous set of regulations becomes a barrier to managers when it comes to basic human resources functions, including hiring top talent or dealing with poorly performing employees.

Rewarding top performers and dealing with poor performers is key to effectively managing the workforce. To directly address this seemingly intractable problem, all agencies must: review their employee performance management policies; provide management with training on how to address performance and conduct issues; eliminate non-statutory barriers to removing those who do not improve; and develop a mechanism to provide managers with real-time guidance to ensure managers take the appropriate steps. Poor performers and those with conduct

Table 7-3. PERSONNEL PAY AND BENEFITS
(In millions of dollars)

Description	2016 Actual	2017 Estimate	2018 Estimate	Change: 2017 to 2018	
				Dollars	Percent
Civilian Personnel Costs:					
Executive Branch (excluding Postal Service):					
Pay	181,206	189,584	195,929	6,345	3.3%
Benefits	74,580	77,809	79,908	2,099	2.7%
Subtotal	255,786	267,393	275,837	8,444	3.2%
Postal Service:					
Pay	36,208	35,853	35,768	-85	-0.2%
Benefits	19,051	18,967	18,177	-790	-4.2%
Subtotal	55,259	54,820	53,945	-875	-1.6%
Legislative Branch:					
Pay	2,036	2,147	2,228	81	3.8%
Benefits	614	680	709	29	4.3%
Subtotal	2,650	2,827	2,937	110	3.9%
Judicial Branch:					
Pay	3,095	3,375	3,418	43	1.3%
Benefits	988	1,047	1,073	26	2.5%
Subtotal	4,083	4,422	4,491	69	1.6%
Total, Civilian Personnel Costs	317,778	329,462	337,210	7,748	2.4%
Military Personnel Costs					
Department of Defense--Military Programs:					
Pay	96,160	96,118	97,856	1,738	1.8%
Benefits	44,135	44,261	43,693	-568	-1.3%
Subtotal	140,295	140,379	141,549	1,170	0.8%
All other Executive Branch uniform personnel:					
Pay	3,294	3,317	3,358	41	1.2%
Benefits	720	698	698	---	---
Subtotal	4,014	4,015	4,056	41	1.0%
Total, Military Personnel Costs	144,309	144,394	145,605	1,211	0.8%
Grand total, personnel costs	462,087	473,856	482,815	8,959	1.9%
ADDENDUM					
Former Civilian Personnel:					
Pensions	83,390	84,326	86,468	2,142	2.5%
Health benefits	11,695	12,004	12,984	980	8.2%
Life insurance	45	47	48	1	2.1%
Subtotal	95,130	96,377	99,500	3,123	3.2%
Former Military Personnel:					
Pensions	57,303	57,828	58,771	943	1.6%
Health benefits	9,629	9,898	10,413	515	5.2%
Subtotal	66,932	67,726	69,184	1,458	2.2%
Total, Former Personnel	162,062	164,103	168,684	4,581	2.8%

problems have long tainted the positive contributions of the vast majority of the Federal workforce. Managers spend a disproportionate amount of time addressing these individuals while the rest of the team must work harder to accomplish their mission. Freeing the manag-

ers and employees from the extra burden will allow more time and resources to developing and rewarding the rest of the workforce. Dispelling the myth that it is nearly impossible to hold employees accountable in the Federal government will enhance credibility and respect for the

Table 7-4. OCCUPATIONS OF FEDERAL AND PRIVATE SECTOR WORKFORCES
(Grouped by Average Private Sector Salary)

Occupational Groups	Percent	
	Federal Workers	Private Sector Workers
Highest Paid Occupations Ranked by Private Sector Salary		
Lawyers and judges	2.1%	0.6%
Engineers	4.5%	1.9%
Scientists and social scientists	5.0%	0.7%
Managers	12.2%	13.9%
Pilots, conductors, and related mechanics	2.1%	0.5%
Doctors, nurses, psychologists, etc.	7.2%	6.4%
Miscellaneous professionals	16.0%	9.0%
Administrators, accountants, HR personnel	6.3%	2.7%
Inspectors	1.1%	0.3%
Total Percentage	56.5%	36.0%
Medium Paid Occupations Ranked by Private Sector Salary		
Sales including real estate, insurance agents	1.2%	6.2%
Other miscellaneous occupations	3.3%	4.5%
Automobile and other mechanics	1.7%	3.1%
Law enforcement and related occupations	9.1%	0.7%
Office workers	2.3%	5.8%
Social workers	1.6%	0.5%
Drivers of trucks and taxis	0.8%	3.3%
Laborers and construction workers	3.1%	9.6%
Clerks and administrative assistants	13.2%	10.6%
Manufacturing	2.8%	7.5%
Total Percentage	39.1%	51.8%
Lowest Paid Occupations Ranked by Private Sector Salary		
Other miscellaneous service workers	2.3%	5.9%
Janitors and housekeepers	1.4%	2.4%
Cooks, bartenders, bakers, and wait staff	0.8%	4.0%
Total Percentage	4.5%	12.2%

Source: 2012–2016 Current Population Survey, Integrated Public Use Microdata Series.

Notes: Federal workers exclude the military and Postal Service, but include all other Federal workers in the Executive, Legislative, and Judicial Branches. However, the vast majority of these employees are civil servants in the Executive Branch. Private sector workers exclude the self-employed. Neither category includes state and local government workers. This analysis is limited to full-time, full-year workers, i.e. those with at least 1,500 annual hours of work.

many employees who uphold the nation's values for public service every day.

Fixing human capital issues that have developed over generations is complex and will take time to unwind and rebuild. Overall, the Administration is examining administratively burdensome agency activities and processes, including barriers to efficient human capital management

that exist in policy, legislation, and regulation. There is a commitment to advocating for policies to help agencies manage their workforce in a more agile manner, reducing barriers employees face in their jobs, and providing flexibilities for agency leadership and management that will allow managers to adopt practices that are common in high performing organizations.