

7. STRENGTHENING THE FEDERAL WORKFORCE

Federal employees underpin nearly all the operations of the Government, ensuring the smooth functioning of our democracy. While most Americans will never meet the President or even their Member of Congress, they will interact with the Federal employees who work in their community, keep them safe at airports, or welcome them to a National Park. Regional offices of the Department of Agriculture (USDA) and the Department of Interior (DOI) provide services to farmers and ranchers where they live. When emergencies occur, entities like the Federal Emergency Management Agency, the Coast Guard, and the Small Business Administration help to save and rebuild communities.

Americans expect the Federal Government to keep their food and medication safe, transportation system working, assets protected, and lives spared from natural disaster. Members of the Armed Forces work side-by-side with more than 730,000 civilian counterparts at the Department of Defense (DOD) to help them accomplish their mission. Veterans rely on the more than 350,000 Department of Veterans Affairs (VA) personnel to ensure they receive the medical care and benefits they have earned. More than 20,000 Department of State personnel help safeguard the Nation while serving in posts both foreign and domestic. Federal employees work to cure diseases, explore outer space, and otherwise promote the general welfare. Since Federal workers perform many essential functions, failures can chip away at the citizenry's collective trust in Government.

The cost of employing this workforce is significant. The Federal Government is the single largest direct employer in the Nation. About 1.7 million of the approximately 2.1 million direct Federal employees live outside of the Washington, D.C., metro area. An even larger "indirect" workforce carries out much of the work paid for by Federal funds. These are the Federal contractor personnel, as well as the State, local, and nonprofit employees – many of whose jobs are entirely funded through Federal grants and transfer payments – located all across the Nation, in every state and territory. The size of this broader workforce is unknown, and a subject of dispute.

The Administration is committed to redefining the role of the Federal Government by reprioritizing Federal spending toward those activities that advance the safety and security of the American people. This reassessment includes the cost of Government operations. All too often the basic operating expenses of the Federal Government, including personnel-related expenses such as pay, benefits, and office space, are treated as essentially fixed costs. The Federal Government, with annual civilian personnel costs of almost \$300 billion, should always be seeking to ensure it has an optimally sized and skilled workforce operating out of locations best suited to accom-

plish its various missions. It is important to appropriately compensate personnel based on mission needs and labor market dynamics.

Budgeting for Federal personnel has typically proceeded in the same "incremental" fashion as program budgeting, with proposed staffing and compensation levels determined by annually tweaking prior year totals, instead of reassessing underlying cost drivers and installing a better paradigm. Incremental personnel staff budgeting can perpetuate legacy inefficiencies and perennially forestall investment in the sort of workforce innovations that routinely occur in the private sector.

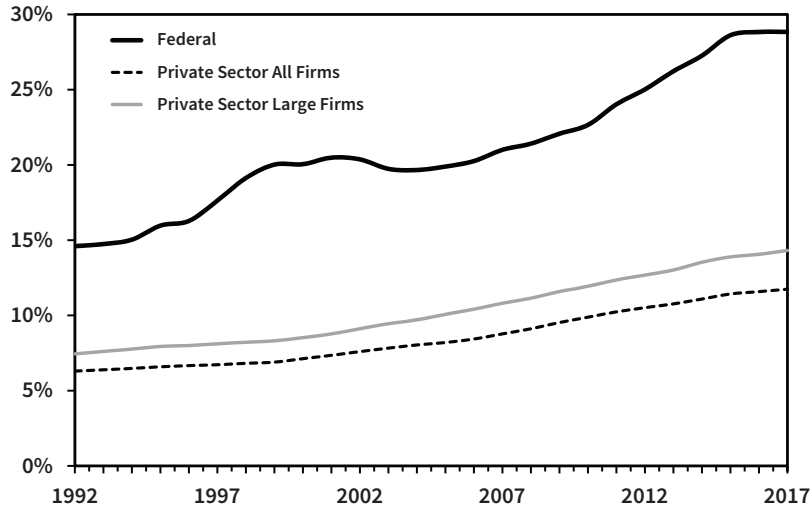
While pursuing a series of proposals to overhaul Federal compensation and benefits, the Administration also intends to partner with Congress to cull statutory and regulatory rules that have over time created an increasingly incomprehensible and unmanageable civil service system. The Administration will propose changes in hiring and dismissal procedures to empower Federal managers with greater flexibility. Agency managers will be encouraged to restore management prerogatives that have been ceded to Federal labor unions and create a new partnership with these entities that maintains the primacy of each Agency's obligation to efficiently and effectively accomplish its public mission.

Federal Workforce Demographics

The Federal workforce is comprised of approximately 2.1 million non-postal civilian workers and 1.4 million active duty military, in addition to nearly 1 million military reserve personnel, serving throughout the country and the world. As of September 2017, the Federal civilian workforce self-identifies as 62.9 percent White, 18.6 percent Black, 8.9 percent Hispanic of all races, 5.9 percent Asian, 0.5 percent Native Hawaiian/Pacific Islander, 1.6 percent American Indian/Alaska Native, and 1.6 percent more than one race. Men comprise 56.7 percent of all permanent Federal employees and women are 43.3 percent. Veterans are 31.1 percent of the entire Federal workforce, which includes the 13.3 percent of the workforce who are veterans receiving disability compensation. By comparison, veterans comprise approximately 6 percent of the private sector non-agricultural workforce. The Federal workforce continues to age, with more than 600,000 employees older than 55, which is about 40,000 more than in 2013. Roughly 155,000 employees are younger than 30, a decrease of about 20,000 since 2013.

Using data from the Bureau of Labor Statistics (BLS) on full-time, full-year workers, Table 7-1 breaks all Federal and private sector jobs into 22 occupation groups to demonstrate the differences in composition between the Federal and private workforces. Charts 7-1 and 7-2

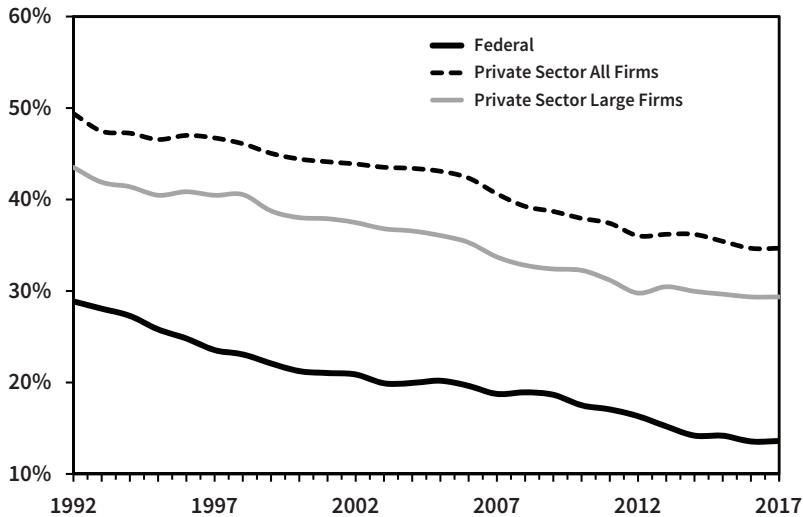
Chart 7-1. Masters Degree or Above By Year for Federal and Private Sectors



Source: 1992-2017 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. Industry is from the year preceding the year on the horizontal axis.

Chart 7-2. High School Graduate or Less By Year for Federal and Private Sectors



Source: 1992-2017 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. Industry is from the year preceding the year on the horizontal axis.

present trends in educational levels for the Federal and private sector workforces over the past two decades. Chart 7-3 shows the trends in average age in both the Federal and private sectors.

When the Administration prepared its Budget request, it did not set specific full-time equivalent (FTE) levels for each Agency. While many agencies plan to reduce FTEs, in some cases, the Administration seeks to increase the workforce. Table 7-2 shows actual Federal civilian FTE levels in the Executive Branch by Agency for 2016 and 2017, with estimates for 2018 and 2019. At the time the Budget was prepared, funding provided for the 2018 annual appropriations bills were operating under a continuing resolution, and FTE estimates reflect this funding. Actual 2018 FTE levels are likely to be different, to account for final appropriations, administrative decisions within agencies, and other factors. Chart 7-4 broadly shows the trends in personnel as a percent of the population 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.

A System Whose Time Has Come - And Gone

Today's Federal personnel system is a relic of an earlier era. The Federal civil service is mired in a job system largely codified in 1949, when the General Schedule (GS) classification system was first created. About two-thirds of Federal civilian employees continue to work under the GS. This antiquated structure hinders the Federal Government's ability to accomplish its mission. The mission and required skills have changed, but the system has not. The competitive personnel system that Civil Service Commissioner Theodore Roosevelt envisioned to elevate the country has fallen into disrepute, criticized from most quarters as a compliance-oriented regime that ill-serves Federal managers, employees, or the Nation at large.

"No Time to Wait," a clarion call to civil service reform, was issued last year by the National Academy of Public Administration. That report questioned whether a "one-size fits all" Federal personnel system is necessary or even effective. The Government Accountability Office regularly includes human capital management on its semiannual High-Risk list of pressing problems facing the Federal Government. The inadequacies of the civil service are chronicled in scores of books and articles. The consensus is that the status quo is unacceptable, and an underlying cause of an array of Government failures rooted in an inability to recruit and manage people.

Back in 2002, the Office of Personnel Management (OPM) issued "A Fresh Start for Federal Pay," a white paper critiquing the Government's pay and job evaluation system as a "system whose time has come - and gone." The paper points out that the workforce "is no longer a government of clerks." It describes the pay system as insensitive to both market forces and individual performance. Fifteen years later, little has changed systemically. When pressing needs arise, statutory fixes are devised to bypass the existing system. Such laws typically allow specific agen-

Table 7-1. 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	2.3%	0.6%
Engineers	4.4%	1.9%
Scientists and social scientists	5.1%	0.7%
Managers	12.1%	14.0%
Pilots, conductors, and related mechanics	2.2%	0.5%
Doctors, nurses, psychologists, etc.	7.4%	6.4%
Miscellaneous professionals	16.0%	9.1%
Administrators, accountants, HR personnel	6.4%	2.7%
Inspectors	1.2%	0.3%
Total Percentage	57.1%	36.2%
Medium Paid Occupations Ranked by Private Sector Salary:		
Sales including real estate, insurance agents	1.1%	6.1%
Other miscellaneous occupations	3.2%	4.5%
Automobile and other mechanics	1.6%	3.1%
Law enforcement and related occupations	8.8%	0.7%
Office workers	2.3%	5.7%
Social workers	1.6%	0.6%
Drivers of trucks and taxis	0.9%	3.3%
Laborers and construction workers	3.1%	9.7%
Clerks and administrative assistants	13.2%	10.5%
Manufacturing	2.6%	7.5%
Total Percentage	38.2%	51.6%
Lowest Paid Occupations Ranked by Private Sector Salary:		
Other miscellaneous service workers	2.5%	5.8%
Janitors and housekeepers	1.4%	2.3%
Cooks, bartenders, bakers, and wait staff	0.8%	4.0%
Total Percentage	4.7%	12.2%

Source: 2013-2017 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.

cies to work around intractable parts of the outdated civil service structure. Chart 7-5 is an OPM mapping of the 15 functions and 54 sub-functions comprising the Federal human capital management system.

Complex and outdated, the laws and regulations governing hiring, performance management, pay, and retirement number in the thousands. The rigidity of the system requires human resources specialists to focus on rule-based compliance instead of achieving the best hires. This is in part due to the reality that the civil service system was conceived at a time when the Nation's workforce was much more static than it is today, with employees typically staying with the same job for decades.

The Civil Service Reform Act of 1978 turns 40 this year. It is time to reconsider where that law has succeeded and

Table 7-2. 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		Change: 2018 to 2019	
	2016	2017	2018	2019	FTE	Percent
Cabinet agencies:						
Agriculture	86.8	87.3	88.7	80.9	-7.8	-8.8%
Commerce	40.3	40.9	42.6	51.7	9.1	21.3%
Defense--Military Programs	725.3	726.2	741.5	744.5	3.0	0.4%
Education	4.1	4.1	3.9	3.9	*	-1.1%
Energy	14.9	14.7	15.4	15.1	-0.2	-1.4%
Health and Human Services	72.6	74.1	75.5	74.9	-0.6	-0.8%
Homeland Security	183.5	182.4	182.0	195.0	13.0	7.2%
Housing and Urban Development	8.0	7.9	7.7	7.5	-0.2	-2.6%
Interior	64.2	64.9	64.4	59.8	-4.6	-7.1%
Justice	114.9	118.2	117.1	116.8	-0.3	-0.3%
Labor	16.5	16.2	15.7	15.8	*	0.3%
State	32.1	27.6	25.7	25.5	-0.2	-0.6%
Transportation	54.3	54.7	55.1	54.7	-0.4	-0.7%
Treasury	93.4	92.5	90.0	88.3	-1.8	-1.9%
Veterans Affairs	345.1	351.6	359.3	366.3	7.0	1.9%
Other agencies—excluding Postal Service:						
Broadcasting Board of Governors	1.6	1.7	1.6	1.6	*	0.3%
Bureau of Consumer Financial Protection	1.6	1.7	1.8	1.8	*	0.9%
Corps of Engineers--Civil Works	21.8	21.7	21.6	21.6	*	*
Environmental Protection Agency	14.7	14.8	15.4	11.6	-3.8	-24.6%
Equal Employment Opportunity Commission	2.2	2.1	2.1	2.0	*	-0.8%
Federal Communications Commission	1.6	1.5	1.4	1.4
Federal Deposit Insurance Corporation	6.5	6.1	6.4	6.4	-0.1	-1.0%
Federal Trade Commission	1.2	1.1	1.1	1.1
General Services Administration	11.2	11.5	11.7	11.9	0.2	1.5%
International Assistance Programs	5.7	5.6	5.5	5.1	-0.3	-6.3%
National Aeronautics and Space Administration	17.1	17.2	17.3	17.2	-0.1	-0.3%
National Archives and Records Administration	2.9	2.9	2.8	2.7	-0.1	-3.0%
National Credit Union Administration	1.2	1.2	1.2	1.2	*	-1.2%
National Labor Relations Board	1.5	1.5	1.3	1.2	-0.1	-7.2%
National Science Foundation	1.4	1.4	1.4	1.4
Nuclear Regulatory Commission	3.5	3.2	3.4	3.3	-0.1	-4.4%
Office of Personnel Management	5.1	5.5	5.9	5.8	-0.1	-2.3%
Securities and Exchange Commission	4.6	4.6	4.5	4.5	-0.1	-1.4%
Small Business Administration	3.2	3.4	3.2	3.3	*	0.5%
Smithsonian Institution	4.9	5.0	5.2	5.2	*	-0.1%
Social Security Administration	63.7	61.4	61.5	60.8	-0.8	-1.2%
Tennessee Valley Authority	10.7	10.1	10.0	9.9	-0.1	-1.1%
All other small agencies	13.4	13.5	13.9	13.4	-0.5	-3.7%
Total, Executive Branch civilian employment	2,057.3	2,062.1	2,085.1	2,095.2	10.1	0.5%

* 50 or less.

where it has failed. The private sector continually finds new ways to evolve human capital management programs to maximize the return from their most valuable asset: their people. The Federal Government should do no less.

Federal Workforce Compensation Reform

The civil service salary schedules present an incomplete portrait of Federal pay. Private sector best practice focuses on total compensation, which includes both salary and ben-

efits. Total Federal compensation is summarized in Table 7-3. A Congressional Budget Office (CBO) report issued in April 2017 found that, based on observable characteristics, Federal employees on average received a combined 17 percent higher wage and benefits package than the private sector average over the 2011-2015 period. The disparity is overwhelmingly on the benefits side: CBO found that Federal employees receive on average 47 percent higher benefits and 3 percent higher wages than counterparts in the private sector. These gaps result from disproportion-

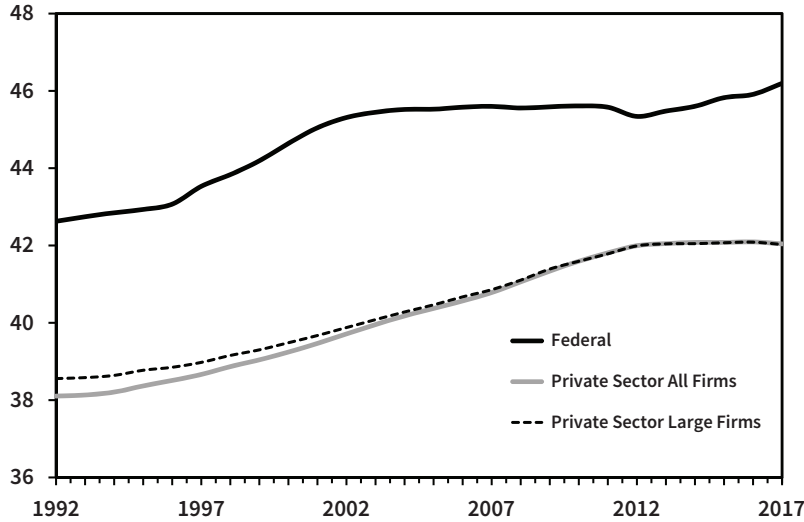
Table 7-3. PERSONNEL PAY AND BENEFITS
(In millions of dollars)

Description	2017 Actual	2018 Estimate	2019 Estimate	Change: 2018 to 2019	
				Dollars	Percent
Civilian Personnel Costs:					
Executive Branch (excluding Postal Service):					
Pay	190,243	194,656	198,507	3,851	2.0%
Benefits	82,938	84,587	85,767	1,180	1.4%
Subtotal	273,181	279,243	284,274	5,031	1.8%
Postal Service:					
Pay	37,265	37,328	37,978	650	1.7%
Benefits	13,541	18,113	13,863	-4,250	-23.5%
Subtotal	50,806	55,441	51,841	-3,600	-6.5%
Legislative Branch:					
Pay	2,177	2,234	2,354	120	5.4%
Benefits	690	699	766	67	9.6%
Subtotal	2,867	2,933	3,120	187	6.4%
Judicial Branch:					
Pay	3,207	3,304	3,420	116	3.5%
Benefits	1,069	1,101	1,116	15	1.4%
Subtotal	4,276	4,405	4,536	131	3.0%
Total, Civilian Personnel Costs	331,130	342,022	343,771	1,749	0.5%
Military Personnel Costs:					
Department of Defense—Military Programs:					
Pay	97,263	101,203	105,038	3,835	3.8%
Benefits	43,775	47,038	51,595	4,557	9.7%
Subtotal	141,038	148,241	156,633	8,392	5.7%
All other Executive Branch uniform personnel:					
Pay	3,381	3,387	3,534	147	4.3%
Benefits	715	741	749	8	1.1%
Subtotal	4,096	4,128	4,283	155	3.8%
Total, Military Personnel Costs	145,134	152,369	160,916	8,547	5.6%
Grand total, personnel costs	476,264	494,391	504,687	10,296	2.1%
ADDENDUM					
Former Civilian Personnel:					
Pensions	85,200	86,443	89,861	3,418	4.0%
Health benefits	12,654	12,917	13,642	725	5.6%
Life insurance	43	44	45	1	2.3%
Subtotal	97,897	99,404	103,548	4,144	4.2%
Former Military Personnel:					
Pensions	59,574	60,912	62,618	1,706	2.8%
Health benefits	10,326	10,905	11,451	546	5.0%
Subtotal	69,900	71,817	74,069	2,252	3.1%
Total, Former Personnel	167,797	171,221	177,617	6,396	3.7%

ately high Federal compensation paid to individuals with a bachelor's degree or less; Federal employees with professional degrees are actually undercompensated relative to private sector peers, in CBO's analysis.

The generous benefits package offered by the Federal Government includes a defined benefit annuity plan and retiree health care benefits – both are increasingly rare in the private sector. The Federal defined benefit

Chart 7-3. Average Age by Year for Federal and Private Sectors



Source: 1992-2017 Current Population Survey, Integrated Public Use Microdata Series.

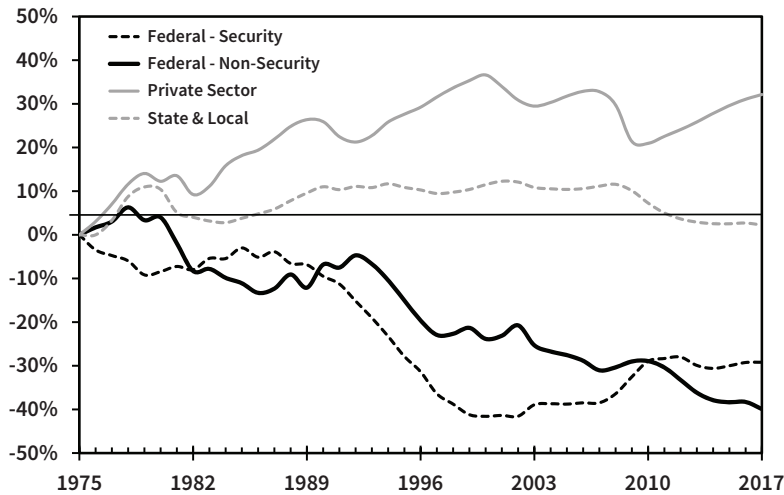
Notes: Federal excludes the military and Postal Service, but includes all other Federal workers. Private Sector excludes the self-employed. Neither category includes State and local government workers. Large firms have at least 1,000 workers. This analysis is limited to full-time, full-year workers,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

plan, according to CBO, is the single greatest factor contributing to the disparity in total compensation between the Federal and private sector workforce. To better align with the private sector, the Budget reduces

Federal personnel compensation costs, primarily the annuity portion.

The Budget carries forward several FY 2018 Budget proposals, including: increasing employee payments to the Federal Employee Retirement System (FERS) de-

Chart 7-4. Changes from 1975 to 2017 in Employment as a Percent of Population



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.

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Chart 7-5

The Human Capital Business Reference Model (HCBRM) functional framework defines Federal Human Capital Management. This map represents the 15 Functions and 54 Sub-functions in the HC lifecycle.

Government-Wide					Enabling		Federal Talent Management					Supporting		
F1 Federal Human Capital Leadership	F2 Federal Oversight and Evaluation	F3 Federal Vetting	F4 Federal Benefits	F5 Federal Retirement	A1 Agency Human Capital Strategy, Policies, and Operation	A10 Agency Human Capital Programmatic Evaluation	A2 Talent Acquisition	A3 Talent Development	A4 Employee Performance Management	A5 Compensation and Benefits	A6 Separation and Retirement	A7 Employee Relations and Continuous Vetting	A8 Labor Relations	A9 Workforce Analytics and Employee Records
F1.1 Federal Human Capital Regulation and Policy	F2.1 Human Capital Strategic and Operational Oversight	F3.1 Vetting Standards and Oversight	F4.1 Benefit Program Administration and Oversight	F5.1 Pre-Retirement Activities	A1.1 Workforce Planning	A10.1 Human Capital Programmatic Evaluation	A2.1 Talent Acquisition Management	A3.1 Talent Development Planning	A4.1 Employee Performance Management	A5.1 Compensation Management	A6.1 Separation Counseling	A7.1 Employee Accountability for Conduct	A8.1 Labor Management Relations	A9.1 Employee Inquiry Processing
F1.2 Human Capital Service Delivery Model	F2.2 Human Capital Evaluation	F3.2 Suitability and Fitness	F4.2 Benefits Enrollment	F5.2 Retirement Case Planning	A1.2 Human Capital Strategy		A2.2 Candidate Sourcing and Recruitment	A3.2 Talent Development and Training	A4.2 Recognition Management	A5.2 Work Schedule and Leave Management	A6.2 Retirement Planning and Processing	A7.2 Employee Accountability for Performance	A8.2 Negotiated Grievances and Third-Party Proceedings	A9.2 Employee Research
	F2.3 Human Capital Agency Guidance and Evaluation	F3.3 Credentialing	F4.3 Agency Benefits Counseling	F5.3 Post-Retirement Customer Service	A1.3 Position Classification and Position Management		A2.3 Candidate Assessment and Selection	A3.3 Learning Administration	A4.3 Performance Appraisal System Certification for SES and SL/ST	A5.3 Benefits Management		A7.3 Administrative Grievances and Third-Party Proceedings	A8.3 Collective Bargaining	A9.3 Workforce and Performance Analytics
		F3.4 Background Investigation Operations	F4.4 Miscellaneous Benefits		A1.4 Diversity and Inclusion		A2.4 Applicant Screening, Reciprocity, Investigation			A5.4 Work-Life Wellness / Employee Assistance Programming		A7.4 Reasonable Accommodation		A9.4 Workforce and Performance Reporting
					A1.5 Employee Engagement		A2.5 Vetting Adjudication					A7.5 Continuous Vetting		A9.5 Employee Records Recordkeeping
							A2.6 New Hire In-Processing and Onboarding							A9.6 Employee Records Disclosure

F: OPM-specific Functions
A: Agency-specific Functions

*Federal Talent Management is defined as the employee lifecycle

Table 7-4. TOTAL FEDERAL EMPLOYMENT
(As measured by Full-Time Equivalents)

Description	2017 Actual	2018 Estimate	2019 Estimate	Change: 2018 to 2019	
				FTE	Percent
Executive Branch Civilian:					
All Agencies, Except Postal Service	2,062,068	2,085,101	2,095,203	10,102	0.5%
Postal Service ¹	591,179	582,346	583,078	732	0.1%
Subtotal, Executive Branch Civilian	2,653,247	2,667,447	2,678,281	10,834	0.4%
Executive Branch Uniformed Military:					
Department of Defense ²	1,337,669	1,352,081	1,378,630	26,549	1.9%
Department of Homeland Security (USCG)	41,137	41,503	41,495	-8	-*
Commissioned Corps (DOC, EPA, HHS)	6,792	6,929	7,024	95	1.4%
Subtotal, Uniformed Military	1,385,598	1,400,513	1,427,149	26,636	1.9%
Subtotal, Executive Branch	4,038,845	4,067,960	4,105,430	37,470	0.9%
Legislative Branch ³	29,640	32,745	33,408	663	2.0%
Judicial Branch	32,810	33,214	33,351	137	0.4%
Grand Total	4,101,295	4,133,919	4,172,189	38,270	0.9%

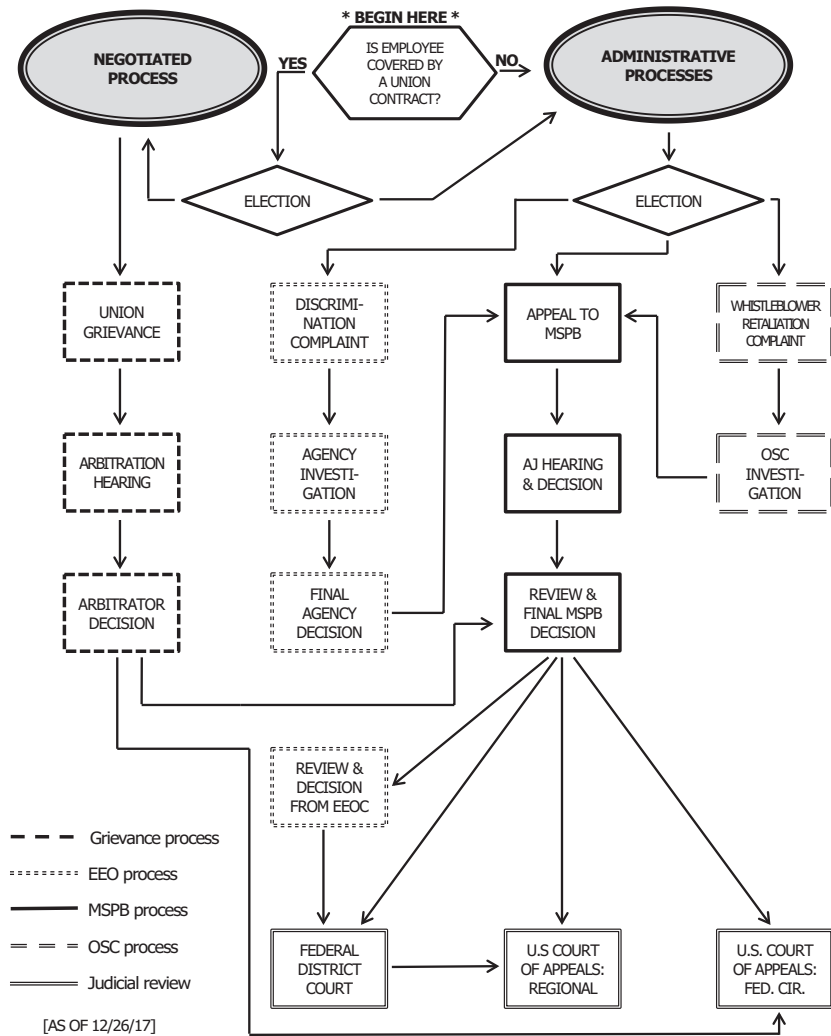
¹ Includes Postal Rate Commission.

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 7-6
FEDERAL EMPLOYEE REVIEW PROCESSES FOR MAJOR DISCIPLINARY ACTIONS
[REMOVAL; SUSPENSION > 14 DAYS; REDUCTION IN GRADE OR PAY]**



Source: Merit Systems Protection Board

financed benefit plan, so that employees and their employing agency pay an equal share of the employee’s annuity cost; and reducing or eliminating cost of living adjustments for existing and future retirees. Increased employee annuity contributions would be phased in at a rate of one percent per year. Also carried forward from the 2018 Budget are proposals to base annuity calculations on employees’ “High-5” salary years instead of their “High-3” salary years (a common private sector practice), and the elimination of the FERS Special Retirement Supplement for those employees who retire before their Social Security eligibility age.

This Budget further proposes to modify the “G” fund, an investment vehicle available only through the Thrift Savings Plan (TSP), the defined contribution plan for Federal employees. G fund investors benefit from receiving a medium-term Treasury Bond rate of return on what is essentially a short-term security.

The Budget would instead base the G-fund yield on a short-term T-bill rate. The TSP, one of the largest defined contribution plans in the world, is popular among Federal employees, who appreciate having a pre-tax investment vehicle with low administrative costs and employer matching contributions. The TSP is also taxpayer-friendly, since the program has no unfunded liabilities. In contrast, the Civil Service Retirement and Disability Fund, the Federal defined benefit programs’ trust fund, operates like Social Security; it has large, unfunded liabilities backed only by Government IOUs. The TSP is a particularly attractive benefit to young, mobile workers not intending to make a career of Federal service. The Budget, therefore, funds a study to explore the potential benefits, including the recruitment benefit, of creating a defined-contribution only annuity benefit for new Federal workers, and those desiring to transfer out of the existing hybrid system.

Federal employee sick and annual leave benefits are also disproportionate to the private sector. All Federal employees receive 10 paid holidays and up to 13 sick days annually, as well as 13 to 26 vacation days, depending on tenure. This Budget proposes to transition the existing civilian leave system to a model that has worked well in the private sector, which is to grant employees maximum flexibility by combining all leave into one paid time off category. This would reduce total leave days, while adding a short term disability insurance policy to protect employees who experience a serious medical situation.

Across the board pay increases have long-term fixed costs, yet fail to address existing pay disparities, or target mission critical recruitment and retention goals. The Administration therefore proposes a pay freeze for Federal civilian employees for 2019. This Administration believes in pay for performance. The existing Federal salary structure rewards longevity over performance. This is most evident in the tenure-based “step-increase” promotions that white-collar workers receive on a fixed, periodic schedule without regard to whether they are performing at an exceptional level or merely passable (they are granted 99.7 percent of the time). The Budget proposes to slow the frequency of these step increases, while increasing performance-based pay for workers in mission-critical areas.

Separately, the Budget proposes \$50 million for a centrally-managed fund to finance innovative approaches to meeting critical recruitment, retention and reskilling needs across the Government. The President’s Management Council would designate a board of Federal officials to manage the fund, which would review and select from among agency and cross-agency proposals to pilot innovative and cost-effective ways to strengthen the workforce, to meet future workforce challenges, and to evaluate the impacts in a manner that best informs future policies.

Fixing Hiring and Employee Relations

Federal jobs can take more than a year to fill. The job announcements remain a confusing cipher to applicants. The hiring process – which includes at least 14 steps – is cumbersome and frustrating for Federal hiring managers. As the nature of work changes, the Federal Government requires more term employees. Many individuals are interested in public service but not seeking a career in the civil service. Existing Federal hiring rules make term hiring as difficult as hiring a permanent employee.

Another major hindrance to timely hiring is a massive security investigation inventory. The Administration inherited a significant and growing inventory of background investigations for Federal employment and security clearances. The inventory grew from a steady-state of about 190,000 cases in August 2014 to more than 722,000 by August of last year. It currently stands at more than 706,000. The inventory creates dramatic delays in the hiring process across Government, especially those agencies in need of personnel with a security clearance. Beyond the immediate problem, fundamental reform of the background investigation process is necessary, to both increase efficiency and reduce costs.

Federal Agencies face challenges in effectively implementing information technology (IT) workforce planning and defining cybersecurity staffing needs. Execution of the National Initiative for Cybersecurity Education coding structure is expected to identify critical cyber needs by the end of 2018. IT and cybersecurity recruitment and retention initiatives will continue to focus on mitigation of critical skill gaps and retaining current IT and cybersecurity talent. The Government will experiment in finding new ways to hire the necessary cyber workforce.

As agencies implement new technology and processes, the Administration will invest in reskilling the workforce to meet current needs. Employees who perform transactional work that is phased out can shift to working more directly with customers or on more complex and strategic issues. Current employees can shift from legacy positions into emerging fields in which the Government faces shortages, including data analysis, cybersecurity and other IT disciplines.

Another area of focus is the Senior Executive Service (SES), the roughly 7,000 high-ranking Federal managers who hold many of the most responsible career positions in the Government. SES members are disproportionately retirement-eligible. The Administration is continuing efforts to modernize policies and practices governing the SES, including creating a more robust and effective SES succession pipeline, which could include more recruitment outreach into the private sector.

Many new Federal employees still have paper copies of onboarding documents printed and stored. Employees who move between agencies need to have personnel data, such as basic identifiers or health benefits elections manually re-entered. Electronic personnel files contain scanned copies of old documents, as opposed to being truly digital and interoperable between agencies. The Administration, however, is creating a single electronic identifier for employees that follows them throughout their career and will enable agencies to advance their use of data-driven human resources decisions.

At the end of their careers, a long-standing backlog in Federal retirement claims processing remains an inconvenience to Federal retirees. Paper personnel files on individual employees are maintained in a facility housed in a Pennsylvania mine with 28,000 filing cabinets. Retirement claims may require manual intervention or labor-intensive calculations.

Federal employer-employee relations activities currently consume considerable management time and taxpayer resources, and may negatively impact efficiency, effectiveness, cost of operations, and employee accountability and performance. About 60 percent of Federal employees belong to a union. Federal statute defines the parameters of collective bargaining, which are different than those in the private sector and State or local governments. Federal employees are not allowed to strike and unions must represent all eligible employees regardless of paid membership. Fewer items are negotiable than in the private sector. Yet, collective bargaining contracts can have a significant impact on agency performance, workplace productivity, and employee satisfaction. The Administration

sees an opportunity for progress on this front and intends to overhaul labor-management relations. On September 29, 2017, Executive Order 13812 rescinded the requirement for labor-management forums. Agencies were further instructed to remove any internal policies, programs, or guidelines related to existing forums.

Long-term Workforce Planning and Strategies

All agencies are responsible for being good stewards of taxpayer funds. To that end, in M-17-22, “Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce,” the Office of Management and Budget (OMB) required agencies to create short and long term workforce plans to right-size their workforces in keeping with the agency’s current mission. The agency plans were used to develop long-term workforce strategies, including the staffing levels proposed in the 2019 Budget.

Agencies will continue to examine their workforces to determine what jobs they need to accomplish their mission, taking into account the impact of technological investments that automate transactional processes, artificial intelligence that can streamline the byzantine compliance and regulatory processes, online and telephone chat-bots to improve customer service, and other such tools that may reduce agency personnel needs. Currently, many professionals are performing tasks that the private sector dispatches via technology tools such as “bots” and artificial intelligence. A Deloitte study used BLS data to show that Federal agencies spend millions of hours performing tasks like documenting and recording paperwork, evaluating information to determine compliance, monitoring resources, and responding to routine questions. The study estimated that VA spent more than 150 million hours on documenting and recording information. It found that Department of Homeland Security (DHS) could save 800,000 hours annually by increasing automation of compliance with standards.

Agencies for too long have devoted too many positions to low-value work. Several agencies are already using shared-service models for mission-support positions, which can also reduce their need for full-time employees. Fewer staff positions may also be needed due to changes in Federal procurement, real estate utilization and administrative processes.

Due to the initial hiring freeze and subsequent efforts, non-security agencies (i.e. USDA, DOI, Treasury, Housing & Urban Development, and Environmental Protection Agency) conducted substantial decreases to the size of their workforce. The 2019 Budget details further proposed reductions in specific agencies. Estimated employment levels for 2019 are higher than the 2017 actual FTE levels and an increase from the 2018 estimates, all of which are slightly less than 2.1 million civilian employees. The Federal workforce increased only modestly in 2017, from 2,057,300 to 2,062,100. From 2018 to 2019, increases occur in 7 of the 24 Chief Financial Officers Act

agencies, primarily in security-related agencies (DOD, VA, and particularly DHS), as well as Commerce as it prepares for the 2020 Census, which requires a large influx of short-term staff. Table 7-4 shows actual 2017 total Federal employment and estimated totals for 2018 and 2019, including the Uniformed Military, Postal Service, Judicial and Legislative branches.

Maximizing Employee Performance

One of the Administration’s first priorities was to address poor performers and conduct violators. In lifting the January 23, 2017 hiring freeze, the Administration chose to focus on improving the quality of the current workforce. OMB required all agencies to submit plans to address employee performance. The Administration recognizes that the vast majority of employees uphold their Oath of Office and work diligently. A percentage, however, are simply unable or unwilling to perform at acceptable levels. Their peers in the Federal workforce recognize this issue. Every year, the vast majority of Federal workers surveyed disagree with the statement that, “in my work, steps are taken to deal with a poor performer who cannot or will not improve.”

The requirements to successfully remove an employee for misconduct or poor performance are onerous (see Chart 7-6). Employees have a variety of avenues to appeal and challenge actions. Agencies may settle cases to avoid the expense of litigation, regardless of the strength and documentation of a manager’s case. Settling can avoid the prospect of an even more costly decision by an arbitrator unaccountable to taxpayers. Federal managers are reluctant to expend the energy necessary to go through the process of dismissing the worst performers and conduct violators. In some cases, the most immediate victims of employee misconduct are fellow employees, who may file claims themselves that they are being harassed, hazed, or threatened by their colleague.

Each year, fewer than one in 200 Federal employees is fired. In contrast, more than 99 percent of employees are rated as fully successful or higher in their evaluations. The failure of Federal performance management systems to adequately differentiate the performance of individuals extends up to the SES cadre, where the modal rating is “exceeds expectations,” and at many agencies it is “outstanding.” This sort of grade inflation does little to help managers reward high performers or otherwise make necessary distinctions to inform decisions concerning the workforce. This is yet another area where the Federal workforce could benefit from adopting some private sector norms.

The Federal workforce also contains untold numbers of selfless civil servants who perform their jobs in a manner that honors and uplifts their fellow citizens. They are part of the fabric that makes this Nation great. We need reforms that recognize and reward such individuals, and free them from unnecessary red tape so that they can more efficiently and effectively support the mission of Government.